

SECTION 481: POSTING ENCUMBRANCES TO APPROPRIATION/ALLOTMENT LEDGER

1. General Description. This section describes the posting of encumbrance transactions to the subsidiary APPROPRIATION/ALLOTMENT LEDGER maintained by DAGS Accounting Division. A separate APPROPRIATION/ALLOTMENT LEDGER is maintained for each appropriation account, in major fund categories of General Fund, Special Funds, and Bond Funds. Appropriation allotment transactions in Trust and Agency Funds are posted in the GENERAL LEDGER directly to "fund balance", rather than to a separate GENERAL LEDGER account for appropriation allotments. (Note: Posting of appropriation/allotment transactions and expenditure transactions to this same subsidiary ledger is discussed in other sections of this Manual.)
2. Purpose. The primary purpose for posting encumbrance transactions to the APPROPRIATION/ALLOTMENT LEDGER is to record all obligations of the State in the form of purchase orders, contracts, and other commitments, on a current and cumulative basis, that are applicable to each departmental appropriation. The detailed information posted to the ledgers is used by departments and agencies in monitoring charges against allotments and encumbrances, and also provides DAGS Accounting Division with information for funds control and for the preparation of other financial reports.
3. Scope. The encumbrance transactions posted to the APPROPRIATION/ALLOTMENT LEDGER include both the initial encumbrance transactions and adjustments made to previously recorded transactions.
4. Postings of Encumbrance Transactions. The postings are described to familiarize departments and agencies with the accounting treatment of entries to the APPROPRIATION/ALLOTMENT LEDGER. The specific postings include the following:
 - (a) Establishment of Encumbrances.
 - (1) Claims Encumbrance. Departmental claims encumbrances in the form of unliquidated purchase orders issued by the end of the fourth quarter are summarized on JOURNAL VOUCHER, SAFORM A-27, by DAGS Accounting Division with transaction code 62 and are posted as an increase (credit) in encumbrance claims.
 - (2) Contract Encumbrance. The CONTRACT INPUT, SAFORM C-41, is used in establishing contract encumbrances with transaction code 63 and is posted as an increase (credit) to the APPROPRIATION/ALLOTMENT LEDGER. Based on copies of contracts and agreements entered into during the year, the CONTRACT INPUT is prepared by DAGS Accounting Division.

SECTION 481: POSTING ENCUMBRANCES TO APPROPRIATION/ALLOTMENT LEDGER

- (b) Payments of Claims and Contracts Encumbered. SUMMARY WARRANT VOUCHER (SWV) payments of claims and contracts encumbered with applicable transaction codes 24 and 23, respectively, are posted as decreases (debits) in claims and contracts encumbrances.
- (c) Encumbrance Adjustments. The types of encumbrance adjustments are explained in Section 475 of this Manual. The transaction codes and the postings that effect the subsidiary ledger are:
- (1) Reduction of Encumbrances. Transaction codes 65 and 66 are posted as encumbrance reductions (debits) for contracts and claims, including reduction for unrequired contract balances.
 - (2) Transfer of Encumbrances. Transaction code 67 is an encumbrance transfer for restricted accounts or other authorized transfers and is posted as a reduction (debit) in encumbrance claims of the transferring appropriation and an increase (credit) to the receiving appropriation.
 - (3) Encumbrance for Federal Share of Program Costs. Transaction code 64 is always used with transaction code 55 (encumbrance for federal share of costs, a debit entry), and is posted as an increase (credit) in encumbrance claims.