

TOWN OF ROCKPORT

ENCUMBRANCE POLICY

PURPOSE

The purpose of the Encumbrance Policy is to describe the policy and procedures by which encumbrances may be considered and approved by the Select Board.

AUTHORIZATION TO ENCUMBER FUNDS

Pursuant to Article VI *Financial Procedures* § 11 *Lapse of Appropriations*: Town of Rockport Charter “General fund appropriations, except for an appropriation for a capital expenditure, shall lapse at the close of the fiscal year to the extent they have not been expended or encumbered, or except as prohibited by law or prior agreement.”

GENERAL TERMS

To create an encumbrance means to set aside or reserve all, or a portion, of a lapsing fiscal year’s appropriation for payment of future expenses. Appropriations are encumbered to ensure their availability for payment of approved, specified expenses. Encumbered funds are not available for other than approved, specified purposes.

For purposes of this policy, encumbrances are obligations of the town in the form of purchase orders, contracts, or other such obligations of the town, carried from one fiscal year into the next. Encumbrances may also include projects or programs begun but not completed by the end of the fiscal year for which no contractual obligation exists. Encumbrances do not include reserve funds established under Rockport’s *Reserve Accounts Policy*, monetary donations, or funds carried over for certain purposes by State Statute, State guidelines, or Federal guidelines.

Encumbrances are a segregation of fund balance and do not become a liability until the goods or services are provided.

Unexpended non-encumbered appropriation funds shall lapse at the close of each fiscal year (defined as 30 days after the fiscal year has ended) to undesignated fund balance. (Year-end expenses paid within 30 days after the close of the fiscal year are not considered to be “encumbrances”.)

PROCEDURE

- 1) Any Department Head requesting to encumber funds must do so in writing either via a memo or e-mail directly to the Finance Director, no later than 10 days before the end of the fiscal year. The request to encumber funds must explain the reason(s) for asking that funds be encumbered, the amount to encumber, and the appropriation line number(s) from which funds may be encumbered.
- 2) If a purchase order is required, the Finance Director shall prepare the purchase order for submission to the Town Manager.
- 3) For all encumbering requests, the Finance Director shall then provide a report to the Town Manager of all requests for encumbrances no later than 30 days after the close of the town's fiscal year.
- 4) The Town Manager shall review and approve the proposed encumbrances and provide a report requesting to encumber funds to the Select Board at a regular meeting.
- 5) The Select Board shall consider the list of requested encumbrances as provided by the Town Manager, and may vote on the list in its entirety, or may vote on each encumbrance individually as listed.
- 6) A majority vote of the Select Board shall be required in order to encumber funds from one fiscal year to the next.

ENCUMBRANCE CARRY-OVER LIMITATION

Any requests to carry-over current encumbrances into subsequent fiscal years shall be submitted to the Finance Director no later than 10 days prior to the end of the fiscal year annually. The Finance Director shall then include the request to carry currently encumbered funds in the list of funds to be encumbered for the upcoming fiscal year following the procedures as outlined herein above.

Encumbrances still outstanding at the end of the fiscal year for which they were approved, shall lapse to surplus unless otherwise voted to continue to encumber by the Select Board.

Adopted by the Rockport Select Board on Monday, November 9, 2009.