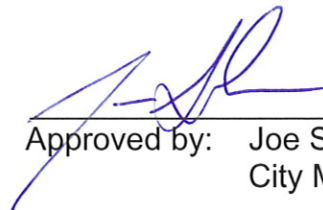


City Manager's Office
Administrative Order No: 057
Issued: 03/2014


Approved by: Joe Sbranti
City Manager

Subject: Interfund Transfer Policy

Purpose: To ensure that the policies and procedures related to administration and accounting for interfund transactions are documented, communicated, clearly understood, and consistently applied.

Policy:

Interfund transfer transactions can be divided into two main categories with various subcategories

1. Revenues and expenditures/expenses
 - A. Quasi-external transactions
 - B. Reimbursements

2. Reallocations of resources
 - A. Temporary -- interfund loans and advances
 - B. Permanent
 - (i) Contributed Capital (Capitalized)
 - (ii) Operating Transfer (operating subsidies)

1.A. Quasi-External Transactions

Definition

A quasi-external transaction is one of two transaction types that do not constitute transfers, but are appropriately accounted for as fund revenues, expenditures or expenses (payments for services). The following are the most common examples of quasi-external transactions:

- Enterprise Fund charges for goods or services to other funds based on actual costs incurred (the General Fund receives an invoice for utility services from an enterprise fund).

- Internal Services Fund charges for goods or services to other funds usually based on actual costs incurred.

Accounting

Quasi-external funds will be recorded as revenues in the receiving fund and expenditures in the paying fund.

1.B. Reimbursements

Definition

On occasion, governments provide services from one fund to another and classify the payment as reimbursement revenue. This occurs most often when the General Fund charges other funds for services rather than using an interfund service fund for this activity. If the intent is to provide the service by the General Fund to the user fund, the transaction revenue should be classified as charges for services rather than reimbursements. Examples are:

- The Utility Billing function is in the City's General Fund but the services are for the Water and Sewer Fund.
- The General Fund charges administrative overhead to other funds.

Accounting

Record the charges as revenue and costs as expenditure.

2.A. Interfund Loans & Advances

Definition

Loans from one fund to another should be recorded as interfund loans receivable and payable. The governing body of the reporting entity should authorize the loans, including the amount, the estimated dates of repayment and whether or not interest costs will be charged.

Due to and due from other funds are used to record temporary funding from one fund to another fund.

Advance to and from other funds, is an asset or liability account used to record the non-current portions of long term loans between funds.

Accounting

Record transaction as Interfund Receivable and Payable.

2.B.(i) Contributed Capital

Definition

This is permanent or long term movement of resources. Such transfers must be contributions restricted to capital outlays or the return of such contributions. Examples are:

- Capital improvement projects for the Marina area are funded by various City funding sources. At year end, the asset is transferred to the Marina fund and recorded as contributed capital.
- The Water Facilities Fund transfers capital assets to the Water Fund.

Accounting

Increase the equity (assets) of the recipient fund and decrease equity (fund balance) in the contributed fund.

2.B.(ii) Operating Transfers

Definition

Operating Transfers are periodic transfers made primarily to provide an operating subsidy to another fund. Operating transfer are authorized by the budget. Examples of operating transfers are:

- Transfer from the General Fund to the Landscape & Lighting Fund to subsidize operating expenses.
- Transfer from Pittsburg Power Fund to the General Fund to help fund General Fund expenses.

Accounting

Operating Transfers will be recorded as "Transfers In" by the receiving fund and "Transfers Out" by the paying fund. The transactions will be reported under "Other Financing Sources and Uses" in annual Financial Statement.

Operating transfers must be treated consistently by all funds Involved in the transfer. Operating transfers-in for City funds must be in balance with operating transfers-out for all City Funds.