

# FISCAL ACCOUNTABILITY RULES

## RULE 7.10 – ENCUMBRANCES

### Purpose

The City and County of Denver requires agencies to reserve funds for commitments related to agreements for goods and services not yet performed but for which there is an executed contract or purchase order. When a contract is executed and the funding source is an annually appropriated lapsing fund, it is appropriate to budget only the anticipated expenditures for the current year of the contract. The City should not encumber budget in an annually appropriated fund for future year's expenditures.

### Definitions

**Lapsing Fund** – A fund established for expenditures during the fiscal year. Any funds that have not been spent by the end of the fiscal year are returned to the general fund and cannot be carried forward for future year expenditures. General and enterprise funds are lapsing funds, as are some special revenue funds.

**Non-lapsing Fund** – Non-lapsing budgets are established for the life of a project or program. At the end of each fiscal year the unspent funds are rolled forward into the next fiscal year until the funds are completely spent or rescinded by ordinance. Non-lapsing funds are primarily grant funds and capital project funds.

### Rule

1. In an appropriated lapsing fund, an agency shall only encumber budget for anticipated expenditures for the current year. The agency must state the anticipated expenditures for the current year on the **Contract Approval and Preparation Request (ADM Form 42)**.
2. In a non-lapsing fund, the agency must encumber the full contract amount; even it is a multi-year contract. The only exception to this rule would be if the contract crosses program/grant years; in this instance the agency shall encumber the amount related to the current grant year only.
3. On-call contract funds may be encumbered when needed.
4. In a contract that is funded through multiple sources (agencies), each agency shall encumber only their portion of funds that they are responsible for.
5. Any encumbrances remaining at the end of the year will be unencumbered in the current budget year and reencumbered in the subsequent budget year with that year's appropriation.

### Procedures and Forms

The **Controller's Office** is responsible for any procedures and forms associated with this rule.