



## *Statewide Accounting Policy & Procedure*

**Accounting Manual Reference:**

Section: Glossary  
Sub-section: N/A

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The terms provided in this glossary come from a number of different sources. Among them are the Georgia statutes (OCGA) and the Constitution of the State of Georgia; statements and other guidance issued by the GASB, FASB, and AICPA; the GAAFR “Blue Book” published by the GFOA; and the CVIOG Financial Management Program for State and Local Governments.

ASC	FASB Accounting Standards Codification
OCGA	Official Code of Georgia Annotated
GASB	Governmental Accounting Standards Board
FASB	Financial Accounting Standards Board
AICPA	American Institute of Certified Public Accountants
GAAFR	Governmental Accounting, Auditing, and Financial Reporting
GFOA	Government Finance Officers Association
CVIOG	Carl Vinson Institute of Government at the University of Georgia
NCGA	National Council on Governmental Accounting
SCOA	State Chart of Accounts
SGAC	Statement of Governmental Accounting Concepts
SGAS	Statement of Governmental Accounting Standards

TERM	DEFINITION
Account (in the SCOA)	A code used to identify transactional activity in terms of assets, liabilities, fund balance or net assets, revenues or other financing sources, and expenditures/expenses or other financing uses.
Accountability	Term used by the GASB to describe a government’s duty to justify the raising and spending of public resources. The GASB has identified accountability as the “paramount objective” of financial reporting “from which all other objectives must flow.” It encompasses being obliged to explain one’s actions and to justify what one does; i.e., it is the requirement for a government to answer to its citizenry.
Accounts Receivable	A current asset account reflecting amounts due from individuals, firms, corporations, or other organizations for goods and services furnished by a government.
Accrual Basis of Accounting	A basis of accounting that recognizes the financial effect of transactions, events, and interfund activities when they occur, regardless of the timing of related cash flows. The accrual basis is used for proprietary funds, fiduciary funds and component units, as well as for government-wide financial statements.

TERM	DEFINITION
Accumulated Depreciation	A long-term contra-asset account used to report the accumulation of periodic credits that reflect the expiration of the estimated service life of capital assets (i.e., the sum of the depreciation expense that has been recognized over the years since the asset was acquired).
Allotment	The portion of an annual appropriation allocated to an interim period – more specifically, the authorization for a State agency to withdraw funds from the State treasury for expenditure. Before each fiscal year begins, agencies must file an annual operating budget plan based upon an Appropriations Act. Allotments are requested quarterly based upon the plan. Once a quarterly allotment is approved for an agency, that agency can draw down funds as needed.
Allowance for Doubtful (or Uncollectible) Accounts	A contra asset valuation account used to indicate the portion of receivables not expected to be collected.
Amortization	The process of reducing a recognized liability systematically by recognizing revenues or by reducing a recognized asset systematically by recognizing expenses or costs.
Ancillary Charges	Costs that are directly attributable to capital asset acquisition and that are necessary to place the asset into its intended location and use: examples include freight, transportation and handling; assembly and installations costs; site preparation costs; and other professional expenditures. These costs are capitalized as part of the asset.
Appropriation (Appropriated Budget)	A legal authorization granted by a legislative body to make expenditures and to incur obligations for specific purposes. An appropriation usually is limited in amount and the time over which it may be expended. For Georgia budget purposes, an appropriation is an authorization by the General Assembly to a state agency to spend, from public funds, a sum of money not in excess of the sum specified for the purposes in the authorization.
Availability Criterion	Principle under the modified accrual basis of accounting that requires revenues to be recognized only when they are collected or collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.
Availability Period	A specified period immediately following the close of the fiscal year by the end of which cash must be collected for related revenue to be recognized in accordance with the availability criterion of modified accrual accounting.
Basis of Accounting	Timing of recognition for financial reporting purposes (i.e., when the effects of transactions or events should be recognized in financial statements) [SGAS 11].
Basis Risk	The risk that arises when variable rates or prices of a hedging derivative instrument and a hedged item are based on different reference rates.
Book value (BV)	Historical cost less accumulated depreciation – also referred to as net book value (NBV).
Budget Unit	A department, institution, agency, or other unit of organization for which separate appropriations are made [OCGA §45-12-71 (2009), ¶10].

TERM	DEFINITION
Budget Year (in the SCOA)	A code used to identify the Appropriation Act (and resulting budget) to which revenue and expenditure transactions relate.
Budgetary Compliance	Adherence to the annual general appropriation acts and amendments.
Budgetary Reporting	A required presentation of budget-to-actual comparisons in connection with general purpose external financial reporting: Budgetary reporting is required in connection with the basic financial statements for both the general fund and individual major special revenue funds with legally adopted annual budgets. Budgetary reporting also is required within the CAFR to demonstrate compliance at the legal level of control for all governmental funds with legally adopted annual budgets. The basis of accounting used for budgetary purposes is commonly called the statutory basis, which is explained in the policy titled <i>Basis of Accounting and Reporting</i> .
BudgetNet	The financial management system maintained and operated by the Governor’s Office of Planning and Budget – It is used to administer the state’s annual operating budget, including state, federal, and other funds. The system also supports the allotment process whereby funds held by the state treasury are made available to agencies to spend as appropriated. A nightly extract from BudgetNet populates the PeopleSoft enterprise accounting system operated by the State Accounting Office.
Call Option	An option that gives its holder the right but not the obligation to purchase a financial instrument or commodity at a certain price for a period of time.
Capital Assets	Land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Capital assets that have been or will be used in operations are also comprehended in this definition.
Capital Construction Project (CCP)	The accounting record of a project dedicated to the acquisition or construction of a specific capital asset or asset group.
Capital Projects Fund	A fund used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments [GASB 54].
Cash Basis of Accounting	A basis of accounting under which transactions and events are recognized only when the related cash is received or disbursed. This basis of accounting is not generally used, not even for statutory reporting purposes, because it is not a generally accepted accounting principle in the US. The only State of Georgia fund accounted for under the cash basis is the State revenue collections fund.

TERM	DEFINITION
Cash Flow Hedge	A hedge that protects against the risk of either changes in total variable cash flows or adverse changes in cash flows caused by variable prices, costs, rates, or terms that cause future prices to be uncertain.
Commodity Swap	A swap that has a variable payment based on the price or index of an underlying commodity.
Comparability	A principle signifying that differences between financial reports reflect substantive differences in the underlying transactions or the governmental structure rather than the selection of different alternatives in accounting procedures or practices. In other words, providing information that allows users to make comparisons among governments (e.g., of the costs of specific functions or the components of revenue).
Compensated Absences	Absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave.
Compensated Absences Payable – Current	The portion estimated to be due in 12 months or less for amounts owed to employees for unpaid annual leave and similar absences attributable to service already rendered and not contingent on a specific event outside the control of the employer and employee.
Compensated Absences Payable – Noncurrent	The portion due in more than 12 months for amounts owed to employees for unpaid annual leave and similar absences attributable to service already rendered and not contingent on a specific event outside the control of the employer and employee.
Component Unit	A legally separate organization for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.
Computer Software	The ownership or right to use computer programs that control the functioning of computer hardware and other devices. Computer software comprises both operating systems and application programs. Computer software is the most common type of intangible asset that is internally generated. Computer software is considered internally generated if it is developed in-house or by a third party contractor on the State's behalf. Commercially available software that is purchased or licensed but is modified using more than minimal effort is also considered internally generated. Websites are considered intangible assets, and they may also be internally generated. Refer to the <i>Capital Assets – Internally Generated Computer Software</i> sub-section of the Accounting Policy Manual for more comprehensive guidance.
Consistency	A principle signifying that once adopted, an accounting principle or reporting method is used for all similar transactions and events. In keeping with consistency, if a change is required, then full disclosure of the nature, reason, and effect of the change is made.
Construction in Progress (CIP)	A capital asset account reflecting the cost of construction work for projects not yet completed.

TERM	DEFINITION
Copyright	A form of protection provided to the authors of "original works of authorship" including literary, dramatic, musical, artistic, and certain other intellectual works, both published and unpublished. Copyrights are registered by the Copyright Office of the Library of Congress. A copyright is an intangible asset.
Credit Risk	The risk that a counterparty will not fulfill its obligations.
Critical Term	A significant term of the hedgeable item and potential hedging derivative instrument that affects whether the changes in cash flows or fair values substantially offset. Examples are the notional or principal amounts, payment dates, and in some cases, fair values at inception, indexes, rates, and options.
Current Financial Resources Measurement Focus	Measurement focus where the aim of a set of financial statements is to report the near-term (current) inflows, outflows, and balances of expendable financial resources. The current financial resources measurement focus is unique to accounting and financial reporting for state and local governments and is used solely for reporting the financial position and results of operations of governmental funds.
Current Value (Pollution Remediation)	The amount that would be paid if all equipment, facilities, and services included in the estimate were acquired during the current period (without the use of discounting techniques).
Custodial Organization	The entity assigned ownership rights to and financial reporting responsibilities for a capital asset.
Deferred Compensation Plan	An employer-sponsored long-term savings program authorized by Congress to provide a way for eligible employees to set aside (defer) a portion of their incomes before state and federal income taxes are assessed on that income, with the deferred pay accumulating tax-free until withdrawn, generally after separation from service or reaching age 70-1/2. Thus, the deferred compensation and related accumulation of earnings and dividends are tax deferred. Contributions are invested in the participant's choice of investment options offered through the plan.
Deferred Revenue	Resource inflows that do not yet meet the criteria for revenue recognition. Unearned amounts are always reported as deferred revenue. In governmental funds, earned amounts also are reported as deferred revenue until they are available to liquidate liabilities of the current period. Also see definition for Unearned Revenue.
Depreciation	The systematic and rational allocation of the cost of a capital asset over its estimated useful life [2005 GAAFR, Chapter 12].
Derived tax revenues	Nonexchange revenues that result from assessments imposed on exchange transactions (for example, income taxes, sales taxes, and other assessments on earnings or consumption). [SGAS 33]
Disposal of Assets	A removal of assets from the financial records of an organization as a result of activities such as transfer, negotiated sale, theft, loss, purposeful destruction, etc.
Easement/Right of Way	The right to use the land of another party for a particular purpose. Easements and rights of way are intangible assets.

TERM	DEFINITION
Economic Resources Measurement Focus	Measurement focus where the aim of a set of financial statements is to report all inflows, outflows, and balances affecting or reflecting an entity's net assets. The economic resources measurement focus is used for proprietary and trust funds, as well as for government-wide financial reporting. It also is used by business enterprises and nonprofit organizations in the private sector.
Encumbrance	A commitment related to an unperformed (executory) contract for goods or services. For financial reporting purposes, encumbrance accounting is restricted to governmental funds [NCGA Statement 1]. For GAAP purposes, an encumbrance is not an expenditure; it represents the estimated amount of expenditure that will occur if an unperformed contract in process, such as a purchase order, is fulfilled.
Entity Code (in the SCOA)	A code used to identify the reporting organization, which is based on the assigned Uniform State Code number of the reporting organization.
Equity Accounts	Those accounts presenting the difference between assets and liabilities of the fund. A governmental fund's equity account is referred to as fund balance, whereas the equity accounts of proprietary and fiduciary funds, component units, and government-wide statements of net assets are called net assets.
Exchange Transaction	A transaction in which each party receives and gives up essentially equal values.
Expenditures	Under the current financial resources measurement focus, decreases in net financial resources, not properly classified as other financing uses. Expenditures include current operating transactions requiring the present or future use of net current assets, debt service and capital outlays, and intergovernmental grants, entitlements and shared revenues.
Expenses	Under the economic resources measurement focus, decreases in total net assets during the current period such as, outflows or the other use of assets or incurrence of liabilities (or a combination of both), regardless of the timing of cash flows. Examples include salaries, compensated absences, pollution remediation, interest, depreciation and amortization, and other outflows or uses resulting from delivering or producing goods, rendering services or carrying out other activities that constitute the entity's ongoing major or central operations.
Extraordinary Items	Transactions or other events that are both unusual in nature and infrequent in occurrence.
Fair Value (FV)	(1) In the context of investment valuation, fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale [SGAS 31]. (2) In a broader context, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date [FASB ASC 820-10-35-2].

TERM	DEFINITION
Fiduciary Funds	Funds used to report assets held in a trustee or agency capacity for others and which therefore cannot be used to support the government's own programs. The fiduciary fund category includes pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds. Also called trust and agency funds.
Following Month Convention	A method under which an asset placed in service at any time during a given month is treated as if it had been placed in service on the first of the following month. The method allows for taking depreciation in whole month increments and simplifies the calculation process.
Foreign Currency Risk	The risk that changes in exchange rates will adversely affect the cash flows or fair value of a transaction.
Forward Contract	A contractual agreement to buy or sell a security, commodity, foreign currency, or other financial instrument, at a certain future date for a specific price. An agreement with a supplier to purchase a quantity of heating oil at a certain future time, for a certain price, and a certain quantity is an example of a forward contract. Forward contracts are not securities and are not exchange-traded. Some forward contracts, rather than taking or making delivery of a commodity or financial instrument, may be settled by a cash payment that is equal to the fair value of the contract.
Fund	A fiscal and accounting entity with a self-balancing set of accounts in which cash and other financial resources, all related liabilities and residual equities, or balances, and changes therein, are recorded and segregated to carry on specific activities or attain certain objectives in accordance with special regulations, restrictions or limitations (e.g., budget fund, general fund, capital projects fund).
Fund Balance	The difference between assets and liabilities reported in a governmental fund. Refer to Net Assets for equity reported in proprietary and fiduciary funds, component units, and government-wide statements of net assets.
Fund Classification	One of the three broad categories (governmental, proprietary, and fiduciary) used to classify fund types.
Fund Financial Statements	Basic financial statements presented on the basis of funds, in contrast to government-wide financial statements.
Fund Source (general)	The various categories of revenue sources available for appropriation (e.g., State General Funds, Tobacco Settlement Funds, Child Care & Development Block Grant CFDA 93.575, etc.).
Fund Source (in the SCOA)	Also called "funding source," this code is used to identify revenue sources provided or obtained for the operations of an organization. Fund source identifiers provide a lower level of detail on the broader categories of state, federal and other funds, but must provide at least the level of detail required by the annual Appropriation Act, as amended.

TERM	DEFINITION
Fund Type	One of the eleven specific types into which all individual funds can be categorized. Governmental fund types include the general fund, special revenue funds, debt service funds, capital projects funds, and permanent funds. Proprietary fund types include enterprise funds and internal service funds. Fiduciary fund types include pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds.
Futures Contract	An exchange-traded security to buy or sell a security, commodity, foreign currency, or other financial instrument at a certain future date for a specific price. A futures contract obligates a buyer to purchase the commodity or financial instrument and a seller to sell it, unless an offsetting contract is entered into to offset one's obligation. The resources or obligations acquired through these contracts are usually terminated by entering into offsetting contracts.
Governmental Activities	Activities generally financed through taxes, intergovernmental revenues, and other nonexchange revenues. These activities are usually reported in governmental funds and internal service funds.
Governmental Funds	Funds generally used to account for tax-supported activities. There are five different types of governmental funds: the general fund, special revenue funds, debt service funds, capital projects funds, and permanent funds.
Government-mandated nonexchange transaction	Situation where a higher level government requires performance of a lower level government and provides it full or partial funding to do so.
Government-wide Financial Statements	Financial statements that incorporate all of a government's governmental and business-type activities, as well as its nonfiduciary component units. There are two basic government-wide financial statements: the statement of net assets and the statement of activities. Both basic government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting.
Hedge Accounting	The financial reporting treatment for hedging derivative instruments that requires that the changes in fair value of hedging derivative instruments be reported as either deferred inflows or deferred outflows.
Hedgeable Item	An asset or liability, or expected transaction that may be associated with a potential hedging derivative instrument.
Hedging Derivative Instrument	A derivative instrument that is associated with a hedgeable item and significantly reduces an identified financial risk by substantially offsetting changes in cash flows or fair values of the hedgeable item.

TERM	DEFINITION
Impairment	The significant and unexpected decline in the service utility of a capital asset. Governments generally hold capital assets because of the services the capital assets provide; consequently, capital asset impairments affect the service utility of the assets. The events or changes in circumstances that lead to impairments are not considered normal and ordinary. That is at the time the capital asset was acquired, the event or change in circumstance would not have been expected to occur during the useful life of the capital asset. [GASB 42, ¶5]
Imposed nonexchange revenues	Revenues that result from assessments imposed on nongovernmental entities, including individuals, other than assessments on exchange transactions (for example, property taxes and fines). [SGAS 33]
Improvement (of a capital asset)	A substitution by a better asset, one with superior performance of the current assets being used. An improvement also extends the life or improves significantly the marketability of the original asset through added functionality, enhanced performance, or increased service capability.
Inexhaustible Assets	Items such as land, certain intangible assets, and collections/works of art or historical treasures whose economic benefit or service potential either cannot be entirely consumed or is used up so slowly that the estimated useful lives are extraordinarily long or indefinite. Regarding collections/works of art or historical treasures – because of the cultural, aesthetic, or historical value, the holder of the asset applies efforts to protect and preserve the asset in a manner greater than that for similar assets without such cultural, aesthetic, or historical value.
Infrastructure Assets	Long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams, and lighting systems. These public domain capital assets are typically immovable and of value only to the State. Buildings, except those that are an ancillary part of a network of infrastructure assets, should not be considered infrastructure assets.
Intangible Asset	An asset that lacks physical substance, is non-financial in nature, and has an initial useful life extending beyond one year: Intangible assets are either acquired through purchase, license, or donation, or internally generated within the agency. An intangible asset is a capital asset, subject to the same accounting and reporting requirements of all capital assets.
Interest Rate Risk	The risk that changes in interest rates will adversely affect the fair values of a government's financial instruments or a government's cash flows.
Interest rate swap	A swap that has a variable payment based on the price of an underlying interest rate or index.

TERM	DEFINITION
Internally Generated	A term frequently applied to intangible assets (such as software) and meaning created or produced by a government or its contractor, or if acquired from a third party, requiring more than minimal effort to attain the expected level of service capacity.
Investment Derivative Instrument	A derivative instrument that is entered into primarily for the purpose of obtaining income or profit, or a derivative instrument that does not meet the effectiveness criteria of a hedging derivative instrument.
Legal Level of Control	The level of detail, identified in annual general appropriation acts and amendments, at which budget units are required to record and report revenues, expenditures, and fund balances. In other words, the level at which government's management may not reallocate resources without special approval from the legislative body.
Leverage	The means of enhancing changes in fair value while minimizing or eliminating an initial investment. A leveraged investment has changes in fair value that are disproportionate to the initial net investment. An unleveraged investment requires a far greater initial investment to replicate similar changes in fair values. Derivative instruments are leveraged instruments because their changes in fair value are disproportionate to the initial net investment. For example, an interest rate swap that has a notional value of \$100 million is entered into with no initial net investment. Thereafter, as interest rates change, the swap produces changes in fair value consistent with a \$100 million fixed-rate financial instrument.
Market Risk	The risk that changes in market prices will reduce the fair value of an asset, increase the fair value of a liability, or adversely affect the cash flows of an expected transaction.
Market-access Risk	The risk that a government will not be able to enter credit markets or that credit will become more costly. For example, to complete a derivative instrument's objective, an issuance of refunding bonds may be planned in the future. If at that time the government is unable to enter credit markets, expected cost savings may not be realized.
Materiality	The magnitude of an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the omission or misstatement (FASB – Concepts Statement No. 2 Glossary).
Measurement Focus	Types of balances (and related changes) reported in a given set of financial statements (i.e., economic resources, current financial resources, assets and liabilities resulting from cash transactions).
Mineral Rights	The right to draw minerals from a particular source, such as lake or stream. Mineral rights are intangible assets.

TERM	DEFINITION
Modified Accrual Basis of Accounting	The basis of accounting used in conjunction with the current financial resources measurement focus that modifies the accrual basis of accounting in two important ways 1) revenues are not recognized until they are measurable and available, and 2) expenditures are recognized in the period in which governments in general normally liquidate the related liability rather than when that liability is first incurred (if earlier). All governmental funds are accounted for using the modified accrual basis of accounting in fund financial statements.
Must	When used in State of Georgia accounting policies and procedures, the term “must” is used to convey that reporting entities are not permitted any departure from the specific standards.
Net Assets	The difference between assets and liabilities on the statement of net assets for proprietary and fiduciary funds, component units, and government-wide statements of net assets. Net assets should be displayed in three broad components – invested in capital assets, net of related debt; restricted (distinguishing between major categories of restrictions); and unrestricted. Refer to Fund Balance for equity reported in governmental funds.
Nonexchange Transaction	A transaction in which a government (including the federal government, as a provider) either gives value (benefit) to another party without directly receiving equal value in exchange or receives value (benefit) from another party without directly giving equal value in exchange.
Notional Amount	The number of currency units, shares, bushels, pounds, or other units specified in the derivative instrument. It is a stated amount on which payments depend. The notional amount is similar to the principal amount of a bond.
Object Class (in the SCOA)	A code used to group expenditures into common types to assist with budgetary control.
Option	A contract that gives its holder the right but not the obligation to buy or sell a financial instrument or commodity at a certain price for a period of time.
Organization of State Government (State Organization, Reporting Organization)	<p>Without limitation, any agency, authority, department, institution, board, bureau, commission, committee, office, or instrumentality of the State of Georgia: The term shall not include any entity of local government, including, but not limited to, a county, municipality, consolidated government, board of education, or local authority, or an instrumentality of any such entity [OCGA §50-5B-4, ¶a (2009)].</p> <p>For purposes of the entity-wide comprehensive annual financial report (CAFR), the SAO determines which organizations are included in the State of Georgia reporting entity in compliance with relevant GASB pronouncements.</p>
Outlays	Expenses, expenditures, and capital acquisitions, as appropriate.
Patent	The right to exclude others from making, using, offering for sale, selling or importing an invention. Patents are issued by the U.S. Patent and Trademark Office. Patents are intangible assets.

TERM	DEFINITION
Pollution	The U.S. Environmental Protection Agency provides the following discussion of the term pollution on its website: “Generally, the presence of a substance in the environment that because of its chemical composition or quantity prevents the functioning of natural processes and produces undesirable environmental and health effects. Under the Clean Water Act, for example, the term has been defined as the man-made or man-induced alteration of the physical, biological, chemical, and radiological integrity of water and other media.”
Pollution Remediation Obligation	An obligation to address the current or potential detrimental effects of existing pollution (e.g. hazardous wastes spills and asbestos contamination) by participating in pollution remediation activities such as site assessments and cleanups.
Potentially Responsible Party (PRP)	An individual or entity – including owners, operators, transporters, or generators – that is held potentially responsible for pollution at a site – As used in Statement No. 49, the term refers to a party that is held by law as potentially responsible for pollution at any site. It is not limited to parties associated with Superfund sites.
Program	A discrete set of activities undertaken to carry out an agency’s core businesses [OCGA §45-12-71 (2009), ¶13].
Proprietary Funds	Funds that focus on the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. There are two different types of proprietary funds: enterprise funds and internal service funds.
Put Option	An option that gives its holder the right but not the obligation to sell a financial instrument or commodity at a certain price for a period of time.
Qualitative Method	A method of evaluating effectiveness by qualitative consideration of the critical terms of the hedgeable item and the potential hedging derivative instrument.
Quantitative Method	A method of evaluating effectiveness using a mathematical relationship. Synthetic instrument, dollar-offset, and regression analysis are the quantitative methods specifically addressed in Statement No. 53.
Reference Rate	The rate to which a derivative instrument’s variable payment is linked. Common reference rates are LIBOR, the SIFMA swap index, the AAA general obligations index, and the pricing point of a commodity.
Regression Analysis Method	A statistical technique that measures the relationship between a dependent variable and one or more independent variables. The future value of the dependent variable is predicted by measuring the size and significance of each independent variable in relation to the dependent variable. Regression analysis included in the text of the SAO derivative policy and GASB Statement No. 53 uses only one independent variable.
Relevance	A principle signifying that there is a close logical relationship between the financial information provided and the purpose for which it is needed, i.e., the information can make a difference in a user's assessment of a problem, condition, or event.

TERM	DEFINITION
Reliability	A principle signifying that information is verifiable, free from bias, faithfully represented, and comprehensive.
Replacement (of a capital asset)	A substitution of an asset with a similar asset.
Reporting Organization	See Organization of State Government
Residual Value (Also referred to as salvage value)	The estimated fair value of a capital asset, infrastructure or otherwise, remaining at the conclusion of its estimated useful life. In most cases, it is probable that many infrastructure assets will have no salvage value, given the cost of demolition or removal [GASB Implementation Guide 2009-2010, question 7.13.3].
Revenues	(1) Increases in the net current assets of a governmental fund type from other than expenditure refunds, operating transfers, and "other financing sources." (2) Increases in the net total assets of a proprietary fund type from other than expense refunds and transfers.
Rollover Risk	The risk that a hedging derivative instrument associated with a hedgeable item does not extend to the maturity of that hedgeable item. When the hedging derivative instrument terminates, the hedgeable item will no longer have the benefit of the hedging derivative instrument.
Salary-related Payments (as related to compensated absences)	Payments by an employer that are directly and incrementally associated with payments made for compensated absences on termination. Such salary-related payments include the employer's share of social security and Medicare taxes and also might include, for example, the employer's contributions to pension plans or health insurance plans.
Service Utility (of a capital asset)	The usable capacity which at acquisition was expected to be used to provide service for the reporting organization. This is distinguished from the level of utilization, which is the portion of usable capacity currently being employed. The current usable capacity of a capital asset may be less than its original usable capacity due to the normal or expected decline in useful life or to impairing events or changes in circumstances, such as physical damage, obsolescence, enactment or approval of laws or regulations or other changes in environmental factors, or change in manner or duration of use. Usable capacity may be different from maximum capacity in circumstances in which surplus capacity is needed for safety, economic, or other reasons. Decreases in utilization and existence of or increases in surplus capacity that are not associated with a decline in service utility are not considered to be impairment.
Should	When used in State of Georgia accounting policies and procedures, the term "should" is used to convey that reporting entities are expected to follow the standards as written and are required to justify any departures from such standards when unusual circumstances prevent application of the standards as written.
Special Items	Significant transactions or other events within the control of management that are either unusual in nature or infrequent in occurrence.

TERM	DEFINITION
Specified-conditions Approach	An approach that spells out the precise criteria for determining when outlays associated with the internal development of intangible assets should begin to be capitalized. Outlays incurred prior to meeting the criteria would be expensed as incurred. Outlays incurred once the asset is operational (post-implementation) would also be expensed as incurred, unless a modification meets certain criteria for capitalization. Only outlays incurred for activities of the development stage would be capitalized.
State Organization	See Organization of State Government
Statutory Basis of Accounting	The basis of accounting used for budgetary reporting as explained in the policy titled <i>Basis of Accounting and Reporting</i> .
Straight-line Method	A method of calculating depreciation expenses which assumes that the asset is used up equally over its estimated useful life: historical cost less residual value, divided by useful life.
Surplus	At the end of each fiscal year, the amount of each appropriation provided for in this part (Title 45, Chapter 12, Article 4, Part 1, Management of Budgetary And Financial Affairs), except for the mandatory appropriations required by the Constitution of Georgia, remaining unexpended and not contractually obligated in writing shall lapse and cease to be available; and the state treasury shall not pay any unallotted appropriations and shall make the necessary adjustments in its appropriation accounts to charge off the amount of the lapsed appropriations. All appropriated funds, except for the mandatory appropriations required by the Constitution of Georgia, remaining unexpended and not contractually obligated at the expiration of the General Appropriations Act shall lapse ([OCGA §45-12-89 (2009)]).
Swap	A type of derivative instrument in which there is an agreement to exchange future cash flows. These cash flows may be either fixed or variable and may be either received or paid. Variable cash flows depend on a reference rate.
Swaption	An option to enter into a swap. When a swaption is an interest rate option, it may be used to hedge long-term debt. When a government sells a swaption a cash payment may be received. Options pricing theory, including time and volatility measures, is used to value swaptions.
Synthetic Instrument Method	A method of evaluating effectiveness that combines a hedge item and a potential hedging derivative instrument into a hypothetical financial instrument to evaluate whether the hypothetical financial instrument pays a substantively fixed rate.
Termination Payment	Cash (or on-behalf) payments that compensate employees for certain benefits conditioned on the employees' termination of employment or retirement.
Termination Risk	The risk that a hedging derivative instrument's unscheduled end will affect a government's asset and liability strategy or will present the government with potentially significant unscheduled termination payments to the counterparty.
Timber Rights	The right to cut and remove trees from the property of another party. Timber rights are intangible assets.

TERM	DEFINITION
Timeliness	A principle signifying that information is issued soon enough after the reported events to affect decisions.
Trademark	A word, name, symbol or device which is used in trade with goods to indicate the source of the goods and to distinguish them from the goods of others. Trademarks used in interstate or foreign commerce may be registered with the U. S. Patent and Trademark Office. Trademarks are intangible assets.
Transfer of Assets	A voluntary nonexchange transaction, between organizations within the same reporting entity, which results in the ownership rights and privileges of an asset being shifted from the donor organization to the recipient organization.
Uncollectible Accounts Allowance	See Allowance for Doubtful (or Uncollectible) Accounts.
Understandability	A principle signifying that information is expressed as simply as possible.
Unearned Revenue	Specific type of deferred revenue that does not involve the application of the availability criterion, and therefore applies equally to both accrual and modified accrual financial statements.
Useful Life	The period during which an asset is expected to provide service to the government. If the life is defined by contractual or legal rights, the period should not exceed the expected service period. Renewal periods may be considered in setting the useful life, if there is evidence that the government will request and obtain renewals at nominal cost.
Voluntary Nonexchange Transactions	Transactions that result from legislative or contractual agreements, other than exchanges, entered into willingly by the parties to the agreement (for example, certain grants and private donations) [SGAS 33].
Water Rights	The right to draw water from a particular source, such as a lake, irrigation canal, or stream. Water rights are intangible assets.
Zero Fair Value	Value of a derivative instrument that is either entered into or exited with no consideration being exchanged. A zero fair value should be within a dealer's normal bid/offer spread.