

# Guidance for the Proper Use & Coding of Transfers in Iowa Advantage

A significant amount of activity recorded in Iowa Advantage results from intra-government transactions between funds and departments. Some of these transactions that may appear to be revenues and expenditures for a specific fund or department are, from a “state-wide” perspective, more accurately viewed as a reimbursement or allocation of costs. The impact of recording these intra-government transactions is a “doubling up” of both revenues and expenditures in Iowa Advantage which accordingly impacts financial reporting and the ACFR.

**Governmental Funds** (GAAP fund types A, B, C, D & E)

Governmental funds, by definition, typically are not operating in a business-like manner where the intent is to fully recover costs. Rather charges by governmental funds are usually a reimbursement or allocation of shared costs.

A reimbursement is a repayment from the funds responsible for the payment to the fund that initially paid them. An example would be the reimbursement of conference registration fees for DPS employees that, for convenience, were paid by DOT when registering its own employees. In these limited situations, the reimbursement should be coded as an increase in expenditure of the reimbursing fund and as a decrease in expenditure in the reimbursed fund.

Some charges between departments for services provided are in essence an allocation of a portion of the shared costs. This occurs when one department serves as a “central” department with the staff and expertise to perform a particular function, which is then utilized by other departments, for efficiency and economy. In these situations, it is impractical to reduce the expenditures related to the charge in the selling department (salaries, supplies, and etc.). This situation is further complicated by financial reporting requirements that would differentiate treatment based on the classification of the governmental funds and the departments involved. Consequently, in this instance it would be appropriate to use transfer coding to record the transaction. Examples include charges by the AG’s office for legal services, by AOS for audit services, and charges by DIAL for hearing fees.

To provide for consistent recognition and reporting in Iowa Advantage, the following coding should be used for all billings/transactions between governmental funds:

**Governmental Fund Transfers (Both sides of transaction are governmental funds)**

Revenue Class (3-digit)	Revenue Source (4-digit)	Expenditure Class (3-digit)	Expenditure Object (4 digit)
232 - Governmental Fund Type Transfers – Attorney General	0302 - Attorney General Billings	432 - Governmental Fund Type Transfers – Attorney General	3902 - Payments to Attorney General
233 – Governmental Fund Type Transfers – Auditor of State	0303 - Auditor of State Billings	433 - Governmental Fund Type Transfers – Auditor of State	3903 - Payments to Auditor of State
234 - Governmental Fund Type Transfers – Other Agencies	0304 - Other Agency Billings	434 – Governmental Fund Type Transfers - Other Agencies	3904 - Payments to Other Agencies
<b>234 – Governmental Fund Type Transfers – Other Agencies</b>	0305 – Dept Indirect Cost Recoveries	434 – Governmental Fund Type Transfers - Other Agencies	3905 – Dept Indirect Costs
204 – Intra-State Transfers	0301 – Intra State Transfers	407 – Intra-State Transfers	3901 – Intra-State Transfers

➡ **Event type MUST be: Either IN04 (transfer between funds) or IN06 (transfer within the same fund)**

The Indirect Cost coding (0305/3905) is to be used when a department has a cost allocation plan to distribute costs and those costs need to be separately identified. (Please contact the GAAP team before first using the Indirect Cost coding.) The Intra State Transfers coding (0301/3901) is still available; however, it is intended that it be used only to record such activity as the movement of General Fund appropriations to other funds and the pass-through of federal grants from one fund to another.

It is essential to note that **transfers in must equal transfers out**. Both sides of a transaction between governmental funds in Iowa Advantage must be coded as a transfer.

There are very limited exceptions for coding only one side of a transaction as a transfer. The exception arises because the transaction does not occur between funds in Iowa Advantage. The most common of these transactions are; the transfer of aid from the Board of Regents to the Regent’s institutions, the transfers of appropriations to the Judicial Districts, and the transfer of Unemployment Taxes from Workforce Development to the federal trust account. These transfers are created in Iowa Advantage using the following coding:

Revenue Class (3-digit)	Revenue Source (4-digit)	Expenditure Class (3-digit)	Expenditure Object (4 digit)
NA	NA	407 – Intra-State Transfers	3913 –Transfer Funds Out of I/3

**Non-Governmental Funds** (GAAP fund types F, G, H, I, J, K, U)

Payments for sales and purchases of goods and services provided by one fund (typically an enterprise or internal service fund) to another fund are properly recorded as revenues and expenditures/expenses.

**Enterprise Funds**

Charges for services include revenues based on exchange or exchange-like transactions. These revenues arise from charges to customers or applicants who purchase, use, or directly benefit from the goods or services provided. Examples of revenues in this category include charges by ICN for phone services and charges by IPI for goods. These examples represent charges from enterprise funds which operate in a “business-like” manner to measure operating results.

**Internal Service Funds**

Billings from eDAS are an example of charges by an internal service fund which is also accounted for in a business-like manner, but whose customers are almost exclusively other State departments. The “doubling up” effect of internal service activity is eliminated during the government-wide financial reporting process for ACFR presentation.

When one or both sides of an inter-departmental billing/transaction are non-governmental funds (enterprise, internal service, fiduciary, and component unit GAAP fund types), revenue and expense coding should be used. For example:

**Non-Governmental Fund Payments (One or both sides of transaction are not governmental funds)**

Revenue Class (3-digit)	Revenue Source (4-digit)	Expenditure Class (3-digit)	Expenditure Object (4-digit)
<b>205 - Intra-State Reimbursements</b>	0285 - Reimbursements from Other State Agencies	411 - Attorney General Reimbursement	2502 - Attorney General Reimbursement
<b>205 - Intra-State Reimbursements</b>	0285 - Reimbursements from Other State Agencies	412 - Auditor of State Reimbursement	2503 - Auditor of State Reimbursement

➡ **Event type MUST be: *Either IN09 (payment between funds) or IN99 (payment within the same fund)***

There are very limited exceptions for using transfer coding in non-governmental funds in Iowa Advantage. Lottery proceeds and ABD liquor profits should use transfer coding when the proceeds/profits are paid to the funds required to receive the proceeds/profits. Both sides of the transaction must use transfer coding.

**Event Types**

The event type must be consistent with the revenue source and expenditure object used. For example, an IET transaction would require not only that both sides of the transaction are coded as either a transfer or revenue/expense, but also that the appropriate corresponding event type is used.

For internal transactions, IET and PRCI, the following event types are used:

<b>Event Type</b>	<b>Description</b>	<b>Used When</b>
<b>IN04</b>	Inter-Fund Transfers	Transaction is a transfer and is between different funds
<b>IN06</b>	Intra-Fund Transfers	Transaction is a transfer and is within the same fund
<b>IN09</b>	Inter-Fund Purchase	Transaction is not a transfer and is between different funds
<b>IN99</b>	Intra-Fund Purchase	Transaction is not a transfer and is within the same fund

For JV1, CDE, and CDR transactions please refer to “Correcting Transactions” to determine the correct event type to be used.

**Important Notes**

A fund’s GAAP fund type is defined in Iowa Advantage on the Fund table, in the Fund Group field.

Activity between different departments, but the same fund, are considered to be between the same fund.