

RESOLUTION NO. 1655**A RESOLUTION APPROVING AND ADOPTING AN INTER-FUND LOAN POLICY FOR THE CITY OF CARTHAGE.**

WHEREAS, periodically some of the City's separate Funds have occasional needs for borrowing and other City Funds have cash available to lend; and

WHEREAS, funds may be needed for a fund that is experiencing a temporary cash shortage, grants (often called "reimbursement-type" grants) which require grant expenditures be made before the grantor supplies corresponding cash, for advance spending for a capital project or expenditure, or for other designated Council purposes; and

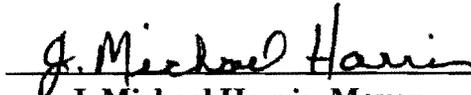
WHEREAS, an Inter-fund Loan Policy has been developed, reviewed and recommended for approval by the Council by the Budget Ways & Means Committee that establishes the procedures and terms regarding the use of Inter-fund loans; and

WHEREAS, there is a possibility of several instances in the near term where this policy would benefit the City;

NOW, THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF CARTHAGE, JASPER COUNTY, MISSOURI, THE MAYOR CONCURRING HEREIN, AS FOLLOWS:

That the Council of the City of Carthage has reviewed the attached Inter-fund Loan Policy and does hereby approve said policy.

PASSED AND APPROVED THIS 14th DAY OF February, 2012.



J. Michael Harris, Mayor

ATTEST:


Lynn Campbell, City Clerk

Sponsored by: Budget Ways & Means Committee

City of Carthage
Inter-fund Loan Policy

Purpose:

This policy documents requirements and responsibilities to be followed regarding inter-fund borrowing between funds of the City of Carthage, Missouri.

Scope:

Often local governments will loan resources from one fund to another fund that is experiencing a temporary cash shortage or the cash flow in a particular fund will not support a determined level of expenditures anticipated to meet cash flow needs.

Definition:

Inter-fund loans are amounts provided between funds with a requirement for repayment. Inter-fund loans will be reported as inter-fund receivables in lender funds and inter-fund's payables in borrower funds.

Policy:

Except where prohibited by law and only when authorized by the City Council by Resolution, funds with accumulated balances which may be classified as Assigned, or Unassigned, may make loans to other funds pursuant to schedules developed by staff and approved by the City Council. This policy addresses the approval, terms and accounting requirements for such inter-fund loans.

It is the policy of the Carthage City Council that inter-fund loans between various funds of the City, may be used to alleviate a temporary cash deficiency, fund capital acquisitions, capital improvements or reimburse grant projects. The loan shall be accounted for as a temporary borrowing between funds or accounts and shall not be available for appropriation or be considered revenue to the borrowing fund or account. Amounts loaned shall be repaid within a scheduled time period. Such loans shall not be used to balance the budget of the borrowing fund nor shall they deter any function or project for which the Loaning Fund was established.

A. Inter-fund loans-Types:

1. To maintain cash flow.
2. Provide working capital in anticipation of future tax receipts or other revenue streams. A fund may require cash advances from another fund during the course of a fiscal year. Cash advances shall be treated as loans. Interest shall be paid on these loans at a rate determined by a

formal schedule. Cash advances to provide working capital to the General Fund or other funds must be approved by the City Council.

3. Some grants (often called "reimbursement-type" grants) require that grant expenditures be made before the grantor supplies the corresponding cash. If the grantor is not the Federal government, cash must be made available to finance the grant on the "front-end." To accomplish this "front-end financing," agencies may request the approval of a short-term inter-fund loan from an appropriate fund to be repaid when the grant reimbursements are received.

B. Inter-fund Loans-Terms:

1. Repayment of each inter-fund loan shall be pursuant to a formal debt repayment schedule and shall be expected not to exceed five-years.

2. When required by the lending fund's restrictions or regulations, interest will be paid by the borrowing fund to the lending fund, during the time the loan is outstanding, at an appropriate interest rate. Interest rates shall be expected to approximate the rate at which the City can earn income from short-term investments at the time when the loan is originated. Interest rates may be reset each year (in March; effective July 1) for loan repayment schedules exceeding two years.

3. The City Council must adopt a resolution before any inter-fund loan transaction takes place. The resolution shall contain the exact amount of the loan, the funds involved, the purpose of the loan, the specific source of funds for repayment, the schedule for repayment and the interest rate involved.

4. Upon receipt of the anticipated revenue, the borrowing fund shall repay the lending fund within the allotted repayment schedule.

5. Inter-fund loans shall not hinder the accomplishment of any function or project for which the lending fund was established.