



Statewide Accounting Policy & Procedure

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Accounting Policy Summary:
 The purpose of this policy is to provide definitions for commonly used accounting and reporting terms, used in accounting guidance and State Accounting Office (SAO) policies.

Accounting Policy and Requirements:
 The terms defined in this glossary come from a number of different sources and state agencies. Among them are the Georgia statutes 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 CVIOG¹ Financial Management Program for State and Local Governments.

TERM	DEFINITION <i>[source]</i>
Account (in the SCOA)	A code used to identify transactional activity in terms of assets, deferred inflow, liabilities, deferred outflow, fund balance or net position, revenues or other financing sources, and expenditures/expenses or other financing uses. <i>[https://sao.georgia.gov/statewide-reporting/reporting-structure-chart-accounts]</i>
Accountability	The GASB has identified accountability as the cornerstone of all financial reporting in government. This term requires governments to answer to the citizenry and is used to describe a government’s duty to justify the raising and spending of public resources. Accountability 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. <i>[Concepts Statement No. 1 of the GASB]</i>
Accounts Receivable	A current asset account reflecting amounts due from individuals, firms, corporations, or other organizations for goods and services furnished by a government.

¹ See the definitions section for acronym definitions.

TERM	DEFINITION <i>[source]</i>
Accrual Basis of Accounting	A basis of accounting that recognizes transactions when they occur, regardless of when cash is received or disbursed. The accrual basis is used for proprietary funds, fiduciary funds and component units, as well as for government-wide financial statements. <i>[GASB Cod. Sec. 1600.102]</i>
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 budget unit to withdraw funds from the State Treasury for expenditure. Allotments are requested through the budget software, based determination that the budget allotment request is consistent with an approved work program. Once an allotment is approved for an agency, that agency can draw down funds as needed. <i>[OCGA 45-12-71(5)]</i>
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 fees. These costs are capitalized as part of the asset. <i>[GASB Cod. Sec. 1400.102]</i>
Annual Comprehensive Financial Report (ACFR)	An ACFR is a complete set of financial statements issued by a government entity in accordance with the accounting and reporting requirements established by the GASB. <i>[GASB Cod. Sec. 2200]</i>
Appropriation (Appropriated Budget)	For Georgia budget purposes, an appropriation is an authorization by the General Assembly to a budget unit to expend, from public funds, a sum of money not in excess of the sum specified, for the purposes specified in the authorization and under the procedure described in this part. These appropriations are authorized via bills passed by both chambers of the General Assembly and signed by the Governor. <i>[OCGA 45-12-71(2)]</i>
Asset Retirement Obligation	A legally enforceable liability associated with the retirement of a tangible capital asset. <i>[GASB Cod. Sec. A10.502]</i>
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. <i>[GASB Cod. Sec. 1600.106]</i>

TERM	DEFINITION <i>[source]</i>
Availability Period	<p>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.</p> <p>The State generally considers taxes and other revenues to be available if the revenues are collected within 30 days after fiscal year-end. An exception to this policy is federal grant revenues, which generally are considered to be available if collection is expected within 12 months after year-end.</p>
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) <i>[GASB Cod. Sec. 1600.101]</i> .
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. <i>[GASB Cod. Sec. D40.506]</i>
Book value (BV)	Historical cost less accumulated depreciation – also referred to as net book value (NBV). <i>[GASB Cod. Sec. 1400.702-16]</i> .
Budget Unit	A department, institution, agency, or other unit of organization for which separate appropriations are made. <i>[OCGA 45-12-71(10)]</i>
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	<p>A presentation of budget-to-actual comparisons in connection with general purpose external financial reporting: both the general fund and individual major special revenue funds with legally adopted annual budgets. Budgetary reporting within the ACFR demonstrates compliance at the legal level of control for all governmental funds with legally adopted annual budgets. <i>[GASB Cod. Sec. 2200.206]</i></p> <p>The basis of accounting used for budgetary purposes is commonly called the statutory basis. For further details on this, please refer to the SAO Accounting Policy – <i>Basis of Accounting and Reporting - Overview</i>.</p>
Budgetary software - Planning and Budget Cloud Services (PBCS)	The planning and budgetary software 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 PBCS populates the TeamWorks enterprise accounting system operated by the State Accounting Office. <i>[https://opb.georgia.gov]</i>
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. <i>[GASB Cod. Sec. D40.508]</i>
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. <i>[GASB Cod. Sec. 1400.103]</i>

TERM	DEFINITION <i>[source]</i>
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 as a fiduciary activity. Capital outlays financed from general obligation (GO) bond proceeds should be accounted for in a capital projects fund. <i>[GASB 1300.106]</i>
Cash Basis of Accounting	<p>A basis of accounting under which transactions and events are recognized only when the related cash is received or disbursed. <i>[GASB 1600.102]</i></p> <p>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.</p>
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. <i>[GASB Cod. Sec. D40.509]</i>
Collateral	<p>Security pledged by a financial institution to a governmental entity for its deposit. <i>[GASB Cod. Sec. 150.507]</i></p> <p>The cash, securities, or letters of credit received by the lender from the borrower as protection against the borrower's failure to return the underlying securities. <i>[GASB Cod. Sec. 160.505]</i></p>
Commodity Swap	A swap that has a variable payment based on the price or index of an underlying commodity. <i>[GASB Cod. Sec. D40.510]</i>
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 principles. In other words, providing information that allows users to make comparisons among governments (e.g., of the costs of specific functions). <i>[GASB Concepts Statement No. 6]</i>
Compensated Absences	Absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. <i>[GASB Cod. Sec. C60.101]</i>
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.

TERM	DEFINITION <i>[source]</i>
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. <i>[GASB Cod. Sec. 2100.119]</i>
Computer Software	<p>Computer software is a common type of intangible asset that is often internally generated. Computer software should be considered internally generated if it is developed in-house by the government's personnel or by a third-party contractor on behalf of the government. Commercially available software that is purchased or licensed by the government and modified using more than minimal incremental effort before being put into operation also should be considered internally generated for purposes of this section. For example, licensed financial accounting software that the government modifies to add special reporting capabilities would be considered internally generated. <i>[GASB Cod. Sec. 1400.128]</i></p> <p>Also, see definition for subscription based information technology arrangements (SBITAs).</p>
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. <i>[GASB Concepts Statement No. 1]</i>
Consistent Critical Terms Method	A method of evaluating effectiveness by qualitative consideration of the critical terms of the hedgeable item and the potential hedging derivative instrument. <i>[GASB Cod. Sec. D40.512]</i>
Construction in Progress (CIP)	A capital asset account reflecting the cost of construction work for projects not yet completed.
Copyright	<p>Copyright is a type of intellectual property that protects original works of authorship as soon as an author fixes the work in a tangible form of expression. In copyright law, there are a lot of different types of works, including paintings, photographs, illustrations, musical compositions, sound recordings, computer programs, books, poems, blog posts, movies, architectural works, plays, etc. <i>[https://www.copyright.gov/what-is-copyright/]</i></p> <p>A copyright is an intangible asset. <i>[GASB Stmt. 54]</i></p>
Credit Risk	<p>The risk that a counterparty will not fulfill its obligations. <i>[GASB Cod. Sec. D40.513]</i></p> <p>The risk that an issuer or other counterparty to an investment will not fulfill its obligations. <i>[GASB Cod. Sec. 150.512] [GASB Cod. Sec. 160.507]</i></p>
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. <i>[GASB Cod. Sec. D40.514]</i>

TERM	DEFINITION <i>[source]</i>
Current Financial Resources Measurement Focus	<p>Measurement focus where the period to which an outflow (or inflow) of resources is applicable is the period in which the use (or acquisition) of current financial resources is expected to take place. <i>[GASB Concepts Statement No. 4]</i></p> <p>The current financial resources measurement focus is used for reporting certain items in governmental funds. <i>[GASB Cod. Sec. 1300.102]</i></p>
Current Value	<p>The amount that would be paid if all equipment, facilities, and services included in the estimate were acquired at the end of the current period. <i>[GASB Cod. Sec. A10.504]</i></p> <p>The amount that would be paid if all equipment, facilities, and services included in the estimate were acquired during the current period. <i>[GASB Cod. Sec. P40.502]</i></p>
Custodial Funds	Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds. <i>[GASB Cod. Sec. 1300.115]</i>
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 Inflow of Resources	Acquisition of net assets by the government that is applicable to a future reporting period. <i>[GASB Concepts Statement No. 4]</i>
Deferred Outflow of Resources	Consumption of net assets by the government that is applicable to a future reporting period. <i>[GASB Concepts Statement No. 4]</i>
Depreciation	Depreciation should be measured by allocating the net cost of depreciable assets (historical cost less estimated salvage value) over their estimated useful lives in a systematic and rational manner. <i>[GASB Cod. Sec. 1400.113]</i>
Derived tax revenues	Nonexchange revenues that result from assessments imposed by governments on exchange transactions (for example, income taxes, sales taxes, and other assessments on earnings or consumption). <i>[GASB Cod. Sec. N50.104]</i>
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.
Economic Resources Measurement Focus	<p>Measurement focus where the period to which an outflow (or inflow) of resources is applicable is the period in which the use (or acquisition) of current financial resources is expected to take place. <i>[GASB Concepts Statement No. 4]</i></p> <p>The economic resources measurement focus is used for proprietary (enterprise and internal service funds) and fiduciary funds, as well as for government-wide financial reporting. <i>[GASB Cod. Sec. 1600]</i></p>

TERM	DEFINITION <i>[source]</i>
Encumbrance	A commitment related to an unperformed (executory) contract for goods or services —often should be recorded for budgetary control purposes, especially in general and special revenue funds. An encumbrance is not an expenditure; it represents the estimated amount of expenditure that will occur if an unperformed contract in process are completed. Encumbrances outstanding at year-end do not constitute expenditures or liabilities. <i>[GASB Cod. Sec. 1700.127]</i>
Entity Code (in the SCOA)	A code used to identify the reporting organization, which is based on an assigned number to the reporting organization. These numbers are generally assigned by the State Accounting Office.
Equity Accounts	Those accounts presenting the difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources 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 are called net position. <i>[GASB Cod. Sec. 1300.102] [GASB Cod. Sec. 1600.103] [GASB Cod. Sec. 2100.110]</i>
Exchange and Exchange-like Transactions	<p>The difference between exchange and exchange-like transactions is a matter of degree. In contrast to a "pure" exchange transaction, an exchange-like transaction is one in which the values exchanged, though related, may not be quite equal or in which the direct benefits may not be exclusively for the parties to the transaction. Nevertheless, the exchange characteristics of the transaction are strong enough to justify treating the transaction as an exchange for accounting recognition. <i>[GASB Cod. Sec. N50.503]</i></p> <p>A reciprocal transfer, relating to a nonmonetary transaction, between a government and another entity that results in the government acquiring assets or services or satisfying liabilities by surrendering other assets or services or incurring other obligations. <i>[GASB Cod. Sec. N70.502]</i></p>
Expenditures	Under the current financial resources measurement focus, decreases in fund financial resources other than through interfund transfers and expirations of demand bond takeout agreements. Expenditure accounts thus reflect the changes in the financial condition of a governmental fund that occur during a given time period except those arising from transfers and general long-term debt issuance and issuances of special assessment bonds, refunding bonds, and certain demand bonds. <i>[GASB Cod. Sec. 1800.130]</i>
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. <i>[GASB Cod. Sec. 1800.101]</i>
Extraordinary Items	Transactions or other events that are both unusual in nature and infrequent in occurrence. <i>[GASB Cod. Sec. 2200.143]</i>

TERM	DEFINITION <i>[source]</i>
Fair Value (FV)	<p>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. <i>[GASB Cod. Sec. D40.518] [GASB Cod. Sec. 150.523]</i></p> <p>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. The fair value of a parcel is affected by its physical characteristics, its probable ultimate use, and the time required for the buyer to make such use of the property considering access, development plans, zoning restrictions, and market absorption factors. <i>[GASB Cod. Sec. R30.506]</i></p>
Fiduciary Funds	Funds that focuses on net position and changes in net position, and should be used to report fiduciary activities. The fiduciary fund category includes pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and custodial funds. The three types of trust funds are distinguished from custodial funds by the existence of a trust agreement or equivalent arrangement that has certain characteristics. <i>[GASB Cod. Sec. 1300.102]</i>
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	<p>The risk that changes in exchange rates will adversely affect the cash flows or fair value of a transaction. <i>[GASB Cod. Sec. D40.521]</i></p> <p>The risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. <i>[GASB Cod. Sec. 150.528]</i></p>
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. <i>[GASB Cod. Sec. D40.522]</i>
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). <i>[GASB Cod. Sec. 1300]</i>
Fund Balance	<p>Those accounts presenting the equity (difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources) of the fund reported in a governmental fund. <i>[GASB Cod. Sec. 1300.102]</i></p> <p>Refer to Net Position for equity reported in proprietary and fiduciary funds, component units, and government-wide statements of net position.</p>
Fund Classification	One of the three broad categories (governmental, proprietary, and fiduciary) used to classify fund types. <i>[GASB Cod. Sec. 1300.102]</i>

TERM	DEFINITION <i>[source]</i>
Fund Financial Statements	Fund financial statements for the primary government's governmental, proprietary, and fiduciary funds should be presented after the government-wide statements. These statements display information about major funds individually and nonmajor funds in the aggregate for governmental and enterprise funds. Fiduciary statements should include financial information for fiduciary funds, including fiduciary component units. Each of the three fund categories should be reported using the measurement focus and basis of accounting required for that category. <i>[GASB Cod. Sec. 2200.102]</i>
Fund Source (general)	The various categories of revenue sources available for appropriation (e.g., State General Funds, Federal funds, Tobacco Settlement Funds, 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.
Fund Type	One of the eleven specific types into which all individual funds can be categorized. Five governmental fund types include the general fund, special revenue funds, debt service funds, capital projects funds, and permanent funds. Two proprietary fund types include enterprise funds and internal service funds. Four fiduciary fund types include pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and custodial funds. <i>[GASB Cod. Sec. 1300.103]</i>
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. <i>[GASB Cod. Sec. D40.523]</i>
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. <i>[GASB Cod. Sec. 2200.113]</i>
Governmental Funds	Funds generally used to report primarily on the sources, uses, and balances of current financial resources and often has a budgetary orientation. There are five different types of governmental funds: the general fund, special revenue funds, debt service funds, capital projects funds, and permanent funds. <i>[GASB Cod. Sec. 1300.102]</i>
Government-mandated nonexchange transaction	Transactions when a government (including the federal government) at one level provides resources to a government at another level and requires that government to use them for a specific purpose or purposes established in the provider's enabling legislation. The principal characteristics of these transactions are (1) a provider government (including the federal government) mandates that a recipient government perform a particular program or facilitate its performance by another government or by a nongovernmental entity (secondary recipient) and (2) fulfillment of certain requirements is essential for a transaction (other than the provision of cash or other assets in advance) to occur. These essential requirements may include time requirements and are referred to in this section as eligibility requirements. <i>[GASB Cod. Sec. N50.104]</i>

TERM	DEFINITION <i>[source]</i>
Government-wide Financial Statements	<p>Financial statements that display information about the reporting government as a whole, except for its fiduciary activities. The statements should include separate columns for the governmental and business-type activities of the primary government as well as for its component units. Government-wide financial statements should be prepared using the economic resources measurement focus and the accrual basis of accounting. <i>[GASB Cod. Sec. 2200.102]</i></p> <p>There are two basic government-wide financial statements: the statement of net position and the statement of activities. <i>[GASB Cod. Sec. 2200.105]</i></p>
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. <i>[GASB Cod. Sec. D40.524]</i>
Hedgeable Item	An asset or liability, or expected transaction that may be associated with a potential hedging derivative instrument. <i>[GASB Cod. Sec. D40.525]</i>
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. <i>[GASB Cod. Sec. D40.526]</i>
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. <i>[GASB Cod. Sec. 1400.165]</i>
Imposed nonexchange revenues	Revenues resulting from assessments by governments on nongovernmental entities, including individuals, other than assessments on exchange transactions. Examples include property (ad valorem) taxes; fines and penalties; and property forfeitures, such as seizures and escheats. The principal characteristic of these transactions is that the required transmittal of resources to the assessing government is imposed by that government on an act committed or omitted by the provider (such as property ownership or the contravention of a law or regulation) that is not an exchange transaction. <i>[GASB Cod. Sec. N50.104]</i>
Improvement (of a capital asset)	<p>Improvements increase the capacity or efficiency of infrastructure assets rather than preserve the useful life of the assets. <i>[GASB Cod. Sec. 1400.107]</i></p> <p>Land improvements consist of betterments, other than buildings, that ready land for its intended use. Examples of land improvements include site improvements such as excavation, fill, grading, and utility installation; removal, relocation, or reconstruction of property of others, such as railroads and telephone and power lines; retaining walls; parking lots; fencing; and landscaping. <i>[GASB Cod. Sec. 1400.702-1]</i></p>

TERM	DEFINITION <i>[source]</i>
Inexhaustible Assets	<p>An inexhaustible capital asset is one whose economic benefit or service potential is used up so slowly that its estimated useful life is extraordinarily long. Land and certain land improvements are inexhaustible capital assets. <i>[GASB Cod. Sec. 1400.702-3]</i></p> <p>Inexhaustible collections or individual works of art or historical treasures are those with extraordinarily long useful lives. Because of their cultural, aesthetic, or historical value, the holder of the asset (or assets) applies efforts to protect and preserve the asset in a manner greater than that for similar assets without such cultural, aesthetic, or historical value. <i>[GASB Cod. Sec. 1400.704-8]</i></p>
Infrastructure Assets	<p>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. Buildings, except those that are an ancillary part of a network of infrastructure assets, should not be considered infrastructure assets. <i>[GASB Cod. Sec. 1400.103]</i></p>
Intangible Asset	<p>An asset that lacks physical substance, is non-financial in nature, and has an initial useful life extending beyond one year. <i>[GASB Cod. Sec. 1400.122]</i></p> <p>An intangible asset is a capital asset, subject to the same accounting and reporting requirements of all capital assets. <i>[GASB Cod. Sec. 1400.124]</i></p>
Interest Rate Risk	<p>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. <i>[GASB Cod. Sec. D40.530]</i></p> <p>The risk that changes in interest rates will adversely affect the fair value of an investment. <i>[GASB Cod. Sec. I50.532]</i></p>
Interest Rate Swap	<p>A swap that has a variable payment based on the price of an underlying interest rate or index. <i>[GASB Cod. Sec. D40.531]</i></p>
Internally Generated	<p>Intangible asset created or produced by the government or an entity contracted by the government, or if they are acquired from a third party but require more than minimal incremental effort on the part of the government to begin to achieve their expected level of service capacity. <i>[GASB Cod. Sec. 1400.126]</i></p> <p>Computer software should be considered internally generated if it is developed in-house by the government's personnel or by a third-party contractor on behalf of the government. Commercially available software that is purchased or licensed by the government and modified using more than minimal incremental effort before being put into operation also should be considered internally generated for purposes of this section. <i>[GASB Cod. Sec. 1400.128]</i></p>
Investment Derivative Instrument	<p>A derivative instrument that (a) is held primarily for the purpose of income or profit and (b) has a present service capacity based solely on its ability to generate cash or to be sold to generate cash. <i>[GASB Cod. Sec. D40.534]</i></p>
Legal Level of Control	<p>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.</p>

TERM	DEFINITION <i>[source]</i>
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. <i>[GASB Cod. Sec. D40.535]</i>
Market Risk	The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises the following: a. Interest rate risk; b. Currency risk; c. Other price risks. <i>[GASB Cod. Sec. D40.537] [GASB Cod. Sec. 150.539]</i>
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. <i>[GASB Cod. Sec. D40.538]</i>
Materiality	Decisions about what should be reported separately in the basic financial statements were based on the understanding that users need financial statements or information to be provided for certain reporting units within a primary government. Some information is required to be reported because of its quantitative significance; other information may be required for qualitative reasons rather than its monetary significance. Materiality determinations, both quantitative and qualitative, made in preparing financial statements should be responsive to, and consistent with, those requirements. <i>[GASB Cod. Sec. D2200.702-5]</i>
Measurement Date	The date as of which the fair value of an asset or liability is determined. <i>[GASB Cod. Sec. 150.542]</i>
Measurement Focus	Measurement is the act or process of determining a value for the elements presented in financial statements. <i>[GASB Concepts Statement No. 6]</i> Determination of how balances (and related changes) will be reported in a given set of financial statements (i.e., economic resources, current financial resources, assets and liabilities resulting from cash transactions). <i>[GASB Cod. Sec. 1600]</i>
Mineral Rights	The right to draw minerals from a particular source, such as lake or stream. Mineral rights are intangible assets. <i>[GASB Cod. Sec. 1400.714-1]</i>
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 both 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. <i>[GASB Cod. Sec. 1600.105-106] [GASB Cod. Sec. 1600.117]</i>

TERM	DEFINITION <i>[source]</i>
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 Position	<p>Those accounts presenting the equity (difference between assets, deferred outflows of resources, liabilities, and deferred inflows of resources) of the fund reported in proprietary and fiduciary funds, component units, and government-wide. <i>[GASB Cod. Sec. 1300.102] [GASB Cod. Sec. 1600.103] [GASB Cod. Sec. 2100.110]</i></p> <p>Net position should be displayed in three broad components – invested in capital assets, net of related debt; restricted (distinguishing between major categories of restrictions); and unrestricted. <i>[GASB Cod. Sec. 2100.117]</i></p> <p>Refer to Fund Balance for equity reported in governmental funds.</p>
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. <i>[GASB Cod. Sec. N50.104]</i>
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. <i>[GASB Cod. Sec. D40.539]</i>
Object Class (in the SCOA)	A code used to group expenditures into common types to assist with budgetary control. <i>[https://sao.georgia.gov/statewide-reporting/reporting-structure-chart-accounts]</i>
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. <i>[GASB Cod. Sec. D40.541]</i>
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. <i>[OCGA 50-5B-4(a)]</i></p> <p>For purposes of the entity-wide annual comprehensive financial report (ACFR), the SAO determines which organizations are included in the State of Georgia reporting entity in compliance with relevant GASB pronouncements. <i>[GASB Cod. Sec. 2100.111]</i></p>
Other Postemployment Benefits (OPEB)	Benefits (such as death benefits, life insurance, disability, and long-term care) that are paid in the period after employment and that are provided separately from a pension plan, as well as healthcare benefits paid in the period after employment, regardless of the manner in which they are provided. OPEB does not include termination benefits or termination payments for sick leave. <i>[GASB Cod. Sec. P20-539]</i>
Outlays	Expenses, expenditures, and capital acquisitions, as appropriate. <i>[GASB Cod. Sec. P40.505]</i>

TERM	DEFINITION <i>[source]</i>
Patent	<p>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. <i>[https://www.uspto.gov/patents/basics/general-information-patents]</i></p> <p>Patents are intangible assets. <i>[GASB Cod. Sec. 1400.714-1]</i></p>
Pension	<p>Retirement income and, if provided through a pension plan, postemployment benefits other than retirement income (such as death benefits, life insurance, and disability benefits). Pensions do not include postemployment healthcare benefits and termination benefits. <i>[GASB Cod. Sec. P20-538]</i></p>
Pollution	<p>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.” <i>[GASB Cod. Sec. P40.506]</i></p>
Pollution Remediation Obligation	<p>An obligation to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities. For example, obligations to clean up spills of hazardous wastes or hazardous substances and obligations to remove contamination such as asbestos are pollution remediation obligations. <i>[GASB Cod. Sec. P40.507]</i></p>
Potentially Responsible Party (PRP)	<p>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. <i>[GASB Cod. Sec. P40.508]</i></p>
Present Value Technique	<p>A valuation technique used to link future amounts (cash flows or values) to a present amount by employing a discount rate (an application of the income approach). <i>[GASB Cod. Sec. 150.551]</i></p>
Program	<p>A discrete set of activities undertaken to carry out an agency’s core businesses. <i>[OCGA 45-12-71(13)]</i></p> <p>Programs group activities, operations, or organizational units that are directed to the attainment of specific purposes or objectives. Governmental units using program budgeting may use the program classifications and subclassifications in addition to or instead of functional classifications. <i>[GASB Cod. Sec. 1800.133]</i></p>
Proprietary Funds	<p>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. <i>[GASB Cod. Sec. 1300.102]</i></p>
Put Option	<p>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. <i>[GASB Cod. Sec. D40.543]</i></p>
Quantitative Method	<p>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. <i>[GASB Cod. Sec. D40.544]</i></p>

TERM	DEFINITION <i>[source]</i>
Reference Rate	A specified interest rate, security price, commodity price, foreign exchange rate, index of prices or rates, or other variable (including the occurrence or nonoccurrence of a specified event such as a scheduled payment under a contract). A reference rate may be a price or rate of an asset or a liability but is not the asset or liability itself. A reference rate is a variable that, along with either a notional amount or a payment provision, determines the settlement of a derivative instrument. Other accounting literature may refer to a reference rate as a reference index or an underlying. <i>[GASB Cod. Sec. D40.545]</i>
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 GASB Statement No. 53 uses only one independent variable. <i>[GASB Cod. Sec. D40.545]</i>
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 decision making. <i>[GASB Concepts Statement No. 6]</i>
Reliability	A principle signifying that information is verifiable, free from bias, faithfully represented, and comprehensive. <i>[GASB Concepts Statement No. 1]</i>
Replacement Cost	Price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the measurement date. <i>[GASB Concepts Statement No. 6]</i>
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 <i>[GASB Cod. Sec. 1400.705-8]</i> .
Revenues	Increases in (sources of) fund financial resources other than from interfund transfers and debt issue proceeds and redemptions of demand bonds. <i>[GASB Cod. Sec. 1800.130]</i>
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. An example is an interest rate swap that pays the government a variable-rate payment that is designed to match the term of the variable-rate interest payments on the government's bonds. If the hedging derivative instrument's term is 10 years and the hedged debt's term is 30 years, after 10 years the government will lose the benefit of the swap payments. <i>[GASB Cod. Sec. D40.547]</i>
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. <i>[GASB Cod. Sec. C60.108]</i>

TERM	DEFINITION <i>[source]</i>
Service Utility (of a capital asset)	Usable capacity that at acquisition was expected to be used to provide service, as distinguished from the level of utilization, which is the portion of the usable capacity currently being used. 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 service capacity may be different from maximum service 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. <i>[GASB Cod. Sec. 1400.166]</i>
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. <i>[GASB Cod. Sec. 2200.144]</i>
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. <i>[GASB Cod. Sec. 1400.127-134]</i>
State Organization	See Organization of State Government
Statutory Basis of Accounting	The basis of accounting used for budgetary reporting. For further details on this, please refer to the SAO Accounting Policy – <i>Basis of Accounting and Reporting - Overview</i> . Refer to Budgetary Reporting for additional information.
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.
Subscription Based Information Technology Arrangements (SBITAs)	Provide governments with access to vendors’ IT software and associated tangible capital assets for subscription payments without granting governments perpetual license or title to the IT software and associated tangible capital assets. <i>[GASB 96]</i>

TERM	DEFINITION <i>[source]</i>
Surplus	At the end of each fiscal year, the amount of each appropriation provided for in this part, 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. <i>[OCGA 45-12-89]</i>
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. <i>[GASB Cod. Sec. D40.551]</i>
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. Option pricing theory, including time and volatility measures, is used to value swaptions. <i>[GASB Cod. Sec. D40.552]</i>
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. <i>[GASB Cod. Sec. D40.553]</i>
TeamWorks	Georgia’s enterprise Solution for financial and HR records, transactions and operations. TeamWorks is available to all state agencies and organizations. <i>[https://sao.georgia.gov/teamworks]</i>
Termination Payment	Cash (or on-behalf) payments that compensate employees for certain benefits conditioned on the employees' termination of employment or retirement. <i>[GASB Cod. Sec. C60.105]</i>
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. For example, a government may be relying on an interest rate swap to insulate it from the possibility of increasing interest rate payments. If the swap has an unscheduled termination, that benefit would not be available. <i>[GASB Cod. Sec. D40.555]</i>
Timber Rights	The right to cut and remove trees from the property of another party. Timber rights are intangible assets. <i>[GASB Cod. Sec. 1400.714-1]</i>
Timeliness	A principle signifying that information is issued soon enough after the reported events to affect decisions. <i>[GASB Concepts Statement No. 1]</i>
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. <i>[https://www.uspto.gov/trademarks/basics/what-trademark]</i> Trademarks are intangible assets. <i>[GASB Cod. Sec. 1400.717-9]</i>

TERM	DEFINITION <i>[source]</i>
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. <i>[GASB Concepts Statement No. 1]</i>
Unearned Revenue	A liability that represents amounts received, but not yet earned. Unearned revenues may be reported on the statutory, GAAP modified accrual or GAAP accrual basis of accounting.
Useful Life	The period during which an asset is expected to provide service to the government. If the life of an intangible asset 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. <i>[GASB Cod. Sec. 1400.135]</i>
Voluntary Nonexchange Transactions	Transactions resulting from legislative or contractual agreements, other than exchanges, entered into willingly by two or more parties. Examples of voluntary nonexchange transactions include certain grants, certain entitlements, and donations by nongovernmental entities, including individuals (private donations). Both parties to a voluntary nonexchange transaction may be governments (including the federal government, as a provider), or one party may be a nongovernmental entity, including an individual. <i>[GASB Cod. Sec. N50.104]</i>
Water Rights	The right to draw water from a particular source, such as a lake, irrigation canal, or stream. Water rights are intangible assets. <i>[GASB Cod. Sec. 1400.713-4]</i>
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. <i>[GASB Cod. Sec. D40.559]</i>

Authority:

- Official Code of Georgia Annotated (OCGA) 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.
- OCGA 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.

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:***Acronyms:***

AICPA – American Institute of Certified Public Accountants

ASC – FASB Accounting Standards Codification

CVIOG – Carl Vinson Institute of Government at the University of Georgia

FASB – Financial Accounting Standards Board

GAAFR – Governmental Accounting, Auditing, and Financial Reporting (“Blue Book”)

GASB – Governmental Accounting Standards Board

GFOA – Government Finance Officers Association

NCGA – National Council on Governmental Accounting

OCGA – Official Code of Georgia Annotated

SCOA – State Chart of Accounts