

# **City Council Agenda Item Memo**

**From:** Ashley Rentsch, Finance Director; John Thompson, Public Works Director

**Council Meeting:** January 27, 2026

**Subject:** Resolution 26-012: Encumbrances Carryforward

**Presenter:** Ashley Rentsch, Finance Director

## **Summary and Recommended Action:**

Staff recommends approval of the proposed resolution to carry forward outstanding encumbrances totaling \$1,617,053.50 from the 2025 fiscal year into 2026. These encumbrances reflect unpaid balances on purchase orders and contracts for goods and services that are still in progress or pending fulfillment.

## **Item Details:**

The City of Brookings utilizes an encumbrance accounting system to track and reserve budget authority for contracts and purchase orders in the Public Works department. At the close of FY2025, several encumbrances remained open for purchases that have been authorized but not completed. To maintain budgetary compliance and ensure appropriate funding in the new fiscal year, Council approval is required to carry forward these amounts into FY2026.

Encumbrances are tied to contracts or projects that span fiscal years and include engineering services, infrastructure improvements, equipment purchases, and construction contracts. Each open purchase order has been reviewed by City staff for legitimacy and accuracy. The list of encumbrances is detailed in the PO summary Report (Schedule A), with associated budget adjustments summarized in Schedule B.

## **Legal Consideration:**

In accordance with SDCL 9-21-7 and SDCL 9-21-24.1, municipalities may carry forward encumbrances when appropriations were lawfully established in the prior fiscal year and the expenditures relate to approved projects still in progress.

SDCL 9-21-24.1 specifically authorizes the governing body, by resolution adopted no later than its first meeting in February, to encumber the unexpended portion of prior year appropriations were incurred but not yet paid. The resolution must identify the appropriation accounts and encumbered amounts. The Finance Office is required to maintain a detailed listing by payee and amount to support the encumbrance totals for audit purposes.

This resolution complies with state law and ensures accurate financial reporting and continuity of appropriated funding into the 2026 fiscal year.

**Strategic Plan Consideration:**

- Fiscal Responsibility – The City of Brookings will responsibly manage resources through transparency, efficiency, equity, and exceptional customer service.

**Financial Consideration:**

This resolution authorizes the carryforward or \$1,617,053.50 in encumbered funds. Budget amendments to reflect these amounts in the 2026 budget are included by account and fund in the attached detail.

**Supporting Documentation:**

Resolution

Purchase Order and Budget Adjustment Detail