



A Key Pillar of State Government

OFFICE OF THE UTAH STATE AUDITOR



Office of the
Utah State Auditor

Interfund Transfers, Reimbursements,
Loans, and Services

ENTERPRISE FUNDS



Office of the
Utah State Auditor

Two Required Provisions

Utah Code

- Notice and hearing requirements
 - 10-6-135(3)(f)(i)(B)

Accounting Standards

- Financial Reporting
 - GASB Codification 1800.102



Fund Accounting

Governmental Entity

- Measure Accountability
 - Regulations, Restrictions, or Limitations
- “...a governmental entity is a combination of several distinctly different fiscal and accounting entities, each having a separate set of accounts and functioning independently.” (GASB Codification 1300.101)

Private Business

- Measure Profitability
- Accounted for as a single entity



Office of the

Utah State Auditor

Enterprise Restriction

- Implied agreement with rate payers when fee is imposed.



ACCOUNTING



Office of the
Utah State Auditor

Nonreciprocal Interfund Activity

- Internal counterpart to nonexchange transactions and includes:
 - Interfund Transfers
 - Interfund Rimbursments
 - GASB Cod. 1800.102



Interfund Transfers

- “Interfund Transfers – flows of assets (such as cash or goods) without equivalent flows of assets in return and without a requirement for repayment.” (GASB Cod. 1800.102)
- Example – water provided by an enterprise fund for general government activities accounted for in a general fund.



Interfund Reimbursements

- “Interfund Reimbursements – repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them.” (GASB Cod. 1800.102)
- Example – general fund provides accounting services to an enterprise fund, which the enterprise fund reimburses the general fund.



Office of the

Utah State Auditor

Reciprocal Interfund Activity

- Internal counterpart to exchange and exchange like transactions, it includes:
 - Interfund Loans
 - Interfund Services Provided and Used
 - GASB Cod. 1800.102



Interfund Loans

- “Interfund Loans – amounts loaned from one fund to another with a requirement for repayment.” (GASB Cod. 1800.102.a)



Interfund Services

- “Interfund services provided and used – sales and purchases of goods and services between funds for a price approximating their external exchange value.” (GASB Cod. 1800.102.a)
- Example – Enterprise fund provides water services to customers inside and outside of the primary government, the government should be treated like a customer of the utility and charged at the same rate as other customers of the utility.



Interfund Transfers & Subsidy

Transfers – Public Notice and Hearing Requirements

a. *For counties and districts:* The entity must include any interfund transfers or subsidy transfers in an original budget or in a subsequent budget amendment approved by the governing body for the fiscal year under audit. If the entity did not, proceed to step b.

*For municipal interfund transfers or subsidy transfers made **before** May 13, 2014:*

- The entity must include any interfund transfers or subsidy transfers in an original budget or in a subsequent budget amendment approved by the governing body for the fiscal year under audit. If the entity did not, proceed to step b.

*For municipal interfund transfers or subsidy transfers made on or **after** May 13, 2014, proceed to step b:*



Office of the

Utah State Auditor

Interfund Transfers & Subsidy

Transfers – Public Notice and Hearing Requirements

b. For the applicable entities noted in a. above, the governing body held a public hearing and provided written notice of the:

- Date, time, and place of hearing
- Purpose of the hearing
- The enterprise fund from which the cash or goods would be transferred.
- The fund to which the cash or goods would be transferred.
- The amount/value of cash or goods transferred. (When determining the amount/value of cash or goods the enterprise fund is transferring to the general fund the amount should be calculated at the same rate charged to other customers of the utility).

The notice must be:

- Mailed to each enterprise fund customer.
- At least seven days before the hearing.
- Included as a separate notification mailed or transmitted with the customers' utility bill.



Office of the

Utah State Auditor

Public Notice of Transfer Amount

- Include in adopted budgets:
 - Interfund transfer amount
 - Expense amount



Estimate

- Based upon a reasonable methodology
- Annually update the estimate
- Cost
 - Interfund reimbursements
- Comparable to rates charged to customers of the utility.
 - Interfund Transfers
 - Interfund Services



Legal Compliance Audit Guide

- Accounting and public notice requirements is not new.
- December 31 entities will have provisions in the audit guide testing December 31, 2014 accounting and public notice requirements.
- June 30 entities will have provisions in the audit guide testing June 30, 2015 accounting and public notice requirements.



Interfund Loans – HB 381

- **Effective for loans issued after May 13, 2014.**
- **Not applicable to loans from the general fund to any other fund or**
- **short-term advances from a cash and investment pool to individual funds that are repaid by the end of the fiscal year.**



Interfund Loans – HB 381

The loan must be in writing and contain the following terms and conditions:

1. Effective date of the loan
2. Name of the fund loaning the money
3. Name of the fund receiving the money
4. Amount of the loan
5. Term of and repayment schedule of the loan (not to exceed 10 years)
6. Interest rate of the loan (if less than one year, the interest rate cannot be less than the rate offered by the PTIF, if greater than one year the rate cannot be less than the greater of the PTIF rate or the rate of a US Treasury note of a comparable term.)
7. Method of calculating interest applicable to the loan
8. Procedures for applying interest and paying interest



Interfund Loans – HB 381

- The governing body must hold a public hearing and provide written notice of the:
 1. Date, time, and place of the hearing
 2. Purpose of the hearing and
 3. The proposed terms and condition of the interfund loan
- The notice must be provided in the same manner as if the hearing were a budget hearing.
 - *Notice and hearing requirements outlined in b & c above are satisfied if the loan is included in an original or subsequently amended budget.*
- The governing body must authorize the loan by ordinance or resolution at a public meeting.



Handout Available

- Email – Emily Britton, ebritton@utah.gov and include in the subject line “Enterprise Fund Handout”
- Check Website



New GASB Pronouncements

Statement	Title	12/31	6/30
65	Items Previously Reported as Assets and Liabilities	13	14
66	Technical Corrections	13	14
67	Pensions (Plan)	14	14
68	Pensions (Employer)	15	15
69	Disposals of Government Operations	14	15
70	Accounting and Financial Reporting for Nonexchange Financial Guarantees	14	14
71	Pension Transition For Contributions Made Subsequent to the Measurement Date – an amendment of GASB 68	15	15



Handout Available

- Email – Emily Britton, ebritton@utah.gov and include in the subject line “Deferred Outflows/Inflows”
- Check Website



Questions?

- Van Christensen, CPA, CFE
 - 801-538-1394
 - vchristensen@utah.gov

