



## *Statewide Accounting Policy & Procedure*

**Accounting Manual Reference:**

Section: Equity  
Sub-section: Net Assets

**Effective Date:** 07/01/1999

**Revision Date:** 07/01/2004

**Georgia Laws**

Net assets should be reported only on financial statements presented in conformity with generally accepted accounting principles (GAAP).

**Definition of Net Assets**

Net assets represent the difference between assets and liabilities for government-wide statements and for proprietary and fiduciary funds. Proprietary fund revenues, expenses, and interfund transfers are closed to this account, as are fiduciary fund additions and deductions.

**Changes in Fund Net Assets**

Generally, all changes in fund net assets should be reported as components of net income for proprietary funds or as changes in net assets held in trust for fiduciary funds. Exceptions to this rule include only changes resulting from: the correction of prior period errors, change in an accounting principle or change in the application of an accounting principle, and retroactive changes resulting from the implementation of a new pronouncement issued by the GASB. Prior period errors are defined as mathematical mistakes, mistakes in the application of an accounting principle, or oversight or misuse of facts that existed at the time the financial statements were prepared.

**Restricted Net Assets**

Net assets should be reported as restricted when constraints placed on net asset use are either: externally imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.