

9885 Reserve for Liquidation of Encumbrances

Encumbrances (commitments for the procurement of goods or services which have not yet been received by the state) are accrued as expenditures by departments at year-end and included in the expenditure totals of individual budget displays. This treatment is in accordance with the budgetary/legal basis of accounting.

Generally Accepted Accounting Principles (GAAP) require that encumbrances be reflected as a reserve against the General Fund balance and not as an expenditure, as in budgetary/legal basis accounting. Government Code Section 13306 and state policy require compliance with GAAP whenever it is in the best interest of the state. This budget reflects a statewide adjustment to reduce expenditures on a budgetary/legal basis by the encumbrance amounts to comply with GAAP. A reserve of fund balance for encumbrances for this same amount is shown in Summary Schedule 1 for the General Fund.

COMPUTATION OF ENCUMBRANCE ADJUSTMENT

The State Controller's Office accumulated a preliminary estimated General Fund encumbrance total of \$770,081,000 from 2009-10 year-end financial statements submitted by state departments. For budgeting purposes, encumbrances are estimated to be at the same level for the 2010-11 and 2011-12 fiscal years and are assumed to be liquidated (paid) within the next fiscal year. The Encumbrance Adjustment Table summarizes the methodology and the calculation for the encumbrance adjustment.

FUNDING	2009-10*	2010-11*	2011-12*
0001 General Fund	\$766,644	\$-	\$-
TOTALS, EXPENDITURES, ALL FUNDS	\$766,644	\$-	\$-

LEGAL CITATIONS AND AUTHORITY

DEPARTMENT AUTHORITY

Government Code Sections 13306 and 13307.

* Dollars in thousands, except in Salary Range.

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	<u>2009-10*</u>	<u>2010-11*</u>	<u>2011-12*</u>
2008-09 Encumbrances per Controller's Preliminary Report	\$1,536,725		
2009-10 Encumbrances per Controller's Preliminary Report	-\$770,081	\$770,081	
2010-11 Projected Encumbrances		-\$770,081	\$770,081
2011-12 Projected Encumbrances	-	-	-770,081
Encumbrance Adjustment	\$766,644	-	-

* Dollars in thousands, except in Salary Range.

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DETAIL OF APPROPRIATIONS AND ADJUSTMENTS

4 UNCLASSIFIED	2009-10*	2010-11*	2011-12*
0001 General Fund			
APPROPRIATIONS			
Encumbrance Adjustment (General Fund)	<u>\$766,644</u>	<u>-</u>	<u>-</u>
TOTALS, EXPENDITURES	<u>\$766,644</u>	<u>\$-</u>	<u>\$-</u>
TOTALS, EXPENDITURES, ALL FUNDS (Unclassified)	<u>\$766,644</u>	<u>\$-</u>	<u>\$-</u>

* Dollars in thousands, except in Salary Range.