

Resolution # 17-10
Mason County Interfund Loan
Policy and Procedures

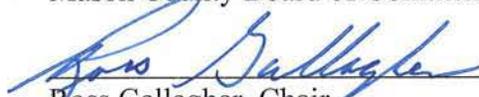
WHEREAS Mason County recognizes that it is fiscally responsible to define policy and procedures for the use and approval of Interfund Loans and,

WHEREAS the State Auditor's Office has set out guidelines within the Washington State Bars Manual and Mason County has a debt policy approving Interfund Loans as an acceptable option when meeting the minimum acceptable procedures for making and accounting for interfund loans,

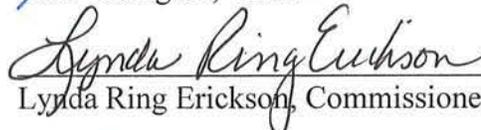
NOW THEREFORE, BE IT RESOLVED that the Board of County Commissioners upon recommendation of the Mason County Finance Committee hereby approve the Mason County Interfund Loan Policy and Procedures as set out in "Exhibit A".

Approved this 6th day of APRIL, 2010.

Mason County Board of Commissioners



Ross Gallagher, Chair

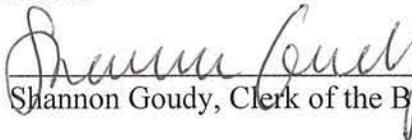


Lynda Ring Erickson, Commissioner



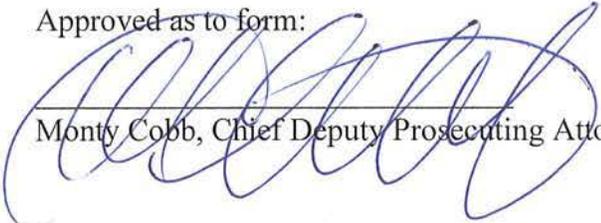
Tim Sheldon, Commissioner

Attest:



Shannon Goudy, Clerk of the Board

Approved as to form:



Monty Cobb, Chief Deputy Prosecuting Attorney

“Exhibit A”

**Mason County Interfund Loan
Policy and Procedures
February 2010**

Pursuant Volume 1, Part 3, Chapter 4, Page 1 of the Washington State Budget Accounting and Reporting System (BARS) and the Mason County Debt Policy the Mason County Finance Committee recommends the following as policy and procedures for approval of interfund loans.

The BARS Manual does not attempt to determine which moneys of a municipality may or may not be available for interfund lending, since the special character of some moneys involves commitments and restrictions which would require individual consideration. Generally however, is permissible to make interfund loans of those municipal moneys which are clearly inactive or in excess of anticipated cash needs throughout the duration of the loan and legally available for investment.

The appropriate elected official and/or department head in charge of such funds shall be consulted for determination of the availability of the funds for an interfund loan.

Pursuant to the adopted County Debt Policy all interfund loan resolutions and repayment schedules will be reviewed by the County Treasurer to ensure that the appropriate reimbursable language is included, the correct fund numbers are used, and to develop the appropriate debt repayment schedule.

The minimum acceptable procedures for making and accounting for interfund loans are as follows:

1. The legislative body of a municipality must, by ordinance or resolution, approve all interfund loans, indicating the lending fund, and provide in the authorization a planned schedule of repayment of the loan principal as well as setting a reasonable rate of interest (based on the external rate available to the municipality) to be paid to the lending fund.
2. Interest should be charged in all cases, unless:
 - a. The borrowing fund has no other source of revenue other than the lending fund; or
 - b. The borrowing fund is normally funded by the lending fund.
- 3.. The presumptive minimum interest rate acceptable will be the current Local Government Investment Pool (LGIP) or “State Pool” rate plus 2%, however the Board may set a different interest rate based on the specific circumstances and conditions pertaining to the loan. The Treasurer’s Office should be contacted to establish the current “State Pool” rate at the time the inter-fund loan is initiated. Other considerations for an acceptable interest rate that may apply must be submitted in writing and approved by the Mason County Finance Committee prior to initiation and approval of the Interfund Loan by the Board.

4. The borrowing fund must anticipate sufficient revenues to be in a position over the period of the loan to make the specified principal and interest payments as required in the authorizing ordinance or resolution.

5. The term of the loan may continue over a period of more than one year, but must be “temporary” in the sense that no permanent diversion of the lending fund results from the failure to repay by the borrowing fund. A loan that continues longer than three years will be scrutinized for a permanent diversion of moneys. (Note: these restrictions and limitations do not apply to those funds which are legally permitted to support one another through appropriations, transfers, advances, etc.)

6. Appropriate accounting records should be maintained by each department to reflect the balances of loans in every fund affected by such transactions and documentation provided in a timely manner to the Mason County Treasurer and Mason County Auditor’s Finance Department to facilitate auditing and annual reporting requirements.