

**STATE OF GEORGIA
ACCOUNTING PROCEDURES MANUAL**

SECTION: THREE – ACCOUNTING PROCEDURES
**TOPIC: ACCOUNTS PAYABLE, INTERGOVERNMENTAL
PAYABLES, CONTRACTS PAYABLE,
PAYROLL/WITHHOLDINGS PAYABLE AND
BENEFITS PAYABLE**

**ACCOUNT RANGE: 200000-202999, 210000,
214000-215999 and 220000**

GEORGIA LAWS

Ga. Const. Art. III, Sec. IX, Para. IV. General appropriations act.

(a) Each general appropriations Act, now of force or hereafter adopted with such amendments as are adopted from time to time, shall continue in force and effect for the next fiscal year after adoption and it shall then expire, except for the mandatory appropriations required by this Constitution and those required to meet contractual obligations authorized by this Constitution...

(c) All appropriated state funds, except for the mandatory appropriations required by this Constitution, remaining unexpended and not contractually obligated at the expiration of such general appropriations Act shall lapse.

Opinion of the Attorney General 74-115 Agency not authorized to pledge credit of state

No agency may execute a contract with a private party for the purchase of goods or services which purports to obligate appropriations or state funds from any other source not on hand at the time of the contract or where the fiscal obligation of the agency depends for its full performance upon such future appropriations or the continued existence of any other source of state funds.

50-20-5. State organizations required to report to state auditor.

(b) State organizations entering into agreements with nonprofit organizations shall report to the state auditor all such agreements and shall provide each individual nonprofit organization's name, fiscal year end, contract amount, and other information as required by the state auditor.

ACCOUNTING PROCEDURES

GENERAL PROCEDURES

There are considerable differences between the State's budgetary basis of accounting as it pertains to payables and accounting practices prescribed by GAAP. These differences are primarily timing differences which relate to when an expenditure should be recorded.

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State organizations included in the Appropriations Act must account for payables 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.

Governmental Funds

Under the modified accrual basis of accounting it is not sufficient for an economic event to have occurred for an event to effect the operating statement but, in addition, the related cash flow must occur within a short-enough time frame for the event to have an effect on current spendable resources. In other words, expenditures are required to be recorded when a financial event is expected to draw upon current financial resources. In practice, payables for normal operating expenditures should be recognized when the goods and services have been received.

Encumbrance accounts are budgetary accounts which record only commitments; therefore, encumbrances do not meet GAAP expenditure recognition criteria. Encumbrances under the modified accrual basis of accounting are disclosed as a reservation of fund balance. Only when the actual goods and services are received should expenditures and related liabilities be recorded.

Proprietary Funds, Fiduciary Funds and Component Units

Transactions and events under the accrual basis of accounting are recognized as expense when they occur regardless of when the related cash flows take place. These funds report both current and long-term liabilities that are expected to be paid from the fund. Normal operating expenses are recognized as expense when the goods and services have been received and neither encumbrances nor net assets restricted for encumbrances are disclosed on the operating statement or statement of net assets.

Budget Fund

State budgetary accounting practices require liabilities and expenditures to be recorded when a vendor has been selected and a purchase order approved or a contract executed. In general, budgetary basis expenditures are recorded based on encumbrances. This differs from GAAP in that goods and services need not have been received for liabilities and expenditures to be recorded.

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The Phoenix System will account for payables and encumbrances in accordance with GAAP. Payables will be recorded only when goods and services have been received. At fiscal year end adjustments to record payables and expenditures for encumbrances will have to be recorded, for agencies receiving appropriations, in order to convert to the State's budgetary basis of accounting. Such entries will be reversed in subsequent fiscal year in order to avoid duplication of expenditures.

REQUIREMENTS FOR RECORDING EXPENDITURES - BUDGET BASIS

In general, transactions which purport to obligate appropriated funds must be supported by an approved purchase order, at a minimum, or an executed contract which contains the following:

- a confirmed vendor,
- specific services or goods,
- specific price for the services or goods, and
- a stated time or range of time for delivery or completion.

No State organization included in the appropriations act may execute a contract (contract or purchase order) with a private party for the purchase of goods or services which purports to obligate appropriations or State funds from any other source not on hand at the time of the contract or where the fiscal obligation of the organization depends for its full performance upon future appropriations or the continued existence of any other source of State funds. An appropriated State organization may execute a contract for the purchase of goods and services even though the term of that contract extends to the next fiscal year if the State organization has available at the time of the execution of the contract appropriated funds necessary to meet its entire obligation under the contract.

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SYNOPSIS OF SIGNIFICANT GAAP VARIANCES FROM BUDGET BASIS

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

Expenditures are only recorded when goods and services have been received and, accordingly, are not recorded based on encumbrances (provide a detail of encumbrance amounts/expenditure accounts to which they were charged).