



County Technical Assistance Service

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Inter-Fund Capital Outlay Note

Dear Reader:

The following document was created from the CTAS electronic library known as e-Li. This online library is maintained daily by CTAS staff and seeks to represent the most current information regarding issues relative to Tennessee county government.

We hope this information will be useful to you; reference to it will assist you with many of the questions that will arise in your tenure with county government. However, the *Tennessee Code Annotated* and other relevant laws or regulations should always be consulted before any action is taken based upon the contents of this document.

Please feel free to contact us if you have questions or comments regarding this information or any other e-Li material.

Sincerely,

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Inter-Fund Capital Outlay Note

Reference Number: CTAS-1784

When the decision has been made to issue capital outlay notes, the county should further consider whether an inter-fund loan would be in the county's best financial interest. An inter-fund loan is where one accounting fund, such as the General Fund, loans (via capital outlay note) monies for a project. The General Fund is repaid the money via the Debt Service Fund, or the operating fund that purchased the capital asset. The inter-fund loan is often used to save the county money by absorbing all debt issuance cost, and potentially saving the difference in the investment rate of return on the county money versus the interest rate charged to borrow the funds. The internal funding also can be the County Trustee purchasing the note as an investment. Special accounting treatments must be considered to book the indebtedness.

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