State Accounting Office of Georgia
Fiscal Leadership for Georgia

Statewide Accounting Directive

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AD 201101 Fund Balance Accounts	**Revision Date:** 06/17/2011

Fund Balance Accounts

Index:

Event Description
Directive Policy Requirements
Related Policies and Procedures
Required Journal Entries
Authority
Contact Information

Event Description:
There are occasions on which it is appropriate for State organizations to post transactions to fund balance (390xxx) accounts. When these transactions are numerous, it becomes increasingly time-consuming to categorize the transactions by type, as is required for year-end reporting. Creation of clearly defined subaccounts and governance over their use will facilitate this analysis and increase financial reporting efficiency and accuracy.

Directive Policy Requirements:
This Accounting Directive provides for creation of specific fund balance subaccounts, defines the appropriate use of each subaccount, and provides journal entry examples to demonstrate proper usage. All organizations in the State of Georgia reporting entity that maintain accounting records using the statewide financial system are required to comply with this policy. Organizations that do not use the statewide financial system should implement a process to capture similar details in their local ledger systems. This Accounting Directive supersedes guidance in previously issued Accounting Directives when it conflicts with this policy.

(390xxx) Unreserved – Undesignated Fund Balance
This summary-level category is the series of accounts used in the general ledger to represent the portion of fund balance not legally or contractually constrained. Organizations should use the specific subaccounts as described below for transactions involving prior year adjustments related to year-end reporting (reporting adjustments), prior period adjustments not related to year-end adjustments, return of surplus, and carry-over.

(390001) Unreserved – Undesignated – Beginning Fund Balance
The purpose of this account is to adjust the general ledger fund balance so that it agrees to the preceding fiscal year's Budgetary Compliance Report (BCR) ending fund balance, by program and funding source. This account should be used to post all prior year adjustments related to the year-end BCR. Prior year reporting adjustments include **approved** post-closing adjustments and audit adjustments that were made to report ending fund balance in the prior year BCR.

(390002 to 390010) Unreserved – Undesignated – Beginning Fund Balance
Some organizations may use this account series for internal purposes. (Note: for BCR reporting purposes these accounts will be combined with 390001). The organization should consider the aggregate effect of these accounts for the BCR report and the overall goal to ensure the 390001 accounts series agrees with the preceding fiscal year's (BCR) ending fund balance, by program and funding source.

(390100) Adjustments to Fund Balance – Adjustments to Prior Year Expenditures/Payables and (390103) Adjustments to Fund Balance – Adjustments to Prior Year Revenues/Receivables
These accounts may be used by organizations to make adjustments for transactions with prior budget years which are **not related** to prior year reporting adjustments (audit adjustments or post closing adjustments). The use of these accounts is not encouraged; that is, if such adjustments are made within the various PeopleSoft modules (PO, AP, AR), they will appear in revenue or expenditure accounts and have a prior budget reference, and there is no requirement to then reclassify from revenue/expenditure accounts to the Adjustment to Fund Balance accounts. As with all other transactions, the appropriate program(s) and funding source(s) should be included.

SAO preference is to leave these transactions in revenue/expenditure accounts with the prior budget reference. All revenue and expenditure activity with a prior year budget reference, along with transactions in the 390100 and 390103 accounts, will be reported as prior period adjustments in the BCR.

(390104) Adjustments to Fund Balance – Surplus Returned to OST
This account should be used to record entries for return of the prior fiscal year's surplus. Entries to this account should be made for each funding source and program as reported in the prior year BCR.

(390106) Adjustments to Fund Balance – Program Transfers and Other Adjustments
This account should be used to record entries to transfer fund balances between programs or for other transfers between appropriated budget units. These adjustments should offset between the transferor and transferee and zero out at the statewide reporting level. The use of this account should be minimal and would usually coincide with a legislative mandate (i.e. transfer carry-over for program x from agency A to agency B). As with all other transactions, the appropriate program(s) and funding source(s) should be included.

(390109) Adjustments to Fund Balance – Early Return of Surplus
This account should be used to record entries for the early return of the current fiscal year's surplus. As with all other transactions, the appropriate program(s) and funding source(s) should be included.

(390110) Adjustments to Fund Balance – Establish Reserves
During year-end close, fund balances that may be retained for subsequent period expenditure should be reclassified from Adjustment to Fund Balance – Establish Reserves (390110) to Other Reserves (337xxx) in the same accounting fund, funding source and program. Refer to the Accounting Policy Manual, Revenues and Receivables section, *Prior Year Carry-Over (Accounting)* sub-section for further procedures to establish reserves at year-end and to carry-over balances to the subsequent fiscal year.

Related Policies and Procedures:

- Accounting Policy Manual, Equity Section, *Unreserved Fund Balance* sub-section, states that "Accounts have been provided to segregate transactions posted directly to Unreserved – Undesignated Fund Balance (Surplus)."

- Accounting Policy Manual, Revenues and Receivables section, *Prior Year Carry-Over (Accounting)* sub-section, provides "standardized accounting instructions for reporting the availability of fund balances (reserves) that are carried over from one year to the next (prior year carry-over)."
- Accounting Directive 201003, *Early Return of Surplus*, "clarifies the accounting treatment required for early return of surplus."

Required Journal Entries:
Following are journal entry examples to demonstrate the proper use of fund balance accounts.

(390001) Unreserved - Undesignated - Beginning Fund Balance
1a: To cancel a purchase order in the module in FY 2011 that was related to a FY 2010 audit adjustment or post closing adjustment
FY 2011 System generated entry from PO module

LN	ACCOUNT	ACCOUNT DESCRIPTION	FUND	FUND SRC	PROGRAM	BUD REF	DEBIT	CREDIT
1	328001	Reserved for Encumbrances	10100	01	20101xx	2010	500	
2	653600	Contracts - Other	10100	01	20101xx	2010		500

1b: FY 2011 manual journal entry required as a result from 1a (above)

LN	ACCOUNT	ACCOUNT DESCRIPTION	FUND	FUND SRC	PROGRAM	BUD REF	DEBIT	CREDIT
1	653600	Contracts - Other	10100	01	20101xx	2010	500	
2	390001	Unreserved - Undesignated - Beginning Fund Balance	10100	01	20101xx	2010		500

2a: To record a federal receivable that was accrued in the FY 2010 BCR as a post closing adjustment
FY 2011 System generated entry from AR module

LN	ACCOUNT	ACCOUNT DESCRIPTION	FUND	FUND SRC	PROGRAM	BUD REF	DEBIT	CREDIT
1	122001 (or applicable B/S account)	Federal Receivables - Direct	10100	10667	20138xx	2010	1,050	
2	431001	Federal Government Grants - Direct	10100	10667	20138xx	2010		1,050

2b: FY 2011 required manual journal entry to reclassify post closing adjustment in 2a (above)

LN	ACCOUNT	ACCOUNT DESCRIPTION	FUND	FUND SRC	PROGRAM	BUD REF	DEBIT	CREDIT
1	431001	Federal Government Grants - Direct	10100	10667	20138xx	2010	1,050	
2	390001	Unreserved - Undesignated - Beginning Fund Balance	10100	10667	20138xx	2010		1,050

(390104) Adjustments to Fund Balance – Surplus Returned to OST

3: FY 2011 required entry to record return of FY 2010 surplus to the Office of the State Treasurer (Note: dependent upon organizational processing, there may be module activity that also affects asset-clearing accounts when reducing the appropriations receivable)

LN	ACCOUNT	ACCOUNT DESCRIPTION	FUND	FUND SRC	PROGRAM	BUD REF	DEBIT	CREDIT
1	390104	Adjustments to Fund Balance - Surplus Returned to OST	10100	01	20116xx	2010	200	
2	390104	Adjustments to Fund Balance - Surplus Returned to OST	10100	01	20141xx	2010	300	
3	121001 (or applicable B/S account)	State Appropriations Receivable	10100	01	20116xx	2010		200
4	121001 (or applicable B/S account)	State Appropriations Receivable	10100	01	20141xx	2010		300

(390109) Adjustments to Fund Balance – Early Return of Surplus

4a: To cancel a purchase order in the module in FY 2011 related to FY 2011 early return of surplus (Note: a prior budget year purchase order is canceled during the current fiscal year in this example)
FY 2011 System generated entry from PO module

LN	ACCOUNT	ACCOUNT DESCRIPTION	FUND	FUND SRC	PROGRAM	BUD REF	DEBIT	CREDIT
1	328001	Reserved for Encumbrances	10100	01	20141xx	2010	150	
2	653200	Contracts - Nonprofit Organizations	10100	01	20141xx	2010		150

4b: FY 2011 required entry to record early return of surplus to the Office of the State Treasurer (Note: dependent upon organizational processing, there may be module activity that also affects asset-clearing accounts when reducing the appropriations receivable)

LN	ACCOUNT	ACCOUNT DESCRIPTION	FUND	FUND SRC	PROGRAM	BUD REF	DEBIT	CREDIT
1	390109	Adjustments to Fund Balance - Early Surplus Returned to OST	10100	01	20141xx	2010	150	
2	121001 (or applicable B/S account)	State Appropriations Receivable	10100	01	20141xx	2010		150

(390110) Adjustments to Fund Balance – Establish Reserves

5: FY 2011 required entry to record year-end reserves

LN	ACCOUNT	ACCOUNT DESCRIPTION	FUND	FUND SRC	PROGRAM	BUD REF	DEBIT	CREDIT
1	390110	Adjustments to Fund Balance - Establish Reserves	10100	10225	2013700	2011	1,250	
2	337001	Other Reserves	10100	10225	2013700	2011		1,250

Authority:

- OCGA 50-5B-3, *Duties of State Accounting Officer*
- OCGA 50-5B-4, *Duties of State Agencies with Respect to SAO*

Contact Information:
Questions regarding this Accounting Directive should be directed to SAO_Reporting@sao.ga.gov.