



**STATE OF NORTH CAROLINA
OFFICE OF STATE BUDGET AND MANAGEMENT**

PAT MCCRORY
GOVERNOR

ANDREW T. HEATH
STATE BUDGET DIRECTOR

July 15, 2016

MEMORANDUM

TO: Department Heads and Chief Fiscal Officers
All State Departments, Institutions and Agencies

FROM: Andrew T. Heath *Andrew T. Heath*
State Budget Director

Linda Combs *Linda Combs*
State Controller

SUBJECT: Carryforward Procedures for FY 2015-16

Carry Forward

During the 2014-15 fiscal year, the Office of State Controller (OSC) and the Office of State Budget and Management (OSBM) conducted a carryforward pilot with a limited number of state agencies. The pilot was authorized by Section 6.7 of Session Law 2014-100 which directed OSBM, OSC, and the Fiscal Research Division (FRD) of the General Assembly to review current practices to improve budgeting in the General Fund. This included 1) how funds in the General Fund are accounted for, 2) how practices compare to other states, 3) whether statutory or administrative changes would improve transparency and accounting accuracy, and 4) whether the practices examined comply with applicable standards of the Governmental Accounting Standards Board. The piloting of a new carryforward process was the product of this workgroup.

Last year's pilot is now being rolled out to all state agencies, with the exception of the University of North Carolina System. The aim of the pilot is to strengthen internal controls during the carryforward process.

Similar to past years, OSBM will review agency carryforward requests for compliance with G.S. 143C and other general statutes. OSBM will notify each agency of their approved carryforward amounts, by the three categories outlined below, no later than July 22, 2016.

Designated carryforward categories:

Category A – Required by general statutes or session law (funds are designated as non-reverting), including monies owed to the Civil Penalty and Forfeiture Fund,

Severance Reserve allocations for which obligations have not been liquidated, and carry forward special provisions enacted by the 2015-16 sessions of the General Assembly;

Category B – Unearned revenue received in FY 2015-2016 for goods or services that will be provided in FY 2016-17, such as summer school tuition receipts;

Category C – Funds to support encumbrances made but not liquidated in FY 2015-16 and where sufficient funds are not available in next year's budget to liquidate the encumbrance.

Procedures for All State Agencies (Except the University System):

Upon approval and notification of the carryforward amounts, state agencies shall submit a type-11 budget revision for items classified in Category A, required by general statutes or session law not to revert. Agencies will submit a type-12 budget revision for items approved in Category B and Category C. OSC has set up new statewide carryforward accounts for each category listed above. Agency budget revisions shall use the statewide accounts and budget the amounts required to match the approved carryforward by category (see attachment: OSC's Financial Reporting Update for the accounts). Please note that agencies may need to validate these accounts into NCAS if they have never been used by an agency. IBIS receives nightly updates of validated accounts from NCAS, so please validate any new accounts into NCAS the day before budget revisions are created.

If a revised allotment is required, the agency will submit the revised allotment to OSBM with a June 2016 effective date to cover the additional cash required to support the carryforward. The agency's accounting office will create and pass a manual transfer in CMCS to Department code 9936 (OSC - General Fund Reserve CF) for the entire approved carryforward amount. OSBM will provide OSC with a list of all approved carryforward amounts for each agency. If the submitted transfer amount is different than the amount on the approved carryforward list, the transfer will be returned for correction. Once the transfer is made, the agency should book the transfer in NCAS based on the three categories. Please follow the guidance provided by OSC on the attached document.

OSC will pull in the transfer for each agency and book the carryforward amount based on the three categories. During early August, OSBM will instruct OSC to return agency funds that fall under categories A and B. For Category C, as part of the new procedures, funds will be distributed back to the agency once the agency has submitted documentation to OSBM demonstrating that they have met the conditions for which the carryforward was authorized. An example would be the verification of a payment to liquidate a carryforward encumbrance. Any funds for which sufficient documentation has not been received will remain in statewide reserves and revert to the General Fund.

Procedures for the University System:

Upon approval and notification of the carryforward amounts, universities shall submit a type-11 budget revision for items classified in Category A, required by general statutes or session law not to revert. Universities will submit a type-12 budget revision for items approved in Category B

and Category C. If a revised allotment is required, the university will submit the revised allotment to OSBM with a June 2016 effective date to cover the additional cash required to support the carryforward. OSBM will enter the cash requisitions into the State's Cash Management System (CMCS). The universities will review and submit their requisition to OSC. OSBM will provide OSC a list of all approved carryforward amounts, at which time the cash carryforward requisitions will be released by OSC. Once the cash is in place, universities can generate their carryforward check consistent with the process in past fiscal years.

If you have questions about the approved carryforward amount, allotment, or budget revisions, please contact your OSBM analyst at (919) 807-4700. For questions on accounting and cash management entries, please contact your OSC analyst. Please note the webpage link to OSC's Financial Reporting Update for carryforwards (bottom of the page): [Year-End Reporting](#).

Attachment: OSC Financial Reporting Update