CHESTER PUBLIC UTILITY DISTRICT
INTERFUND LOAN POLICY # 3045

3045. 1 Purpose.

This policy documents requirements and responsibilities to be followed regarding interfund borrowing between funds of the Chester Public Utility District.

3045. 2 Scope.

Local governments will often loan resources from one fund to another fund that is experiencing a temporary cash shortage. Under generally accepted accounting principles (GAAP), funds that account for reserved or dedicated monies may make temporary loans to other funds. This policy addresses the approval, terms and accounting requirements for interfund loans.

3045.3 Definition.

Interfund loans are amounts provided between funds with a requirement for repayment. Interfund loans will be reported according to GAAP, as interfund receivables in lender funds and interfund payables in borrower funds. If repayment is not made within same fiscal year, it shall be considered a default. No future loans will be allowed for that department until the loan is repaid.

3045.4 Policy.

A. Interfund Loans—Types:

1. Internal loans that are necessary part of normal business operations.

a. To maintain cash flow and provide working capital in anticipation of revenue, the General Fund may require cash advances from other funds during the course of a fiscal year. Other funds eligible to make cash advances include: _____ _____.

b. Cash advances to provide working capital to the General Fund or other funds must be approved by the Board of Directors. Such approval must be in writing, and should specify maximum allowable amounts.

2. Internal loans that provide for advance spending for a capital project prior to securing project financing. Such loans must be approved by the District Board.

B. Interfund Loans—Terms:

1. Repayment of an interfund loan shall be within the same fiscal year. Exceptions to this rule require approval by the District Board.

2. Interest will be paid by the borrowing fund to the lending fund, during the time the loan is outstanding, at a minimum rate of 2% for interfund loans that are not repaid within 30 days.

3. Upon receipt of the anticipated revenue, the borrowing fund shall repay the lending fund within 30 calendar days.

4. Interfund loans shall not hinder the accomplishment of any function or project for which the lending fund was established.