

Statement of Accounting Policy
Re: Encumbrance Accounting

Under the provisions of the National Council on Governmental Accounting Statement 1 of Governmental Accounting and Financial Reporting Principles and the American Institute of Certified Public Accountants Statement of Position 80-2, encumbrance accounts are considered to be "budgetary accounts" and are not expenses or liabilities.

It is, therefore, the policy of the County of Randolph to honor open purchase orders and contracts that remain outstanding at year end. Encumbrances outstanding at June 30 shall be reported as "Reserve for Encumbrances" in the Fund Balance Section of the Statement of Financial Position for the fund and the subsequent year's appropriation shall provide authority to complete the transactions.

This shall be accomplished in the following manner:

- (1) encumbrance accounts shall be closed at the end of each fiscal year prior to the determination of financial position and results of operations for the County of Randolph.
- (2) encumbrances outstanding at June 30 shall be carefully reviewed by the Finance Officer to eliminate any errors, completed contracts, or trivial amounts remaining in the encumbrances in order to determine the proper amount to be shown as Reserve for Encumbrances in the Fund Balance Section of the Statement of Financial for the fund.
- (3) in the ensuing year, encumbrances recorded in the Reserve for Encumbrances in the Fund Balance Section of the Statement of Financial Position for the fund shall be considered to be adjustments to appropriations and established by amending the budget ordinance.

Approved by the Randolph County Board of Commissioners on August 3, 1981