



Statewide Accounting Policy & Procedure

Accounting Manual Reference:

Section: Inter-Organization Activity
Sub-section: Inter-Organization Transactions

Effective Date: 07/01/2010

Revision Date: 03/21/2011

Index:

[Policy Summary](#)

[Policy Requirements](#)

[General Accounting Procedures](#)

[Authority](#)

[Applicability](#)

[Definitions](#)

Policy Summary:

Inter-organization transactions are transactions that occur between organizations in the State reporting entity.

This policy provides guidance on accounting and financial reporting for inter-organization transactions as follows:

- Identification of transactions between State organizations
- Categorization of inter-organization transactions
- Accounting treatment for inter-organization transactions
- Reporting inter-organization transactions

This policy contains guidance on transactions involving financial resources only. Transactions involving the movement of capital resources between State organizations are addressed in a separate policy.

Policy Requirements:

All State organizations should maintain sufficient information to identify transactions with other organizations in the State reporting entity. These transactions should be appropriately classified in the accounting records and should be reported in accordance with GAAP and with statutory requirements. On a GAAP basis, all inter-organization transactions and balances should have equivalent offsetting amounts in the financial statements of another State organization.

Accounting Requirements

Inter-organization transactions within and among the three fund categories (governmental, proprietary, and fiduciary) can be either **interfund** (between GAAP funds) or **intrafund** (within a GAAP fund). The difference between interfund and intrafund transactions is significant because interfund activity is reported in GAAP (fund) financial statements, while intrafund activity is not reported. Refer to the “State Reporting Entity and GAAP Funds” schedule for the fund structure by organizational unit. The schedule is posted on the SAO website: SAO.georgia.gov > [Reporting](#) > [Reporting Structure and Chart of Accounts](#).

GAAP classifies interfund transactions (between funds) as follows:

- **Reciprocal interfund activity** is the internal counterpart to exchange and exchange-like transactions. It includes the following:
 - Interfund loans – amounts provided with a requirement for repayment. Long-term interfund loans should be reported as advances. Short-term interfund loans should be reported as interfund receivables in lender funds and interfund payables in borrower funds. This activity should not be reported as other financing sources or uses in the fund financial statements. If repayment is not expected within a reasonable time, the interfund balances should be reduced and the amount that is not expected to be repaid should be reported as a transfer from the fund that made the loan to the fund that received the loan.
 - Interfund services provided and used – sales and purchases of goods and services between funds for a price approximating their external exchange value. Interfund goods/services provided and used should be reported as revenues in seller funds and expenditures or expenses in purchaser funds. Unpaid amounts should be reported as interfund receivables (due from's) and payables (due to's) in the fund balance sheets or fund statements of net assets.
- **Nonreciprocal interfund activity** is the internal counterpart to non-exchange transactions. It includes the following:
 - Interfund reimbursements – repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them. Reimbursements should not be displayed in the financial statements. In the event that revenues are recorded, they must be eliminated at the fund level to reduce the “grossed up” effect. [Note: per GASB Comprehensive Implementation Guide (Q&A 7.47.1), internal transactions to “pass-through” Federal and other grant funds should be accounted for consistent with a reimbursement; that is, the “lead” organization should reduce its revenue by the amount transferred to the sub-recipient organization, rather than report the amount as revenue and a transfer.]
 - Interfund transfers – flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment. All inter-organization transactions that are not loans, interfund services provided and used, or reimbursements, are transfers. Transfers should be classified separately from revenues and expenditures/expenses in GAAP financial statements. All interfund transfers out should have a correlating interfund transfers in. On the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance, transfers should be recorded as “Other Financing Uses” in the funds making the transfers and as “Other Financing Sources” in the funds receiving transfers. For proprietary funds, transfers should be reported separately after the “Non-Operating Revenues and Expenses” section in the proprietary fund Statement of Revenues, Expenses, and Changes in Fund Net Assets. Amounts not transferred but obligated at year-end are reported as “Due To” and “Due From” in the fund statements.

Component Units

Inter-organization transactions between primary government organizations and **blended** component units should be classified and reported in accordance with the provisions for interfund transactions described above. Inter-organization transactions (except those that affect the Statement of Net Assets only) between primary government organizations and **discretely presented** component units (or between those component units) should be reported as if they were external transactions; that is, as revenues and expenses. Amounts payable and receivable between the primary government and its discretely presented component units should be reported on a separate line (e.g., Due from Component Units/Due to Primary Government). Any receivables/payables associated with capital lease arrangements between the primary government and its discretely presented component units should not be combined with other amounts due to/from component

units or with capital lease receivables and payables with organizations outside the reporting entity. Eliminations are not necessary for these types of transactions.

Recognition and Measurement

For GAAP reporting purposes, transactions between State reporting entity organizations involving goods and services should only be recorded when the goods are delivered or the services rendered. However, for budgetary purposes, expenditures can be recorded for the unexecuted portion of contracts. This can result in revenues and expenditures not being recorded for the same amount for the same transaction between two State organizations. In addition to the above, due to's and due from's are recorded when goods have been delivered or services rendered.

Basis of Accounting

Funds that operate on a statutory basis must convert their accounting activity to the modified accrual and/or accrual bases of accounting for the Comprehensive Annual Financial Report (CAFR). Proprietary and fiduciary funds that do not operate on a statutory basis use the accrual basis of accounting throughout the year.

- **Statutory Basis for Budgetary Compliance Reporting**
Accounting for inter-organization transactions using the statutory basis of accounting differs from the GAAP treatment described above. Most of the inter-organization transactions that take place within the **Budget Fund** should be reported as revenues and expenditures, with the exception of the return of surplus to the Treasury, which is reported as an adjustment to fund balance. In the **State Revenue Collections Fund**, amounts remitted from collecting units to the Treasury should be reported as transfers. Amounts receivable/payable resulting from inter-organization transactions must be reported as due from other funds (accounts 140xxx/141xxx in the statewide chart of accounts) and due to other funds (230xxx/231xxx), with the exception of amounts due from the Treasury for State Appropriations, which should be reported as Appropriations Receivable (121xxx).
- **Converting to Modified Accrual Basis for CAFR Reporting**
When converting to the modified accrual basis, intrafund expenditures and revenues and associated balances that can be identified are eliminated at the governmental fund level. As for interfund expenditures and revenues and associated balances, entries are not necessary.
- **Converting to Accrual Basis for CAFR Reporting**
Interfund receivables/due from's and interfund payables/due to's that are within governmental activities or within business-type activities should be eliminated on the government-wide Statement of Net Assets. The remaining amount due between governmental and business type activities should be reported as Internal Balances on the Statement of Net Assets. This amount is shown as a positive in the asset section of the statement for governmental activities and offset by a negative for business-type activities or vice versa. Interfund transfers between governmental and business-type activities are presented on the Statement of Activities as Transfers with offsetting balances.
- **Accrual Basis for Funds Not Reporting on a Statutory Basis**
Not Applicable

Disclosure Requirements

The following information about interfund **balances** reported in the fund financial statements should be disclosed in the notes to the financial statements:

- Amounts due 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 funds type
- The purpose for interfund balances
- Interfund balances that are not expected to be repaid within one year from the date of the financial statements.

The following details about interfund **transfers** reported in the fund financial statements should be disclosed in the notes to the financial statements:

- Amounts transferred 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 type
- A general description of the principal purposes of the interfund transfers
- The intended purpose and the amount of significant transfers that meet either or both of the following criteria:
 - Do not occur on a routine basis
 - Are inconsistent with the activities of the fund making the transfer.

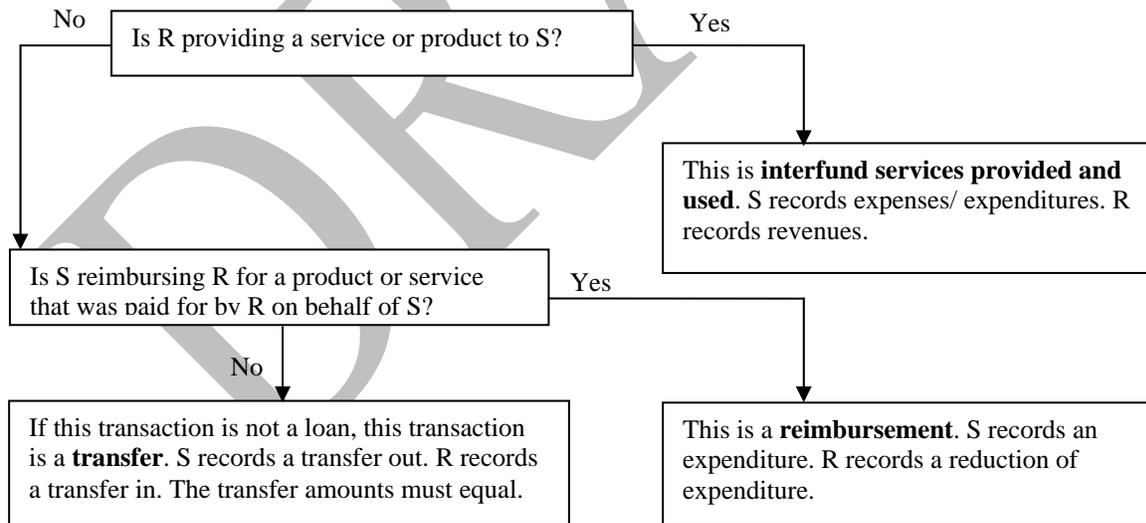
General Accounting Procedures:

Identifying Transactions

The flowchart below highlights key questions reporting organizations need to answer when analyzing interfund transactions. By following the flowchart, the organizations are able to correctly classify and record transactions in accordance with GAAP.

S = Organization sending money

R = Organization receiving money



Accounting Transactions and Journal Entries

Following are journal entry examples to demonstrate the accounting for inter-organization transactions by statutory-basis funds. All statutory accounting entries should be charged to the appropriate program, funding source, and budget year, as well as to the accounts identified in the entries below. Account

numbers referenced in these entries are from the Statewide Chart of Accounts (SCOA). Organizations that use a different chart should maintain a crosswalk from their local chart to the SCOA.

Budget Fund – Goods/Services Provided/Used

When one State organization bills another for goods/services, the following accounting entry should be made:

Debit	\$1,000	Due from Other Funds (140xxx/141xxx)
Credit	\$1,000	Appropriate Revenue Account (e.g., Sales and Services)

The paying organization should make the following accounting entry upon obligation:
(Note: purchase order entries are not included in this example)

Debit	\$1,000	Appropriate Expenditure Account
Credit	\$1,000	Due to Other Funds (230xxx/231xxx)

Budget Fund – Grant Proceeds Transferred

When a “lead” State organization receives grant proceeds and transfers those funds to another State organization as a subgrant, the following accounting entry should be made upon obligation:

(Note: purchase order entries are not included in this example)

Debit	\$2,000	Grants – State Organizations (707014)
Credit	\$2,000	Due to Other Funds (230xxx/231xxx)

The subgrantee State organization should record the funds as they are earned as follows:

Debit	\$2,000	Due from Other Funds (140xxx/141xxx)
Credit	\$2,000	Appropriate Revenue Account (e.g., Federal Government Grants – Indirect, Other Intergovernmental Revenues)

Budget Fund – Reimbursements

When an organization (Organization A) incurs an expenditure, part or all of which will be reimbursed by another State organization (Organization B), the following entries should be made:

Organization A

Debit	\$3,000	Expenditure
Credit	\$3,000	Cash

Debit	\$3,000	Due from Other Funds (140xxx/141xxx)
Credit	\$3,000	Expenditure

Organization B

Debit	\$3,000	Expenditure
Credit	\$3,000	Due to Other Funds (230xxx/231xxx)

If the reimbursement is recognized in a subsequent year, then these entries should be made:

Organization A

Debit	\$3,000	Expenditure
Credit	\$3,000	Cash

Debit \$3,000 Cash/Due from Other Funds (140xxx/141xxx)
 Credit \$3,000 Expenditure (must use prior budget year)

Organization B

Debit \$3,000 Expenditure
 Credit \$3,000 Cash/Due to Other Funds (230xxx/231xxx)

Budget Fund – State Appropriations

When a State organization is allotted State Appropriations, the following accounting entry should be made:

Debit \$4,000 State Appropriation Receivable (121xxx)
 Credit \$4,000 Appropriation Allotment (401xxx)

Treasury should record the following accounting entry:

Debit \$4,000 Allotment Expenditure
 Credit \$4,000 Appropriation Allotment Liability

Budget Fund – Repayment of Surplus

When a State organization returns surplus, the following entry should be made:

Debit \$5,000 Surplus Return - SR to OTFS (390104)
 Credit \$5,000 Cash (101xxx)

Treasury should record the following accounting entry:

Debit \$5,000 Cash
 Credit \$5,000 Appropriate Revenue Account

Budget Fund – Transfer of Programs/Balances to another Budget Fund

When a State organization transfers programs/balances, the following entry should be made:

Debit \$6,000 Appropriate FB Account (390xxx)
 Credit \$6,000 Cash (and other asset categories, as appropriate)

The receiving State organization should record the following accounting entry:

Debit \$6,000 Cash (and other asset categories, as appropriate)
 Credit \$6,000 Transfers In (471xxx)

State Revenue Collections Fund – Remittance of Amounts Collected

When a State organization remits collections, the following entry should be made:

Debit \$7,000 Transfers Out (750xxx)
 Credit \$7,000 Cash

Treasury should record the following accounting entry:

Debit \$7,000 Cash
 Credit \$7,000 Transfers In Account (471xxx by revenue category)

Year-End Accounting Procedures

Where possible, the GAAP conversion process used for CAFR preparation will rely on the inter-unit functionality of the statewide financial system to provide information for identification and elimination (as appropriate) of inter-organization and intrafund transactions and balances. However, for inter-organization transactions which involve at least one party that does not use the statewide financial system, relevant information must be provided to the State Accounting Office on the prescribed year-end reporting form(s).

- Intrafund Elimination - Revenues and expenditures/expenses (and the resulting balances) from transactions between organizations within the same GAAP fund are eliminated during the CAFR preparation process, to the extent that such activity and balances can be identified.
- Interfund Transactions - Interfund transactions and balances are reported in accordance with the GAAP requirements described above. Transfers in are matched to offsetting transfers out. Similarly, amounts due from other funds (component units) are matched to offsetting amounts due to other funds (component units).
- Combining Statements - Because there are no GAAP requirements to eliminate interfund balances on combining and fund statements, such balances will not be eliminated for CAFR reporting purposes.
- Entity-Wide Statements
 - Transactions with fiduciary funds reported as transfers in/out and balances related to fiduciary funds reported as due to/from must be reclassified in the entity-wide statements of net assets and activities. For the entity-wide presentation, transactions and balances related to fiduciary funds should be reported as if they were external; that is, as revenues/expenses and accounts receivables/payables.
 - GASB Statement No. 34, paragraph 310, requires that eliminations be made to remove the doubling-up effect of internal service fund activities and similar internal events. Also, Statement No. 34 requires that the doubling-up effect resulting from charges for goods and services provided within a function should be eliminated, if material. That is, inter-organization charges for goods and services (reported as program revenues on the entity-wide statement of activities) are reported gross, except for those cases where the inter-organization transaction falls within the same function. Resulting grossed up revenues and expenses within that function must be eliminated, if material.
 - Eliminations are also made for transfers and due to/from balances within governmental activities and within business-type activities. Residual balances between governmental and business-type activities are reported as internal balances on the entity-wide statement of net assets. Net transfers between governmental and business-type activities are reported on the entity-wide statement of activities.

Authority:

- GASB Statement No. 14, *The Financial Reporting Entity*
- GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*
- GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*
- GASB Statement No. 38, *Certain Financial Statement Note Disclosures*
- GASB Comprehensive Implementation Guide (2009-2010), Chapter 7, *Basic Financial Statements and Management’s Discussion and Analysis*, Question 7.47.1

Applicability:

Personnel with accounting and reporting responsibilities at all organizations included in the State of Georgia reporting entity should be knowledgeable of this policy.

Definitions:

Due from Other Funds – Amounts due for goods and services provided to a particular GAAP fund by another GAAP fund within the state reporting entity organizations.

Due to Other Funds – Amounts owed for goods and services rendered by state reporting entity organizations included in another GAAP fund.

Interfund Activity – Transaction-like activity within and among the three fund categories.

Interfund Loans – Amounts provided with a requirement for repayment.

Interfund Payable – Amounts that are owed, other than charges for goods and services, by another GAAP fund that are due within 12 months.

Interfund Receivable – Amounts that are due, other than charges for goods and services rendered, by another GAAP fund that are due within 12 months.

Interfund Reimbursements – Repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them.

Interfund Services Provided and Used – The sale and purchase of goods and services between funds for a price approximating their external exchange value.

Interfund Transfers – The flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment.

Intrafund Transactions – Transactions between State organizations included within the same GAAP fund.

Nonreciprocal Interfund Activity – Nonreciprocal interfund activity is the internal counterpart to non-exchange transactions, including interfund transfers and interfund reimbursements.

Reciprocal Interfund Activity – The internal counterpart to exchange and exchange-like transactions, and includes interfund loans and interfund services provided and used.

Transaction – The actions involving either outside parties or a government's discretely presented component units.