



## Statewide Accounting Policy & Procedure

**Accounting Manual Reference:**

Section: General Guidelines  
Sub-section: Accounting Manual Introduction  
Policy Title: Fiscal Management Objectives

**Effective Date:** 06/30/2009**Revision Date:** 07/01/2022**Index:**

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**Accounting Policy Summary:**

Financial reporting is a means of communicating financial information to users, and the Governmental Accounting Standards Board (GASB) believes financial reporting plays a major role in fulfilling government's duty to be publicly accountable. The objectives of general purpose external financial reporting by state and local governmental entities are established in GASB Concepts Statement No. 1, Objectives of Financial Reporting.

**Accounting Policy and Requirements:**

Financial reporting objectives provide the framework within which the GASB Board develops standards of financial reporting for governmental entities. The reporting objectives are influenced by the characteristics of the governmental operating environment and by the needs of those who use the financial reports. Therefore, environmental and user need differences will be considered in developing specific financial reporting standards.

Financial reporting should be reliable, relevant, consistent, and available in a timely manner. Specifically, the information presented should be verifiable, free from bias, and comprehensive. The financial reporting characteristics are described in detail in Concepts Statement No. 1 and provide a framework for the Board's definition of the reporting objectives that are designed to fulfill the requirements of the three primary user groups:

- Citizens, those to whom government is primarily accountable
- Legislative and oversight bodies, those who directly represent the citizens
- Investors and creditors, those who lend or who participate in the lending process

Additionally, financial reporting by state and local governments is used in making economic, social, and political decisions and in assessing accountability primarily to:

- Compare actual financial results with the legally adopted budget.
- Assess financial condition and results of operations.
- Assist in determining compliance with finance-related laws, rules, and regulations.
- Assist in evaluating efficiency and effectiveness.

The significant characteristics of a governmental environment that need to be addressed by its reporting objectives are:

- The government's structure and the service it provides:
  - The representative form of government and the separation of powers,
  - The federal system of government and the prevalence of intergovernmental revenues, and
  - The relationship of taxpayers to services received.
- The control features that arise from the structure:
  - The budget as an expression of public policy and financial intent and as a method of providing control, and
  - The use of fund accounting for control purposes.
- Other characteristics:
  - The dissimilarities between similarly designated governments,
  - The significant investment in non-revenue-producing capital assets, and
  - The nature of the political process.

### ***Recognition and Measurement***

Accountability is the cornerstone of all financial reporting in government, and the dictionary defines accountable as being obliged to explain one's actions, to justify what one does. Citizens and legislative and oversight officials use financial reports to measure a government's accountability for its actions and decisions. In particular, information in financial reports should enable users to determine whether current-year revenues are sufficient to pay for current-year services or whether future taxpayers will be required to assume burdens for services previously provided.

Financial reporting objectives established for governmental-type activities are generally applicable to business-type activities. Governmental-type activities are performed by general purpose governmental entities such as states, while business-type activities are performed both through departments of general-purpose governmental entities and through special purpose governmental entities created to perform these activities. Certain controls are put in place to ensure that resources provided are used as intended. One mechanism is the budget, and another is the governmental fund structure. Some funds are created by law (local ordinance), others by covenant (bond indentures), and still others by management decision to enhance financial administration. The financial and legal requirements and restrictions leading to fund accounting need to be considered as part of government's duty to be accountable, in a manner that does not obscure presentation of results of operations and financial position of the entity as a whole.

To ensure accountability, state and local governmental financial reports should exhibit these basic characteristics:

- Understandability – Information is expressed as simply as possible.
- Reliability – Information is verifiable, free from bias, faithfully represented, and comprehensive.
- Relevance – Information can make a difference in a user's assessment of a problem, condition, or event.
- Timeliness – Information is issued soon enough after the reported events to affect decisions.
- Consistency – Once adopted, an accounting principle or reporting method is used for all similar transactions and events. If a change is required, then full disclosure of the nature, reason, and effect of the change is made.
- Comparability – Information allows users to make comparisons among governments (e.g., of the costs of specific functions or components of revenue).

Additionally, the financial reporting objectives establish that financial reporting should assist in fulfilling government's duty to be publicly accountable and should enable users to assess that accountability by:

- Providing information to determine whether current-year revenues were sufficient to pay for current-year services.
  - Providing information about sources and uses of financial resources.
- Demonstrating whether resources were obtained and used in accordance with the entity's legally adopted budget and demonstrating compliance with other finance-related legal or contractual requirements.
  - Providing information about sources and uses of financial resources.
  - Providing information about how it financed its activities and met its cash requirements.
- Providing information to assist users in assessing the service efforts, costs, and accomplishments of the governmental entity.
- Provide information to assist users in assessing the level of services that can be provided by the governmental entity and its ability to meet its obligations as they become due by:
  - Providing information about its financial position and condition whether its financial position improved or deteriorated as a result of the year's operations.
  - Providing information about its physical and other nonfinancial resources having useful lives that extend beyond the current year, including information that can be used to assess the service potential of those resources.

### ***Basis of Accounting***

Organizations included in the State reporting entity are required to maintain their accounting records in a manner which will provide for preparation of financial statements and/or budgetary statements. Day-to-day operations may be accounted for using one basis of accounting, such as statutory basis (budgetary reporting), and year end reporting information may be prepared to accommodate reporting on a different basis of accounting.

### **General Accounting Procedures:**

The following procedures are used by organizations in the State of Georgia reporting entity to meet the requirements for reporting purposes.

State reporting organizations using the statewide financial system are required to use the general ledger chartfields for each transaction. These chartfields may be different for budgetary reporting and transactions, such that journal entries may be required to convert between the various bases of accounting required for reporting. For a complete listing and description of the required chartfields, consult the Reporting Structure and Chart of Accounts page on the SAO website ([sao.georgia.gov](http://sao.georgia.gov) > Reporting > Reporting Structure and Chart of Accounts). In accordance with the Chart of Accounts – Structure Overview policy, those State reporting organizations that do not use the statewide financial system must maintain a crosswalk from their local chart of accounts to the statewide chart of accounts.

### ***Year-end Accounting Procedures***

Funds that operate on a statutory basis must convert their accounting activity to the modified accrual and/or accrual bases of accounting for financial reporting. State organizations that record day-to-day transactions on a basis of accounting that varies from the reporting basis must identify and provide to the State Accounting Office reconciling differences between the different bases of accounting. This process enables the conversion to the appropriate basis of accounting for financial reporting purposes. The year-end reporting package, as provided by SAO, accommodates the process of the identification and submission of these differences. Timely and accurate completion of each form facilitates the conversion process.

**Authority:**

- Official Code of Georgia Annotated (O.C.G.A.) 50-5B-3 – Duties of the state accounting officer include:
  - Prescribing state-wide accounting policies, procedures, and practices;
  - Prescribing the manner in which disbursements shall be made by state government organizations;
  - Developing processes and systems to improve accountability and enhance efficiency for disbursement of funds and management of accounts payable;
  - Determining the proper classification for accounting and reporting purposes of all assets, liabilities, revenues, expenditures, fund balances, funds, and accounts in compliance with legal requirements and generally accepted accounting principles and prescribe a uniform classification of accounts and other accounting identifiers which shall be used by all state organizations.
- O.C.G.A. 50-5B-4(b) – Duties of the state agencies with respect to SAO.
  - All organizations of state government and all officers, agents, and employees thereof shall conform to and comply with the rules, regulations, policies, procedures, and forms devised, promulgated, and installed by the state accounting officer.
- GASB Concepts Statement No. 1 – Objectives of financial reporting.

**Applicability:**

This accounting policy applies to all Organizations included in the State of Georgia reporting entity. The term 'organization of state government' shall mean, without limitation, any agency, authority, department, institution, board, bureau, commission, committee, office, or instrumentality of the State of Georgia. Such 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. At these reporting organizations, all personnel with accounting and financial reporting responsibilities should be knowledgeable of this policy. Refer to the *Management Responsibilities* policy for a summary of general financial reporting responsibilities.

**Definitions:**

***Comparability*** – A quality of accounting information that facilitates the comparison of financial reporting of one company to the financial reporting of another company.

***Consistency*** – refers to the use of the same methods for the same items, either from period to period within a reporting entity or in a single period across entities

***Relevance*** – is the concept that the information generated by an accounting system should impact the decision-making of someone perusing the information.

***Reliability*** – is the quality of information that assures that information is reasonably free from error or bias and faithfully represents what it purports to represent.

***Timeliness*** – is having information available to decision makers in time to be capable of influencing their decisions.

***Understandability*** – is the concept that financial information should be presented so that a reader can easily comprehend it.

**Forms and Attachments:**

SAO year-end forms: <https://sao.georgia.gov/swar/year-end-forms>