



Statewide Accounting Policy & Procedure

Accounting Manual Reference:

Section: Current Assets

Sub-section: Cash and Cash Equivalents

Effective Date: 07/01/1999

Revision Date: 07/01/2004

Georgia Laws

- OCGA 50-17-50: Creation of State Depository Board; membership; quorum; board to name state depositories; assignment for administrative purposes
- OCGA 50-17-51: ...State Depository Board; records; list of deposits; interest policy; cash management policies and procedures
- OCGA 50-17-52: Contracts for interest on deposits; authority to remove deposits
- OCGA 50-17-53: Authority to determine amount to be deposited; deposit security required
- OCGA 50-17-63: Deposit of demand funds; investment of funds; reports; remittance of interest earned...

General Procedures

Cash must be accounted for in accordance with generally accepted accounting principles (GAAP). State organizations included in the Appropriations Act must account for cash equivalents and investments in conformity with both the State's budgetary basis of accounting and GAAP. Significant variances between GAAP and the State's budgetary basis are discussed below.

Account Restrictions

Cash on Hand and Petty Cash Sites

Separate general ledger accounts will not be assigned by SAO for each cash on hand site or petty cash fund administered by a State organization. If possible, identity of individual accounts should be determined by fund source, otherwise, subsidiary accounting records should be maintained for the individual petty cash and cash on hand sites.

Cash in Banks

Specific general ledger accounts have been established for many of the State's banking institutions since a specific account is required for each bank reconciled on the PeopleSoft financial system. All State organizations should not only insure that cash in bank account titles are correct by type of account (e.g., payroll, operating, etc.) but also that the account title includes the correct bank name. If necessary, additional accounts will be added upon request as described in the *Chart of Accounts – Structure Overview* policy.

Investments

Current and Noncurrent Investments

Under the accrual basis of accounting; upon purchase of an investment, if it is management's intent that the investment will be held for three months or less then the investment should be recorded as a cash equivalent. Purchases where the intent is to retain the investment for longer than three months but no longer than 12 months, should be recorded as current investments. Investments which are intended to be held in excess of 12 months should be recorded as noncurrent investments.

Valuation of Investments

GASB Codification section I50 requires investments to be reported on the accrual basis balance sheet at fair value. Section I50 (footnote 14) uses the term balance sheet as including the government-wide and proprietary fund statements of net assets and the statement of fiduciary net assets. Fair value is defined as the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced liquidation sale. Current market price when available can be utilized for fair value. GASB Codification section I50 applies to all interest-earning investment contracts, external investment pools, open-end mutual funds, debt securities, equity securities, option contracts, stock warrants, and stock rights that have readily determinable fair values. For additional guidance on derivative contracts please refer to the accounting policy titled *Derivative Instruments*.

GAAP requires changes in the fair value of investments to be recognized as revenue in the operating statement. Section I50 (footnote 9) uses the term operating statement as including the government-wide statement of activities; the proprietary fund statement of revenues, expenses, and changes in fund net assets; and the statement of changes in fiduciary net assets. Account 463000 should be utilized for recording unrealized gains and losses on investments. It should be noted that unrealized gains and losses and the fair value of investments are required only to be reported on publicly issued financial statements.

The State's budget basis of accounting requires investments to be reported at cost. In addition, only realized gains and losses should be recorded as revenue. Organizations included in the Appropriations Act and any other State organization desiring to do so can maintain their investment records on a cost basis and convert to the GAAP fair value basis at fiscal year-end as illustrated in GASB Codification section I50.

Securities Purchased Between Interest Dates

Bonds and other interest earning securities are often purchased between interest dates. Accrued interest for such transactions should not be entered in the accounting records as part of the cost of the investment but should be charged (debited) to the revenue account "Interest Earned" (461000).

Synopsis of Significant GAAP Variances from Budgetary Basis

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

1. Investments are reported at fair value instead of cost (provide fair value of investments at fiscal year-end).
2. Unrealized gains and losses on investments are recorded as revenue (provide change in fair value of investments from prior fiscal year-end).

Year-end reporting forms are provided on the SAO website at SAO.Georgia.gov > Reporting > Year-End Reporting > Reporting Forms.