

**STATE OF GEORGIA  
ACCOUNTING PROCEDURES MANUAL**

**SECTION: THREE – ACCOUNTING PROCEDURES**  
**TOPIC: GRANTS AND OTHER FINANCIAL ASSISTANCE**

**ACCOUNT RANGE: 431000 - 432999 and 437000 - 438999**

**GEORGIA LAWS**

*Ga. Const. Art. III, Sec. IX, Para. II. Preparation, submission, and enactments of general appropriations bill.*

(b) The General Assembly shall annually appropriate those state and federal funds necessary to operate all the various departments and agencies. To the extent that federal funds received by the state for any program, project, activity, purpose, or expenditure are changed by federal authority or exceed the amount or amounts appropriated in the general appropriations Act or supplementary appropriation Act or Acts, or are not anticipated, such excess, changed or unanticipated federal funds are hereby continually appropriated for the purposes authorized and directed by the federal government in making the grant. In those instances where the conditions under which the federal funds have been made available do not provide otherwise, federal funds shall first be used to replace state funds that were appropriated to supplant federal funds in the same state fiscal year.

*45-12-91. Federal funds received by state continually appropriated.*

All federal funds received by the state are continually appropriated in the exact amounts and for the purposes authorized and directed by the federal government in making the grant.

*45-12-110. Notification of intention to apply for federal assistance; adoption and promulgation of rules and regulations and forms by legislative budget analyst and director of Office of Planning and Budget.*

(a) Any state department, board, bureau, commission, authority, or other state agency, except the Board of Regents of the University System of Georgia and its employees, intending to apply for any new program of federal assistance under any federal program shall notify the legislative budget analyst and the director of the Office of Planning and Budget of its intention to apply for such federal assistance at least 30 days prior to filing the application for such assistance. Such notification shall include a summary description of the proposed federal assistance project, the amount of federal funds to be requested, the amount of state matching funds, if any, to be required in connection with obtaining federal assistance, and the period of time to be covered by the proposed federal assistance project.

(b) The legislative budget analyst and the director of the Office of Planning and Budget, acting jointly or independently, are authorized and directed to devise and distribute such forms as may be necessary to carry out subsection (a) of this Code section and, in connection therewith, to adopt and promulgate such rules and regulations as may be necessary to ensure compliance with said subsection.

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**ACCOUNTING PROCEDURES**

***GENERAL PROCEDURES***

There are differences between the State's budgetary accounting practices for grants and other financial assistance and the accounting practices prescribed by GAAP. Significant variances between GAAP and the State's budgetary basis are discussed below.

***EXPENDITURE-DRIVEN GRANTS (REIMBURSEMENT GRANTS)***

A substantial portion of the Federal financial assistance received by the State is in the form of expenditure-driven grants. Based on grant fund availability, revenue for expenditure-driven grants should be recorded when qualifying expenditures/expenses have been incurred and any additional grant requirements have been met (e.g., matching, maintenance of a required level of effort, etc.).

Under the State's budget basis of accounting expenditure driven grant revenue is recorded based not only on expenditures/expense but also recorded based on encumbrances.

***ENTITLEMENT AND SHARED REVENUES (FORMULA GRANTS)***

Entitlement and shared revenues, generally, are based on formulas (e.g., population, school enrollment, etc.). This type of assistance would primarily be associated with the governmental funds. Revenues from entitlements and shared revenues should be recorded as soon as they are susceptible to accrual (measurable and available) and all eligibility criteria have been met. Entitlement and shared service revenues should not be recognized in the current year if associated with the subsequent fiscal year, even if they are collected within the current fiscal year. Revenues should only be recognized for the period they are intended to finance. Entitlements and shared revenues, collected in a fiscal year before the fiscal year they are intended to finance, should be reported as deferred revenues.

***PASS-THROUGH GRANTS***

State organizations may receive grants or other financial assistance to transfer or spend on-behalf of other secondary recipients. Such funds for the most part should be recorded as revenue and expenditures/expense. Revenues should be recognized when all eligibility requirements have been met and the resources become available, which typically is considered to occur when the resources are, in fact, transmitted to their intended final recipient. In infrequent situations where the State organizations serve merely as conduit, the funds should be reported as an agency fund. An organization would function as a conduit only if it strictly transmits grantor supplied funds without having administrative or direct financial involvement in the program. Examples of disqualifying administrative involvement would include:

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monitoring of subrecipients for compliance with program-specific requirements,  
determining eligible subrecipients (even using grantor-established criteria) and  
being able to exercise discretion in how funds are allocated.

An example of disqualifying direct financial involvement would be a requirement to finance some direct program cost such as matching funds and exposure to liability for disallowed cost.

### ***FOOD STAMPS***

GAAP requires State governments utilizing a food stamp program electronic benefits transfer (EBT) system to record revenues (and expenditures) when the underlying transaction (e.g., the food purchase) occurs. The reason being is that the federal food stamp program functions essentially as a reimbursement grant and, as such, should be recognized as revenue as soon as eligibility requirements are met.

Under the State's budgetary basis of accounting revenues and expenditures are not recorded for food stamp distributions.

### ***ON-BEHALF PAYMENTS FOR FRINGE BENEFITS AND SALARIES***

On-behalf payments for fringe benefits and salaries are direct payments made by one entity on-behalf of the employees of another entity to a third party. Such payments would include on-behalf payments to pension plans, employee health and life insurance plans, salary supplements (paid directly to another entities' employees). These types of payments may be made not only on-behalf of paid employees but also for volunteers, such as payments for health insurance or life insurance for volunteer workers. On-behalf payments include payments made by governmental entities on-behalf of nongovernmental entities and payment made by nongovernmental entities on-behalf of governmental entities.

#### ***Employer Organizations***

An employer organization should recognize revenue and expenditures/expense for on-behalf payments for salaries and fringes, even if the employer is not obligated in any way for the payment. The amount that should be recognized as revenue should equal the amount that the third-party recipients received and amounts receivable at the end of the fiscal year.

State employer organizations should obtain information about the amount of on-behalf payments from the paying entity or third party recipient. If such information cannot be obtained entries should be made based on the best estimate of the amount.

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Under the State's budgetary basis of accounting, revenues and expenditures are not required to be disclosed by State employer organizations for on-behalf payments.

*Paying Organizations*

Paying organizations should classify the expenditures/expenses for on-behalf payments in the same manner that it accounts for similar grants to other entities.

*On-Behalf Payments Within the State Reporting Entity*

On-behalf payments made by and for organizations included within the State reporting entity should be recorded as operating transfers. Under the budget basis, however, such payments should be recorded as revenues and expenditures.

*Disclosure*

Employer organizations are required to disclose in the notes to the financial statements the amounts recognized for on-behalf payments for fringe benefits and salaries. In addition, for on-behalf payments that are contributions to a pension plan for which the employer government is not legally responsible, the employer government should disclose the name of the plan that covers its employees and the name of the entity that makes the contributions.

**SYNOPSIS OF SIGNIFICANT VARIANCES BETWEEN GAAP AND BUDGET BASIS**

If GAAP financial statements are not provided, auditors must be furnished with information to meet the following GAAP reporting requirements:

Revenues are recorded for expenditure-driven grants based on the related amounts being available and the meeting of all eligibility criteria and not on encumbrances (provide a detail of revenue amounts/accounts recorded based on encumbrances).

Revenues and expenditures/expense are recorded by employer organizations for on-behalf payments (identify all payments made on-behalf of another organization. Also, identify organization/amounts relating to on-behalf payments made by others).

Food stamp revenues and expenditures should be recorded when the food purchase occurs.

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