



Statewide Accounting Policy & Procedure

Accounting Manual Reference:

Section: Revenue & Receivables
Sub-section: Prior Year Carry-Over (Accounting)

Effective Date: 07/01/2008

Revision Date: 07/01/2008

Policy Summary:

- To provide standardized accounting instructions for funds that are reserved at fiscal year end.
- To provide standardized accounting instructions for reporting the availability of fund balances (reserves) that are carried over from one year to the next (prior year carry-over) in compliance with the statutory basis of accounting.
- This policy applies to all appropriated organizations.

Policy Requirements:

Accounting Requirements

In order for statutory financial reports to accurately reflect the total funds that are available to support expenditures, prior year reserves must be recognized as a category of available funds. In very limited circumstances agencies may have the ability to reserve unexpended funds at the close of a fiscal year. These reserved funds are available to fund expenditures in the subsequent fiscal year. For State funds it is necessary to segregate the source and use of prior year carry-over funds from current year funds in order to demonstrate budgetary compliance. This policy was developed to standardize the process by which agencies identify funds carried over from a prior year, and, for State funds, distinguish the use of prior year funds from the use of current year appropriations.

Reserves: At fiscal year-end, all fund balances that are retained for subsequent period expenditures (based on external restrictions, statutory authority, etc.) should be classified as Other Reserves of fund balances. Such classification should be made **after** funding source trial balances have been analyzed and unexpended balances have been examined and classified in accordance with the policies in the *Grants and Other Financial Assistance* section of the Accounting Policy Manual.

Refer to Accounting Directive 201101, *Fund Balance Accounts*, for guidance on use of specific fund balance accounts.

Prior Year Carry-Over: At the beginning of the fiscal year, prior year Other Reserves should be reclassified to current year funds available (account 492001) in the same accounting fund and funding sources as the prior year reserve.

Reserves created for unexpended State funding sources should be reclassified in the subsequent fiscal year to the proper prior year funding source (02xxx) and expended from that funding source. Prior year State funding sources must be established at the level of detail necessary to identify the specific State funding source from which the reserve was initiated (State General Funds, Motor Fuel, Lottery, etc.).

Accounting Transactions and Journal Entries

Current Year Fund Balances (Reserves) – During year-end close, fund balances that may be retained for subsequent period expenditure should be reclassified from Adjustments to Fund Balance – Establish Reserves (390110) to Other Reserves (337xxx) in the same accounting fund and funding source as follows:

Dr.	390110	Adjustments to Fund Balance – Establish Reserves
Cr.	337xxx	Other Reserves

Funds eligible to be so retained are defined in the policy titled *Reserved Fund Balance* in the Equity section of the Accounting Policy Manual. These reserves should be itemized on the fund balance worksheet form submitted to SAO as part of year-end reporting.

Prior Year Carry-Over – At the beginning of each fiscal year, all beginning balances in Other Reserves should be reclassified from Other Reserves to Carry-Over/Transfers from Reserves (492001) in the appropriate fund and funding source using the current budget year as follows:

Dr.	337xxx	Other Reserves
Cr.	492001	Carry-Over/Transfers from Reserves

For Federal and Other Funds, this entry should be made in the same accounting fund and funding source in which the prior year reserve was recorded. The budget program may or may not be the same.

	Year 1 <u>(Reserve)</u>	Year 2 <u>(Funds Available)</u>	<u>Change</u>
Fund	10100	10100	None
Funding Source	21xxx	21xxx	None
Budget Program	ABC	ABC/XYZ	Possible

For State Funds, in order to distinguish prior year funds from current year appropriations, and to match the expenditure of prior year funds with the budgeted amount by funding source, prior year reserves from State funding sources need to be reclassified. The fund and budgetary program for the adjusting entry will remain the same as in the prior year. The funding source will change to identify the reserve as a prior year carry-over funding source. Funding sources beginning with “02” are used to designate State prior year carry-over funding sources and should be used to record the availability of prior year State funds. These funding sources will also be mapped to the BudgetNet category of prior year State Funds for budget comparison purposes. Because the funding source will change from that of the original appropriation, there are two parts to the entry for State funds carried forward:

- 1) In the current year State Funds funding source (generally, funding source 01, but should be the fund source in which the reserve was reported):

Dr.	337001	Other Reserves
Cr.	1xxxxx	Cash

- 2) In the newly established prior year State Funds funding source (02xxx):

Dr.	1xxxxx	Other Reserves
Cr.	492001	Carry-Over/Transfers from Reserves

See Budgetary Policy Carry-Over of State Funds for guidance on selection of the appropriate fund source in BudgetNet when use of these carry-over funds is anticipated (budgeted).

	Year 1 (Reserve)	Year 2 (Funds Available)	Change
Fund	10100	10100	None
Funding Source	01xxx	02xxx	New Funding Source
Budget Program	ABC	ABC	None

Care should be exercised to ensure that expenditures of the funds carried over are charged to the appropriate funding source when expending prior year State Funds.

Periodic review of fund and funding source trial balances should ensure that there are no balances in Other Reserves, except at fiscal year-end (all should be reclassified to funds available).

Definitions:

Current Year State Funds funding source – Funding sources in the range of 01xxx (State Appropriations), 03xxx (Tobacco Funds) or 05xxx (Governor’s Emergency Funds). Also includes any funding sources utilized for other categories of State appropriations (Lottery Funds, Brain & Spinal Injury Trust Fund, and Motor Fuel Funds).

Prior Year State funds funding source – Funding sources in the range 02xxx. This range of funding sources should be used for the recognition of State funds carried forward for use in a fiscal year subsequent to the year of original appropriations.