# FISCAL POLICIES MANUAL

## PRIOR YEAR ADJUSTMENTS

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FISCAL POLICIES MANUAL

PRIOR YEAR ADJUSTMENTS

PREFACE

Idaho Code, Section 67-3604 provides for the correction of appropriation errors in a given fiscal year that result from the prior fiscal year’s activities. Corrections may be made without legislative authorization provided they do not exceed $500,000 and are recorded within six months of the end of the fiscal year. Corrections exceeding these limits shall be approved by the legislature.

This policy provides further guidance on the implementation of this statutory provision and also provides guidance on prior year adjustments that may not specifically affect appropriated balances.

DEFINITIONS

Key Statewide Balance - For purposes of this policy, a key statewide balance is cash in statutorily defined funds. Key statewide balances are distinguished from agency internal balances, defined below. While the statute governing prior year adjustments is in Title 67, Chapter 36, “Standard Appropriations Act of 1945,” a key statewide balance is considered to be more than just a separately appropriated balance.

Key statewide balances can therefore be considered the cash balance in a statutorily-defined fund that is non-appropriated or continuously appropriated. Statutorily-defined funds are funds that are specifically named in Idaho Code. The sources and uses of resources for statutorily defined funds are also generally specified.

Key statewide balances also include the individual elements within an agency appropriation. Agency appropriation limitations are generally specified by program and by object (personnel, operating, capital, trustee, and benefit). Each separately identified balance in an agency appropriation bill is considered a “key statewide balance.”

Agency Internal Balance - Agency internal balances are balances that may be separated within the statewide accounting system with agency-specific coding elements, but that are not tracked for statewide purposes by budget or other central financial or policy personnel. Idaho State agencies may use statewide accounting system coding elements, such as Grants, Projects, Subobject Detail, etc., to track revenues, expenditures, and other balances for agency reporting purposes.
For various cost accounting purposes, such as federal grant cost recovery, agencies may make significant adjustments to these agency internal balances. Agency internal balances are distinguished from key statewide balances, defined above. Given this distinction, agency internal balances are generally not considered to be covered by the statutory limitation on prior year adjustments.

**POLICY**

Prior year adjustments involving appropriations are subject to the provisions of *Idaho Code*, Section 67-3604 and as such, may be made without legislative authorization provided they do not exceed $500,000 and are recorded within six months of the end of the fiscal year. Corrections exceeding these limits shall be approved by the legislature.

Prior year adjustments involving key statewide balances may be made without prior approval provided they do not exceed $500,000. Corrections exceeding the $500,000 limit must be approved by the Division of Financial Management, Legislative Services Audit Division, and the State Controller’s Office.

Adjustments of agency internal balances are not considered subject to the provisions of *Idaho Code*, Section 67-3604 and can be made without dollar amount or time period at the agency’s discretion.

**Administrative procedures are on the following page.**
ADMINISTRATIVE PROCEDURES

PRIOR YEAR FINANCIAL REPORTING ADJUSTMENT – SCO CAFR ONLY

If an error affecting appropriations is identified and the error exceeds the limitations of the prior year adjustment statute, and the adjustment must be recorded for State Controller financial reporting purposes, the State Controller will need to contact JFAC co-chairs with the proposed adjustment(s) to seek their interim approval for the adjustment.

If approval from JFAC is granted, the adjustment will be recorded for financial reporting purposes. The adjustments will be presented to JFAC and the legislature during the next legislative session for legislative approval. After approval, the adjustments should be recorded in STARS. If legislative approval is not granted, the implications to financial statements and/or audit opinions will have to be deliberated and discussed between the Controller, Auditor, and legislative leadership.

If an error affecting key statewide balances is identified and the error exceeds $500,000, the adjustment must be approved by the Division of Financial Management, Legislative Services Audit Division, and the State Controller’s Office.

Each year a number of financial reporting adjustments are typically made that exceed the limitations of Idaho Code, Section 67-3604, but do not affect key statewide balances. For example, various transactions related to fixed assets are recorded, yet these transactions do not impact key statewide balances. These types of financial reporting adjustments are not subject to legislative review and approval.

See the Prior Year Adjustments chapter in the STARS User Manual or send an e-mail to dsahelpline@sco.idaho.gov for assistance.

PRIOR YEAR ACCOUNTING ADJUSTMENTS

If an error affecting appropriations is identified and the error exceeds the limitations of the prior year adjustment statute, and the adjustment should be recorded (but is not required for financial reporting purposes due to immateriality), this adjustment should be presented to JFAC.

Prior year accounting adjustments in excess of $500,000 that affect key statewide balances must be approved by the Division of Financial Management, Legislative Services Audit Division, and the State Controller’s Office.

See the Prior Year Adjustments chapter in the STARS User Manual or send an e-mail to dsahelpline@sco.idaho.gov for assistance.
PRIOR YEAR REVENUE ADJUSTMENTS

Revenue adjustments should be treated as expenditure adjustments as outlined in the sections above. Revenue adjustments will not generally impact appropriation balances, but may still impact cash in a statutorily defined fund.

See the Prior Year Adjustments chapter in the STARS User Manual or send an e-mail to dsahelpline@sco.idaho.gov for assistance.

PRIOR YEAR AGENCY INTERNAL ADJUSTMENTS

If an error affecting only agency internal balances is identified, adjustments may be recorded by agency fiscal personnel without notification to state budgetary or accounting personnel. These adjustments are considered agency reporting adjustments and are not subject to the provisions of Idaho Code, Section 67-3604. If you have questions whether you are adjusting an agency internal balance or a key statewide balance, contact the State Controller’s Office.

See the Prior Year Adjustments chapter in the STARS User Manual or send an e-mail to dsahelpline@sco.idaho.gov for assistance.