Encumbrance Policy
Approved by Board of Finance October 26, 2020

The Governmental Accounting, Auditing, and Financial Reporting (GAAFR) defines Encumbrances as “Commitments related to unperformed (executory) contracts for goods or services”. In essence, it defines the amount of costs budgeted in one fiscal year for goods or services started, but not completed, until the following fiscal year.

In order to be considered a valid encumbrance and be charged to the prior fiscal year, the following condition must be met:

* A properly executed purchase order dated on or before June 30th to a valid vendor

Encumbered amounts should be calculated after the recording of accounts payable for goods and services received or a liability incurred, such as the school salary payments made in July and August.

An Encumbrance detail listing must be provided to the Board of Finance at their July and August meetings by the Town and School Finance Directors.

All Purchase Orders dated through June 30th of the prior fiscal year will be closed out by August 31st.