

Interfund and Intrafund Training



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Agenda

- Introduction
- Importance of Interfund/Intrafund accounts
- Interfund/Intrafund Classifications & Definitions
- Financial Presentation of Interfund Transfers
- Departmental Scenarios
- Quick Reference Guides/Lookups
- Open Discussion



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Objective

- ✓ You will understand different classifications of Interfund Transactions
- ✓ You will know the proper usage of interfund activities from different departmental scenarios
- ✓ You will have an understanding of different Interfund accounts
- ✓ You will know how the Interfund transactions get reported in the County's

Financial Statements



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Importance of Interfund/Intrafund Accounts



In Fiscal Year 2004, ACO staff spent enormous amount of time evaluating more than 8,000 transactions which caused an out of balance over \$86 million in the County's Financial Statements.

In Fiscal Year 2008, our records show that out of 17,000 journal lines that were processed, we had only 500 lines that needed correction.



Interfund Classifications and Definitions

Classifications

Generally accepted accounting principles (GAAP) established two broad classes for Interfund activity.

- 1) **Reciprocal Interfund**
- 2) **Nonreciprocal Interfund**



Reciprocal Interfund Classifications & Definitions

- **Interfund Loans** – Loans between funds are properly reported as **increases** and **decreases** in **assets** and **liabilities** with no effect on activities in fund financial statements.
 - The **lender fund** replaces Cash with Advance To Other Funds while the **borrower fund** reports an increase in Cash and Advance From Other Funds.



Reciprocal Interfund Classifications & Definitions

It is common for governments to make Interfund “loans” with little or no expectation of repayment. GAAP specifically require that any portion of an interfund “loan” that is not expected to be repaid “within a reasonable time” be reclassified as a transfer.



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Reciprocal Interfund Classifications & Definitions

▪ **Interfund Services Provided and Used**

It is common for a fund to provide services to one or more other funds, which then are charged for services received.

➤ Sometimes the amount charged is equal to the value of the services received. In other cases, the amount charged does not quite equal the value of the services received.



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Reciprocal Interfund Accounting

➤ **Interfund accounts are used when the *Service Provider* and the *Service Receiver* are both a Governmental Fund Type but are in different funds.**



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Reciprocal Interfund Accounting

To reimburse the *Service Provider* for the goods or services it has provided:

- The *Service Provider* records an increase (credit) to an Interfund revenue account and an increase (debit) to cash.



Reciprocal Interfund Accounting

- The *Service Receiver* records an increase (debit) in Interfund expenditure account and a decrease (credit) to cash.
- The Interfund revenue must Equal the Interfund expenditure.



Reciprocal Intrafund Accounting

- **Intrafund** – When Services received and provided are within the **same fund** but **different department IDs**, they are called Intrafund.
- **Note:** The funds must be **governmental fund type**.



Reciprocal Interfund/Intrafund Accounting

- To record an Intrafund transaction:
 - The *Service Provider* records a decrease (credit) in an Intrafund account (Appropriation-7, expenditure accounts 571000 - 575400).
 - The *Service Receiver* records an increase (debit) in the appropriate expenditure account.



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Nonreciprocal Interfund Classifications & Definition

Nonreciprocal Interfund

- *Interfund Transfer* – GAAP define Interfund transfers as “flow of assets” (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment.
- The *Contributing Fund* records an increase (debit) to **Transfers Out** (Appropriation 5, expenditure accounts 551000-551200) and a decrease (credit) to cash.



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Nonreciprocal Interfund Classifications & Definition

- The *Receiving Fund* records an increase (credit) in **Transfers In** (accounts 790500 or 790600) and an increase (debit) to cash.



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Nonreciprocal Interfund Classifications & Definition

- *Interfund Reimbursements* – are treated as an adjustment to expenses or expenditures.
- An increase (debit) in expenditures in the *Reimbursing Fund* and a corresponding decrease (credit) in expenditures in the *Reimbursement Fund*.



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Financial Presentation of Interfund Transfers

- Inflows of current financial resources from other funds are to be distinguished from a government’s regular revenues.
- Interfund transfers received from other funds are reported as Transfers In under Other Financing Sources rather than revenue, and interfund transfer sent to other funds are recorded as Transfers Out under Other Financing Uses.



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Departmental Scenario Exercises

- Determine if there is anything wrong with the JE
 - Identify the incorrect line
 - Offer a solution
- See Flow Chart Illustration 2.0



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Departmental Scenarios

Scenario #1 – TLMA fund **20000-31305** rendered road services (Rider St. project # B4 0493) for EDA fund **21350-19002**. **Entries recorded:**

	<u>Debit</u>	<u>Credit</u>
20000-31305-101100 Cash	\$100,000	
20000-31305-778010 Interfund-Rev		\$100,000
21350-19002-536800 Interfund-Exp	\$100,000	
21350-19002-101100 Cash		\$100,00

Is this JE correct?



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Departmental Scenarios

Answer: Yes

The interfund transactions are between two Special Revenue Funds.

Interfund Revenue = Interfund Expenditure



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Departmental Scenarios

Scenario # 2 – Legal services rendered by the County Counsel fund **10000-15001** to Western Riverside Regional Conservation fund **51630 – 935200**.




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Departmental Scenarios

Scenario # 2
Entries recorded:

	<u>Debit</u>	<u>Credit</u>
10000-15001-101100 Cash	\$5,000	
10000-15001-778160 Interfund-Rev		\$5,000
51630-935200-524700 Prof. Svcs.	\$5,000	
51630-935200-101100 Cash		\$5,000

Is this JE correct?


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Departmental Scenarios

Answer: No

The interfund transactions are between the General Fund and a Fiduciary Fund.

Regular Revenue and Expenditure accounts are to be used for this entry.


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Departmental Scenarios

Scenario # 3 – Legal services were rendered by County Counsel fund 10000-15001 to Planning department fund 10000-31201.

Entries recorded:

	<u>Debit</u>	<u>Credit</u>
10000-15001-101100 Cash	\$15,000	
10000-15001-778160 Interfund Rev.		\$15,000
10000-31201-525020 Legal Svcs.	\$15,000	
10000-31201-101100 Cash		\$15,000

Is this JE correct?


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Departmental Scenarios

Answer: No

The transactions are within same fund numbers.

County Counsel should have recorded a decrease (Credit) in appropriation 7 (accounts 571000-575400) instead of Interfund revenue account 778160.



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Departmental Scenarios

Scenario # 4 – Recording services rendered by Clerk Recorder fund **10000-12002** for EDA fund **32700-934001**. **Entries recorded:**

	<u>Debit</u>	<u>Credit</u>
10000-12002-101100 Cash	\$1,500	
10000-12002-778200 Interfund Rev		\$1,500
32700-934001-535220 Taxes/Assessment	\$1,500	
32700-934001-101100 Cash		\$1,500

Is this entry Correct?



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Departmental Scenarios

Answer: No

The transactions are between a capital project fund and the General fund.

Fund 32700 should have recorded an Interfund expenditure instead of regular account 535220-Taxes/Assessment.



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Departmental Scenarios

Scenario # 5 – Information Technology fund **45500-74001** bills for system support services they provided ACO fund **10000-13001**. The entries should be recorded as:

- Interfund accounts**
- OR**
- Regular accounts**



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Departmental Scenarios

Answer: Regular accounts



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Departmental Scenarios

Scenario # 6 – ACO records Realignment County Match **From** fund **10000-11014**, **To** Health fund **10000-42001**. **Entries recorded:**

	<u>Debit</u>	<u>Credit</u>
10000-11014-551200 Ops Out	\$150,000	
10000-11014-101100 Cash		\$150,000

10000-41002-101100 Cash	\$150,000	
10000-41002-573100 Intra-Realign.		\$150,000

Is this JE correct?



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Departmental Scenarios

Answer: No

- Fund **10000-11014** should have recorded to a regular expenditure account instead of account **551200- Ops Out**.



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Departmental Scenarios

Scenario #7 – BOS directs E/O to contribute \$60,151 from Third District Public Facilities Developer Agreement fund **30558-110350** to Riverside Waste Mgmt. fund **40200-45001**. **Entries recorded:**

	<u>Debit</u>	<u>Credit</u>
30558-11035-536780 Interfund Exp.	\$60,151	
30558-11035-101100 Cash		\$60,151
40200-45001-101100 Cash	\$60,151	
40200-45001-781540 Contribution From		\$60,151

Is this JE Correct?



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Departmental Scenarios

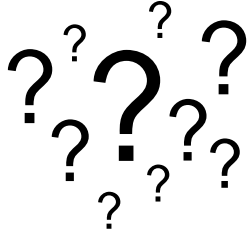
Answer: No

- Fund 30558-11035 should have used “Contribution To Other Funds” account instead of Interfund expenditure account 536780.



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Questions



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The End



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