Federal Accounting Corner by Simcha Kuritzky, CGFM CPA

Linking Equity with Budgetary Account Balances

Account Structure

Proprietary accounts record the financial accounting impact of transactions, while budgetary accounts record their impact on legal authority. While these two might coincide, often they do not. One area where there is often agreement, though, is in unexpended appropriations, which is a budgetary concept that the SGL Board has included in the equity section of the proprietary accounts.

The equity section has two sets of accounts: unexpended appropriations (accounts 3100-3109) and cumulative results of operations (account 3310). Originally, the equity section included other results-type accounts, such as Invested Capital, Donated Items, and Future Funding Requirements, but those were all merged with 3310 in 1997. The 3100 series of accounts was only two accounts, 3100 Unexpended Appropriations and 3105 Appropriated Capital Funding Canceled Payables, until FY2002, when 3105 was deleted and a set of six new 3100 accounts added, though all these accounts close to 3100 at year end. Account 3109 for prior period adjustments was split out into restated and non-restated accounts for FY2004.

Direct Appropriation Model

The 3100 series is credited when appropriated authority is received, and not debited until an expenditure takes place. On the budgetary side, account 4450 (Unapportioned Authority) or 4620 (Unobligated Funds Exempt from Apportionment) generally is credited when the appropriation authority is received. As these funds are budgeted, committed, and obligated, the balance in 4450 is moved down to 4610 (Allotments - Realized Resources), then the 4610 or 4620 balance moves to 4700 (Commitments), and then generally to 4801 (Undelivered Orders - Obligations, Unpaid). If the funds expire, they move to 4650 (Allotments - Expired Authority). None of these transactions affects the equity account, however. Only when an expenditure takes place, and the balance that had been in 4610, 4620, 4650, or 4801 is moved to a 4900 series expenditure account (usually 4901 Delivered Orders - Obligations, Unpaid or 4902 Delivered Orders - Obligations, Paid), is the balance in the 3100 series moved to 5700 Expended Appropriations (which closes to 3310). Thus, for appropriated funds, the post-close balance of 3100 should equal the combined balances of accounts 4450 through 4882. There are agency balance sheet footnotes which split the equity account Unexpended Appropriations (post-close 3100) into Unobligated Funds Available (accounts 4510, 4610, 4620, and 4700), Unobligated Funds Not Available (accounts 4450, 4630, and 4650), and Obligated Funds (accounts 4801-4882), demonstrating the closeness of the relationship between the 3100 series of proprietary accounts and the budgetary set of accounts.

Other Kinds of Authority

The relationship described above is caused by the receipt of a warrant (debit 1010 credit 3100), which is associated with a direct appropriation (generally, debit 4119 credit 4450). Any type of authority that has no warrant will have no associated 3100 balance. So the balance of 3100 and 4450-4882 will not equal where there is reimbursable, borrowing, contract, or any anticipated authority.

However, the formula itself can be modified to take this into account. For example, reimbursable authority starts off with a debit to Anticipated Reimbursements (4210), which is transferred to Unfilled Customer Orders (4221 or 4222). If 4221 or 4222 are credited simultaneous with the expenditure, then adding the debit balances of 4210, 4221, and 4222 to the credit balances 4450-4882 will bring them down to the 3100 balance. Similarly, the balances of funding source accounts 4000 through 4070, 4114, 4120, 4125 through 4137, 4139 through 4149, 4151 through 4167, 4180, and 4255 through 4310 have to be included. On the other side, accounts that hold available amounts temporarily adjusted (with no warrant) have to be included with the available amounts, so the credit balances of the 4380 series, 4395, 4397, 4398, 4420, and 4430 also have to be added to 4450-4882.

Many agencies might find it easier to simply exclude from this test those funds that have no appropriations. For this reason, I have always recommended that agencies keep separate trial balances for the appropriated and non-appropriated (generally reimbursable) activities of a fund, even when both pieces use the same Treasury Symbol. Agencies have found that separating these activities in the accounting system increases their control, and makes financial analysis both easier and more useful.

Comments, suggestions, and critiques are welcome. Send them to Simcha.Kuritzky@cgi-ams.com, and not to the AGA.