



ENCUMBRANCE

Authority

State Statutes, CGS, Sec. 7-394a, 4-230 to 4-236 inclusive
Town Charter, Sec. 31, and Sec. 30 (d).
Generally Accepted Accounting Principles

Policy

All budget appropriations, except capital appropriations, lapse at the end of the fiscal year. If a commitment has been made by a department for goods or services that have not been received prior to the close of the fiscal year, the Finance Department will allow that commitment to extend into the new fiscal year for a period not to exceed three months by encumbering the amount necessary to pay the expenditures from the available budget account balance. Encumbrances that have not been closed out at the end of the three month period (September 30) will be liquidated by the Finance Department and the balance credited to the appropriate fund balance account (surplus). The Comptroller may grant an exception to this policy at his or her discretion. The Comptroller shall report any exceptions granted at the next regular meeting of the BET along with the reasons for the exception and its expected duration.

Capital appropriations that are uncommitted at the end of the fiscal year shall be closed out to fund balance unless a department makes application to the Bet at its June meeting to carry the appropriation for a period of up to one additional fiscal year.

Background

Encumbrance – A commitment for a future expenditure. Resources are committed for future expenditures by signing executory contracts such as purchase orders and specific contracts for goods and services.

Committed Appropriation – A purchase order, contract or agreement obligating the town to pay for goods or services not yet received.

Uncommitted Appropriation – An appropriation against which there have been no commitments. Uncommitted appropriations are returned to the fund balance on June 30 of that fiscal year.

Uncommitted Appropriation Balance – The remaining balance in any appropriation account after all commitments have been paid from that account. Any uncommitted appropriation balance may be used for transfers within other appropriations only within that major object class, but uncommitted appropriation balances lapse to the fund balance on June 30 of that fiscal year.