Encumbrance Procedure	Document No.	1
	Effective Date	1850
	Revision Date	7/8/2015
	Revision No.	2
	Page No.	
	Approval:	

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
7/2/12	1	Update Section	8.2
7/8/15	2	Update Section	Exhibit A

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.
- Category of fund balance used to fund the expenditure 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. <u>Encumbrances for Proprietary Funds</u>
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.

COUNTY OF SUTTER
OFFICE OF THE AUDITOR-CONTROLLER

ENCUMBRANCE VOUCHER

See next page for instructions

(1) Date: _____

(2) Department head signature: _____

(3) Print name: _____

(4) Budget Accounts

_ _ _ _ / _ _ _ _ / _ _ / _ _ _ _ / _ _ _ / _ _ _ _ _
Fund   Dept   Program   Account   Project Account

     Use 0 if dept., program or project account does not apply.

(5) Encumbrance Amount (Balance of contract or order): $_____

(6) Vendor Name and Address: _____

_____

_____

(7) Category of fund balance used to fund the expenditure. Refer to the internet for a copy of the *County of Sutter Fund Balance Policy in Accordance with GASB 5*4. Check one:

           Restricted   Assigned   Committed

(8) Order Date:

(9) Ship Date:

(10) Signed Contract Date:

FOR AUDITOR-CONTROLLER USE ONLY:
AP/RV Status FY _____

Run Date _____

Account Balance _____

Object Level Balance_____

Encumbrance #:_____

Processed By: _____

Encumbrances are commitments related to unperformed (executory) contracts for goods or services. They represent commitments of fund balance as distinguished from liabilities and only become expenditures in the following year when they are liquidated. Encumbrances represent the estimated amount of expenditures ultimately to result if unperformed contracts in process are completed. The voucher should be completed in sufficient detail to clearly identify the nature of the commitment which the encumbrance represents.

Criteria for completing encumbrance voucher (form):
- Order date prior to July 1.
- Shipping date or services rendered after June 30.
- Sufficient appropriations to cover the amount of the encumbrance.
- Backup Documentation: copies of invoices and contracts must be attached; properly executed purchase orders will be accepted. If the encumbered amount is the remaining balance of a contract, a complete accounting record that shows the original contract amount less any progress payments must be attached with a copy of an IFAS (Integrated Financial and Administrative Solution) report (Click, Drag, and Drill) that agrees to the last statement showing the unpaid balance.