

# OREGON ACCOUNTING MANUAL

<b>SUBJECT:</b> Accounting and Reporting	<b>Number:</b> 15.45.20
<b>DIVISION:</b> Chief Financial Office	<b>Effective date:</b> June 1, 2012
<b>Chapter:</b> Accounting and Financial Reporting	
<b>Part:</b> Interfund and Interagency Transactions	
<b>Section:</b> Advances Between Funds/Agencies	
<b>APPROVED:</b> George Naughton, Chief Financial Officer	Signature on file

**PURPOSE:** This policy provides guidance on accounting and financial reporting for advances between funds or agencies according to [generally accepted accounting principles \(GAAP\)](#), including applicable disclosure requirements.

**AUTHORITY:** **ORS 293.590**  
 NCGA Statement No. 1  
 GASB Statement No. 14  
 GASB Statement No. 34  
 GASB Statement No. 38  
 GASB Statement No. 54

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

**DEFINITION:** **Advances:** Long-term loans from one fund or agency to another fund or agency with a requirement for repayment.

**POLICY:**

101. Agency management must ensure the proper accounting and reporting of advances between funds within their own agency or between their agency and another agency.
102. From a statewide perspective, all interagency transactions are equivalent to interfund transactions and Statewide Accounting and Reporting Services (SARS) reports them as such for statewide financial reporting purposes in the [Comprehensive Annual Financial Report](#). Agencies, however, should report these transactions as interagency transactions in their own financial statements.
103. Report advances as interfund receivables in lender funds and interfund payables in borrower funds, regardless of fund type. Agencies that do not expect repayment of the advance to occur within a reasonable time must eliminate the remaining interfund balances and record the advance as a transfer from the fund that made the loan to the fund that received the loan.
104. Do not record transactions related to charges for goods and services between funds as advances. (See [interfund services provided and used](#) in [OAM 15.45.10](#).) Account for short-

term receivables and payables between funds or agencies as “due to” or “due from” other funds/agencies rather than as advances.

105. Advances to other funds/agencies must balance with offsetting advances from other funds/agencies accounts.

**PROCEDURES:**

106. Unlike the other long-term liabilities of **governmental funds** (which agencies generally record in the **government-wide reporting fund**), report advances within the governmental funds.
107. Use the Agency GL to cross-reference the agency and D23 fund of the *Advance to Other Fund/Agency* (GL account 0950) to the agency and D23 fund of the *Advance from Other Fund/Agency* (GL account 1800). The format of the Agency GL number is AAAFFFF0, where A equals the agency number and F equals the D23 fund number. The last digit is always a zero and is simply a placeholder.
108. Because advances are balance sheet only transactions, eliminate the revenues (loan repayments) and expenses (loans made) associated with advances for financial reporting purposes. The transaction codes used to record advances include GAAP offset accounts, which allow revenues and expenditures to be properly reported for budgetary purposes, but eliminate revenues and expenditures for financial reporting purposes.
109. The entries below illustrate how to set up an advance and record subsequent repayments. The sample transactions apply to all fund types.

Assume Agency 111 sends \$50,000 from D23 fund 4567 to Agency 222 as an advance. Agency 222 records the advance in D23 fund 6321.

**T-code 722:** Agency 111 records the cash advanced to Agency 222, using comptroller object 6870 – Loans to State Agencies.

DR 3500 Expenditure Control-Cash (C/O 6870)	\$50,000	
CR 0070 Cash on Deposit with Treasurer		\$50,000

**T-code 723:** Agency 222 records the cash received from Agency 111, using comptroller object 1600 – Loan Proceeds.

DR 0070 Cash on Deposit with Treasurer	\$50,000	
CR 3100 Revenue Control - Cash (C/O 1600)		\$50,000

**T-code 446:** Agency 111 records an asset for the loan to Agency 222, offsetting comptroller object 6870 – Loans to State Agencies.

DR 0950 Advances to Other Funds/Agencies	\$50,000	
CR 3600 GAAP Expenditure Offset (C/O 6870) (Agency GL 22263210)		\$50,000

**T-code 448:** Agency 222 records a liability for the loan from Agency 111, offsetting comptroller object 1600 – Loan Proceeds.

DR 3200 GAAP Revenue Offset (C/O 1600)	\$5,000	
CR 1800 Advances from Other Funds/Agencies (Agency GL 11145670)		\$5,000

Now, assume that Agency 222 makes its first repayment of \$5,500 of principal and interest.

**T-code 722:** To record the cash sent by Agency 222 to Agency 111, using comptroller objects 7200 – Principal-Loans and 7400 – Interest-Loans.

DR 3500 Expenditure Control-Cash (C/O 7200 Principal)	\$5,000	
DR 3500 Expenditure Control-Cash (C/O 7400 Interest)	\$ 500	
CR 0070 Cash on Deposit with Treasurer		\$5,500

**T-code 723:** To record the cash received by Agency 111, using comptroller objects 1104 – Other Loan Repayments and 0800 – Interest on Investments

DR 0070 Cash on Deposit with Treasurer	\$5,500	
CR 3100 Revenue Control - Cash (C/O 1104 Repayments)		\$5,000
CR 3100 Revenue Control - Cash (C/O 0800 Interest)		\$ 500

**T-code 447:** Agency 111 reduces the asset balance for the principal received, offsetting comptroller object 1104 – Other Loan Repayments.

DR 3200 GAAP Revenue Offset (C/O 1104)	\$5,000	
CR 0950 Advances to Other Funds/Agencies (Agency GL 22263210)		\$5,000

**T-code 449:** Agency 222 reduces its liability for the principal repaid, offsetting comptroller object 7200 – Principal-Loans.

DR 1800 Advances from Other Funds/Agencies	\$5,000	
CR 3600 GAAP Expenditure Offset (C/O 7200) (Agency GL 11145670)		\$5,000

### Advance to Other Fund Recorded in the General Fund

110. In the GAAP General Fund only (GAAP Fund 0001), a nonspendable fund balance applies in certain circumstances. If the loan repayments are not restricted, committed, or assigned to a specific purpose, classify the fund balance related to the *Advance to Other Fund/Agencies* (GL account 0950) as nonspendable.
111. Assume Agency 111 sent the \$50,000 advance from D23 fund 8001, a fund within GAAP Fund 0001, to D23 fund 6321 in Agency 222. Assume further that the loan repayments received by Agency 111 are not restricted, committed, or assigned to a specific purpose. Rather than using T-code 446 to record the asset, Agency 111 uses T-code 486.

**T-Code 486:** Agency 111 records the advance to Agency 222 and the related nonspendable fund balance, using comptroller object 6870 – Loans to State Agencies.

DR 0950 Advances to Other Funds/Agencies	\$50,000	
DR 3075 Change in Reserves	\$50,000	
CR 3035 Nonspend Fund Bal - Adv to Other Funds/Agencies		\$50,000
CR 3600 GAAP Expenditure Offset (C/O 6870) (Agency GL 22263210)		\$50,000

When Agency 111 receives repayments, it uses T-code 472 (rather than T-code 447) to reduce the advance to Agency 222 and the related nonspendable fund balance.

**T-code 472:** Agency 111 reduces the asset balance for the principal received, offsetting comptroller object 1104 – Other Loan Repayments.

DR 3035 Nonspend Fund Bal - Adv to Oth Funds/Agencies	\$5,000	
DR 3200 GAAP Revenue Offset (C/O1104)	\$5,000	
CR 0950 Advances to Other Funds/Agencies		\$5,000
CR 3075 Change in Reserves (Agency GL 22263210)		\$5,000

Agency 222 uses Agency GL 11180010 for its side of the transactions.

### Fiscal Year-End

- 112. At fiscal year end, agencies accrue any interest owed at June 30. The lending agency accrues interest revenue and establishes a receivable and the borrowing agency accrues interest expense or expenditure and establishes a payable.
- 113. For advances between agencies, both agencies must verify that the recorded loan balances agree at year-end and accrue the same amount of interest receivable and payable.

### Financial Reporting

- 114. Advances within governmental funds and within business-type activities are eliminated at the government-wide reporting level, leaving only the residual balances due between governmental and business-type activities.
- 115. Advances to/from fiduciary funds are reported as receivables from or payables to external parties in the government-wide statement of net assets.
- 116. The governmental and proprietary funds balance sheets, as well as the government-wide statement of net assets, distinguish interfund balances related to discretely presented component units as advances to/from component units.
- 117. Operating statements prepared on the budgetary basis reflect all loan revenue and loan expenditure activity. However, operating statements prepared on the GAAP basis reflect only interest income and interest expense because GAAP offsets eliminate the effects of loan activity in the operating statements.

## **Disclosure Requirements**

118. Notes to the financial statements disclose advances due to/from other funds 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 types. Agencies use the Agency GL field for all applicable transactions to facilitate disclosure at this level of detail.
119. The notes to the financial statements also include a description of the purpose for interfund advances, as well any advances that agencies do not expect to repay within one year from the date of the financial statements.