

<h1>Encumbrance Procedure</h1>	Document No.	1
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1. Purpose

To define the procedure for County departments and funds to encumber appropriations for contracts and other commitments authorizing delivery of merchandise or rendering of services at year end.

2. Revision History

Date	Rev. No.	Change	Reference Section(s)
5/8/09	0	Original Publication	All

3. Employees Affected

Employees authorized to prepare or approve encumbrances.

4. Authority

4.1. Government Code Section 26881

Authorizes the Auditor-Controller, upon order from the Board of Supervisors, to prescribe and exercise general supervision over the accounting forms and methods for all departments, agencies, and districts under the control of the Board of Supervisors.

4.2. Government Code Section 29143

Any unencumbered balance remaining to the credit of any appropriation shall lapse at the end of the fiscal year and shall revert to the available balance of the fund from which appropriated.

4.3. State of California Accounting Standards and Procedures for Counties, Chapter 16.07 – 16.11

When appropriations are restricted on the basis of commitments an encumbrance system is in effect.

5. Policy

Encumbrances are required to be set up when the County has commitments related to unperformed (executory) contracts for goods or services.

6. Definitions

6.1. Encumbrances

An anticipated expenditure in the form of contracts or other commitments that are chargeable to an appropriation and for which part of the appropriation is reserved. The appropriation remains encumbered until payment is made, or the obligation expires, or cancellation occurs, at which time some or the entire encumbrance is reversed in the subsequent fiscal year. An encumbrance is not an expenditure or a liability but merely a reserve of appropriations. Expenditures are recorded when and if goods are actually provided or services actually rendered.

6.2. Unencumbered Balance of Appropriation

That portion of an appropriation not yet expended or encumbered. Any such balance remaining at the end of the fiscal year shall revert to the available balance of the fund from which appropriated.

7. Responsibilities

7.1. Employees are expected to accurately prepare the encumbrance voucher. A separate encumbrance voucher is needed for each obligation or contract being encumbered.

7.2. Employees are required to verify there are adequate appropriations to cover the amount of the encumbrance.

7.3. The Auditor-Controller reviews all encumbrance vouchers for compliance and completeness.

8. Procedures

8.1. Encumbering Appropriations

Purchases or contracts that have an order date prior to July 1 and shipping date or services rendered after June 30.

8.2. Preparation of Encumbrance Voucher

The Encumbrance voucher must be filled out completely and conform to the following minimum requirements:

- The preparer must date the Encumbrance voucher.
- Authorized employee must sign the Encumbrance voucher.
- All budget unit and account coding must be completed.

- Adequate description of encumbrance including vendor name and address must be completed.
- All order, ship, and contract dates must be completed.
- Back-up must be attached to the Encumbrance voucher to support the amount included on the voucher.

8.3. Encumbrances for Proprietary Funds

Enterprise and internal service funds need to match revenues and expenses on a full accrual basis in accordance with generally accepted accounting principles for proprietary funds. Therefore, contracts for monthly services are only encumbered through the end of the fiscal year in these funds. One-time purchase orders/contracts are encumbered for the entire amount. Standing purchase orders/contracts that are paid upon approval of invoice are encumbered for the full amount.

Exhibit A

DATE:

COUNTY OF SUTTER

OFFICE OF THE AUDITOR-CONTROLLER

ENCUMBRANCE VOUCHER

AUTHORIZED BY: _____

PRINT NAME: _____

BUDGET UNIT/ACCOUNT NUMBER

ENCUMBRANCE AMOUNT

<input type="text"/>	<input type="text"/>
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DESCRIPTION OR VENDOR:

EXPLANATION:

FOR AUDITOR USE ONLY:

AP/RV STATUS FYE _____

RUN DATE _____

ACCT BALANCE _____

OBJECT LEVEL BALANCE _____

EN#: _____

PROCESSED BY: _____

