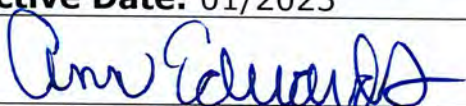
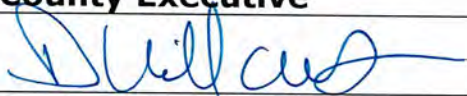

		Policy # 1957
Subject: Interfund Transactions Policy		
Responsible Department: Department of Finance		
Effective Date: 01/2023		Revision Date:
		
Ann Edwards County Executive		
		
David Villanueva Deputy County Executive		
		
Ben Lamera Director of Finance		

1. **Purpose**

The purpose of this policy is to establish a definition, process, and set of accounting practices for governmental interfund transactions/activities and balances related to interfund loans and interfund transfers between funds. Such activity is commonly referred to as due to/due from, advance to/advance from, and/or transfer in/transfer out transactions. Internal activities and balances reported as intrafund activity in fund financial statements should be reclassified or eliminated in the preparation of the government-wide statements of net position and activities. This elimination will avoid grossing up amounts resulting from internal activity within the primary government.

2. **Authority**

Government Accounting Standards Board (GASB) Statement No. 34

3. **Scope**

GASB Statement No. 34 defines interfund activity as the activity between funds of the primary government, including blended component units, and defines internal balances as the net residual amounts due between governmental and business-type activities in the Government-Wide Statement of Net Assets (Net Asset terminology updated to Net Position per

GASB 63). GASB 34 requires that certain internal service fund transactions/activities between governmental and business-type funds be eliminated and remaining net balances reported on the government-wide financial statements at year-end.

4. Procedures

Interfund activity within and among the three fund types (governmental, proprietary, and fiduciary) should be classified and accounted for by the appropriate characters of revenue/expenditure and receivable/payable. There are several types of internal and interfund activities; however, for the financial reporting purpose of the Sacramento Annual Comprehensive Financial Report (ACFR), we are focused on the discussion of the County-wide interfund transactions which consist of interfund loans and interfund transfers.

Interfund Loans

Interfund loans represent amounts provided between funds and blended component units of the primary government with a requirement for repayment. Interfund loans should be reported as interfund receivables on the balance sheet/statement of net position of the lender funds and interfund payables in borrower funds. For interfund loans, a written agreement that is approved by the Board of Supervisors needs to be in place with applicable payback terms before being entered into the accounting software. Although interfund receivables and liabilities may be classified as current or noncurrent depending on the terms for repayment, all such transactions must be reflected as fund receivables and liabilities. There are two types of interfund loans: due to other funds/due from other funds and advances to other funds/ advances from other funds.

Due to/due from are interfund balances that are currently receivable or payable within a year (short term) and is recorded as "Due from other funds" (interfund receivable) and "Due to other funds" (interfund payable). Amounts due to/from other funds generally arise from interfund loans or interfund services used/interfund services provided between funds.

Movement of money for loans extending beyond one year should be reflected as "Advance to other funds" and "Advance from other funds". Advance to other funds is an asset account used to record noncurrent portions of a long-term loan receivable from one fund to another fund within the same reporting entity. Advance from other funds is a liability account used to record noncurrent portions of long-term debt owed by one fund to another fund within the same reporting entity. Any governmental fund that reports an advance to another fund should also report a corresponding reservation of governmental fund balances to indicate that the resources

loaned are not currently available for expenditure. For instance, one fund may make an advance to another fund, or one fund may provide services to another without payment at the time the services are provided. The advancing fund should reserve fund balance for the noncurrent portion of amounts due from another fund. The nonspendable fund balance ledger account indicates the amounts reported in advance to accounts and should not be considered available spendable resources as they do not represent net current assets.

Interfund loans should be accounted for as interfund receivables in the lender's funds and interfund payables in the borrower's funds. The activity should not be reported as other financing sources or uses in the fund financial statements. If repayment is not expected within a reasonable amount of 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 and transfer to the receiver fund.

Interfund Transfers

Interfund transfers represent flows of assets such as cash or goods between funds and blended component units of the primary government without equivalent flows of asset in return, and without a requirement for repayment. The fund receiving funds will record an Operating Transfers In. The fund distributing funds will record an Operating Transfers Out. Having such activity identified separately will be useful when preparing consolidated financial reports that require interfund eliminations. In governmental funds, transfers should be accounted for as other financing uses in the funds making the transfers and as other financing sources in the funds receiving the transfers in the Statement of Revenues, Expenditures and Changes in Fund Balances. In proprietary funds, transfers should be reported after nonoperating revenues and expenses in the Statement of Revenues, Expenses and Changes in Net Position.

5. Review

Review annually and revise for any changes in guidance from the aforementioned authorities above.