



North Carolina Office of the State Controller

Financial Reporting Update

New Carryforward Process for State Agencies – 5/26/16 **Updated - 7/13/16**

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The Office of State Budget and Management issued the annual Budget Guidelines on May 18, 2016 for closing the fiscal year 2015-2016. Within those guidelines was a section on the carryforward process and that OSC will be communicating the proper accounting entries required to record the carryforward transactions for state agencies. This financial reporting update is that communication.

For additional background, Section 6.7 of Session Law 2014-100 directed the Office of State Budget and Management (OSBM), the Office of State Controller (OSC), and the Fiscal Research Division 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 examined compare to other states, 3) whether statutory or administrative changes would improve the transparency and accounting accuracy, and 4) whether the practice examined complies with applicable standards of the Governmental Accounting Standards Board. A pilot project was conducted for the 2014-2015 fiscal year for the carryforward process. The pilot process is now being rolled out to all state agencies as the new process strengthened internal controls in the carryforward process.

Agencies will no longer write a carryforward check back dated to June 29th for the approved carryforward. In addition, agencies will no longer be required to eliminate balances in the liability clearing accounts. Agencies that have liability clearing account balances should reconcile the balances and request a carryforward through the year-end carryforward process to be approved by OSBM. The liability clearing accounts include 211240 Central Payroll Clearing, 211250 Electronic Payable Clearing, 211255 Payroll Benefits Payroll Clearing, 211270 A/P Recovery Clearing, 211280 Set Off Debt Clearing, 211930 Health Benefits Clearing, 211940 Accrued Sales Tax Payable, and the 2138AA Payables Clearing. The amount of the liability clearing accounts approved by OSBM for carry-forward should be included in the 53800C Unearned revenue carryforward account.

Agencies will submit the entries listed below into the North Carolina Accounting System (NCAS) and the associated Cash Management Control System (CMCS) transfers once the carryforwards have been approved by OSBM.

June 29, 2016

Agency makes NCAS Entry

DR 53800A **Legislatively supported carryforward**
53800B **Encumbrance Carryforward**
53800C **Unearned revenue carryforward**

CR 111270 Allotment Cash



Agency Cash Management Entries

A change has been added to the procedures issued by the Financial Reporting Update dated May 26, 2016. Once agencies receive the approved carryforward amounts from OSBM, it will be the responsibility of each agency to create and pass the transfer in CMCS to Department Code 9936 for the approved carryforward amount. The effective date of the transfer should be June 29, 2016.

June 30, 2016 Accrual Entries

No 13th period (6/30/16) entry will be made to the 111230 cash carryforward account for the 2016 carryforward since the cash is being transferred to the reserve fund. There is no cash to carryforward.

July entry (7/xx/16) when carryforward is approved & returned to the Agency

Agency makes NCAS Entry

DR 111270 Allotment Cash

CR 43800A Legislatively supported carryforward

43800B Encumbrance carryforward

43800C Unearned revenue carryforward

Agency Cash Management Entry

Each agency will need to review and submit the transfer initiated by OSC.

June 30, 2017 Accrual Entries

No 13th period (6/30/17) entry.

The carryforward accounts listed above are available on the Statewide Chart of Accounts for use by all agencies.

Thank you for your time and attention to the important change. Questions regarding this specific update should be directed to your agency assigned Financial Specialist or you may email the group at OSC.SADFR@osc.nc.gov.