

Interfund Activity

Presented by:
Local Government Services

Definition

Governmental accounting requires that each fund be supported by its own separate set of self-balancing accounts. As such, funds will often interact with one another. **Interfund** activity is defined as **financial interactions between the funds of a government.**

These interactions come in various forms, not limited to, transfers, advances, self-insurance charges, reimbursements, and overhead cost allocation.

The forms of interfund activity we will be discussing today are Transfers and Advances.

Interfund Transfers and Advances are reported as other financing receipts/disbursements in governmental funds and after nonoperating revenues/expenses in proprietary funds.

Financial Statement Presentation

XYZ Township

XYZ County, Ohio

Combined Statement of Receipts, Disbursements and Changes in Fund Balances (Regulatory Cash Basis)

All Governmental Fund Types

For the Year Ended December 31, 20CY

	General	Special Revenue	Debt Service	Capital Projects	Permanent	Combined Total
Cash Receipts						
Property and Other Local Taxes						\$0
Intergovernmental						0
Earnings on Investments						0
Miscellaneous						0
<i>Total Cash Receipts</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Disbursements						
Current:						
General Government						0
Public Works						0
Intergovernmental						0
Capital Outlay						0
Debt Service:						
Principal Retirement						0
Interest and Fiscal Charges						0
<i>Total Cash Disbursements</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Other Financing Receipts (Disbursements)						
Transfers In			20,000			20,000
Transfers Out	(50,000)					(50,000)
Advances In	10,000			100,000		110,000
Advances Out	(100,000)	(10,000)				(110,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(140,000)</u>	<u>(10,000)</u>	<u>20,000</u>	<u>100,000</u>	<u>0</u>	<u>(30,000)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(140,000)</u>	<u>(10,000)</u>	<u>20,000</u>	<u>100,000</u>	<u>0</u>	<u>(30,000)</u>
<i>Fund Cash Balances, January 1</i>						<u>0</u>
<i>Fund Cash Balances, December 31</i>	<u><u>(\$140,000)</u></u>	<u><u>(\$10,000)</u></u>	<u><u>\$20,000</u></u>	<u><u>\$100,000</u></u>	<u><u>\$0</u></u>	<u><u>(\$30,000)</u></u>

Financial Statement Presentation (continued)

Village of XYZ, Ohio
 XYZ County
Combined Statement of Receipts, Disbursements, and Changes in Fund Balances (Regulatory Cash Basis)
and Changes in Fund Balances (Regulatory Cash Basis)
All Governmental Fund Types
For the Year Ended December 31, 20CY

	General	Special Revenue	Debt Service	Capital Projects	Permanent	Combined Total
Cash Receipts						
Property and Other Local Taxes						\$0
Municipal Income Tax						0
Intergovernmental						0
Earnings on Investments						0
Miscellaneous						0
<i>Total Cash Receipts</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Disbursements						
Current:						
Security of Persons and Property						0
Public Health Services						0
Transportation						0
General Government						0
Intergovernmental						0
Debt Service:						
Principal Retirement						0
Interest and Fiscal Charges						0
<i>Total Cash Disbursements</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Excess of Receipts Over (Under) Disbursements</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Other Financing Receipts (Disbursements)						
Transfers In			20,000			20,000
Transfers Out	(50,000)					(50,000)
Advances In	10,000			100,000		110,000
Advances Out	(100,000)	(10,000)				(110,000)
<i>Total Other Financing Receipts (Disbursements)</i>	<u>(140,000)</u>	<u>(10,000)</u>	<u>20,000</u>	<u>100,000</u>	<u>0</u>	<u>(30,000)</u>
<i>Net Change in Fund Cash Balances</i>	<u>(140,000)</u>	<u>(10,000)</u>	<u>20,000</u>	<u>100,000</u>	<u>0</u>	<u>(30,000)</u>
<i>Fund Cash Balances, January 1</i>						0
<i>Fund Cash Balances, December 31</i>	<u>(\$140,000)</u>	<u>(\$10,000)</u>	<u>\$20,000</u>	<u>\$100,000</u>	<u>\$0</u>	<u>(\$30,000)</u>

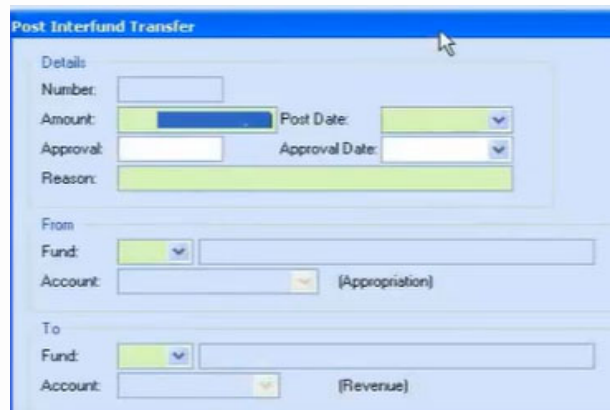
Financial Statement Presentation (continued)

XYZ Township/Village
 XYZ County, Ohio
 Combined Statement of Receipts, Disbursements
 and Changes in Fund Balances (Regulatory Cash Basis)
 All Proprietary Fund Types
 For the Year Ended December 31, 20CY

	Proprietary Fund Types		Combined Total
	Enterprise	Internal Service	
Operating Cash Receipts			
Charges for Services			\$0
Miscellaneous			0
<i>Total Operating Cash Receipts</i>	0	0	0
Operating Cash Disbursements			
Salaries			0
Employee Fringe Benefits			0
Purchased Services			0
Supplies and Materials			0
Claims			0
Other			0
<i>Total Operating Cash Disbursements</i>	0	0	0
<i>Operating Income (Loss)</i>	0	0	0
Non-Operating Receipts (Disbursements)			
Loans Issued			0
Earnings on Investments (proprietary funds only)			0
Capital Outlay			0
Principal Retirement			0
Interest and Other Fiscal Charges			0
<i>Total Non-Operating Receipts (Disbursements)</i>	0	0	0
<i>Income (Loss) before Transfers and Advances</i>	0	0	0
Transfers In	30,000		30,000
Transfers Out			0
Advances In			0
Advances Out			0
<i>Net Change in Fund Cash Balances</i>	30,000	0	30,000
<i>Fund Cash Balances, January 1</i>			0
<i>Fund Cash Balances, December 31</i>	<u>\$30,000</u>	<u>\$0</u>	<u>\$30,000</u>

Transfers

➤ IntERfund vs. IntRAfund



Post Interfund Transfer

Details

Number:

Amount: Post Date:

Approval: Approval Date:

Reason:

From

Fund:

Account: (Appropriation)

To

Fund:

Account: (Revenue)



Reallocate Appropriation Budget

Fund: 1000 General

Account Code	Account Name	Current Year Final Appropriation	Unencumbered Balance	Intrafund (+/-)	Revised CY Final Appropriation	Revised Unencumbered Balance
1000-110-100-0000	Salaries	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
1000-110-314-0000	Tax Collection Fees	\$1,100.00	\$600.00	\$0.00	\$1,100.00	\$600.00
1000-110-410-0000	Office Supplies	\$2,000.00	\$75.00	\$0.00	\$2,000.00	\$75.00
1000-110-420-0000	Operating Supplies	\$950.00	\$500.00	\$0.00	\$950.00	\$500.00
1000-110-490-0000	Other - Supplies and Mat...	\$1,000.00	\$0.00	\$0.00	\$1,000.00	\$0.00
1000-910-910-0000	Transfers - Out	\$2,000.00	\$2,000.00	\$0.00	\$2,000.00	\$2,000.00

- Flows of cash from one fund to another **without a requirement for repayment** are reported as interfund transfers. Allowable transfers are intended to **permanently** reallocate money from one fund to another and are described in Ohio Revised Code §§ 5705.14 through 5705.16.
- The Governing Board must pass a resolution authorizing the transfer. The resolution should state the funds involved in the transaction, the amount, and the reason.

Transfers (continued)

- Transfers In are included as budgeted amounts on the certificate of estimated resources in the receiving fund.
- Transfers Out are included as budgeted amounts on the appropriation resolution in the giving fund.
- A Transfer Out cannot result in a negative cash balance in the originating fund.
- Once a government deposits unrestricted money into a fund with a restriction, it then becomes restricted money subject to Ohio Revised Code §§ 5705.14 -.16.

Transfers (continued)

In summary, fund accounting segregates legally restricted resources. Therefore, transferring cash restricted for one purpose to a fund with a different restricted purpose potentially permits spending the transfer in violation of its restricted purpose. Ohio Rev. Code §§ 5705.14 - .16 attempt to prevent these violations.

As mentioned on the first slide, not all interfund transactions are transfers, therefore, not all interfund transactions are subject to Ohio Rev. Code §§ 5705.14 - .16.

Advances

- A **temporary** flow of cash from one fund to another, **with a requirement for repayment in an equal amount**, is reported as an interfund advance (sometimes referred to as an interfund loan).
- The Governing Board must pass a resolution authorizing the advance. The resolution should state the funds involved in the transaction, the amount, the reason, and an estimated time for repayment. In addition, the resolution should state if the advance is considered an initial advance or the repayment of an existing outstanding advance.
- The Ohio Revised Code does not directly address/provide for interfund advances; however, AOS Bulletin 1997-003 and the Ohio Compliance Supplement Chapter 1 Section 1-7 can be helpful resources.

Advances (continued)

- In order to advance cash from one fund to another, there must be statutory authority to use the money in the fund advancing the cash for the same purpose for which the fund receiving the cash was established.
- Advances are not required to be budgeted on the Certificate of Estimated Resources and Appropriation Resolution. However, unpaid advances at year end are factored into the amounts on the Certificate of the Total Amount From All Sources Available for Expenditure and Balances.
- In the case of long-term advances, only the amount expected to be repaid during the current year should be included on the Certificate of the Total Amount From all Sources Available for Expenditure and Balances.

Advances (continued)

CERTIFICATE OF THE TOTAL AMOUNT FROM ALL SOURCES AVAILABLE FOR EXPENDITURES, AND BALANCES Rev. Code, Sec. 5705.36								
SAMPLE		From the:	XXXXXXXX Township	XXXXXXXX County				
			XXXXXX, Ohio	January X, 2024				
To the Auditor of XXXXXXXX County:								
The following is the total amount from all sources available for expenditure for all funds as set up in the tax budget (shown in the fiscal officer ledgers if no tax budget was required under 5705.281) that exist at the end of the fiscal year.								
						December 31, 2023		
		(1)	(2)	(3)	(4)	(5)	(6)	
	Fund Type/Classification	Cash Balance as of December 31, 2023	Encumbrances as of December 31, 2023	Advances not Repaid	Carryover Balance Available for Appropriation	Total Amount From all Sources Available For Expenditures	Total Amount Available plus Balances	
<u>Governmental Fund Types</u>								
	General Fund	\$1,000,000	(\$100,000)	\$80,000	\$980,000	\$500,000	\$1,480,000	
	Special Revenue Funds	170,852	(27,650)	(5,000)	\$138,202	55,500	\$193,702	
	Debt Service Funds	0	0	0	\$0	14,000	\$14,000	
	Capital Projects Funds	120,000	0	(75,000)	\$45,000	150,000	\$195,000	
	Permanent Funds	0	0	0	0	0	0	
<u>Proprietary Fund Types</u>								
	Enterprise Funds	0	0	0	0	0	0	
	Internal Service Funds	0	0	0	0	0	0	
<u>Fiduciary Fund Type</u>								
	Private Purpose Trust	0	0	0	0	0	0	
TOTAL ALL FUNDS (Excluding Custodial)		\$1,290,852	(\$127,650)	\$0	\$1,163,202	\$719,500	\$1,882,702	
Fiscal Officer								
Signed:		XXXXXXXXXX	Fiscal Officer					

Efficient • Effective • Transparent

Advances (continued)

		(1)	(2)	(3)	(4)	(5)	(6)				
	Fund Type/Classification	Cash Balance as of December 31, 2023	Encumbrances as of December 31, 2023	Advances not Repaid	Carryover Balance Available for Appropriation	Total Amount From all Sources Available For Expenditures	Total Amount Available plus Balances				
GOVERNMENTAL FUND TYPES											
1000	GENERAL FUND	\$1,000,000	(\$100,000)	\$80,000	\$980,000	\$500,000	\$1,480,000				
SPECIAL REVENUE FUNDS											
2011	MOTOR VEHICLE LICENSE	45,274	(2,500)	0	42,774	25,000	67,774				
2021	GASOLINE	14,202	(150)	0	14,052	2,000	16,052				
2031	ROAD & BRIDGE	10,101	0	0	10,101	20,000	30,101				
2041	CEMETERY LEVY	0	0	(10,000)	(10,000)	8,000	(2,000)				Incorrectly shown with the entire o/s balance
2041	CEMETERY LEVY	0	0	(5,000)	(5,000)	8,000	3,000				Correctly shown with the amount expected to be repaid during 2024
2231	PERMISSIVE MVL	1,275	0	0	1,275	500	1,775				
2272	ARPA	100,000	(25,000)	0	75,000	0	75,000				
TOTAL SPECIAL REVENUE FUNDS		170,852	(27,650)	(5,000)	138,202	55,500	193,702				
BOND RETIREMENT FUNDS											
3101	GENERAL BOND RETIREMENT	0	0	0	0	14,000	14,000				
TOTAL BOND RETIREMENT FUNDS		0	0	0	0	14,000	14,000				
CAPITAL PROJECTS											
4101	ADMIN. BUILDING CONST	120,000	0	0	120,000	0	120,000				
4401	OPWC	0	0	(75,000)	(75,000)	150,000	75,000				
TOTAL CAPITAL PROJECT FUNDS		120,000	0	(75,000)	45,000	150,000	195,000				

Advances (continued)

	(1)	(2)	(3)	(4)	(5)	(6)
Fund Type/Classification	Cash Balance as of December 31, 2023	Encumbrances as of December 31, 2023	Advances not Repaid	Carryover Balance Available for Appropriation	Total Amount From all Sources Available For Expenditures	Total Amount Available plus Balances
PERMANENT FUNDS						
	0	0	0	0	0	0
TOTAL PERMANENT FUNDS	0	0	0	0	0	0
PROPRIETARY FUNDS						
ENTERPRISE						
	0	0	0	0	0	0
TOTAL ENTERPRISE FUNDS	0	0	0	0	0	0
INTERNAL SERVICE						
	0	0	0	0	0	0
TOTAL INTERNAL SERVICE FUNDS	0	0	0	0	0	0
TOTAL PROPRIETARY FUNDS	0	0	0	0	0	0
FIDUCIARY FUNDS						
	0	0	0	0	0	0
	0	0	0	0	0	0
TOTAL FIDUCIARY FUNDS	0	0	0	0	0	0
GRAND TOTAL ALL FUNDS (Excluding Custodial)	\$1,290,852	(\$127,650)	\$0	\$1,163,202	\$719,500	\$1,882,702

Advances - Conversion to a Transfer

- If the repayment of an outstanding advance does not happen as originally anticipated, or does not happen within a reasonable time, a resolution is necessary “forgiving” the outstanding balance of the advance. At that point, the interfund loan is considered to be/reclassified to a transfer.
- When reclassified as a transfer, the transfer(s) must satisfy all requirements included in Ohio Rev. Code §§ 5705.14 -.16 retroactively (appropriation, resolution, court approval, etc.).

Advances – Note Disclosure

When preparing ***Notes to the Financial Statements*** as part of the annual financial statement requirement, disclose any material outstanding advances not repaid by the end of the year. **The following sample (using the numbers from our handout example) can be modified as needed.**

Note XX - Interfund Balances

Outstanding advances at December 31, 20CY, consisted of \$85,000 advanced from the General Fund to the Cemetery Levy Special Revenue Fund and the Ohio Public Works Commission (OPWC) Capital Projects Fund in the amounts of \$10,000 and \$75,000, respectively. Of the amount owed from the Cemetery Special Revenue Fund, \$5,000 is expected to be collected in the current year. These advances were made to provide working capital until the receipt of levy money and to provide initial funding for a road project until the receipt of reimbursable grant monies.



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