


OREGON ACCOUNTING MANUAL

 <p style="font-size: 1.2em; font-weight: bold;">STATEWIDE POLICY</p>	<p>NUMBER</p> <p>15.45.10</p>	<p>SUPERSEDES</p> <p>15.45.10 dated 03/01/2013</p>
	<p>EFFECTIVE DATE</p> <p>MM/DD/YYYY</p>	<p>PAGE NUMBER</p> <p>Pages 1 of 8</p>
<p>Division Chief Financial Office</p>	<p>REFERENCE/AUTHORITY</p> <p>ORS 293.590 GASB Statement No. 14 GASB Statement No. 33 GASB Statement No. 34 GASB Statement No. 38</p>	
<p>Policy Owner Statewide Accounting and Reporting Services</p>		
<p>SUBJECT Accounting and Financial Reporting- Interfund and Interagency Transactions: Interfund Services, Reimbursements and Transfers</p>	<p>APPROVED SIGNATURE</p> <p><i>George Naughton, Chief Financial Officer</i> <i>Signature on file</i></p>	

PURPOSE

This policy provides guidance on accounting and financial reporting for the following types of interfund or interagency transactions:

- Exchange or exchange-like transactions between funds/agencies involving payment for goods or services
- Reimbursement transactions between funds/agencies
- Transfers between funds/agencies

APPLICABILITY

This policy applies to all state agencies included in the state’s annual financial statements, except for those agencies specifically exempted by [OAM 01.05.00](#).

FORMS/EXHIBITS/INSTRUCTIONS

None.

DEFINITIONS

The following definitions apply to this policy.

- (a) **Interfund transactions** occur between funds within an agency, while **interagency transactions** occur between two different agencies. Not all interfund and interagency transactions constitute transfers.
- (b) Generally accepted accounting principles (GAAP) refer to sales and purchases of goods and services between funds for a price approximating their external exchange value as **interfund services provided and used**. Interfund services provided and used are further classified as **reciprocal interfund activity**, the internal counterpart to exchange and exchange-like

transactions. This activity may occur between funds within an agency or between two different agencies.

- (c) **Reimbursements** are those transactions that constitute repayments to a fund for expenditures or expenses initially made from it that should be charged to a different fund. Reimbursements are internal accounting adjustments used to reallocate expenditures/expenses. Consequently, they are not displayed on the financial statements. Reimbursements are classified as **nonreciprocal interfund activity**, the internal counterpart to nonexchange transactions. Reimbursements may also occur between funds within an agency or between two different agencies.

Click here for other [definitions](#).

EXCLUSIONS AND SPECIAL SITUATIONS

None.

POLICY:

- 101. Agency management is responsible for ensuring that the agency's accounting and reporting for **interfund** and **interagency transactions** is appropriate.
- 102. All **interfund** and **interagency transactions** except loans, **interfund services provided/used**, and **reimbursements** are accounted for as transfers. Transfers should be classified separately from revenues and expenditures or expenses on the basic financial statements.
- 103. From a statewide perspective, all **interagency transactions** are equivalent to **interfund transactions** and should be treated that way for statewide financial reporting purposes in the Comprehensive Annual Financial Report. The financial statements for a given agency, however, should report these transactions as **interagency transactions**.

PROCEDURES:

Interfund Services Provided and Used

- 104. **Interfund services provided and used** are those transactions involving the sales of goods or services between funds that would be treated as revenues, expenditures, or expenses if they involved organizations that were external to the state. For example, *internal service fund* billings (e.g. DAS Central Services Fund) to agencies should be accounted for as revenues, expenditures, or expenses in the funds involved.

Example – Interfund services provided and used (between funds within an agency):

Assume that an *internal service fund* provided a *special revenue fund* with printing services. The *internal service fund* bills the *special revenue fund* for \$1,000.

Step 1: Establish an accounts receivable in the *internal service fund*:

TC 103 in internal service fund

DR 0501 Accounts Receivable – Other Billed	1,000	
CR 3101 Revenue Control – Accrued (0407 Other Chgs for Svcs)		1,000

Step 2: Process a balanced transaction in the *special revenue fund* to pay for the service:

TC 730 (special revenue fund side of transaction)

DR 3500 Exp Control – Cash (4252 Publicity & Publications)	1,000	
CR 0070 Cash on Deposit with Treasurer		1,000

TC 731 (internal service fund side of transaction)

DR 0070 Cash on Deposit with Treasurer	1,000	
CR 3100 Revenue Control – Cash (0407 Other Chgs for Svcs)		1,000
DR 3101 Revenue Control – Accrued (0407 Other Chgs for Svcs)	1,000	
CR 0501 Accounts Receivable – Other Billed		1,000

105. The revenue and expenditure accounts indicate the reciprocal activity relationship. TC 722 and TC 723 are used if the fund providing the service is in a different agency and that agency does not establish or provide an accounts receivable number to liquidate. TC 730 and TC 731 are used if the fund providing the service is in a different agency and that agency establishes an accounts receivable and provides this information to the sending agency for liquidation of the accounts receivable. Any appropriate revenue account or services/supplies expenditure account may be used to record these types of transactions.

Reimbursement Transactions

106. GAAP define interfund **reimbursements** as “repayments from the funds responsible for particular expenditures or expenses to funds that initially paid for them.” Interfund reimbursements are treated as an adjustment to expenses or expenditures; that is, an increase in expenditures or expenses in the reimbursing fund and a corresponding decrease in expenditures or expenses in the reimbursed fund. For example, an expenditure properly chargeable to a *special revenue fund* was initially paid by the *General Fund*, which is subsequently reimbursed. This transaction is recorded as an expenditure in the *special revenue fund* (reimbursing fund) and as a reduction of the expenditure in *General Fund* (the fund that is reimbursed). Allocation of overhead should be treated as a reimbursement rather than as **interfund services provided and used**.

Example – Reimbursement between funds within an agency:

The General Fund has paid the entire \$5,000 Attorney General (AG) invoice for the agency and the expenditure was recorded in the *General Fund*. Legal fees of \$1,000 were properly attributable to the *special revenue fund* and should have been recorded in that fund.

To move expenditures and cash between two funds within the agency:

TC 416 in General Fund (where the expenditure was originally paid)

DR 0070 Cash on Deposit with Treasurer	1,000	
CR 3500 Expenditure Control – Cash (4550 AG legal fees)		1,000

TC 415 in special revenue fund (where the expenditure is budgeted)

DR 3500 Expenditure Control – Cash (4550 AG legal fees)	1,000	
CR 0070 Cash on Deposit with Treasurer		1,000

The net effect of these transactions is that the *General Fund* will show expenditures for legal fees of \$4,000 and the *special revenue fund* will have legal fee expenditures of \$1,000. TC 416 must be processed with TC 415 as a balanced transaction.

Example – Reimbursement between agencies using a balanced transfer:

TC 740 (expenditure recorded by reimbursing agency)

DR 3500 Expenditure Control – Cash	1,000	
CR 0070 Cash on Deposit with Treasurer		1,000

TC 741 (reduction of expense recorded by agency receiving reimbursement)

DR 0070 Cash on Deposit with Treasurer	1,000	
CR 3500 Expenditure Control – Cash		1,000

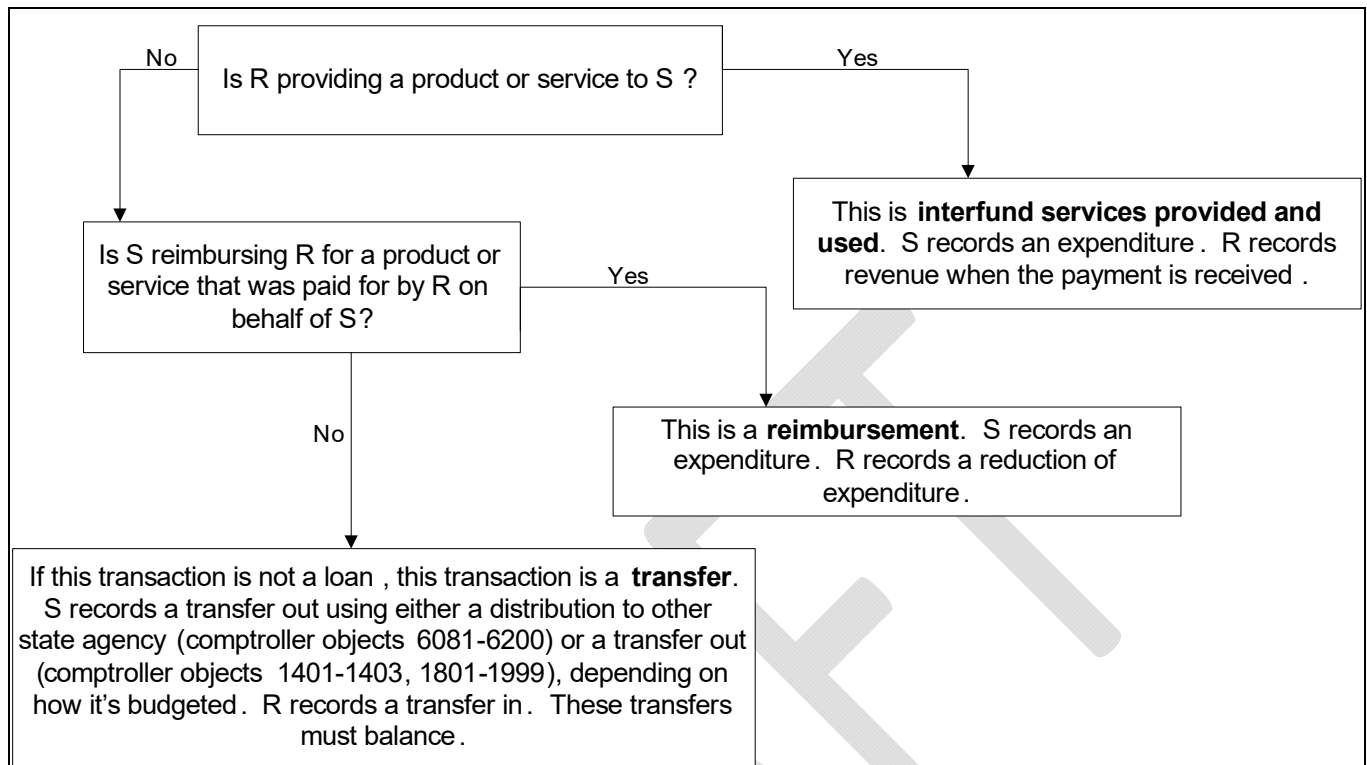
Transfers

- 107. All **interfund or interagency transactions** except loans, **interfund services provided and used**, and **reimbursements** are transfers. **Nonreciprocal interfund activity** (analogous to nonexchange transactions) includes transfers as well as reimbursements (refer to paragraph 105).
- 108. Transfers must not be used to record transactions where there is an exchange of goods or services between state agencies (or funds) or between state agencies and entities outside the government.
- 109. Transfers are reported in the "Other Financing Sources (Uses)" section in the *governmental fund* Statement of Revenues, Expenditures, and Changes in Fund Balance and after the "Nonoperating Revenues (Expenses)" section in the *proprietary fund* Statement of Revenues, Expenses, and Changes in Fund Net Assets. For government-wide reporting, transfers within each activity are eliminated and only amounts between governmental and business-type activities are presented.
- 110. For transfers between funds within an agency, the amounts in the two comptroller object accounts below must balance within an agency and within a fiscal year:
 - 1301 Transfer In From Other Fund
 - 1401 Transfer Out to Other Fund
- 111. For transfers of indirect cost moneys from a federal fund to some other fund within an agency, the two comptroller object accounts below must balance within an agency and within a fiscal year:
 - 1356 Transfer In From Indirect Cost Center
 - 1456 Transfer Out to Indirect Cost Center
- 112. For transfers from a general fund (appropriation) to another fund type within an agency, the two comptroller object accounts below must balance within an agency and within a fiscal year:
 - 1303 Transfer In From General Fund
 - 6200 Intra-agency General Fund/Other Fund Transfer

113. For transfers between agencies, the transfer in is recorded as a credit to a comptroller object that corresponds to GAAP source object 1400, Transfers from Other Funds (for governmental funds) or 1475, Transfers from Other Funds (for proprietary funds) in the D08 profile. The selected comptroller object must correspond to the applicable agency, based on the title of the comptroller object.
114. For transfers between agencies, the transfer out is recorded as a transfer out or as a special payment expenditure, depending on how it is budgeted. A transfer out is recorded as a debit to a comptroller object that corresponds to GAAP source object 1450, Transfers to Other Funds (for governmental funds) or 1476, Transfers to Other Funds (for proprietary funds) in the D08 profile.
115. A special payment expenditure is recorded as a debit to a comptroller object that corresponds to GAAP source object 6200, Special Payments to State Agencies (for *governmental funds*) or 6250, Special Payments to State Agencies (for *proprietary funds*) in the D08 profile. Both GAAP source object 6200 and 6250 are reported as Transfers to Other Funds in the fund financial statements. The comptroller object selected for individual transactions must correspond to the applicable agency, based on the title of the comptroller object.
116. A transfer to a component unit from a state agency (not considered a transfer for financial reporting purposes) is recorded as a revenue transfer out with a debit to a comptroller object that corresponds to GAAP object 6380, Revenue Transfers Out, for *governmental funds* and 6385, Revenue Transfers Out, for *proprietary funds*. Discretely presented component units report a corresponding revenue. A distribution to a component unit (not considered a transfer for financial reporting purposes) is recorded as a debit to a comptroller object that corresponds to GAAP object 6125, Intergovernmental, for *governmental funds* and 6350, Special Payments, for *proprietary funds* in the D08 profile.
117. Transfers between agencies are recorded as balanced transactions to ensure transfers in agree to transfers out statewide within each fiscal year. The agency initiating the transaction has primary responsibility for coordinating with the other agency to ensure consistent reporting. Comptroller objects specific to each agency must be used.
118. If the receiving agency receives a transfer but does not believe the transaction should be recorded as a transfer, the receiving agency must contact the sending agency to discuss the situation. If an agreement cannot be reached between the agencies involved, the agencies should consult with the Chief Financial Office, Statewide Accounting and Reporting Services staff to determine the proper treatment of the transaction.
119. The following flowchart highlights the key questions agencies need to answer when analyzing **interfund and interagency transactions**.

S = Fund in agency sending moneys

R = Fund in agency receiving moneys



120. Because transfers between agencies represent cash transactions, the effective date of both sides of the transaction must always be equal to the current system date. Cash transactions between agencies must not be back-dated.
121. For transfers of capital assets from one fund or agency to another, refer to [OAM 15.60.10](#).
122. The responsibility for determining fiscal year end accrual amounts between funds or agencies is as follows:
- If an agency collects tax, license, or fee revenues that will be transferred to another agency, the collecting agency must determine the accrual amounts, the fiscal year, and the appropriation year, and advise the receiving agency.
 - For **interagency** grants and **reimbursable** contracts, the agency that receives the grant or provides the services must determine the unbilled amounts at June 30 and advise the grantor agency.
 - Transfer amounts are accrued using comptroller GL 0586, Due from Other Funds/Agencies, and comptroller GL 1532, Due to Other Funds/Agencies.
 - For **interagency transactions**, the eight-digit agency GL or G38 Code field must be completed by the initiating agency. The first three digits are the agency number of the other agency. The next four digits are the D23 fund of the other agency. The final digit is always zero.
 - Amounts receivable and payable between an agency and a discretely presented component unit must be reported separately and cannot be combined with accruals

between funds of the primary government for financial reporting purposes (e.g. Due to Component Unit).

Transfer Example Between Agencies

123. The Oregon Liquor Control Commission (OLCC) has the legal authorization to collect beer and wine taxes for subsequent transfer to the Department of Human Services (DHS) to fund the Substance Abuse Prevention and Treatment program (D23 fund 3608). OLCC (D23 fund 0005) receives \$10,000 that will be used to finance expenditures of DHS.

When the cash is received, OLCC uses TC 190 to record:

DR 0065 Unreconciled Deposit	10,000	
CR 3100 Revenue Control – Cash (0124 Alcoholic Bev Tax)		10,000

When the cash is transferred, OLCC's uses TC 720 to record:

DR 3550 Operating Transfers Out Control (1911 Trf Out to DHS)	10,000	
CR 0070 Cash on Deposit with Treasurer (G38 Code = 10036080)		10,000

When the cash is transferred, DHS uses TC 721 to record:

DR 0070 Cash on Deposit with Treasurer	10,000	
CR 3150 Operating Transfers In Control (1388 Trf In from OLCC) (G38 Code = 84500050)		10,000

124. The OLCC initiates the transfer transaction with DHS as the financial agency on TC 721. OLCC notifies DHS that OLCC is recording the transaction as a transfer. (Note: TC 720 and TC 721 must be processed as a balanced transaction.) After TC 190 is processed, TC 332 is generated when the deposit is reconciled with State Treasury.

125. OLCC records revenue when it receives the cash because that agency is authorized to collect taxes on wine and beer. Thereafter, transfer accounts are used to show the cash flow between agencies.

Disclosure Requirements – Transfers

126. The notes to the financial statements include summarized information about transfers. Amounts transferred to and from other funds are shown by individual major fund, nonmajor *governmental funds* in the aggregate, nonmajor *enterprise funds* in the aggregate, *internal service funds* in the aggregate, and *fiduciary fund* type. Use of the G38 Code by agencies for all applicable transactions facilitates disclosure at this level of detail. A general description of the principal purposes of **interfund transfers** is also included in the notes to the financial statements. The intended purpose and the amount of significant transfers that do not occur on a routine basis and/or are inconsistent with the activities of the fund making the transfer must also be disclosed.

Agent Relationships

127. In the case of an agency that collects fees on behalf of another agency as a service to the other agency, and the collecting agency is not legally authorized to assess the fee, a pass-through relationship exists. In other words, one agency is acting as an “agent” on behalf of the other agency. These transactions do not represent transfers between agencies.

128. When an agent relationship exists between agencies or between a state agency and an outside entity, the revenue must be recorded in the agency with the legal authority to levy the tax or assess the fee (not in the agency that collects the moneys). A D23 fund may be established to

account for the collection (pass-through) activity (refer to [OAM 05.20.00](#) for the appropriate D24 GAAP fund). Where an agent relationship exists, the agency collecting moneys on behalf of another agency records cash and a deposit liability when the money is received and reduces both cash and the deposit liability when the money is turned over to the agency legally authorized to levy the tax or assess the fee. The agency authorized to levy the tax or assess the fee records cash and revenue when the money is received from the agency acting as its agent, just as if the agency had collected the revenue itself.

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