

<b>OREGON ACCOUNTING MANUAL</b>		Number 20.30.00.PO
Oregon Department of Administrative Services State Controller's Division		Effective Date  July 1, 2005
Chapter	<b>Budgetary Accounting and Reporting</b>	.1 OF .2
Part	<b>Expenditure and Interfund Transfer Recognition</b>	
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.