

Oregon University System – Fiscal Policy Manual

Accounting for Interfund Transactions

Section: Accounting and Financial Reporting

Number: 05.650

Title: Accounting for Interfund Transactions

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POLICY

.100 POLICY STATEMENT

This policy sets forth certain basic system-wide requirements for administration and accounting for interfund transactions.

.110 POLICY RATIONALE

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

.120 AUTHORITY

[ORS 351.085 - Duties and Powers of Chancellor](#)

[OAR 580-040-0005 - Delegation and Assignment of Responsibility](#)

[IMD 6.001 - Finance and Business Affairs Accounting Policies - Assignment of Responsibility](#)

[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](#)

.130 APPROVAL AND EFFECTIVE DATE OF POLICY

Approved by the Associate Vice Chancellor for Finance & Administration/Controller on March 9, 2007. Revisions resulting from passage of Senate Bill 242 were made effective July 1, 2011. Institutions may phase in policy revisions through July 1, 2013. This policy was updated and approved by Associate Vice Chancellor for Finance and Administration/Controller on 6/6/12.

.140 KNOWLEDGE OF THIS POLICY

All institutional and Chancellor's Office personnel with financial management responsibilities must be knowledgeable of this policy.

.150 DEFINITIONS

Interfund Transaction - An interfund transaction occurs when a fund has a financial transaction with another fund within the Oregon University System (OUS).

.160 RESPONSIBILITIES

A. CHANCELLOR'S OFFICE

Developing accounting and financial reporting policies related to interfund transactions.

Determining interfund elimination adjustments to be made for annual financial statements.

Monitoring interfund transactions at a high level across institutions

B. INSTITUTIONS

Examining nature of transactions and determining appropriate accounting treatment.

Recording interfund transactions in the accounting records per GAAP.

Monitoring of interfund transactions for appropriate accounting treatment.

.170 POLICY OBJECTIVES

The objective of this policy is to ensure that the recording and financial reporting of interfund transactions follows generally accepted accounting principles (GAAP), specifically the guidance of the Governmental Accounting Standards Board (GASB) and the National Association of College and University Business Officers (NACUBO).

.200 GENERAL

An interfund transaction occurs when a fund has a financial transaction with another fund within the same institution or with a fund of another OUS institution or the Chancellor's Office. Types of interfund transactions include, but are not limited to, the recording of:

1. [Internal revenue](#)
2. [Distribution of revenue](#)
3. [Institution Indirect cost allocation \(not Federal\)](#)
4. [Reimbursement of expense](#)
5. [Transfer in and transfer out](#)
6. [Interfund loans](#)
7. [Debt Transactions](#)
8. [Agency Funds](#)
9. [Fund additions and deductions](#)

Recording an interfund transaction requires the careful classification of the type of interfund transaction because selection of the wrong type could result in inflated revenues and/or expenses being reported in an institution's or OUS's annual financial statements. The revenues and expenses reported in the annual financial statements must be limited to those from external sources, and must not be overstated by revenues and expenses from internal sources. Correct accounting of interfund transactions is necessary to ensure that, at the end of the fiscal year, the Controller's Division can correctly identify the interfund transactions that must be eliminated from the annual financial statements.

.210 DESCRIPTIONS OF INTERFUND TRANSACTIONS

This section provides specific descriptions and financial statement eliminations, and outlines monitoring responsibilities relating to each primary type of interfund transaction.

Two appendices provide additional guidance for each primary type of interfund transaction:

Appendix [.710](#) provides a short reference to help with the selection of the correct accounting for an interfund transaction.

Appendix [.720](#) provides examples of types of transactions and required accounting treatment for each type of interfund transaction.

INTERNAL REVENUE

Description: Revenue earned by auxiliary enterprises, service departments, and designated operations from selling services or supplies to another OUS entity or institutional department. The revenue is internal to OUS and therefore considered "internal revenue" and is accounted for by the use of an account type 59 – Internal Sales account codes.

Financial Statement Eliminations: Internal revenue is eliminated at the OUS level for financial statement reporting purposes, therefore it is critical that this revenue is accurately accounted for in the accounting records. Internal revenue overstates total revenue and total expense in the annual financial statements. At the end of the fiscal year, the Controller's Division identifies all 09xxx internal sales/service revenue transactions (account type 59) and makes institution-wide and OUS-wide adjustments to remove the overstatement of revenue and expense from the annual financial statements. These interfund elimination adjustments are made for financial statement purposes only and are not recorded in the institution's accounting records.

Monitoring

- Each institution business office is responsible for monitoring the correct use of account type 59 – Internal Sales.
- Internal revenue is normally recorded in the following fund types.
 - Fund Type 12 – Designated Operations
 - Fund Type 13 – Service Departments
 - Fund Type 20 – Auxiliary Enterprises

See Appendix .720 [Internal Revenue](#) for example types of transactions and required accounting

DISTRIBUTION OF REVENUE

Description: Revenue applicable to multiple funds that is initially received by one fund and then distributed to other funds where the revenue was either earned or appropriated. The fund receiving the revenue has either earned the revenue, or the revenue is non-exchange but an external party has identified the fund as the intended recipient of the non-exchange revenue.

The fund type within which the revenue is recorded determines the classification for financial statement reporting. The funds are reported as either operating revenue or non-operating revenues in the financial statements.

Financial Statement Eliminations: Because revenues offset each other, there is no double counting and no elimination necessary.

Monitoring

Each institution business office is responsible for monitoring revenues to ensure that revenues are recorded in the correct fund type level 2 in which the revenue is earned.

See Appendix .720 for example types of [distribution of revenue](#) transactions and required accounting

INSTITUTION INDIRECT COST ALLOCATION (Not Federal)

Description: Indirect cost allocation provides for reimbursement of costs incurred by one unit that benefit one or more other units. Institution Indirect Costs are generally allocated to self-sustaining designated operating funds, service departments, and auxiliary enterprises that cannot be charged directly without effort disproportionate to the benefits received. Typically these costs benefit more than one function or organization. Examples of these costs may include utilities, building maintenance, and central campus administrative services.

The allocation of indirect costs must be recorded within the accounting records of the institution at least quarterly so that the cost of these operations is accurately reflected in quarterly management reports.

Allocation of indirect costs must be based on a process that is reasonable relative to the activity and the related costs. Each OUS institution must determine and document their rationale for allocating or not allocating indirect costs to each series of designated operating funds, service departments, and auxiliary operations, and develop their own methodologies for allocating indirect costs. Care must be taken to ensure that costs are not double counted with other costs included in the Federal Facilities and Administrative rate proposal.

Financial Statement Elimination: Because the institution indirect cost allocation results in the costs residing in the unit that incurred the costs no elimination is necessary.

Monitoring

Each institution business office is responsible to monitor and ensure that indirect costs are allocated in accordance with institution cost allocation policies and to ensure that costs are not double counted in the institutions Federal Facilities and Administrative rate proposal.

See Appendix .720 for example types of [Institution Indirect Cost Allocation](#) transactions and required accounting

REIMBURSEMENT OF EXPENSE

Description: Expenses applicable to another fund(s) that are initially charged to one fund then reimbursed by other fund(s). Expense reimbursement can either be direct or indirect. Direct expenses can be identified and reimbursed by the original expense account code. Indirect expense reimbursements reimburse department expenses that are accounted for within multiple expense account codes and are not easily identified for direct reimbursement. Expenses are ultimately accounted for in the fund which benefited from the cost. Reimbursement of expense must not exceed the original total cost of the expense.

Financial Statement Eliminations: Because direct expenses offset each other, there is no double counting and no elimination necessary. When reporting expenses by “natural” classification (i.e. payroll, services and supplies, financial aid, depreciation, and other expenses) in the financial statements, 79xxx Internal Sales Reimbursements recorded when the reimbursement is indirect, show up as a credit to other expenses. The Controller’s Division reclassifies the internal sales reimbursements from “other expenses” to “services and supplies.”

For financial statement reporting purposes the classification of expenses by fund is important for distinguishing “operating” from “non-operating” expenses. The single most important issue for classification of expenses in the Statement of Revenues, Expenses and Changes in Net Assets is the Program Code associated with the expense. It is important to make sure that the Index used for any expense transaction is coded to the correct Program Code both when it is initially recorded (when possible) and during any subsequent reimbursement or distribution.

Monitoring

Each institution business office is responsible for monitoring expenses to ensure that costs are recorded in the units which benefited from the cost.

See Appendix .720 for example types of Reimbursement of Expense transactions and required accounting

TRANSFER IN AND TRANSFER OUT

Description: "Non-exchange" transactions between funds due to the transfer not being the result of an exchange of revenue for goods or services. "Non-exchange" transactions are further defined in GASB No. 33.

Characteristics of Transfers

A transfer is not a revenue or an expense. The fund receiving the transfer does not receive services or goods in exchange for the funds received. The fund providing the transfer does not exchange services or goods for the funds provided.

A transfer is not part of the financial entity’s normal operating revenue or expense. The transfer is considered another funding source/use after revenue, expense, and net operating income/loss in the financial statements.

The revenue is earned by the fund providing the transfer.

Transfers would tend to be less frequent in self-supporting funds such as auxiliary enterprises and service departments, because to be self-supporting, it is presumed that, except for subsidies, inflows are earned revenue. Transfers in would tend to be more common in funds that are not self-sustaining – e.g., budgeted operations funds.

Caution: The use of a transfer must only be considered for non-exchange transactions. When considering the type of interfund transaction, distribution of revenue, and reimbursement or allocations of expense options must be evaluated first. The use of a transfer instead of distribution of revenue, and reimbursement or allocations of expense, can result in overstating revenues and/or expenses for individual units. For example, if transfer codes are used to cover expenses incurred by one unit on behalf of another unit, the receiving unit’s operating expenses would be understated and the providing unit’s operating expenses would be overstated.

Choice of Method: Institutions may choose to use either expanded or simplified account codes for transfers. When the simplified method is used on an institutions chart of accounts a detail transaction listing has to be provided to the Controller’s Division each quarter for proper classification for centralized management reports. For transfer account code definitions and a description of the expanded and simplified method see:

http://www1.ous.edu/owfp/plsql/fpm.result_section?p_fs_key=02.18

Financial Statement Eliminations: Because transfers net to zero when combined across all OUS entities, there is no double counting and no elimination necessary.

Monitoring

Each institution business office is responsible for monitoring transfers to ensure that these codes are being used appropriately and that inter and intra fund transfers net to zero. The Chancellor's Office Controller's Division is responsible for monitoring the use of these account codes quarterly and requesting an explanation from the institution business office as necessary to identify appropriate use of transfer account codes and categorization for quarterly and annual reports.

See Appendix .720 for example types of [transfer](#) transactions and required accounting

See [.760 MONITORING OF TRANSFERS](#)

INTERFUND LOANS

Description: A loan from one fund to another fund, in accordance with OUS Fiscal Policy Manual Section [05.271: Inter-institutional and Interfund Loans](#).

The recording of inter-institutional and interfund loans occur infrequently and only in very specific circumstances. The institutional business office must be contacted before recording inter-institutional or interfund loans. An interfund loan must only be recorded if the intention is that the funds will be repaid in a specified time frame. If the intent to repay does not exist, a transfer of funds must be used instead of a loan.

Financial Statement Eliminations: Interfund loans overstate total assets and total liabilities in the annual financial statements. At the end of the fiscal year, the Controller's Division identifies all A6xxx and A7xxx "Due From" asset balances and B6xxx and B7xxx "Due To" liability balances, and makes institution-wide and OUS-wide adjustments to remove the overstatement of assets and liabilities from the annual financial statements. These interfund elimination adjustments are made for financial statement purposes only and are not recorded in the institution's accounting records.

Monitoring

Each institution business office is responsible for monitoring interfund loans to ensure proper accounting and that appropriate documentation per OUS fiscal policy 05.271 is maintained.

See Appendix .720 for example types of [Interfund Loan](#) transactions and required accounting

DEBT TRANSACTIONS

Description: The majority of debt transactions are administered and accounted for by the Controller's Division Debt Manager. One exception is the State Energy Loan Program (SELP). SELP loans are administered and accounted for by each institution individually. SELP loan repayments are made from operating funds of the university receiving the loan.

Financial Statement Elimination: No eliminations are necessary.

Monitoring

Each institution business office is responsible for monitoring debt transactions to ensure that they are accounted for in the accounting records appropriately.

See Appendix .720 for example types of [Debt](#) transactions and required accounting for SELP loans

AGENCY FUNDS

Description: Agency Funds are classified in the fund structure as Fund Type 90, 9xxxxx funds. These funds are established for outside entities affiliated with OUS. Student deposits, campus organizations, and payroll deductions such as the PERS contribution are examples of Agency Funds. The balances in Agency Funds are owned by the agency or individual student (student deposits) and are not owned by OUS. Employees of the agency are not OUS employees. Accordingly, these funds cannot be used to make salary payments to OUS employees. No revenues and expenses in Agency Funds are OUS revenues and expenses. Transfers are not allowed between an Agency Fund and an OUS fund. Transactions between OUS and Agency Funds must be at arm's length.

Financial Statement Elimination: All Agency Fund transactions are eliminated from the OUS financial statements.

Monitoring

Each institution Business Office is responsible for monitoring Agency Funds to ensure that no OUS employees are paid by an agency fund and that no transfers are recorded between these funds and OUS funds.

FUND ADDITIONS AND DEDUCTIONS

Description: Movement of a portion of equity (fund balance) and the corresponding assets or liabilities from one fund to another fund, without affecting the operating ledger which measures annual revenue and expense.

The recording of fund additions and deductions occur infrequently and only in very specific circumstances. The Institutional business office must be contacted before recording fund additions and fund deductions. The transaction description must fully identify why this type of transaction is appropriate.

In fiscal year 2002 GASB 34 required the recognition of depreciation expense. To avoid recording transfers to the building repair and equipment replacement reserves as an operating expense (in addition to depreciation expense) the accounting was switched from a transfer transaction to a fund addition and fund deduction. Any other use of fund additions and deductions must be carefully evaluated. In most circumstances a transfer transaction will be more appropriate than using a fund addition or fund deduction method.

Financial Statement Eliminations: Because Fund Additions and Fund Deductions offset each other, there is no double counting and no elimination necessary.

Monitoring

Each business office is responsible for monitoring for appropriate use of fund additions and fund deductions account codes. The Chancellor's Office Controller's Division is responsible for

monitoring the use of these account codes quarterly and requesting an explanation from the institution business office as necessary to identify appropriate use of these account codes.

See Appendix .720 for example types [of fund addition and deduction](#) transactions and required accounting

.300 IMPACT OF INTERFUND TRANSACTIONS ON ANNUAL FINANCIAL STATEMENTS

The annual financial statements must be limited to reporting financial activity and financial balances resulting from external sources. To avoid overstating revenue, expense, assets, and liabilities, the annual financial statements require that internal and inter-fund and intra-fund activity and balances be eliminated.

.690 CONTACT INFORMATION

Direct questions about this policy to the following offices:

Subject	Contact
General questions from institutional personnel	Institution Office of Business Affairs
General questions from institutional central administration and Chancellor's Office personnel	Chancellor's Office Controller's Division

.695 HISTORY

03/09/07 - Approved

04/20/09 - Updated

Policy Last Updated 04/20/09

APPENDIX

.700 PURPOSE

The purpose of this appendix is to provide additional procedural detail which supports the policy.

.710 ACCOUNTING FOR INTERFUND TRANSACTIONS – [SHORT REFERENCE](#)

This short reference illustrates the decision process for selecting the correct accounting for an interfund transaction.

.720 EXAMPLES AND REQUIRED ACCOUNTING TREATMENT FOR INTERFUND TRANSACTIONS

INTERNAL REVENUE

Example Types of Transactions

- A university printing center earns internal revenue from selling printing services to other OUS institutions or departments within the same OUS institution.
- Stores inventory is sold to other institutions or departments within the same institution.
- Workshops are attended by other institutions or departments within OUS.
- Housing and Dining provides catering to institution departments.

Required Accounting

Debit – Fund being charged the expense debits the appropriate expense account code for the type of service or product provided.

Credit – Fund earning the revenue credits the appropriate account type 59 – Internal Sales 09xxx account code.

Financial Statement Elimination

Eliminate Service Department and Auxiliary Internal Sales Activities – Internal sales are double counted between funds at the university level. The entry is made at the fund-wide level¹ so no individual fund type level 2 is misstated. NACUBO clearly states that the expense, after elimination, needs to reside in its final home (program code), not where it originates in the service center or auxiliary. The entry is created using the balance of AT59 by fund type level 2.

DR – Educational Department Sales and Service (FTxx other than FT20)

DR – Auxiliary Enterprise Revenues (FT20)

CR – Other Operating Expenses (FTxx other than FT20)

CR – Auxiliary Expenses (FT20)

DISTRIBUTION OF REVENUE

Example Types of Transactions

- Distribution of revenue between funds is generally the result of a correction. For example, revenue is recorded in one fund when the revenue was actually earned by another fund.
- Revenue for multiple workshops is recorded to a department's general fund and then distributed to the workshops which earned the revenue.
- Movement of funds from fund type¹¹ – Budgeted Operations to repair reserves – for Building Use Credits (**BUC applies only to OSU**)

Required Accounting

Debit – Fund distributing the revenue debits the appropriate 0xxxx revenue account code.

Credit – Fund receiving the revenue credits the same 0xxxx revenue account code.

OSU only per requirements of OMB Circular A-21:

Portion of indirect cost recovery attributable to building use credits in fund type 83 (renewal and replacement funds) must not be recorded in FT11.

Distribution of indirect cost recovery to BUC funds is to be recorded as negative revenue in fund type 11 account code 03410 – “Indirect Cost Recovery” and as revenue in fund type 83 account code “03410 – Indirect Cost Recovery.”

INSTITUTION INDIRECT COST ALLOCATION (Not Federal)

Example Types of Transactions

- Recording indirect cost allocation from a centralized unit to self-sustaining units
- Allocating costs for Specialized Service Centers per OMB Circular A-21 Section J.47 Specialized Service Facilities
- Accounting for Facilities & Administrative Cost Recoveries – refer to policy <http://www.ous.edu/dept/cont-div/fpm/acco-05-553>

Required Accounting

Indirect cost allocation is considered an expense to the self-sustaining unit and a reduction of expense (not revenue) to the unit incurring costs for multiple units. The account code(s) must be specific to indirect cost charges.

For guidance on Specialized Service Centers see [policy 05.713](#) Fiscal Operation of Service Centers.

General Administration and Support – use either account 28201 or 70002, refer to your institution policy for preference

Debit – The self-sustaining fund and 28201 Administrative and Support Service Charge - The allocation of general administrative and support service costs to a sub-unit

Or Debit – The self-sustaining fund and 70002 – Internal Admin Costs - Charges to Auxiliaries, Service Center and Designated Operating funds for the institutional administrative cost allowance.

Credit – Fund(s) incurring the original cost of administration and support and account code 79390 – Admin Services Reimbursement

Specialized Service Centers allocation of indirect cost portion

Debit – Specialized Service Center Fund and account 28202 - Building Use Overhead Charge - Used to record the Building Use Allowance portion of indirect costs charged to service departments subject to full-costing requirements specified by A-21 Section J.47.

Credit – Fund type 11 and account 79395 - Specialized Svc Ctr- Bldg Use Reimb - Building use income from fully costed specialized service center.

Debit - 28203 Operation and Maintenance of Physical Plant Overhead Charge - Used to record the Operation and Maintenance of the Physical Plant portion of the indirect costs charged to service departments subject to full-costing requirements specified by A-21 section J.47 Specialized Service Facilities.

Credit – 79393 - Specialized Svc Ctr- O & M Reimb - Operation and maintenance income from fully costed specialized service center

Debit - 28204 General Administration Overhead Charge - Used to record the General Administration portion of indirect costs charged to service departments subject to full-costing requirements specified by A-21 section J.47 Specialized Service Center.

Credit - 79394 - Specialized Svc Ctr- G & A Reimb - General and administrative income from fully costed specialized service center.

Automated payments in Banner FIS for Designated Operating Funds – not required

Debit - 70003 – Designated Operating Funds Administrative Costs - Charges to designated operating and continuing education funds for the administrative cost allowance. (WOU and OSU use this account as an automated account in Banner FIS, otherwise use account 28201 or 70002).

Credit – Fund(s) incurring the original cost and account code 79390 – Admin Services Reimbursement

Financial Statement Elimination

When reporting expenses by “natural” classification (i.e. payroll, services and supplies, financial aid, depreciation, and other expenses), 79xxx Internal Sales Reimbursements show up as a credit to other expenses. We reclassify the internal sales reimbursements from “other expenses” to “services and supplies.”

REIMBURSEMENT OF EXPENSE

Example Types of Transactions

- Direct expense reimbursement
 - Centralized unit purchases paper in a bulk pallet to get the best price. As boxes of paper are distributed to departments they reimburse the centralized unit for the actual cost of the paper.
- Indirect expense reimbursement (Internal Sales Reimbursement)
 - Copier is used centrally by multiple departments. One department expenses all of the costs of the copier; for example copier lease and paper. Other departments that use the copier reimburse the cost of the copier lease and paper based on a user fee defined by institution policy.

Required Accounting

Direct expense reimbursement -

Debit – Index for the unit receiving the item and the same expense account code used for the original purchase.

Credit – Same index and expense account code used for the original purchase.

Indirect expense reimbursement -

Debit – Index for the unit being charged and the appropriate expense account code

Credit – Index and appropriate 79xxx Internal Sales Reimbursement account code

TRANSFER IN AND TRANSFER OUT

Institutions may choose between using expanded detail transfer account codes or simplified transfer account codes. Only one type of transfer account codes will be on your institution's Chart of Accounts; expanded or simplified as determined by the institution business office. If the simplified method is used, a detail summary for classification in centralized management reports may be required.

Example Types of Transactions

- Subsidies from fund type 11 budgeted operations to designated operations, service departments, or auxiliary enterprises
- Transfers for capital construction – transfer between fund type level 2
- Transfer in/out from other OUS institutions or the Chancellor's Office
- Transfer from one housing auxiliary enterprise fund to another housing auxiliary enterprise fund – within fund type level 2
- Transfer funds from an institutional debt service reserve fund to Chancellor's Office sinking fund
- Transfer within FT11 Budgeted Operation funds

Required Accounting – Expanded detail transfer account codes

Transfer from one housing auxiliary enterprise fund to another housing auxiliary enterprise fund – within fund type level 2

Debit – Index for auxiliary providing the funds and account code 92001 – Tfr Out- w/in FTYP Lvl 2 (not FT11)

Credit – Index for auxiliary receiving the funds and account code 91001 – Tfr In- w/in FTYP Lvl 2 (not FT11)

Transfer in/out from other OUS institutions or the Chancellor's Office, for example transfer of funds from an Internal Bank loan. These transfers are only used with an inter institutional journal voucher for transfers between charts of accounts

Debit – Chart and Index providing the funds and account code 92225 – Tfr Out- to Other OUS Inst.

Credit – Chart and Index receiving the funds and account code 91225 – Tfr in- from Other OUS Inst.

Transfer within fund in FT11 Budgeted Operation funds

Debit – Index for fund type 11 department providing the funds and account code 92250 – Tfr Out- w/in FT11 Budgeted Ops

Credit – Index for fund type 11 department receiving the funds and account code 91250 – Tfr In-- w/in FT11 Budgeted Ops

Transfer from auxiliary enterprise fund to unexpended plant fund for capital project – transfer between fund type level 2 (not FT11)

Debit – Index for auxiliary enterprise fund providing the funds and account code 92005 – Tfr Out- between FTYP Lvl 2 (not FT11)

Credit – Index for plant fund receiving the funds and account code 91005 – Tfr In- between FTYP Lvl 2 (not FT11)

Subsidies from FT11 Budgeted Operations to designated operations, service departments, or auxiliary enterprises

Debit – Index for FT11 department providing subsidy and account code 92255 – Tfr Out – from FT11 Budgeted Ops

Credit – Index for operating fund receiving subsidy and account code 91255 – Tfr In – from FT11 Budgeted Ops

Use of FT11 Budgeted Operations for capital construction

Debit – Index for FT11 department providing subsidy and account code 92255 – Tfr Out – from FT11 Budgeted Ops

Credit – Index for capital project plant fund receiving subsidy and account code 91225 – Tfr In – from FT11 Budgeted Ops

Required accounting simplified transfer account codes

Transfer from one housing auxiliary enterprise fund to another housing auxiliary enterprise fund – within fund type level 2

Debit – Index for auxiliary providing the funds and account code 92001 – Tfr Out- w/in FTYP Lvl 2 (not FT11)

Credit – Index for auxiliary receiving the funds and account code 91001 – Tfr In- w/in FTYP Lvl 2 (not FT11)

Transfer in/out from other OUS institutions or the Chancellor's Office, for example transfer of funds from an Internal Bank loan. These transfers are only used with an inter institutional journal voucher for transfers between charts of accounts

Debit – Chart and Index providing the funds and account code 92225 – Tfr Out- to Other OUS Inst.

Credit – Chart and Index receiving the funds and account code 91225 – Tfr in- from Other OUS Inst.

Transfer within fund in FT11 Budgeted Operation funds

Debit – Index for fund type 11 department providing the funds and account code 92250 – Tfr Out-w/in FT11 Budgeted Ops

Credit – Index for fund type 11 department receiving the funds and account code 91250 – Tfr In-w/in FT11 Budgeted Ops

All other inter-fund transfers within an institution from another fund type level II (Intra-Institutional/Inter Fund Type Lvl2)

Debit – Index for department providing the funds and account code 92003 – Tfr Out – Inter-fund

Credit – Index for department receiving the funds and account code 91003 – Tfr In – Inter-fund

INTERFUND LOANS

Example Types of Transactions

- An auxiliary enterprise fund has a temporary need for funds in which the repayment will occur during future accounting periods

Required Accounting

Debit – Fund making the loan debits “Due From” in an A6xxx or A7xxx asset account code

Credit – Fund receiving the loan credits “Due To” in a B6xxx or B7xxx liability account code

Eliminate Due To/Due From Other Funds and Institutions – Due to/due from activity is double counted at the university and OUS level. Eliminations for due to/due from at the university level and inter-university level are recorded at fund type level 2 at a system-wide level².

University Level:

Fund-wide – DR – Due to Funds (AT27)

Fund-wide – CR – Due from Funds (AT16)

System-wide Level:

FTXX – DR – Due to OUS (AT28)

FTXX – CR – Net Assets (appropriate to each fund)

FTXX – CR – Transfers (AT81)

FTXX – DR – Net Assets (appropriate to each fund)

FTXX – DR – Transfers (AT82)

FTXX – CR – Due from OUS (AT17)

Fund-wide level is a term used to represent entries not made to a specific fund type level 2. It can be used at the university level or system-wide level.

System-wide level is a term used for entries made at the consolidated OUS level, and is not assigned to a specific university or the Chancellor's Office.

DEBT TRANSACTIONS

Example Types of Transactions

- XI-F debt service – accounted for by OUS Debt Manager
- XI-Q debt service – accounted for by OUS Debt Manager
- COPS debt service – accounted for by OUS Debt Manager
- SELP loans – accounted for by institution
- Internal Bank loans – accounted for by OUS Debt Manager

Accounting for Loans from the Oregon Department of Energy (ODE) State Energy Loan Program (SELP)

The following accounting transactions are to ensure the uniform and consistent accounting of SELP loans. The accounting involves five transactions: (1) receipt of loan proceeds (including loan fees and disbursement fees), (2) recording of loan liability, (3) repayment of loan (both principal and interest), (4) reduction of loan liability, and (5) yearend adjustment of principal and interest expense and remaining loan liability to balance to annual statements from ODE.

To finance the SELP loans, ODE sells bonds based on what an institution reports that they intend to draw down from ODE for a given period of time. During the period of time after the bonds are sold by ODE and before an institution has drawn down the full amount of their loan, ODE charges the institution a holding fee. The holding fee is the difference between the interest earned at Treasury on the funds that have not been drawn down and the interest payments on the bonds. The payment of the holding fee can either be paid from SELP loan proceeds or institutional operating funds. The payment of the holding fee results in the following transactions: (1) payment of holding fee from SELP proceeds and (2) increase to loan liability or (1) payment of holding fee from institutional funds.

OUS receives state general fund appropriations to help fund some SELP repayments, resulting in three additional transactions: (1) recording general fund appropriations revenue in Chancellor's Office Chart K, and (2) redistributing the general fund appropriation within the Chancellor's Office to Fund Type 85 - Retirement of Debt and (3) redistributing the general fund appropriation revenue from the Chancellor's Office to the applicable OUS institution(s).

Accounting for SELP loans differs if the SELP loans are received by a self-supporting (proprietary) fund such as an auxiliary enterprise or service department. SELP loan liabilities for non-proprietary fund buildings and projects are recorded in the Net Investment in Plant Fund (890000). SELP loan liabilities for proprietary fund (auxiliaries or service departments) buildings and projects are recorded in the same proprietary fund where the completed asset will ultimately reside.

The following transactions illustrate the actual Banner entries to be made, by fund type/fund code and account code, pertaining to SELP loans (amounts are for illustrative purposes only):

SELP Loan Received by Non-proprietary Funds:

If SELP loan proceeds are used to pay the loan fee or disbursement fees, the fees must be charged to the project. The use of SELP proceeds to pay these fees will reduce the amount of proceeds actually available for the project. By recording an increase in proceeds and in offsetting expense, there is a net zero effect to the project. If the loan fee or disbursement fees are paid by the institutions Budgeted Operations fund, the full proceeds go to the project and the expense is to be recorded in FT11.

1a. Record initial SELP proceeds including loan fee (*cash receipt*)

Fund Type/Fund	Account Code - Title	Debit	Credit
FT01 - Bank Funds/A00000 Bank Funds	A0001 - Cash Suspense Checking <i>to record actual cash received</i>	\$1,000,000	
FT81 - Unexpended Plant Funds	04001 - Loan Proceeds from State Agencies <i>to record proceeds for the project</i>		\$1,060,000
FT81 - Unexpended Plant Funds <u>or</u> 11 - Budgeted Operations	24999 - Misc Fees & Services <u>or</u> 40x19 - Capital Misc Fees & Services (only if FT81) <i>to record loan fee</i>	\$60,000	

1b. Record subsequent SELP proceeds (*cash receipt*)

Fund Type/Fund	Account Code - Title	Debit	Credit
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FT01 - Bank Funds/A00000 Bank Funds	A0001 - cash Suspense Checking <i>to record actual cash received</i>	\$100,000	
FT81 - Unexpended Plant Funds	04001 - Loan Proceeds from State Agencies <i>to record proceeds for the project</i>		\$100,025
FT81 - Unexpended Plant Funds <u>or</u> 11 - Budgeted Operations	24999 - Misc Fees & Services <i>to record loan fee</i>	\$25	

2a. Record SELP liability from initial proceeds (*journal voucher*)

Fund	Account Code - Title	Debit	Credit
890000 - Investment in Plant Fund	F3000 - Fund Deductions for SELP Loans	\$1,060,000	
	B2002 - ODE SELP Loans Payable		\$1,060,000

2b. Record SELP liability from subsequent proceeds (*journal voucher*)

Fund	Account Code - Title	Debit	Credit
890000 - Investment in Plant Fund	F3000 - Fund Deductions for SELP Loans	\$100,025	
	B2002 - ODE SELP Loans Payable		\$100,025

3. Pay monthly SELP principal and interest amounts (could be interest only during construction)
(*journal voucher*)

Fund Type	Account Code - Title	Debit	Credit
FT11 - Budgeted Operations	28804 - SELP Principal Payment	\$7,000	
	28813 - Interest Expense - SELP	\$5,000	

4. Record reduction of liability by amount of principal repayment (The SELP liability can be updated when principal payments are made (monthly), quarterly or annually at the preference of the university, but must be updated at least annually at fiscal year end.) (*journal voucher*)

Fund	Account Code - Title	Debit	Credit
890000 - Investment in Plant Fund	B2002 - ODE SELP Loans Payable	\$7,000	

FUND ADDITIONS AND FUND DEDUCTIONS

Example Types of Transactions

Institutional motor pool moves a portion of its cash into an equipment replacement reserve. Cash is set aside in the reserve fund to save for the future replacement of motor pool vehicles.

Required Accounting

Debit – Fund providing assets debits an F0002 fund deduction account code

Credit – Fund receiving assets credits an E0002 fund addition account code

If using a fund addition/deduction account code for other than funding or using equipment or building reserves, the transaction description must fully identify why this type of account code use is appropriate.

E1001 – NIP Change in Fixed Assets: This account is automatically posted through Banner Fixed Assets each time an asset is added or deducted. The E1001 tracks the Net Investment in Plant (NIP). Occasionally adjustments to NIP will be made to the General Ledger, any adjustments must include E1001 on one side of the transaction. E1001 is used at year-end to record additions to Construction in Process. Contact the Controller’s Division, Accounting and Reporting section if you are unsure about the use of this account code: Cd-a-r@lists.ous.edu

.740 EXCEPTIONS TO ACCOUNTING FOR DISTRIBUTION OF FUNDS

The following are specific areas where interfund transactions are not recorded in a uniform manner among OUS institutions and the chancellor's office:

Transaction	Accounting Treatment(s)
Distribution of general fund appropriations to ETIC	<p>Distribution of revenue (preferred accounting treatment). OUS has separate baseline funds to account for the ETIC program. The general fund appropriations for ETIC have been determined by an outside party (the legislature), not internally within OUS. ETIC has to provide services in exchange for the general fund appropriation. General fund appropriation is considered operating revenue to ETIC, not “another funding source” or non-operating revenue to ETIC.</p> <p>Transfer (other acceptable treatment) This option is acceptable if the institution's policy is that ETIC is part of budgeted operations and is not a self-supporting operation. The legislature includes ETIC within the E&G program and has not identified ETIC as its own separate program. Revenues are earned by the E&G program, from which we have to follow the targeted program allocation requirements. ETIC must be treated no differently than any other budgeted operation. This accounting does not allow one to readily determine total revenue of ETIC programs system wide.</p>
Distribution of student incidental fee revenue	<p>Distribution of revenue (preferred accounting treatment). Student incidental fee revenue to auxiliary enterprises are annual allocations in expectation that the auxiliary enterprise will be providing services that benefit students. Student incidental fees are considered part of the auxiliary enterprise operating revenues and are not considered a subsidy or other funding source.</p> <p>Transfer (other acceptable treatment) This option is acceptable if the institution's policy is that the student incidental fee committee has earned the revenue and when they allocate funds, they are transferring their funds to other financial entities in the form of a non-exchange transaction.</p>
Monies to OSU ETS	<p>Internal revenue to OSU ETS and expense to the Chancellor's Office, EOU, OIT, SOU, and WOU.</p> <p>OSU ETS performs services on behalf of the Chancellor's Office, EOU, OIT, SOU, and WOU. However, funding for OSU ETS is recorded as a budgeted general fund appropriation directly from the Chancellor's Office, and \$75,000 internal sales revenue each from EOU, OIT, SOU, and WOU. As a result, the expenditures are not showing up in the Chancellor's Office, EOU, OIT, SOU, and WOU accounting records. This accounting treatment understates expenses of the Chancellor's Office, EOU, OIT, SOU, and WOU.</p> <p>Historically the Chancellor's Office provided “fifth site” IT services for the Chancellor's Office, EOU, OIT, SOU, and WOU. The IT services were funded within the general fund appropriations of the Chancellor's Office with</p>

	<p>a portion of those services being paid by each institution for IT services specific to that institution. The understanding was that for budgetary purposes, IT services are a central service performed on behalf of EOU, OIT, SOU, and WOU to be budgeted and paid for by the Chancellor's Office. EOU, OIT, SOU, and WOU do not have budgetary responsibility for funding those IT services.</p> <p>In 2004 the Chancellor's Office IT was combined into OSU IT and became OSU Enterprise Technology Services (OSU ETS). The same arrangement generally applied: OSU now receives general fund appropriations to provide shared IT services to the fifth site. The chancellor's office, EOU, OIT, SOU, and WOU are not charged for the shared IT services because for budgeting purposes, the chancellor's office, EOU, OIT, SOU, and WOU do not have payment responsibility for the shared IT services. The shared IT services are performed by OSU as a targeted program of general fund appropriations.</p> <p>To reflect the budgetary organization of who has been given responsibility for payment of the shared IT services, OUS policy is to record the general fund appropriation and expenditures of OSU ETS in the OSU accounting records. ETS is accounted for as a fund type 13 - service department. The general fund appropriation received as a targeted program for ETS is moved as a subsidy from fund type 11 – budgeted operations to fund type 13 – service department.</p>
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.760 MONITORING OF TRANSFERS

The following monitoring takes place during the year and at year end to ensure that transfers are recorded in the correct fund types and that the transfers out and corresponding transfers in net to \$0:

Criteria		Account Code(s)
All transfers in and out net to \$0:	Within FT11 within each institution	91250 - Tfr In- w/in FT11 Budgeted Ops and 92250 - Tfr Out- w/in FT11 Budgeted Ops
	Within each fund type level II within each institution	91001 - Tfr In- w/in FTYP Lvl 2 and 92001 - Tfr Out- w/in FTYP Lvl 2
	Within Each institution	91005 - Tfr In- between FTYP Lvl 2 (not FT11) and 92005 - Tfr Out- between FTYP Lvl 2(not FT11)
		91105 - Trsf In – Incidental Fee Resources and 92105 - Trsf Out – Incidental Fee Resources.
		91501 - Tfr In- for Cost Sharing and 92501 - Tfr Out- to Cost Sharing Funds. 91255 – Tfr In-from FT11 Budgeted Ops and

		92255 – <i>Tfr Out-from FT11 Budgeted Ops</i>
	OUS-wide	91225 - <i>Tfr In- from Other OUS Inst and</i> 92225 - <i>Tfr Out- to Other OUS Inst</i>
		91228 - <i>Tfr In- Debt Retirement CO-Inst and</i> 92228 - <i>Tfr Out- Debt Retirement CO-Inst</i>
The following transfers are only within the following fund types:	FT11 – Budgeted Operations	91250 <i>Tfr In- w/in FT11 Budgeted Ops and</i> 92250 <i>Tfr Out- w/in FT11 Budgeted Ops</i>
	EOU, OSU, SOU, and CO dedicated cost sharing funds (funds with fund level 3 roll-up of 005000 – Cost Sharing or other dedicated funds within budgeted operations fund type 11 Statewide Public Services fund roll-ups)	91501 - <i>Tfr In- for Cost Sharing</i>
	EOU, OSU, SOU, and CO FT 11 – Budgeted Operations but can occur from other fund types such as Auxiliary Enterprise fund FT2x or Foundation Funds – Restricted FT35.	92501 - <i>Tfr Out- to Cost Sharing Funds</i>
	Student incidental fee funds, mostly likely in FT 29 – Other Auxiliary Enterprises.	92105 - <i>Trsf Out – Incidental Fee Resources</i>
	Chancellors Office Chart K, FT85 – Retirement of Debt Funds.	91228 - <i>Tfr In- Debt Retirement CO-Inst</i>
	FT 91 agency funds and must net to \$0 within agency funds.	91001 - <i>Tfr In- w/in FTYP Lvl 2</i> 92001 - <i>Tfr Out- w/in FTYP Lvl 2</i>
Following transfers are between institutions		91225 - <i>Tfr In- from Other OUS Inst and</i>

or between institutions and the chancellor's office and are all on the inter-institutional ijiv system.	92225 - <i>Tfr Out- to Other OUS Inst</i>
	91228 - <i>Tfr In- Debt Retirement CO-Inst and</i> 92228 - <i>Tfr Out- Debt Retirement CO-Inst</i>

.780 ANNUAL FINANCIAL STATEMENT ELIMINATIONS

Eliminate Indirect Cost Recoveries – Indirect cost recoveries are double counted between funds at the university level. Please refer to the OUS Fiscal Policy Manual at /sites/default/files/cont-div/fpm/acco05553_acctg_example.xls for examples of these entries. The entry is made at the fund-wide level so no individual fund type level 2 is misstated. The entry is created using the balance of account 70005 – F & A Cost by program code.

DR – Indirect Cost Recoveries

CR – Various Operating Expenses

Eliminate Federal Grants Transferred Between OUS Entities – If an OUS institution is a sub-contractor/grantor to another OUS institution, the movement of funds from one OUS institution to another OUS institution results in a system-wide double counting of revenue and expense. To identify these revenues, the sub-grantee uses account code 03118 "OUS Institution Sub-Contract/Grants" to record the revenue received from the other OUS institution. The institution disbursing the funds out must use a 399xx sub-grant account code to record the expense.

For the financial statements, the Controller's Division prepares a system-wide interfund elimination adjustment to remove the overstatement of the OUS internal sub-contract/grant revenue and expense.

Fund type 31 – DR Federal Grants and Contracts

Fund type 31 – CR – Other Operating Expense

Fund type 31 – CR – Research

Eliminate Scholarship Allowances – Institutions receive financial aid funds from the Federal and State Government as well as many other sources. The financial aid funds are disbursed to students, who in turn use a large portion of those financial aid funds for payment of tuition and fees, on-campus housing and books. In the institution accounting records, these transactions result in (1) governmental financial aid grant revenue, (2) financial aid expense, and (3) tuition and fee, campus housing and/or institutional bookstore revenue.

At the end of the fiscal year, the Controller's Division follows a methodology to estimate the financial aid expense used by students to pay for tuition and fees, campus housing and books. NACUBO refers to this amount as "scholarship allowance." In the institutional and OUS-wide financial statements, the financial aid expense and the tuition and fee revenue and auxiliary enterprise revenue are reduced by the amount of the scholarship allowance.

A simplified version of the entry is as follows:

Fund type 11 – DR – Tuition and Fees

Fund type 11 – CR – Student Aid

Fund type 11 – CR – Transfers
Fund type 21 – DR – Auxiliary – Housing
Fund type 21 – CR – Student Aid
Fund type 21 – CR – Transfers
Fund type 3X – DR – Transfers
Fund type 3X – CR – Student Aid

Eliminate Financial Aid Administrative Cost Allowance (ACA) – Institutions receive Financial Aid Administrative Cost Allowance in conjunction with certain student federal aid programs, specifically Perkins Loan Program, Federal Supplemental Educational Opportunity Grants (FSEOG), and Federal Work Study (FWS). The recording of the revenue, distribution, and use of the cost allowance results in the double-counting of revenue and expense on an institution and OUS-wide basis. When distributing the administrative cost allowance, institutions must debit the appropriate financial aid fund using account code 70001 "Financial Aid Administrative Costs" and credit the appropriate Budgeted Operating fund(s) using account code 03302 "Financial Aid Administrative Cost Recovery".

For the financial statements, the Controller's Division prepares an institution-wide adjustment to remove the duplicate revenues and expenses that resulted from the distribution of the ACA. The entry is created using the balance of account 70001 – F & A Cost, by program code.

DR – Indirect Cost Recoveries
CR – Various Operating Expenses

“Indirect Cost Recoveries” is a caption initially populated by the HFM crosswalk. The above entry brings the amount in “indirect cost recoveries” to \$0.

Eliminate Sport Guarantees – Guarantees paid relating to sporting events between OSU, UO and PSU (mainly football and men’s basketball) creates an overstatement of revenues and expenses in fund type 23 at the OUS level. Guarantees are recorded in revenue account 06471 and expense account 28920. The elimination entry reduces fund type 23 at the system-wide level so that the individual universities are not misstated. The amount to eliminate is provided by the universities.

Fund type 23 – DR – Auxiliary Enterprise Revenues (Athletics, Events & Performances)
Fund type 23 – CR – Auxiliary Programs

.995 HISTORY

06/06/12 Approved

06/06/12 Updated

04/20/09 Approved

04/20/09 Updated

03/19/12 Updated

Appendix Last Updated: 03/19/12