

TO: ALL COUNTY PERSONNEL
FROM: ROBERT WEISMAN
COUNTY ADMINISTRATOR
PREPARED BY: OFFICE OF FINANCIAL MANAGEMENT AND BUDGET (OFMB)
SUBJECT: ACCOUNTING POLICIES FOR INTERFUND, INTRAFUND AND
EXTERNAL TRANSACTIONS
PPM#: CW-F-043

ISSUE DATE
May 20, 2015

EFFECTIVE DATE
May 20, 2015

PURPOSE:

To provide guidelines for appropriate and consistent accounting treatment relating to interfund, intrafund, and external transactions by County Departments, Divisions and Agencies. This does not include transactions involving fixed asset transfers.

UPDATES:

Future updates to this PPM are the responsibility of the Director of Financial Management and Budget.

AUTHORITY:

1. Florida Statutes, Section 218.33, may be amended
2. Governmental Accounting Standards Board (GASB) Pronouncements; and GASB Codification, Section 1800.
3. Generally Accepted Accounting Principles (GAAP).

DEFINITIONS:

1. **Cost Allocation:** The transfer of the cost of a good or service or the total of a group of such costs from a primary account to one or more secondary accounts, the purpose being to identify the cost with the product or other cost objective to which the goods or services have contributed.
2. **Cost Allocation Plan:** The documentation identifying, accumulating, and distributing indirect costs together with the allocation methods used.
3. **Cost Center:** An organizational division or unit for which accounts are maintained containing direct costs.

4. **Expenditure:** The incurring of a liability, the payment of cash, or the transfer of property in order to acquire an asset or service.
5. **External Transaction:** A transaction with an entity not affiliated or otherwise related to the County reporting entity.
6. **Fund:** A fiscal and accounting entity consisting of a self-balancing set of accounts - asset, liability, equity, revenue, and expense - segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with certain defined regulations, restrictions, and limitations.

Most funds have a separate budget.

7. **Good:** Any item of merchandise, raw materials, or finished goods.
8. **Indirect Cost:** A functional cost not attributed to the production of a specified good or service, but to an activity generally associated with production (e.g., a variety of costs such as supervision, building depreciation, maintenance, utilities, and general administrative expense). Indirect cost is sometimes referred to as "overhead".
9. **Quasi-External Transaction:** A transaction that would be treated as a revenue, an expenditure, or an expense if it involved an organization external to the governmental unit.

Examples include: internal service fund billings to departments; routine employer contributions from the general fund to a pension trust fund; payments in lieu of taxes from an enterprise fund to the general fund; routine service charges for inspection, engineering, utilities, or similar services provided by a department financed from one fund to a department financed from another fund; and operating department charges to capital projects (charge-offs) in another fund for allowable services (See PPM CW-F-044 for interdepartmental billing procedures).

10. **Refund:** A transaction that constitutes an amount paid back or a credit allowed on account of an overcollection or overpayment.
11. **Reimbursement:** A transaction that constitutes a repayment to a fund or cost center for expenditures initially made from it that are properly applicable to another fund or cost center.

For purposes of this PPM, the term "reimbursement" will not apply to external transactions or other transactions involving: 1) insurance proceeds received for insured losses; 2) the payment for services provided; or 3) the allocation of indirect costs.

12. **Revenues:** Sales of products, merchandise, and services; transactions resulting in increases in assets.

13. **Service:** Work done or duty performed to meet a need or satisfy a requirement.
14. **Third Party:** A party with whom an arm's-length (i.e., independent) relationship is maintained.
15. **Transaction:** An event or condition the recognition of which gives rise to an entry in the accounting records.

POLICY:

I. **General Principles:**

For purposes of compliance with this PPM, the following general principles will be controlling:

- A. Transactions which do not result in increases in current assets (e.g., cash) to a particular fund will not be recorded as revenues to that fund.
- B. Allocation of general, administrative or other support function costs will be treated as a redistribution of expenditures and shall not be recorded as revenues.
- C. Reimbursements will be treated as either a credit to revenues or expenditures depending on the fiscal year in which the transaction occurs.
- D. Refunds created by overpayment of expenditures will be treated as either a credit to revenues or expenditures depending on the fiscal year in which the transaction occurs.
- E. Refunds created by overcollection of revenues will be treated as either a debit to revenues or expenditures depending on the fiscal year in which the transaction occurs.
- F. Insurance proceeds received for insured losses will be recorded as revenues.
- G. The general operations of each Constitutional Officer will be treated as a Special Revenue Fund as defined in the County's Comprehensive Annual Financial Report (CAFR).
- H. All other transactions not specifically addressed in this PPM shall likewise be accounted for in accordance with Generally Accepted Accounting Principles (GAAP).

II. Specific Policies:

- A. The amount charged for the provision of a service or the sale of a good to an entity outside of the providing fund will be recorded as a revenue to the providing fund, and, if applicable, as an expenditure of the receiving fund.

This policy will include the following transactions:

1. External Transactions involving service provision or sales to an outside customer (e.g., third party government or non-governmental customer).
 2. Quasi-External Transactions involving service provision or sales between funds (e.g., internal service charges, engineering service charges, etc.).
- B. The amount charged for the provision of a service or the sale of a good within the same fund will be recorded as a credit to expenditures of the providing cost center, and as an expenditure of the receiving cost center.
- C. Cost allocations will be recorded as a credit to expenditures in the fund or cost center from which the expenditures are being allocated, and as an expenditure in the fund or cost center being charged. The cost allocation object codes establish the required nexus between one expenditure's credit and the expenditure being charged.

This policy will include the following transactions:

1. Cost allocations made between funds as part of the following:
 - a. indirect costs distributed through any cost allocation plan;
 - b. grant requirements; and
 - c. other requirements as specified by management.
 2. Cost allocations made between cost centers that are within the same fund.
- D. Reimbursements to a fund or cost center will be recorded as a credit to expenditures of the fund or cost center receiving the reimbursement, and as an expenditure of the fund or cost center making the reimbursement, if the reimbursement occurs within the same fiscal year.

This policy will include the following transactions:

1. Reimbursements made between funds.
2. Reimbursements made between cost centers that are within the same fund.

- E. Reimbursements to a fund will be recorded as a miscellaneous revenue of the fund receiving the reimbursement, and as an expenditure of the fund making the reimbursement, if the reimbursement is from a prior fiscal year.
- F. Refunds created by an overpayment of expenditures will be recorded as a credit to expenditures of the fund or cost center that made the overpayment if the refund occurs within the same fiscal year.

This policy will include the following transactions:

- 1. External Transactions.
- 2. Quasi-External Transactions.
- 3. Refunds made between funds.
- 4. Refunds made between cost centers that are within the same fund.

- G. Refunds created by an overpayment of expenditures will be recorded as a miscellaneous revenue of the fund that made the overpayment if the refund is from a prior fiscal year.

This policy will include the following transactions:

- 1. External Transactions.
- 2. Quasi-External Transactions.
- 3. Refunds made between funds.

- H. Refunds created by an overcollection of revenues will be recorded as a debit to revenues of the fund that made the overcollection if the refund occurs within the same fiscal year.

This policy will include the following transactions:

- 1. External Transactions (e.g., Impact Fees).
- 2. Quasi-External Transactions.
- 3. Refunds made between funds.

- I. Refunds created by an overcollection of revenues will be recorded as an expenditure of the fund that made the overcollection if the refund is from a prior fiscal year.

This policy will include the following transactions:

- 1. External Transactions.
- 2. Quasi-External Transactions.
- 3. Refunds made between funds.

III. Exceptions:

Exceptions to this PPM must be approved in writing by both Finance and OFMB and will be made on a case by case basis.



ROBERT WEISMAN
COUNTY ADMINISTRATOR

Supersession History:

1. PPM# CW-F-043, revised 10/1/94
2. PPM# CW-F-043, revised 8/15/07
3. PPM# CW-F-043 revised 10/21/10