

UNIVERSAL CITY ECONOMIC DEVELOPMENT CORPORATION

ANNUAL FINANCIAL STATEMENTS

YEAR ENDED SEPTEMBER 30, 2023

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CPAs | ADVISORS

CLIENT **FOCUSED.** RELATIONSHIP **DRIVEN.**



UNIVERSAL CITY ECONOMIC DEVELOPMENT CORPORATION

TABLE OF CONTENTS

Year ended September 30, 2023

	<u>PAGE</u>
INDEPENDENT AUDITOR’S REPORT	1-2
FINANCIAL STATEMENTS	
Management’s Discussion and Analysis	3-4
Statement of Net Position – Governmental Activities	5
Statement of Activities – Governmental Activities	6
Balance Sheet – General Fund	7
Reconciliation of the Balance Sheet to the Statement of Net Position	8
Statement of Revenues, Expenditures, and Changes in Fund Balance – General Fund	9
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	10
Notes to the Financial Statements	11-14
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – General Fund Budget and Actual	17
Note to Required Supplementary Information	18



INDEPENDENT AUDITOR'S REPORT

To the President and Members of the Board of Directors
Universal City Economic Development Corporation

Opinion

We have audited the accompanying financial statements of the governmental activities and the general fund of Universal City Economic Development Corporation (the Development Corporation), a component unit of the City of Universal City, Texas, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the Development Corporation's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund of the Development Corporation as of September 30, 2023 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Development Corporation, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Development Corporation's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Development Corporation's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Development Corporation's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

ABIP, PC

San Antonio, Texas
March 14, 2024

UNIVERSAL CITY ECONOMIC DEVELOPMENT CORPORATION

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

September 30, 2023

Our discussion and analysis of the Universal City Economic Development Corporation, a component unit of the City of Universal City, Texas, financial performance provides an overview of the Development Corporation's financial activity for the fiscal year ended September 30, 2023. It should be read in conjunction with the accompanying basic financial statements.

FINANCIAL HIGHLIGHTS

The Development Corporation's net position was \$752,562 at September 30, 2023. The Development Corporation's total revenues were \$1,842,242 while total expenses were \$1,923,152. The Development Corporation's net position decreased by \$80,910.

DEVELOPMENT CORPORATION HIGHLIGHT

The Universal City Economic Development Corporation was formed on October 14, 1982 under the Development Corporation Act of 1979, Texas Revised Civil Statutes Annotated, Article 5190.6, Section A. The Development Corporation began operations on March 8, 1996. It receives all its proceeds from the ½ cent sales tax adopted in 1995 for economic development in Universal City.

USING THIS ANNUAL REPORT

This annual report consists of three parts; management's discussion and analysis, basic financial statements, and required supplementary information. The statements of net position and activities provide information on the Development Corporation as a whole. The Development Corporation's net position, the difference between assets and liabilities, is a way to measure financial health or financial position.

STATEMENT OF NET POSITION

Table 1 shows all of the assets and liabilities of the Development Corporation and is presented on the accrual basis. The total net position is \$752,562. The Development Corporation has \$3,435,000 of bonds payable. These bonds are described in more detail in note 3 in the notes to the financial statements.

TABLE 1 – NET POSITION

	Governmental Activities	
	Year Ended September 30,	
	2023	2022
Current and other assets	\$ 4,409,845	\$ 4,856,816
Current liabilities	603,283	748,344
Noncurrent liabilities	<u>3,054,000</u>	<u>3,435,000</u>
Total liabilities	<u>3,657,283</u>	<u>4,183,344</u>
Unrestricted net position	<u>\$ 752,562</u>	<u>\$ 673,472</u>

STATEMENT OF ACTIVITIES

Table 2 shows all the expenses and revenues of the Development Corporation and is presented on the accrual basis. General revenues consist of the ½ cent sales tax the Development Corporation receives for economic development and interest income.

TABLE 2 – CHANGE IN NET POSITION

	Governmental Activities	
	Year Ended September 30,	
	2023	2022
General revenues	\$ 1,842,242	\$ 1,710,857
Total revenues	1,842,242	1,710,857
 Total expenses	 1,923,152	 2,823,459
Change in net position	(80,910)	(1,112,602)
Beginning net position	673,472	1,786,074
Restatement of net position	160,000	-
Ending net position	\$ 752,562	\$ 673,472

BALANCE SHEET

The balance sheet shows the assets, liabilities, and fund balances for the Development Corporation.

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

This statement shows the revenues and expenditures for the Development Corporation. The nonproperty taxes, or ½ cent sales tax, make up 95.6% of the general revenues.

DESCRIPTION OF CURRENT AND EXPECTED CONDITIONS

Presently, the Board of Directors is not aware of any significant changes in conditions that would have a significant effect on the financial position or activities of the Development Corporation in the near future.

CONTACTING THE DEVELOPMENT CORPORATION’S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Development Corporation’s finances and to show the Development Corporation’s accountability to its taxpayers. If you have any questions about this report or need additional financial information, contact the Development Corporation’s office at:

Universal City Economic Development Corporation
City of Universal City
2150 Universal City Boulevard
Universal City, Texas 78148

UNIVERSAL CITY ECONOMIC DEVELOPMENT CORPORATION
STATEMENT OF NET POSITION – GOVERNMENTAL ACTIVITIES

September 30, 2023

ASSETS

Current assets:	
Cash and cash equivalents	\$ 3,957,970
Due from other governments	451,875
Total current assets	<u>4,409,845</u>
Total assets	<u>\$ 4,409,845</u>

LIABILITIES AND NET POSITION

Liabilities:	
Current liabilities:	
Accrued interest	\$ 7,909
Due to primary government	214,374
Current portion of bonds payable	381,000
Total current liabilities	<u>603,283</u>
Noncurrent liabilities:	
Bonds payable	<u>3,054,000</u>
Total liabilities	3,657,283
Net position:	
Unrestricted	<u>752,562</u>
Total net position	<u>752,562</u>
Total liabilities and net position	<u>\$ 4,409,845</u>

The accompanying notes are an integral part of these financial statements.

UNIVERSAL CITY ECONOMIC DEVELOPMENT CORPORATION

STATEMENT OF ACTIVITIES – GOVERNMENTAL ACTIVITIES

Year ended September 30, 2023

Expenses:	
Administrative expenses	\$ 308,148
Contract services	40,012
Economic development	1,468,515
Interest and fiscal charges on long-term debt	<u>106,477</u>
Total expenses	<u>1,923,152</u>
Revenues:	
General revenues	
Sales taxes	1,761,757
Interest revenues	59,558
Miscellaneous	<u>20,927</u>
Total revenues	<u>1,842,242</u>
Change in net position	(80,910)
Beginning net position	<u>673,472</u>
Restatement of net position	<u>160,000</u>
Ending net position	<u><u>\$ 752,562</u></u>

The accompanying notes are an integral part of these financial statements.

UNIVERSAL CITY ECONOMIC DEVELOPMENT CORPORATION

BALANCE SHEET – GENERAL FUND

September 30, 2023

ASSETS

Assets:

Cash and cash equivalents	\$ 3,957,970
Due from other governments	<u>451,875</u>

Total assets	<u>\$ 4,409,845</u>
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LIABILITIES AND FUND BALANCE

Liabilities:

Accrued interest	\$ 7,909
Due to primary government	<u>214,374</u>
Total liabilities	<u>222,283</u>

Fund balance:

Unassigned	<u>4,187,562</u>
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Total liabilities and fund balance	<u>\$ 4,409,845</u>
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The accompanying notes are an integral part of these financial statements.

UNIVERSAL CITY ECONOMIC DEVELOPMENT CORPORATION

**RECONCILIATION OF THE BALANCE SHEET TO THE
STATEMENT OF NET POSITION**

September 30, 2023

Total fund balances	\$ 4,187,562
Long-term liabilities are not due and payable in the current period, and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:	
Bonds payable in less than one year	(381,000)
Bonds payable in more than one year	<u>(3,054,000)</u>
Total net position	<u>\$ 752,562</u>

The accompanying notes are an integral part of these financial statements.

UNIVERSAL CITY ECONOMIC DEVELOPMENT CORPORATION

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – GENERAL FUND**

Year ended September 30, 2023

Revenues:		
Sales tax	\$	1,761,757
Interest		59,558
Other income		<u>20,927</u>
Total revenues		<u>1,842,242</u>
Expenditures:		
Current:		
Communications		78,344
Support services		228,420
Contract services		40,012
Supplies and materials		1,384
Economic development projects		1,468,515
Debt service:		
Principal		372,000
Interest and fiscal charges		<u>106,477</u>
Total expenditures		<u>2,295,152</u>
Change in fund balance		(452,910)
Fund balance at beginning of year		<u>4,480,472</u>
Restatement of fund balance		<u>160,000</u>
Fund balance at end of year	\$	<u><u>4,187,562</u></u>

The accompanying notes are an integral part of these financial statements.

UNIVERSAL CITY ECONOMIC DEVELOPMENT CORPORATION

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES**

Year ended September 30, 2023

Change in fund balance - governmental funds	\$ (452,910)
Repayment of bond principal is an expenditure in the governmental funds but the repayment reduces long-term liabilities in the statement of net position.	<u>372,000</u>
Change in net position	<u><u>\$ (80,910)</u></u>

The accompanying notes are an integral part of these financial statements.

UNIVERSAL CITY ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

Year ended September 30, 2023

(1) Summary of significant accounting policies

Financial reporting entity

Universal City Economic Development Corporation is a nonprofit economic corporation, with powers of taxation, created pursuant to Section 4B Article 5190.6 of Vernon's Texas Civil Statutes (V.T.C.S.), as amended. Universal City Economic Development Corporation (hereafter referred to as the Development Corporation) was created March 8, 1996, to act on behalf of Universal City for promotion, development, and enhancement of economic development within Universal City. The Development Corporation is a component unit of the City of Universal City. A component unit is a legally separate corporation for which the elected officials of the governmental unit are financially accountable. The Development Corporation will be presented in the City's financial statements as a discretely presented component unit.

The financial statements of the Development Corporation have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements present the financial position and results of operations of the Development Corporation only.

Basis of presentation

The government-wide financial statements are presented in accordance with GASB 34 which mandates government-wide financial statements of net position and activities, which are presented on the economic resources measurement focus and accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when incurred, regardless of the timing of the related cash flows. It also requires that capital assets be recorded at cost less accumulated depreciation.

The Development Corporation also presents fund financial statements relevant to the operations of the Corporation.

Governmental funds use the modified accrual basis of accounting. Under this method, revenues are recognized in the accounting period in which they become both available and measurable (flow of current financial resources measurement focus). Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except expenditures for debt service which are recognized when paid.

Budgets

The Development Corporation adopts an annual operating budget which is approved by the City Council. Formal budgetary accounting is employed as a management control. The budget can be amended by the Board of Directors, subject to City Council approval. Actual expenditures cannot legally exceed budgeted appropriations at the fund level. All budgeted appropriations lapse at the end of each fiscal year. The budget is presented on the modified accrual basis of accounting.

UNIVERSAL CITY ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

Year ended September 30, 2023

(1) Summary of significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents include cash deposits and investments with a maturity date within three (3) months of the date acquired by the Development Corporation.

Related party transactions

During the course of operations, numerous transactions occur between the Development Corporation and the City. These receivables and payables are classified as “due from primary government” or “due to primary government” on the balance sheet.

Accrued liabilities and long-term obligations

All payables, accrued liabilities, and long-term obligations are reported in the statement of net position. Long-term liabilities are recognized as a liability on the governmental fund financial statement (balance sheet) when due.

Fund balance

The unassigned fund balance represents the amount available for budgeting future operations.

Net position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any loans used to purchase, construct, or improve those assets.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) Deposits and investments

Deposits

At September 30, 2023, the carrying amount of the Development Corporation’s deposits in the bank was \$3,983,159 and the book balance was \$3,957,970. The bank balance was covered by federal deposit insurance and the Development Corporation’s depository had a letter of credit valued at \$5,600,000 as collateral for the Development Corporation’s deposits. All of the Development Corporation’s cash was fully collateralized.

UNIVERSAL CITY ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

Year ended September 30, 2023

(2) Deposits and investments (continued)

Investments

The Development Corporation is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, and (9) bid solicitation preferences for certificates of deposit.

The Act determines the types of investments which are allowable for the Development Corporation. These include, with certain restrictions, 1) obligations of the U.S. Treasury, U.S. agencies, and the State of Texas, 2) certificates of deposit, 3) certain municipal securities, 4) securities lending program, 5) repurchase agreements, 6) bankers acceptances, 7) mutual funds, 8) investment pools, 9) guaranteed investment contracts, and 10) commercial paper.

Investment accounting policy

The Universal City Economic Development Corporation has adopted the investment policy of the City of Universal City. The policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term “short-term” refers to investments which have a remaining term of one year or less at time of purchase. The term “nonparticipating” means that the investment’s value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Public funds investment pools

Public funds investment pools in Texas (“Pools”) are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provision of the Public Funds Investment Act (the “Act”), Chapter 2256 of the Texas Governmental Code.

In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires pools to: 1) have an advisory board composed of the participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

UNIVERSAL CITY ECONOMIC DEVELOPMENT CORPORATION

NOTES TO THE FINANCIAL STATEMENTS

Year ended September 30, 2023

(3) Long-term liabilities

Changes in long-term liabilities for the year ended September 30, 2023 are as follows:

	<u>Original Amount</u>		<u>Balance Outstanding October 1, 2022</u>	<u>Issued</u>	<u>Decrease</u>	<u>Balance Outstanding September 30, 2023</u>	<u>Due Within One Year</u>
Revenue bonds:							
2020	\$ 3,500,000	5.495%	\$ 3,094,000	\$ -	\$ (198,000)	\$ 2,896,000	\$ 204,000
2016	1,700,000	1.650%	<u>713,000</u>	<u>-</u>	<u>(174,000)</u>	<u>539,000</u>	<u>177,000</u>
Total bonds			<u>\$ 3,807,000</u>	<u>\$ -</u>	<u>\$ (372,000)</u>	<u>\$ 3,435,000</u>	<u>\$ 381,000</u>

Annual debt service requirements as of September 30, 2023 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 381,000	\$ 94,905	\$ 475,905
2025	390,000	85,925	475,925
2026	399,000	76,718	475,718
2027	223,000	67,271	290,271
2028	230,000	60,647	290,647
2029-2033	1,256,000	196,614	1,452,614
2034-2035	<u>556,000</u>	<u>24,889</u>	<u>580,889</u>
Totals	<u>\$ 3,435,000</u>	<u>\$ 606,969</u>	<u>\$ 4,041,969</u>

(4) Commitments and contingencies

Litigation

Management of the Development Corporation is not aware of any pending or threatened litigation.

(5) Restatement of net position/fund balance

During the year it was noted that the Development Corporation did not owe the City of Universal City \$160,000 as previously reported in Fiscal Year 2021. This restatement increased net position and fund balance respectively by \$160,000.

REQUIRED SUPPLEMENTARY INFORMATION



UNIVERSAL CITY ECONOMIC DEVELOPMENT CORPORATION

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE – GENERAL FUND
BUDGET AND ACTUAL**

Year ended September 30, 2023

	Original Budget	Final Budget	2023 Actual	Variance Final Budget Positive (Negative)
Revenues:				
Sales tax	\$ 1,500,000	\$ 1,700,000	\$ 1,761,757	\$ 61,757
Interest	5,000	5,000	59,558	54,558
Miscellaneous	<u>-</u>	<u>-</u>	<u>20,927</u>	<u>20,927</u>
Total revenues	<u>1,505,000</u>	<u>1,705,000</u>	<u>1,842,242</u>	<u>137,242</u>
Expenditures:				
Communications	77,900	77,900	78,344	(444)
Support services	252,433	312,433	228,420	84,013
Contract services	202,750	302,750	40,012	262,738
Supplies and materials	5,300	5,300	1,384	3,916
Economic development projects	3,961,000	3,961,000	1,468,515	2,492,485
Contingency	392,922	432,922	-	432,922
Debt service:				
Principal	378,000	378,000	372,000	6,000
Interest	<u>91,895</u>	<u>91,895</u>	<u>106,477</u>	<u>(14,582)</u>
Total expenditures	<u>5,362,200</u>	<u>5,562,200</u>	<u>2,295,152</u>	<u>3,267,048</u>
Change in fund balance	(3,857,200)	(3,857,200)	(452,910)	3,404,290
Fund balance - October 1, 2022	<u>4,480,472</u>	<u>4,480,472</u>	<u>4,480,472</u>	<u>-</u>
Restatement of fund balance	<u>-</u>	<u>-</u>	<u>160,000</u>	<u>160,000</u>
Fund balance - September 30, 2023	<u>\$ 623,272</u>	<u>\$ 623,272</u>	<u>\$ 4,187,562</u>	<u>\$ 3,564,290</u>

UNIVERSAL CITY ECONOMIC DEVELOPMENT CORPORATION

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Year ended September 30, 2023

Budgetary information

The budget is prepared in accordance with accounting principles generally accepted in the United States of America. The Development Corporation maintains strict budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board of Directors and as such is a good management control device.

Actual expenditures may not legally exceed appropriations at the fund level. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation, is utilized. Encumbrances lapse at year end and do not constitute expenditures or liabilities because the commitments must be reappropriated and honored during the subsequent year.