



Agency Policies and Procedures

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## General Fund Loans

### Policy Objectives:

Agency policies and procedures for the proper and consistent processing of general fund loans, which are designed to assist in:

- Determining the need for a general fund loan,
- Obtaining approval from the commissioner of the Department of Finance (DOF),
- Initiating the actual loan repayment,
- Assuring timely repayment, and
- Assure consistent accounting treatment of general fund loans, including the acquisition and repayment.

### Background Information:

A general fund loan may be issued, in some situations, to alleviate temporary cash flow problems.

### Authority:

- **Minnesota Statute**  
[M.S. § 16A.126 Revolving Fund Billing](https://www.revisor.leg.state.mn.us/statutes/?id=16A.126) – This statute specifies when a general fund loan may be incurred, and when repayments are to be made. (<https://www.revisor.leg.state.mn.us/statutes/?id=16A.126>)

### Business Risks:

- Noncompliance with this policy may lead to the improper handling of general fund loans.
- A loan may not be repaid on a timely basis.
- A loan may be issued without a proper determination of the necessity.
- A loan may not be properly recorded as a liability.

### Policies and Procedures:

1. Determining the necessity – A financial need must be apparent which can not be relieved using proprietary funds, due to the lack of available liquid resources.
2. Obtaining approval from the commissioner of DOF – The division director from the division requesting the general fund loan, in conjunction with the division accountant, will draft a memo to the commissioner of DOF, from the commissioner of Admin. The following people will be copied:
  - Assistant commissioner
  - Division director
  - Financial Management and Reporting Division accountant
  - Financial management director
  - Executive budget officer (EBO)

The memo will include:

- A. Amount of request,
- B. Explanation of need,
- C. Repayment schedule,
- D. Payment amount,
- E. Repayment timeline, and
- F. Cash flow analysis.

This memo will be forwarded to the financial management director to obtain his/her initials.

The memo will then be forwarded to the commissioner of Admin for his/her initials, and finally to the commissioner of DOF for approval.

3. Initiating the loan repayment – After the loan has been approved, and the funds have been transferred to an Admin account, form FI-00521, *Anticipated Transfer of Appropriation* will be completed and entered into MAPS. This transaction will have the agency in need of the general fund loan listed as the “From appropriation”, and the general fund as the “To appropriation”.
4. Assuring timely repayment – The repayment intentions are included in the contents of the memo that is written to the Commissioner of Finance requesting the general fund loan. *M.S. §16A.126* states that the repayment schedule may extend over the useful life of the equipment purchased with the general fund loan, however, if equipment is not purchased, repayment may not exceed 5 years. Form FI-00522, *Transfer of Appropriation* will be completed listing the borrowing division as the “From appropriation”, and the general fund as the “To appropriation”. This document will then be entered into MAPS.
5. Assure consistent accounting treatment of general fund loans, including acquisition and repayment - When the general fund loan is acquired, the transaction should be accounted for as a liability for the fund that requested the loan.

**Forms:**

DOF Forms:

FI-00521, [\*Anticipated Transfer of Appropriation \(AT\)\*](#)

FI-00522, [\*Transfer of Appropriation \(TA\)\*](#)