OREGON ACCOUNTING MANUAL		Number 20.10.00
Oregon Department of Administrative Services State Controller's Division	**Policy**	Effective Date October 1, 2004
Chapter	**Budgetary Accounting and Reporting**	.1 OF .3
Part	**Budget Adoption and Reporting**	
Section		Approval Signature on file at SCD

Authority: **ORS 291.015**
ORS 291.040
ORS 291.202-291.226
ORS 293.075
ORS 293.190
NCGA Statement No. 1
NCGA Interpretation No. 10
GASB Statement No. 34

Budget Adoption

.101 Budgeting is an essential element of financial planning, control, and evaluation. Formal budgetary accounting is a management control technique employed to assist in controlling expenditures and in enforcing revenue restrictions. The biennial operating budget is the legal compliance standard against which operations are evaluated.

.102 The biennial budget approved by the Legislature and budget actions approved by the Emergency Board must be formally recorded in the accounting records of each agency. Budgetary accounting procedures have no effect on the financial position of a fund or on the changes in its fund balance (financial position).

.103 The State's budget is approved on a biennial basis, where the biennium begins July 1 and ends June 30 of each odd-numbered year. The Governor is required to submit budget recommendations to the Legislature no later than December 1 preceding the biennium.

.104 The budget is developed based on functional priorities (i.e. Education, Human Resources, etc.) established by the Governor. The budget is summarized by these functions. Expenditures are budgeted based on one of four revenue sources: general, federal, lottery, and other. **Appropriations** are the legislatively granted authority to make expenditures and to incur obligations for specific purposes from general fund moneys. Expenditure **limitations** are the maximum amount an agency may expend from non-general fund moneys.

.105 The budget is adopted by the Legislature's passage of separate appropriation bills and by the Governor's approval of those bills. The resulting approved appropriation bills become the appropriated budget for the State. Appropriation bills may include one or more appropriations and/or expenditure limitations which may be at the agency, program, or activity level. Appropriations and expenditure limitations represent the legal level of control against which budgetary compliance is measured.

.106 The Oregon Constitution requires the budget to be in balance at the end of each biennium. Because of this provision, the State may not budget a deficit and is required to alleviate any revenue shortfalls within each biennium. Each agency is responsible to develop its budget proposal for the Governor's approval and to comply with the final budget adopted by the Legislature.

.107 During the interim period when the Legislature is not in session, the Legislative Emergency Board is authorized to amend the legally **adopted budget**. It authorizes and allocates all changes in funding and takes other actions to meet emergency needs when the Legislature is not in session. Emergency Board approval is required to authorize the transfer of expenditure authority between appropriations. Management may reallocate within an appropriation without Emergency Board approval.

Other Financial Management

.108 Also included in the Governor's budget recommendations are legally authorized, nonappropriated budget items that are not legislatively limited by an appropriation bill. Spending plans for nonbudgeted financial activities, which are not included in the Governor's budget recommendations, are also established by agencies for certain expenditures to enhance fiscal control.

Expenditure Limitations and Appropriations

.109 Agencies are required to record expenditure limitations and appropriations in the Oregon Budget Information Tracking System (ORBITS). Limitation and appropriation amounts are subject to review and audit by the Statewide Audit and Budget Reporting (SABR) section. The SABR section enters limitations and appropriations into the Relational Statewide Accounting and Reporting System (**R*STARS**). Agencies are responsible for ensuring that budget amounts recorded in ORBITS and R*STARS are accurate. Changes to the legislatively adopted budget amounts are also recorded in R*STARS. Expenditure budget amounts in R*STARS are used at the statewide level to compile budgetary reports for publication in the State's **Comprehensive Annual Financial Report (CAFR)**.

Estimated Revenues

.110 Agencies are required to record in ORBITS estimates of expected revenues for all funding sources (general, federal, lottery, and other). Estimated revenue data in ORBITS is used at the statewide level to compile budgetary reports for publication in the State's Comprehensive Annual Financial Report (CAFR). Thus, it is important that estimated revenues be reasonable, meaningful, and based on sound assumptions.

.111 When revenues are estimated for budget preparation, estimates should reflect what is expected to be received on the cash basis during the biennium. This will provide consistency and comparibility between estimated revenues and recognition of actual revenues during a given biennium.

Budgetary Control

.112 The R*STARS controls expenditures against budgets as established in approved appropriation bills. Each item on an approved appropriation bill is assigned an appropriation number. Expenditures may not exceed appropriations. In R*STARS, appropriated funds are tied to one or more appropriation numbers to ensure that appropriated expenditure amounts are not exceeded.

.113 Encumbrance accounting is used for additional budgetary control. Encumbrances represent commitments related to unperformed contracts for goods or services. Under budgetary reporting, encumbrances are treated like expenditures and are shown as a reduction of fund balance. For GAAP reporting, encumbrances outstanding at year end expected to be honored in the following fiscal year are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

Cancellation of Budget Authority

.114 Unexpended appropriations at the end of each biennium are available for subsequent expenditure to the extent that liabilities have been incurred at June 30, provided payment of liabilities is made during the succeeding six month period of July 1 through December 31. If an obligation represents an encumbrance on June 30 at the end of a biennium (rather than a liability), the obligation cannot be paid from the biennium ended June 30. Furthermore, the encumbrance must be canceled and re-established in the new biennium by the close of month 13. Any remaining unexpended appropriations lapse December 31 following the end of the biennium, except for appropriations related to capital construction.

Budgetary Reporting

.115 Statewide Accounting and Reporting Services (**SARS**) extracts appropriation information from R*STARS for budgetary financial reporting. The Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Budgetary (Non-GAAP) Basis – All Budgeted Appropriated Funds in the CAFR present comparisons of the legislatively **approved budget** with actual data on the budgetary basis. The original budget, as reported in this schedule, represents the budget enacted into law by the legislature while the legislature was in session (legislatively **adopted budget**). Budgeted revenues represent original estimates, while budgeted expenditures represent original appropriations. The final budget is the original budget plus any changes approved by the Emergency Board or changes made in special sessions of the legislature (legislatively approved budget). Estimated revenues are reported by revenue source and appropriated fund. Budgeted expenditures are reported by appropriated fund and function and will agree to the total adjusted legislatively approved budget. Actual revenues are cash revenues, while actual expenditures include both cash expenditures and encumbrances.

.116 An analysis of significant variations between the original and final budget amounts, as well as between final budget and actual amounts for the general fund must be disclosed in the CAFR.

.117 Differences between revenues and expenditures as they are presented on the budgetary basis and as they are presented on the GAAP basis are explained in the notes to required supplementary information in the CAFR.

.118 To demonstrate legal compliance with the various legislatively approved levels of budgetary control, the State prepares a separate Budgetary Statement of Legal Compliance report for each year of the biennium as of June 30.

OREGON ACCOUNTING MANUAL

SUBJECT:	Accounting and Reporting	**Number:**	20.20.00
DIVISION:	Chief Financial Office	**Effective date**:	July 1, 2012
Chapter:	Budgetary Accounting and Reporting		
Part:	Encumbrances		
Section:			
APPROVED:	George Naughton, Chief Financial Officer	Signature on file	

PURPOSE: This policy provides guidance on accounting and financial reporting for encumbrances.

AUTHORITY:
ORS 293.590
ORS 291.015
ORS 293.075
NCGA Statement No. 1
GASB Statement No. 54

APPLICABILITY: This policy applies to all state agencies included in the State's annual financial statements, except for those agencies specifically exempted by OAM Policy 01.05.00.

DEFINITIONS: A **pre-encumbrance** represents intent to purchase goods or services.

An **encumbrance** represents a formal commitment to purchase goods or services within the current biennium.

POLICY:

101. Agency management must ensure the proper accounting and reporting of encumbrances.

102. Except as noted in 103 through 106, agencies may record pre-encumbrances and encumbrances. The original recording of a pre-encumbrance or an encumbrance may be an estimated amount, which can differ from the eventual actual cost.

103. Agencies must not encumber transactions resulting in charges to the following expenditure categories:

- salaries and wages
- reimbursements
- interagency charges
- special payments
- debt service
- lease payments (unless payments are in arrears)

104. Agencies must not encumber biennial or annual expenditures (such as rent, utilities, or any other recurring expenditures) in advance. Record these on a monthly basis in the month that the expenditure actually occurs.

105. Pre-encumbrance or encumbrance of the following types of transactions is not required:

- Purchases of goods or services that do not require a purchase order, signed contract, or other related legal commitment

- Planned and consummated spending commitments when the total purchase is less than $5,000. However, agencies may at their discretion pre-encumber or encumber spending commitments which amount to less than $5,000.

106. Agencies must not encumber contracts associated with grants, loans, leases, or capital construction. Disclose these as commitments in the notes to the financial statements. See OAM 15.80.00 for more information on commitments. Use professional judgment in considering whether to encumber certain other long-term contracts that extend well beyond the length of an individual biennium.

107. Transactions entered in the Relational Statewide Accounting and Reporting System (**R*STARS**) may or may not affect data on the appropriation table based on the transaction code used. Budgetary controls use the balances on the appropriation table to determine whether budgets are exceeded, therefore, agency accounting personnel must be alert to how accruals and encumbrances are posted in the R*STARS financial tables.

PROCEDURES:

108. Generally, the statewide spending process, including encumbrance accounting, involves these steps:

a. Establish spending plans and establish expenditure appropriation accounts upon approval of budgets.

b. Issue purchase requisitions to initiate plans to incur expenditures and **record pre-encumbrances**.

c. Issue purchase orders and authorize contracts to commit to incur expenditures, **liquidate pre-encumbrances and record encumbrances**. Report remaining appropriation balances net of encumbrances.

d. Record actual expenditures and related liabilities, and **liquidate encumbrances** after the completion of services or the receipt of goods. Report remaining appropriation balances net of expenditures.

e. Pay vendors and liquidate related liabilities.

109. Agencies may record pre-encumbrances for larger purchases that will remain outstanding for a relatively long period. Record pre-encumbrances only after a signed purchase requisition is in place to formalize the plan to commit to purchase goods or services.

110. If a purchase requisition is not required, as in the case of a personal services contract, record an encumbrance as the original entry. However, agencies may record a pre-encumbrance even though a purchase requisition was not required.

111. When encumbrance accounting is used, record an encumbrance after issuing a purchase order or signing a contract for the purchase of goods or services.

112. Record encumbrances in R*STARS using t-code 204 if the item was previously pre-encumbered, and t-code 203 if it was not. T-code 204 liquidates the pre-encumbrance.

113. Cancel encumbrances that are no longer valid using t-code 206.

114. When goods or services have been received or provided and the invoice has been received, record an expenditure and accounts payable in R*STARS using t-code 225, which establishes a voucher payable and liquidates the encumbrance.

115. When the receipt of goods or the provision of services is complete by calendar date June 30, but the invoice is not available, accrue an accounts payable using t-code 437 and reverse the encumbrance using t-code 931R. Since both of these t-codes auto-reverse and do not affect the appropriation table in R*STARS, the document supported encumbrance will remain on the books in the next fiscal year for budget purposes.

116. To charge obligations against a prior biennial appropriation, the service must be performed or supplies received by calendar date June 30 and the vendor paid by December 31. The agency must record an expenditure (accrued liability) by the close of month 13 in R*STARS, but has until December 31 to pay the obligation out of prior biennial funds.

117. Eliminate encumbrances that are still recorded in R*STARS at the end of the biennium (after June 30) for financial reporting purposes using t-code 931R during month 13. T-code 931 will auto-reverse, providing agencies with the remainder of the lapse period to liquidate, cancel, or move the encumbrances forward.

Moving Encumbrances Forward at Appropriation Year End

118. If at the end of a biennium goods or services for an encumbered spending commitment have <u>not</u> been received by June 30, cancel the encumbrance (or balance of the encumbrance for partially fulfilled contracts), and re-established it in the new biennium.

Reporting Encumbrances at Fiscal Year End

119. For GAAP financial reporting purposes, outstanding encumbrances are not expenditures. At the end of a fiscal year, outstanding encumbrances represent estimated expenditures that would result if unperformed spending commitments in process at year-end were completed.

120. Encumbrance accounting applies to all fund types for control purposes. The budgetary schedule presented in the State's **Comprehensive Annual Financial Report** includes encumbrances with actual cash expenditures; however, the financial statements do not.

Disclosure Requirements

121. The notes to the financial statements disclose significant encumbrances by major funds and nonmajor funds in the aggregate in conjunction with required disclosures about other significant commitments.

# OREGON ACCOUNTING MANUAL	Number 20.30.00.PO
Oregon Department of Administrative Services State Controller's Division — **Policy**	Effective Date July 1, 2005
Chapter — **Budgetary Accounting and Reporting**	.1 OF .2
Part — **Expenditure and Interfund Transfer Recognition**	
Section	Approval Signature on file at SCD

Authority: **ORS 291.015**
ORS 293.190
NCGA Interpretation No. 10

Purpose and Scope

.101 This policy establishes minimum standards for accounting and reporting expenditures and interfund transfers involving the General Fund for budgetary purposes only. It does not address standards for reporting of expenditures and interfund transfers involving the General Fund under generally accepted accounting principles (GAAP). GAAP standards determine in which fiscal year a transaction should be recorded whereas, the budgetary accounting standards established in this policy determine in which appropriation year (biennium) a transaction should be recorded.

.102 This policy applies to all state agencies that process cash disbursements. For budgetary recognition of expenditures, it applies to all funding sources (General Fund, Other Funds, Federal Funds, and Lottery Funds) and to all fund types including non-limited and non-budgeted financial activities. For budgetary recognition of interfund transfers (out), it applies only to the General Fund (interfund transactions that affect General Fund appropriated funds, 8XXX). This policy does not address budgetary recognition of interfund transfers out when both sides of the transaction involve a funding source other than the General Fund (e.g., Other Funds, Federal Funds, or Lottery Funds).

Policy Standards

.103 Agencies receive a legislatively **approved budget** every biennium. A biennium runs from July 1 of each odd-numbered year to June 30 of the following odd-numbered year. Each biennium is assigned a two-digit appropriation year (AY) number in the Relational Statewide Accounting and Reporting System (**R*STARS**). For example, the 2005-2007 biennium is AY 07. Agencies must use sound budgeting and accounting practices to record expenditures and interfund transfers involving the General Fund in the appropriate biennial period. This will ensure program costs are accurately presented in budgetary reports and consistently reported from biennium to biennium.

.104 Generally, the recognition of expenditures for budgetary purposes should be in the biennium during which a liability is incurred, except as noted in paragraph .105 and .106 below. Liabilities are incurred when services and supplies are received. In accordance with state statute, unexpended limitations and unexpended General Fund appropriations for the biennium ended June 30 are closed December 31 of each odd-numbered year, except as noted in paragraph .105 and .106 below. Thus, expenditures may be recorded in the prior biennium during the six month period July 1 through December 31, provided a liability was incurred by June 30 (goods or services must have been received by calendar date June 30). The R*STARS profile will close budgets on December 31 following the end of a biennium. Agencies may record entries to *reclassify* expenditure related transactions until the fiscal month-end close for December, following the end of each biennium.

.105 **Capital construction** and acquisition budgets are excluded from the December 31 automatic biennial close. These budgets expire six years from the effective dates of the authorizing acts. If an agency anticipates that a capital construction project will extend beyond six years, the agency needs to work with the DAS Budget and Management Division (BAM) to request an extension of the six-year spending limitation during a regular legislative session. The six month lapse period (July 1 – December 31) does not apply to capital construction and acquisition budgets; the expiration of these budgets is six years from the effective dates of the authorizing acts.

.106 Other exceptions to the December 31 automatic biennial close are continuing contracts and contested claims. Continuing contracts are extensions due to unforeseen circumstances that cause the contract to extend beyond December 31. If the contract effective dates cross biennia, the expenditures should match the budget period when they occurred. Contested claims may be the result of administrative or legal action that withholds final payment. Agencies must notify BAM before December 31 for an extension of continuing contracts or contested claims. The agency should document the reason for the delay and retain it for audit review.

.107 Interfund transfers to other funds or other agencies involving the General Fund (when at least one side of the transfer transaction involves the General Fund) are recognized in the biennium during which the movement of cash occurs.

.108 Surplus funds should not be expended for the anticipated needs of the next biennium or for additional unplanned expenditures of the current biennium. Each agency is subject to the examination of purchasing practices and maintenance of inventory policies to determine that costs are charged consistently from period to period.

.109 Failure to properly apply this policy may result in a review of agency budgetary accounting practices.

OREGON ACCOUNTING MANUAL		Number 20.30.00.PR
Oregon Department of Administrative Services State Controller's Division	**Procedure**	Effective Date July 1, 2005
Chapter	**Budgetary Accounting and Reporting**	.1 OF .3
Part	**Expenditure and Interfund Transfer Recognition**	
Section		Approval Signature on file at SCD

Recognition Standards

.101 **Appropriations** and expenditure **limitations** must be approved by the legislature before any obligation can be incurred. All expenditures made to pay obligations will be charged against the applicable appropriation or limitation. Generally, expenditures should be recognized in the appropriation year (biennium) during which a liability is incurred except for **capital construction** and acquisition budgets and special legislative appropriations.

.102 To charge obligations against a prior biennial appropriation, the services must be performed or supplies received by calendar date June 30 and the vendor paid by December 31. When goods or services are received or provided by calendar date June 30, the obligation is recorded as an expenditure with an offsetting liability. Thus, the encumbrance for this obligation is liquidated or cancelled prior to the close of month 13. When delays result in payment of liabilities after December 31, the expenditure must be recorded against the current legislatively approved budget.

.103 Agencies must make every effort to record payment of obligations in the proper appropriation year. Below are general guidelines to follow in determining when to charge expenditures/ expenses to the associated appropriation year. If additional guidance is needed, agencies should seek advice from DAS Statewide Accounting and Reporting Services or their DAS Budget and Management analyst. If expenditures are charged to the SPOTS (Small Purchase Order Transaction System) credit card, the purchase is considered paid to the vendor when it is charged, not when the SPOTS card payment is made.

	Expenditure/Expense	When to recognize
a.	Personal Services & OPE	The month in which the salary was earned.
b.	Purchase of Material	The date the material is received.
c.	Freight or Express	The month the goods are shipped or received by an agency. (Except as modified by .104).
d.	Transportation of Persons and Commercial Fares	The month when the expense is incurred.
e.	Travel Expense	The month when the expense is incurred.
f.	Movement of Employee's Household Effects	The month when the service is rendered.
g.	Rent	The month when the expense is incurred (when the property is used).

	Expenditure/Expense	When to recognize
h.	Lease	Current payments should be charged to the month that the property is used.
i.	Utilities – Gas, Water, Electricity, Telephone	On the last date of the billing period. When service begins in one appropriation year and ends in another, payment will be made from the appropriation current at the end of such period.
j.	Claims	Appropriation year when it is certain that the liability exists and the amount can be determined.
k.	Audit Expense	The month when the service is performed.
l.	Audit of Federal Grants	The month when the service is performed.
m.	Intraagency and Interagency Charges	The month when the service is performed or supplies furnished.
n.	Contracts (includes the term "continuing contracts")	For contracts whose original effective dates cross biennia, payments should be recorded as expenditures against the biennial budget period when the service or supply is provided. For example, if a lease-purchase contract is in force for 24 monthly payments and the contract effective dates cross biennia, the expenditures should be recorded in the budget period where they occurred.
o.	Capital Construction	Contracts for services or supplies against appropriations that are specifically designated for capital construction are not subject to the restrictions in item .103n (Contracts). However, only the amount representing capital construction costs actually incurred should be charged to the appropriation so the records reflect only capital construction that has been completed.
p.	Capital Improvement	Contracts for services or supplies against appropriations which are specifically designated for capital improvements are subject to the same restrictions in item .103n (Contracts).
q.	Capital Outlay	The month the capital asset is delivered. This includes purchases from other state agencies.
r.	Library Books	The date the book is received.
s.	Dues and Licenses	Payments for dues and licenses to approved organizations are charged to the month when the membership begins. An exception is dues or licenses for memberships beginning in July which must be paid in June to continue membership or avoid penalties. These are charged to the biennium when paid.

Expenditure/Expense	When to recognize
t. Subscriptions	Payments for subscriptions to periodicals are charged to the month when the payment is made.
u. Maintenance Contracts	Prepaid equipment service contracts are charged to the month when the service contract begins. An exception is for contracts beginning in July which must be paid in June to continue maintenance or avoid penalties. These are charged to the biennium when paid.

.104 If freight, express, or hauling expenses are incurred in the current biennium in connection with supplies or equipment contracted for out of the next biennium’s appropriations, the expenses may be paid temporarily out of the current biennium’s appropriations. When the next biennium’s appropriation is available for expenditure, the expenditure should be moved from the prior to the new biennium.

.105 Interfund transfers to other funds or other agencies involving the General Fund should be recognized in the biennium during which the cash transfer is made. For example, if one agency collects revenue at the end of a biennium by June 30 but does not transfer the cash to another agency until July (the first month of a new biennium), the transfer would be recorded in the new biennium if either side of the transfer transaction involves the General Fund. Both sides of a transfer transaction (to and from) must be recorded in the same biennium by both agencies or funds involved. Interfund transfers involve the transfer of resources to or from other funds or other agencies; interfund transfers do not include the transfer of expenditures from one fund to another (i.e., using t-code 415 and 416). For example, if other fund expenditures are paid for by general funds and the expenditures are later moved to the other fund, the movement of the expenditures should be recorded in the same AY in which the original expenditures were recorded.

OREGON ACCOUNTING MANUAL

SUBJECT:	Accounting and Reporting	**Number:**	20.40.00
DIVISION:	Chief Financial Office	**Effective date:**	July 1, 2012
Chapter:	Budgetary Accounting and Reporting		
Part:	Reduction of Expense		
Section:			
APPROVED:	George Naughton, Chief Financial Officer	Signature on file	

PURPOSE: This policy provides guidance on proper use of reduction of expense.

AUTHORITY:
ORS 291.015
ORS 291.232
NCGA Statement No. 1
GASB Statement No. 42

APPLICABILITY: This policy applies to all state agencies included in the State's annual financial statements, except for those agencies specifically exempted by OAM Policy 01.05.00.

POLICY:

101. Agency management must ensure the proper use and reporting of reduction of expense.

102. In order to ensure the fair presentation of program costs in financial and budgetary reports, use reduction of expense only when doing so will not distort true program costs.

103. The legislatively **approved budget** represents the maximum amount needed to meet program requirements. Do not use reduction of expense to sidestep this limit. Recurring expenditures should be included in the budget, even when reimbursed by outside entities (such as travel expenditures). Agencies should use sound budgetary and accounting practices to record all transactions.

104. Before recording a reduction of expense, agencies should decide if doing so would distort true program costs. It may be better to increase the budget through an Emergency Board action or technical budget adjustment. The expenditure must relate to the agency or program mission. Agencies shall follow the guidelines provided in this policy. These guidelines allow for discretion, so agencies may want to develop their own internal procedures for reduction of expense transactions.

105. Non-recurring or special circumstances may make items suitable for reduction of expense. Federal regulation or state law may require an agency to use reduction of expense. Do not use it merely for convenience. Reduction of expense may not exceed actual expenditures. The reduction must occur within the same budgetary period. If it does not, record the receipt as revenue.

106. To ensure proper reporting of federal expenditures, do not record FEMA reimbursements using reduction of expense. Obtain additional expenditure limitation if necessary.

107. The following are examples of when reduction of expense may be suitable; this serves as a guide rather than a complete list:

a. A refund of an overpayment or a purchase rebate.
b. Reimbursement from another state agency when it records an expenditure (e.g., job rotation).
c. Amounts collected or reimbursements for hosting special events, including conferences and training.
d. Reimbursement from state programs where the intent is to reduce expenditures (e.g., reimbursements associated with the Employer-at-Injury Program and the Preferred Worker Program).
e. Insurance recoveries.
f. Any other receipt that meets the intent of this policy as determined by the agency.

108. Record an insurance recovery as a reduction of expense. Refer to **OAM 15.60.25** for accounting guidance related to insurance recoveries associated with capital asset impairments. Refer to **OAM 15.35.00** for accounting guidance related to insurance recoveries other than those associated with impairments of capital assets, such as for theft or embezzlement of cash or other monetary assets.

109. Failure to apply this policy properly may result in a review of agency budgetary accounting practices.

Statewide Policy

OREGON ACCOUNTING MANUAL

SUBJECT: Accounting and Reporting		**Number:** 20.50.00
DIVISION: Chief Financial Office		**Effective date**: July 15, 2012
Chapter: Budgetary Accounting and Reporting		
Part: Revenue and Interfund Transfer Recognition		
Section:		
APPROVED: George Naughton, Chief Financial Officer		Signature on file

PURPOSE: This policy provides guidance on accounting and reporting for General Fund revenues and interfund transfers involving the General Fund (transactions that affect General Fund appropriated funds, 8XXX) for budgetary purposes. It does not address budgetary accounting of revenues and interfund transfers for Other Funds, Federal Funds, or Lottery Funds. However, paragraphs 107, 108, and 109 apply to all funding sources (General Fund, Other Funds, Federal Funds, and Lottery Funds).

AUTHORITY:
ORS 293.590
ORS 291.015
ORS 293.190
NCGA Interpretation No. 10

APPLICABILITY: This policy applies to all state agencies included in the State's annual financial statements, except for those agencies specifically exempted by **OAM Policy 01.05.00**.

This policy does not address standards for reporting of revenues and interfund transfers under generally accepted accounting principles (GAAP). GAAP standards determine the fiscal year in which to record a transaction whereas, the budgetary accounting standards established in this policy determine the appropriation year (biennium) in which to record a transaction.

DEFINITIONS: A **biennium** is a two-year period used for budgeting purposes that runs from July 1 of each odd-numbered year to June 30 of the following odd-numbered year. Each biennium is assigned a two-digit appropriation year (AY) number in the Relational Statewide Accounting and Reporting System (R*STARS). For example, the 2011-2013 biennium is AY13.

POLICY:

101. Agency management must ensure the proper accounting and reporting of General Fund revenues and interfund transfers for budgetary purposes.

102. Agencies must use sound budgeting and accounting practices to record General Fund revenues and interfund transfers involving the General Fund in the appropriate biennial period. This will ensure accurate presentation in budgetary reports and consistent reporting from biennium to biennium of General Fund revenues and interfund transfers involving the General Fund.

PROCEDURE:

Recognition Standards

103. Recognition of General Fund revenue and transfers from other funds or agencies involving the General Fund for budgetary purposes should be on a cash basis, except as noted in paragraph 106 and 107 below.

104. Agencies must record revenue received by the calendar date June 30 at the end of a biennium in the biennium in which they receive it. If the agency does not deposit or post the cash receipts through June 30 until July, they should record those cash receipts in the biennium in which they receive the cash. For General Fund revenues, it is essential to apply cash basis recognition consistently since the DAS Office of Economic Analysis uses the revenue figures to calculate and certify the "kicker" each biennium. For information on estimated revenues, refer to OAM 20.10.00.

105. Agencies must record transfers from other funds involving the General Fund in the biennium in which they receive the cash. If an agency receives General Fund revenues by June 30 at the end of a biennium, but does not transfer it to other funds until the next biennium, they should record the transfer in the next biennium since this is the biennium in which the cash moved. This is the case when at least one side of the transfer transaction involves the General Fund. Both agencies and funds must record both sides of a transfer transaction (to and from) in the same biennium.

106. For each biennium ending June 30, the Department of Revenue will record in the biennium then ended net personal income tax withholding receipts received in July related to June (and prior), less any withholding related refunds (errors or adjustments) that occur in July that relate to June (and prior). This is an exception to the cash basis budgetary accounting used for other types of General Fund revenue. For purposes of the General Fund "kicker" calculation, this amount is the "30-day number."

107. Capital construction and acquisition budgets often extend beyond a single biennium; appropriation or expenditure limitations for these budgets expire six years from the effective dates of the authorizing legislation, unless an agency obtains authorization to extend the budget through a regular legislative session. When revenue related to a capital project is received, it should be recorded in the biennium for which the capital construction and acquisition budget exists (this applies to all funding sources, not just to the General Fund). This is an exception to cash basis budgetary accounting applicable to General Fund revenue not used for capital construction and acquisition.

108. Agencies may record entries to *reclassify* revenue related transactions until the calendar month-end close for December, following the end of each biennium (this applies to all funding sources, not just to the General Fund). This does not apply to revenue related transactions for capital construction because the six month lapse period (July 1 – December 31) does not apply to capital construction budgets.

109. Agencies should record reductions of revenue in the same biennium in which they recorded the original revenue, as long as the biennium is still open (this applies to all funding sources, not just to the General Fund). If the biennium is closed, record the transaction as an expenditure. Reductions of revenue should not exceed actual revenue.

Fiscal Year-end Accruals at Second Year of the Biennium

110. For GAAP reporting, agencies should accrue revenues in accordance with GAAP revenue recognition criteria (see OAM 15.35.00). Agencies record most fiscal year-end accruals in month 13. Transactions recorded in month 13 use an effective date of 6/31/FY. R*STARS requires the use of the appropriation year (AY) for the biennium ended June 30 when posting with an effective date of 6/31/FY in the second year of the biennium (i.e., cannot combine an effective date of 6/31/FY with an appropriation year that has not yet begun as of June 30). Since accruals typically auto-reverse in the first month of the new fiscal year, the net effect of accrued revenue on a given AY will be zero because both the accrual and the reversal will post to the same AY. When agencies record actual General Fund revenue (in the new fiscal year) on the cash basis as required by paragraph 103, they record the actual revenue in the new biennium. When running queries to obtain R*STARS General Fund revenue data for budgetary reporting purposes, agencies should limit the queries to cash revenues (not accrued revenue).

111. The concept described in 110 above is best illustrated by a high-level accrual that is non-document supported, is recorded in the second year of the biennium and auto reverses as shown below (note that the net effect on revenue in AY 11 is zero):

<u>AY 11, second year of the biennium</u>

TC 436: To accrue revenue for financial statement purposes		
DR 0503 Accounts Receivable – Other Unbilled	500	
CR 3105 Revenue Control – Financial Statement Accrual (c/o 1200)		500
TC 981: Auto reverse unbilled receivable accrued with TC 436		
DR 3105 Revenue Control – Financial Statement Accrual (c/o 1200)	500	
CR 0503 Accounts Receivable – Other Unbilled		500

<u>AY 13, first year of the biennium</u>

TC 190: To record the receipt of revenue		
DR 0065 Unreconciled Deposit	500	
CR 3100 Revenue Control – Cash (c/o 1200)		500

Moving Accounts Receivable at Appropriation Year-end (For Budgetary Purposes)

112. Agencies should move General Fund accounts receivable forward to the new biennium if the receivables are not collected by June 30 at the end of a biennium. This applies to accounts receivable that are document supported and do not auto reverse. The example below is an accounts receivable that the agency initially established in AY11, but that the agency did not collect by the end of AY11 (June 30, 2011).

<u>AY 11, second year of the biennium</u>

TC 103: To establish accounts receivable that is document supported		
DR 0501 Accounts Receivable – Other Billed	200	
CR 3101 Revenue Control – Accrued (c/o 1200)		200

TC 118: To reverse accounts receivable established with TC 103 but not collected

DR 3101 Revenue Control – Accrued (c/o 1200)	200	
CR 0501 Accounts Receivable – Other Billed		200

TC 436: To accrue revenue for financial statement purposes

DR 0503 Accounts Receivable – Other Unbilled	200	
CR 3105 Revenue Control – Financial Statement Accrual (c/o 1200)		200

TC 981: Auto reverse unbilled receivable accrued with TC 436

DR 3105 Revenue Control – Financial Statement Accrual (c/o 1200)	500	
CR 0503 Accounts Receivable – Other Unbilled		500

AY 13 – to move document supported accounts receivable forward to new biennium

TC 213: To establish accounts receivable that is document supported

DR 0501 Accounts Receivable – Other Billed	200	
DR 2951 Clearing Account	200	
CR 3101 Revenue Control – Accrued (c/o 1200)		200
CR 2951 Clearing Account		200

AY 13 – when the revenue is actually collected

TC 176: To record collection of document supported accounts receivable

DR 0065 Unreconciled Deposit	200	
DR 3101 Revenue Control – Accrued (c/o 1200)	200	
CR 0501 Accounts Receivable – Other Billed		200
CR 3100 Revenue Control – Cash (c/o 1200)		200