

***This document is intended as a practical guide for the proper use and coding of transfers in I/3.***

There are four types of inter-fund activity:

1. *Inter-fund Services provided and used* - 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. **This is not a transfer.** Examples would include:
  - a. Payments to ICN for phone service
  - b. eDAS billings
  - c. Fees paid to IWD for elevator inspections
  - d. Audit billings from the State Auditor
2. *Inter-fund Loans* - Loans between funds are properly reported as increases and decreases in assets and liabilities, with no effect on operating statements. The loan activity should be coded to revenue and expense on I/3, and the Loans Receivable page of the GAAP package should be completed with necessary detail to make the adjusting entries. **This is not a transfer.** An example would be :
  - Innovation loans
3. *Inter-fund Reimbursements* – Repayment from the funds responsible for the expenses to the fund that initially paid them. The reimbursement should be recorded as an increase in expenditures or expenses of the reimbursing fund and as a decrease in the reimbursed fund. **This is not a transfer.** An example would be:
  - Reimbursement to another agency for a shared expense
4. *Inter-fund Transfers* – The movement of assets not described above **ARE TRANSFERS.** Examples would include:
  - a. Movement of General Fund appropriations to other funds
  - b. Transfers of Lottery profits to the General Fund
  - c. Pass-through of federal grants from one fund to another

The use of appropriate transfer coding is necessary in order to eliminate the double (or more) counting of revenues and expenses as they flow between the State's governmental funds.

An important consideration is that transfers in must equal transfers out. That means that both sides of a transaction between funds in I/3 must be coded as a transfer.

Transfers are created in I/3 using the following coding:

Revenue source 0301 – Intra State Transfers (within revenue class 204 - Intra-State Transfers) for transfers in, and

Object code 3901– Intra State Transfers (within object class 407 - Intra-State Transfers) for transfers out.

There are limited exceptions for coding only one side of a transaction as a transfer. The exception arises because the transaction does not occur between funds on I/3. The most common of these transactions are:

- Transfer of aid from the Board of Regents to the regents institutions
- Transfers of appropriations to the Judicial Districts
- Transfer of Unemployment Taxes from Workforce Development to the federal trust account.

These transfers are created in I/3 using the following coding:

Object code 3913– Transfer Funds Out of I/3 (within object class 407 - Intra-State Transfers)