

OREGON ACCOUNTING MANUAL		Number 15.45.20.PR
Oregon Department of Administrative Services State Controller's Division	Procedure	Effective Date July 22, 2005
Chapter	Accounting and Financial Reporting	.1 OF .5
Part	Interfund and Interagency Transactions	
Section	Advances Between Funds/Agencies	Approval Signature on file at SCD

Purpose

- .101 This procedure provides guidance on accounting and reporting for advances between funds or agencies in accordance with **generally accepted accounting principles (GAAP)**, including applicable disclosure requirements.

Recording Advances

- .102 Advances are long-term loans from one fund or agency to another fund or agency and must be recorded as a liability in the fund receiving the advance, regardless of the fund type. The fund making the advance must record the receivable as an advance to other funds/agencies. The fund receiving the advance has a long-term interfund liability that is recorded in the fund itself as an advance from other funds/agencies.
- .103 Advances must not be used to record transactions related to charges for goods and services between funds (see **interfund services provided and used** in **15.45.10.PR**). Short-term receivables and payables between funds or agencies are treated as “due to” or “due from” other funds/agencies rather than accounted for as advances.
- .104 Advances to other funds/agencies accounts must balance with offsetting advances from other funds/agencies accounts. The agency GL for the GL account 0950, Advances To Other Funds/Agencies, portion of the transaction must reference the agency and D23 fund where the GL account 1800, Advances From Other Funds/Agencies, portion of the transaction is recorded.

Advances Between Governmental Fund Types

- .105 Unlike other long-term liabilities of **governmental fund** types, which are recorded in the **Government-Wide Reporting Fund**, interfund loans must be recorded in the governmental fund itself. For financial statement purposes, advances are reflected on the balance sheet only. In order to accommodate this, GAAP offsets are included in the transaction codes related to advances for governmental funds as well as proprietary funds.
- .106 Example transactions (governmental fund types):

Assume Agency 111 sent \$25,000 from a **special revenue fund** (D23 fund 5563) to Agency 222 as an advance (a long-term loan to be repaid by Agency 222). Agency 222 will receive this money into their special revenue fund (D23 fund 4321).

Agency 111 sends \$25,000 to Agency 222 and records TC 722 to:

DR 3500 Expenditure Control-Cash (6870 Loans to State Agencies)	\$25,000	
CR 0070 Cash on Deposit with Treasurer		\$25,000

Agency 222 receives \$25,000 from Agency 111 and records TC 723 to:

DR 0070 Cash on Deposit with Treasurer	\$25,000	
CR 3100 Revenue Control - Cash (1600 Loan Proceeds)		\$25,000

Agency 111 records asset for loan to Agency 222 with TC 477:

DR 0950 Advances to Other Funds/Agencies	\$25,000	
DR 3075 Change in Reserves	\$25,000	
CR 3002 Reserved for Advances to Other Funds/Agencies		\$25,000
CR 3600 GAAP Expenditure Offset (6870 Loans to State Agencies) (Agency GL 22243210)		\$25,000

Agency 222 records liability for loan from Agency 111 with TC 482 / TC483:

TC 482	DR 2951 System Clearing GL	\$25,000	
	DR 3200 GAAP Revenue Offset (1600 Loan Proceeds)	\$25,000	
	CR 1800 Advances From Other Funds/Agencies		\$25,000
	CR 3075 Change in Reserves (Agency GL 11155630)		\$25,000
TC 483	DR 0926 Amt to be Provided-Advance From Other Fund/Agy	\$25,000	
	CR 2951 System Clearing GL		\$25,000

Assume that Agency 222 made their first payment of \$1,100 of principal and interest to begin repayment of the outstanding loan.

Agency 222 sends \$1,100 to Agency 111 and records TC 722 to:

DR 3500 Expenditure Control-Cash (7200 Principal - Loans)	\$1,000	
DR 3500 Expenditure Control-Cash (7400 Interest - Loans)	\$ 100	
CR 0070 Cash on Deposit with Treasurer		\$1,100

Agency 111 receives \$1,100 from Agency 222 and records TC 723 to:

DR 0070 Cash on Deposit with Treasurer	\$1,100	
CR 3100 Revenue Control - Cash (1104 Other Loan Repayments)		\$1,000
CR 3100 Revenue Control - Cash (0800 Interest on Investments)		\$ 100

Agency 111 reduces the asset balance for the principal amount with TC 478:

DR 3002 Reserved for Advances to Other Funds/Agencies	\$1,000	
DR 3200 GAAP Revenue Offset (1104 Other Loan Repayments)	\$1,000	
CR 0950 Advances to Other Funds/Agencies		\$1,000
CR 3075 Change in Reserves (Agency GL 22243210)		\$1,000

Agency 222 reduces liability for principal amount repaid with TC 484 / 485:

TC 484	DR 1800 Advances From Other Funds/Agencies	\$1,000	
	DR 3075 Change in Reserves	\$1,000	
	CR 2951 System Clearing GL		\$1,000
	CR 3600 GAAP Expenditure Offset (7200 Principal - Loans) (Agency GL 11155630)		\$1,000

TC 485 DR 2951 System Clearing GL	\$1,000
CR 0926 Amt to be Provided-Advance From Other Funds/Agy	\$1,000

Advances Between Proprietary Fund Types

.107 Reporting advances between **proprietary fund** types in accordance with GAAP requires elimination of the changes in the advance balance directly related to revenues and expenses. Thus, transactions related to advances involve GAAP offset accounts. This elimination is reflected in the operating statement.

.108 Example transactions (proprietary fund types):

Assume Agency 111 sent \$50,000 from an **enterprise fund** (D23 fund 4567) to Agency 222 as an advance (a long-term loan to be repaid by Agency 222). Agency 222 will receive this money into their enterprise fund (D23 fund 6321).

Agency 111 sends \$50,000 to Agency 222 and records TC 722 to:

DR 3500 Expenditure Control-Cash (6870 Loans to State Agencies)	\$50,000
CR 0070 Cash on Deposit with Treasurer	\$50,000

Agency 222 receives \$50,000 from Agency 111 and records TC 723 to:

DR 0070 Cash on Deposit with Treasurer	\$50,000
CR 3100 Revenue Control - Cash (1600 Loan Proceeds)	\$50,000

Agency 111 records asset for loan to Agency 222 with TC 446:

DR 0950 Advances to Other Funds/Agencies	\$50,000
CR 3600 GAAP Expenditure Offset (6870 Loans to State Agencies) (Agency GL 22263210)	\$50,000

Agency 222 records liability for loan from Agency 111 with TC 448:

DR 3200 GAAP Revenue Offset (1600 Loan Proceeds)	\$50,000
CR 1800 Advances From Other Funds/Agencies (Agency GL 11145670)	\$50,000

Assume that Agency 222 made their first payment of \$5,500 of principal and interest to begin repayment of the outstanding loan.

Agency 222 sends \$5,500 to Agency 111 and records TC 722 to:

DR 3500 Expenditure Control-Cash (7200 Principal - Loans)	\$5,000
DR 3500 Expenditure Control-Cash (7400 Interest - Loans)	\$ 500
CR 0070 Cash on Deposit with Treasurer	\$5,500

Agency 111 receives \$5,500 from Agency 222 and records TC 723 to:

DR 0070 Cash on Deposit with Treasurer	\$5,500
CR 3100 Revenue Control - Cash (1104 Other Loan Repayments)	\$5,000
CR 3100 Revenue Control - Cash (0800 Interest on Investments)	\$ 500

Agency 111 reduces the asset balance for the principal amount with TC 447:

DR 3200 GAAP Revenue Offset (1104 Other Loan Repayments)	\$5,000
CR 0950 Advances to Other Funds/Agencies (Agency GL 22263210)	\$5,000

Agency 222 reduces liability for principal amount repaid with TC 449:

DR 1800 Advances From Other Funds/Agencies	\$5,000	
CR 3600 GAAP Expenditure Offset (7200 Principal - Loans) (Agency GL 11145670)		\$5,000

Fund Financial Statement Presentation – Balance Sheet

- .109 In the balance sheet of governmental fund types, the asset account Advances to Other Funds/Agencies will be offset with the fund balance account Reserved for Advances to Other Funds/Agencies. The liability account, Advances From Other Funds/Agencies, will be offset by Amount to be Provided for Advance From Other Funds/Agencies.
- .110 In the balance sheet of proprietary fund types, the offset to both the asset account Advances to Other Funds/Agencies and the liability account Advances From Other Funds/Agencies will be reflected in net assets.
- .111 At fiscal year end, interest revenue will be accrued for any interest owing at June 30. The lending agency would accrue interest revenue and establish a receivable and the borrowing agency would accrue interest expense or expenditure and establish a payable.
- .112 For advances between agencies, verify loan balances agree at year end and make sure both agencies have accrued the same amount of interest receivable and payable.
- .113 Balances related to discretely presented component units must be distinguished from balances between funds of the primary government (e.g., "Advance to Component Unit").

Fund Financial Statement Presentation – Operating Statements

- .114 In the operating statement of governmental fund types, loan proceeds and principal expenditures are eliminated against the change in Amount to be Provided for Advances From Other Funds/Agencies through the use of GAAP offsets. Likewise, loans made to state agencies and loan repayments are eliminated against the change in Reserved for Advances to Other Funds/Agencies. Interest payments are reported as debt service expenditures. Loan interest revenue is reported as investment income.
- .115 In the operating statement of proprietary fund types, changes in revenues and expenses that support changes in the advance balance are eliminated from the operating statement through the use of GAAP offsets. This includes amounts for loan proceeds, loans made to state agencies, principal expense, and loan repayments. Interest payments on loans are reported as interest expense. Loan interest revenue is reported as investment income.
- .116 Operating statements prepared on the budgetary basis will reflect all loan revenue and loan expenditure activity. However, operating statements prepared on the GAAP basis will reflect only interest income and interest expense because the effects of loan activity are eliminated against the changes in the long-term asset and liability accounts.

Government-Wide Financial Statement Presentation

- .117 The reserve for advances and the amount to be provided account are eliminated during compilation of the government-wide statement of net assets.
- .118 Advances within governmental funds and within business-type activities will be eliminated at the government-wide reporting level, leaving only the residual balances due between governmental and business-type activities.

- .119 Advances to or from fiduciary funds are reported as receivable from or payable to external parties in the government-wide statement of net assets.

Disclosure Requirements

- .120 Advances due to and 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 types must be disclosed in the notes to the financial statements. Use of the Agency GL field by agencies for all applicable transactions facilitates disclosure at this level of detail.
- .121 A description of the purpose for interfund advances, as well as the fact that advances are not expected to be repaid within one year from the date of the financial statements, must be disclosed in the notes to the financial statements.