

OREGON ACCOUNTING MANUAL		Number 20.10.00
Oregon Department of Administrative Services State Controller's Division		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 comparability 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.