

CITY OF ALPENA  
STANDARD OPERATING POLICY

SUBJECT: Purchase Orders & Encumbrances                      SOP No.                      15  
Date Issued:                      1-20-95  
Effective Date:                      1-20-95

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Copies to: Department Heads, Supervisors, City Clerk-Treasurer's Office Employees and Inventory Control Clerk

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STATEMENT OF POLICY:

Starting with fiscal year 1994-1995, the City began the use of encumbrance accounting as an element of control in budgetary integration. Encumbrance accounting is widespread among larger governmental units and is endorsed by authoritative governmental accounting literature.

The City's present accounting policy states that appropriation lapse at year end and funding does not carry over to the new fiscal year. To complete an unfinished project in the new fiscal year requires a new appropriation or budget amendment.

Consistent with this policy, encumbrances also lapse at year end. The following policies will be followed for year end encumbrance accounting.

- No purchase orders will be issued during the last 30 days of each fiscal year (except for emergency purchase orders).
- After the last run of bills for the fiscal year, all open purchase orders will be voided.
- After the start of the new fiscal year, the voided purchase orders will be reissued with appropriate budget amendments by the City Clerk-Treasurer's Office.

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Peter Parker, City Manager