

4. REPORTING

4.2 Government-Wide Financial Statements

4.2.7 Eliminations

- 4.2.7.10 In effort to report information about the overall government without displaying individual funds, the governments should eliminate interfund activities and balances to avoid inappropriate *grossing-up* effect. This section describes the necessary eliminations.
- 4.2.7.20 Transactions between the primary government and discretely presented component units should be treated as if the primary government and the component units are unrelated third parties. No elimination should be made for these transactions in the primary government columns, the discretely presented component unit(s), or total (if presented). Payables and receivables between the primary government and discretely presented component units or between component units should be reported in separate lines in the statement of net position.
- 4.2.7.30 Transactions between the primary government and blended component units should be reclassified or eliminated in the same way as internal activities and balances within the primary government. The eliminations and/or reclassifications will prevent the government from double counting.
- 4.2.7.40 First, transactions should be eliminated within the governmental activities column and business-type activities column and then separately in the primary government column (for the balances between the governmental and business-type activities).
- 4.2.7.50 The elimination column in the statements is not necessary. The **internal balances** can be reported in a single line in both governmental and business-type activities. One of them will be negative and they should add up to zero.

Statement of Net Position

- 4.2.7.60 To complete the statement of net position perform the following eliminations:
1. Eliminate interfund receivables and payables between funds reported in the governmental activities column. Include internal service funds unless they are reported in the business-type activities column. Add the amounts together; receivables should equal payables.
 2. Eliminate interfund receivables and payables between funds reported in the business-type activities column. Include internal service funds unless they are reported in the governmental activities column. Add the amounts together; receivables should equal payables.
 3. Eliminate interfund receivables and payables between the governmental and business-type activities from the primary government column. Internal payables should equal internal receivables.
 4. Move (reclassify) amounts due from or to fiduciary funds to an external receivable or payable.

Statement of Activities

4.2.7.70 The following internal or interfund activities should be analyzed for the elimination/reclassification in the statement of activities:

1. Internal service fund – for details see [Internal Service Funds](#).
2. Interfund activity similar to internal service fund charges – when a fund different than internal service (e.g., general) provides services to other funds and reports the charges as a revenue, both amounts (revenue and expenses) should be eliminated. If the fund providing the service reports the charges as a reduction of its own expenses (i.e., interfund reimbursements) the elimination is not necessary.
3. Allocation of overhead expenses¹.
4. Interfund services provided and used (quasi-external transactions) – the “like external” sales and purchases of goods and services should not be eliminated.
5. Transfers within the governmental or business-type activities have to be eliminated. The net amount transferred between both types of activities should be reported as a single line after extraordinary and special items.
6. Transactions between different functions but within the same fund should be eliminated. They should be reported in the function to which they are allocated.

¹ Although not acting as internal service funds, some funds charge other funds for what are, in effect, allocations of overhead expenses. These allocations should be treated the same way as interfund activity.