GARS 1700

Section 1700

The Budget and Budgetary Accounting

What actually counts as "the budget" for GAAP purposes, why the accounting system has to be built around it, and where administrative-level transfers and encumbrance controls fit relative to the legally adopted plan. Plain-language reference only; not a substitute for the authoritative text.

GENERAL PRINCIPLES

The Budget Is Required

An annual budget, adopted by every unit.

Defined broadly, a budget is a plan of financial operation for a given period — the annual budget authorizes and controls financial operations for the fiscal year.

It's one of the most important legal documents a government has.

On legislative approval, its expenditure estimates become binding appropriations that operating agencies may not legally exceed.

GENERAL PRINCIPLES

Built for Budgetary Control

The accounting system has to support it.

Structure, terminology, and procedures need to make it possible to compare actual results against the adopted plan, not just record transactions after the fact.

GENERAL PRINCIPLES

What's In, What's Out

The legally adopted document is "the budget."

Suballocations, contingency reserves, rescissions, deferrals, and encumbrance controls set by the executive branch support internal control but are not part of the appropriated budget itself.

GENERAL PRINCIPLES

One Common Vocabulary

Same terms, everywhere.

A common terminology and classification should run consistently through the budget, the accounts, and the financial reports — it's what makes a budget-to-actual comparison mean anything.

Paraphrased for plain-language reference from GASB's Codification of Governmental Accounting and Financial Reporting Standards, Section 1700, "The Budget and Budgetary Accounting." Principal sources: NCGA Statement 1; NCGA Interpretation 10; GASB Statement 34. This summary is not authoritative — consult the current Codification (GARS-Online) or your auditor for application to a specific district.