

SAM—STANDARD ENTRIES (Cont.d)

ENTRY NO. A-8
(Revised 12/07)

10608

Nature of Transaction:

The A-8 entry accrues expenditures for valid encumbrances (commitments) and obligations for the fiscal year just ended. This entry is dated and posted as of June 30.

Journal Entry for General Ledger Account (GLA):

Debit:

5350	Reserve for Encumbrances	a/
9000	Appropriation Expenditures	b/
9893	Prior Year Appropriations Adjustments	c/

Credit:

3010	Accounts Payable	d/
3114	Due to Other Funds	e/
3115	Due to Other Appropriations, Within the Same Fund	f/
3210	Due to Federal Government	g/
3220	Due to Local Government	h/
3290	Due to Other Governmental Entities	i/
6150	Encumbrances	a/

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- a/ Balance of Accounts No. 5350 and 6150 as of June 30.
 - b/ Amount of valid encumbrances and obligations as of June 30 payable from appropriations available for encumbrance during the fiscal year just ended.
 - c/ Amount of valid encumbrances and obligations as of June 30 payable from prior year appropriations not available for encumbrance during the fiscal year just ended.
 - d/ Amount of obligations in b and c due to private entities and the total encumbrances in b and c.
 - e/ Amount of obligations in b and c due to other funds.
 - f/ Amount of obligations in b and c due to other appropriations, within the same fund
 - g/ Amount of obligations in b and c due to the federal government.
 - h/ Amount of obligations in b and c due to local governments.
 - i/ Amount of obligations in b and c due to other governmental entities.

In addition, if any encumbrances will be funded by a reimbursement, the reimbursement may be accrued in one asset account, Accounts Receivable – Reimbursements, GLA 1312. (See SAM Section 7952.)

(Continued)

SAM—STANDARD ENTRIES (Cont.d)

(Continued)

ENTRY NO. A-8

10608 (Cont. 1)

(Revised 12/07)

Source:

Encumbrance documents (e.g., contracts, purchase orders, purchase estimates, Public Works Project Authorization and Transfer Requests, etc.)

Explanation:

This entry is made to accrue the amounts for (1) valid encumbrances (goods/services not received/performed as of June 30), and (2) obligations (goods/services received/performed as of June 30 but not yet scheduled for payment).

To determine the amounts for valid encumbrances and obligations, all unliquidated encumbrances are reviewed to identify whether they are valid encumbrances or obligations of the year just ended, as defined by the Victim Compensation and Government Claims Board Rule 610 and described in SAM Section 8340.

Contracts and purchase orders will be analyzed to determine that the amounts approximate the actual expenditures that will be incurred. Amounts will be adjusted at this time if appropriate, e.g., purchase estimates adjusted to amounts of related purchase orders, contract balances liquidated when final payment has been made on a contract, etc.

For multi-year agreements, departments must determine by June 30 the amount to encumber against the first fiscal year, in accordance with the budget plan when the agreement was issued. Any amounts not encumbered and not accrued to an appropriation during the period of encumbrance availability shall be paid from an appropriation that is available for encumbrance.

Many support and local assistance encumbrances remaining at year-end should be liquidated within a few months of the new fiscal year. Capital outlay encumbrances generally require more time to liquidate. Departments are instructed to closely monitor encumbrances to effect prompt delivery of requested goods or services and to ensure timely disencumbrances in instances where it is determined the goods or services will not be received/performed or will cost less than originally estimated.

Even though the unencumbered balance is not formally reverted in the appropriation accounts of the State Controller's Office, the remaining two years prior to actual reversion are strictly for the liquidation of encumbrances accrued as of the last date the appropriation was available for encumbrance and the payment of obligations, which are chargeable only to a prior year appropriation.

Any obligations that were not previously encumbered will be accrued. Any obligations of prior fiscal year appropriations that have not yet reverted will be accrued to the applicable fiscal year. In addition, any obligations of reverted appropriations will be accrued to a like appropriation of the fiscal year just ended. These procedures permit all valid obligations of state funds to be reflected in year-end financial statements.

Once the encumbrances and obligations have been determined, these amounts are recorded as (1) expenditures in the applicable appropriation accounts and (2) liabilities in the accounts which identify to whom the amount is due (as detailed in the above journal entry).

Accrual entry amounts will, at a minimum, be supported by the following: vendor name, document number or other reference (contract number, purchase order number, etc.), and entry date. Departments must retain supporting documentation and reports for audit purposes.