

APPENDIX 5

Appendix 5

Encumbrances and Expenditures

General Information

All encumbrances and expenditures of approved funds shall occur on or after the effective submission date of the application or amendment (date application or amendment was submitted to the Agency, or the first day grant funds are available for obligation, whichever is later). Encumbrance, accounts payable, expenditure, and other project accounting terms are defined in *Financial Accounting & Reporting (FAR): A Module of the Financial Accountability System Resource Guide*.

Encumbrances

The following table shows when a grantee makes obligations for various kinds of property and services:

If the obligation is for—	The obligation is made—
a) Acquisition of real or personal property.	On the date the grantee makes a binding written commitment to acquire the property.
b) Personal services by an employee of the grantee.	When the services are performed.
c) Personal services by a contractor who is not an employee of the grantee.	On the date on which the grantee makes a binding written commitment to obtain services.
d) Performance of work other than personal services.	On the date on which the grantee makes a binding written commitment to obtain the work.
e) Public utility services.	When the grantee receives the services.
f) Travel	When travel is taken.
g) Rental of real or personal property.	When the grantee uses the property.

30-day Extension for Liquidation of Obligations

A grantee must liquidate (record as an expenditure under generally accepted accounting principles) all obligations (encumbrances) incurred under the award not later than 30 days after the end of the funding period to coincide with the submission of the final expenditure report, due 45 days after the end of the federal project period. [Authority Reference: FAR]

The term "Obligations" refers to orders placed, contracts and subgrants awarded, goods and services received, and similar transactions during a given period that will require payment by the grantee during the same or a future period. Obligations representing orders placed are reflected in the accounting records as encumbrances.

**30-day Extension for
Liquidation of Obligations
(continued)**

In summary, this means:

1. Supplies, materials, and/or equipment which have been ordered (an obligation has been made) during the grant period may be received by the LEA during the 30-day extension period after the grant ends (e.g., until July 30).
2. A service such as staff development which has been contracted for and an obligation has been made during the grant period may be received by the LEA during the 30-day extension period after the grant ends (e.g., until July 30). This does not include travel expenses; travel is obligated when travel is taken.
3. Continuous, ongoing LEA activities are **NOT covered** by the 30-day extension period.
4. An encumbrance or obligation **may NOT be made** during the 30-day extension period.

[Authority reference: FAR, Section 1.8.1.2 Administrative Requirements, Period of Availability of Funds]

**Examples of the 30-day
Extension**

Example 1: On June 30, an LEA has some orders that it has not yet received. The LEA cannot place new orders or make other encumbrances after June 30, but the LEA can receive orders through July 30.

Question—Does the LEA report final expenditures or wait until all orders are received?

Answer—Projects with a summer program or 12-month employees must report final expenditures by August 16, this allows for the receipt of orders through July 30. The deadline for reporting revised final expenditures is September 15. Revised final expenditures reported after September 15, will not be used for (1) cash disbursements or (2) determining roll-forward calculations.

If the LEA is unable to access the expenditure reporting system (ER) on September 15, the LEA must fax a letter to the Division of Formula Funding at (512) 463-7915 stating the LEA's final expenditures. The letter should be addressed to Formula Funding. Faxes received after September 15 will not be accepted.

Example 2: There is a conference July 20-25, 2009, and registration is due by May 15, 2009.

Question— Is it allowable to pay registration with FY 09 funds?

Answer—Yes. Grant period ends June 30, 2009, and encumbrances can be received within 30 days of June 30, 2009. Travel costs will be paid at the time that travel is taken; that is, from FY 10 funds.

Web-based Expenditure Reporting (ER)

LEAs will use the web-based expenditure reporting system (ER) to draw down funds to meet the expenses they have incurred. Do not report accrued salaries on Periodic Expenditure Reports. LEAs may request funds as much as six days in advance of an expenditure. This will allow TEA three days to process the request, and the LEA will have three days in which to liquidate. This is in keeping with Federal Regulation 34 CFR 80.41(c)(3) that stipulates that LEAs will have no more than three-days cash on hand. Accrued salaries for school year 2009-2010 (Fiscal Year 2010) paid after June 30, 2009, must be reported on the Final Expenditure Report.

LEAs with an approved Notice of Grant Award (NOGA) will be able to begin reporting expenditures for the 2009-2010 school year in September.

Questions regarding expenditure reporting for the programs included in this application should be referred to the Division of Formula Funding at (512) 463-8525.

Availability of Funds

States will receive a percentage of their total allocations for the programs included in this Application for Federal Funding on July 1, 2009; however, the remaining balance of these allocations will not be available to the state until after October 1, 2009. If Congress appropriates funds as expected in October 2009, the amount of funds available July 1 should be sufficient to meet the needs of LEAs until the remainder of the grant is available. However, if the appropriation is delayed, the possibility exists that the **availability of funds may be interrupted.**

In the interest of fairness and in order to minimize the risk of such an interruption in the availability of funds for participating LEAs in Texas, the Division of Formula Funding will limit the amount of funds that LEAs may claim to 10% of their current-year grant until the appropriations bill is passed into law and the remaining balance of the funding is available.

Refunds Due to TEA

If the LEA has expenditures totaling less than the funds disbursed, the LEA must submit a revised FER by the September 15 deadline and send a check for the unexpended balance to the following address:

Texas Education Agency-MS
P.O. Box 13717
Austin, Texas 78711-3717

If the September 15 deadline has passed, and the LEA owes a refund, the refund must still be sent.

If the report and the refund are not received by the September 15 deadline, there will be a suspension of project approval for 2009-2010 and a suspension of cash disbursement.