

## NOTES TO FINANCIAL STATEMENTS

The three financial statements included here have been selected to provide information on the receipts and expenditures of public money and on changes in equity/fund balances. Additional information is available in the *Oregon Comprehensive Annual Financial Report* prepared annually by the State Controller's Division of the Oregon Department of Administrative Services and audited by the Secretary of State Audits Division.

**Basis of Presentation – Fund Accounting.** The accounts of the state and its component units are organized on the basis of funds and account groups, each of which is considered a separate accounting entity with a self-balancing set of books. The various funds and account groups are established for the purpose of accounting for specific activities or attaining certain objectives in accordance with applicable laws, regulations, restrictions or limitations. The funds and account groups used by the state and its component units are described below.

- **Governmental Fund Types**

The **General Fund** accounts for all financial resources and transactions not accounted for in another fund. It accounts for general governmental operations that are financed by legislatively approved appropriations funded from general revenues.

**Special Revenue Funds** account for the proceeds of specific revenue sources (other than those for expendable trust funds or capital project funds) that finance specified activities as required by law or administrative regulation.

**Debt Service Funds** account for the accumulation of resources for and the payment of, interest and principal on general governmental obligations that are included in the General Long-Term Debt Account Group.

**Capital Projects Funds** account for financial resources segregated for the construction or acquisition of major capital facilities other than those financed by proprietary fund types, college and university fund types or trust funds.

- **Proprietary Fund Types**

**Enterprise Funds** account for operations that are financed and operated in a manner similar to private business enterprises, where the costs of providing goods and services to the general public on a continuing basis are intended to be financed or recovered primarily through user charges.

**Internal Service Funds** account for the financing of goods and services provided by an agency on a cost-reimbursement basis to another governmental unit, whether state, federal or local.

- **Fiduciary Fund Types**

The **Pension Trust Fund** accounts for the transactions, assets, liabilities and net assets available for plan benefits related to the retirement system of the state and other member entities.

The **Investment Trust Fund** accounts for the transactions, assets, liabilities and fund equity of the portion of the Oregon Short-Term Fund belonging to local governments.

**Nonexpendable Trust Funds** account for the transactions, assets, liabilities and fund equity under formal trust agreements where the principal must be preserved intact but the income earned on the principal is available for expenditure for designated purposes.

**Expendable Trust Funds** account for assets held by the state in a trustee capacity where both principal and income may be expended in the course of the fund's designated operation.

**Agency Funds** account for assets held by the state as an agent for other funds, governmental units, organizations or individuals.

- **College and University Funds**

Transactions related to resources received and used for operations of Oregon's institutions of higher education are accounted for in college and university funds, described as follows:

**Current Funds** account for unrestricted funds such as General Fund appropriations, tuition and fees and auxiliary enterprise revenues, in addition to restricted funds from external donors and federal agencies available for current operating purposes.

**Loan, Endowment and Agency Funds** account for assets held in a fiduciary capacity.

**Plant Funds** account for assets that have been or will be invested in property, plant and equipment and that are reserved to retire debt issued to finance plant facilities.

- **Account Groups**

The **General Fixed Assets Account Group** accounts for fixed assets acquired by governmental fund types. General fixed assets do not represent financial resources available for appropriation or expenditure. Fixed assets acquired by enterprise funds, internal service funds, certain trust funds and college and university fund types are not accounted for in the General Fixed Assets Account Group, but are reported in the accounts of those funds.

The **General Long-Term Debt Account Group** accounts for all general long-term debt and other long-term liabilities relating to governmental funds and expendable trust funds. Long-term debt and liabilities include capital leases, arbitrage rebates, bonds/certificates of participation, compensated absences and claims and judgments.

**Budgetary Data.** 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 Legislative Assembly no later than December 1 preceding the biennium. The regular legislative session begins in January. The budget is adopted by the Legislative Assembly'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 of Oregon. Appropriations may be at the agency, program or activity level. Accordingly, the legal level of budgetary control is at one of these various levels depending on the legislature's view of the activity. 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.

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. During the biennium, agencies under the Oregon Department of Administrative Services' fiscal policies are allotted spending limits quarterly for each appropriated and nonappropriated item. Each agency's expenditures are monitored against the spending limits and are controlled by the state's central accounting system.

The Legislative Assembly only meets in regular session for approximately six months of each biennium. Provision is made for interim funding through the legislature's Emergency Board. The Emergency Board authorizes and allocates all changes in funding and takes other actions to meet emergency needs when the Legislative Assembly is not in session.

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