

STATE OF GEORGIA
ACCOUNTING PROCEDURES MANUAL

SECTION: ONE - INTRODUCTION
TOPIC: BUDGETARY BASIS OF ACCOUNTING

In GASB Codification Sec. 1700.101 it is stated that budgeting is an essential element of governmental financial planning and control and that every governmental unit should prepare a comprehensive budget covering all funds for each annual fiscal period. Furthermore, in GASB Codification Sec. 1700.115 GASB recognizes that budgetary accounting practices are outside the scope of GAAP by stating that State constitutions and statutes assign the responsibility of the budgeting process and establish budgetary authority and that the scope and method of state and local government budgetary practices are outside the scope of financial reporting standards.

Phoenix, the State's primary accounting system, allows for accumulation of data necessary for the preparation of financial statements both on budgetary basis and in conformity with GAAP. Organizations included in the State's financial reporting entity which do not use Phoenix System, but which are included within the Appropriation Act are required to maintain their accounting records in a manner which will provide for the preparation of both budgetary and GAAP financial statements. State organizations not included in the Appropriations Act are required only to maintain their accounting records in conformity with GAAP.

There are significant differences between GAAP and the State's budgetary accounting procedures. These differences include how encumbrances, capital leases, interfund activity and capital assets are accounted for. Descriptions of these and other variances, including information necessary in order to prepare GAAP financial statements, are listed in Section Three of this manual.

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