



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

ROY COOPER  
GOVERNOR

CHARLES PERUSSE  
STATE BUDGET DIRECTOR

May 5, 2017

**MEMORANDUM**

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

FROM: Charles Perusse *Charles Perusse*  
State Budget Director

SUBJECT: Budget Guidelines for Closing Fiscal Year 2016-17

**Carryforward Requests**

The Office of State Budget and Management (OSBM) will review requests to carryforward funds from FY 2016-2017 to FY 2017-2018 in compliance with G.S. 143C and other general statutes. Agencies should submit their carryforward requests (in the attached template) to OSBM no later than **June 9, 2017**. The carryforward requests should provide appropriate documentation of authority and justification of need, include an agency priority, and be divided into three categories:

Category A – Required by general statutes or session law (funds are designated as nonreverting), including monies owed to the Civil Penalty and Forfeiture Fund and carryforward special provisions enacted or proposed by the General Assembly;

Category B – Unearned revenue received in FY 2016-2017 for goods or services that will be provided in FY 2017-2018, such as summer school tuition receipts;

Category C – Funds to support encumbrances made on or before May 12, 2017, may be requested to be carried forward when there are not funds in next year's budget to liquidate the encumbrance.

OSBM will review the carryforward requests in context of the State's overall revenue (cash) situation, and advise agencies of the amounts approved in July.

**Universities**

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) and Category B (unearned revenue). If a revised allotment is required, the university will submit the revised allotment to OSBM with a June 2017 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.

**All Other State Agencies**

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.

53 800A Legislatively Supported Carryforward – Transfer	(Category A on template)
53 800C Unearned Revenue Carryforward – Transfer	(Category B on template)
53 800B Encumbrance Carryforward – Transfer	(Category C on template)

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 2017 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.

OSC will pull in the transfer for each agency and book the carryforward amount based on the three categories. As soon as we close the 2016-2017 fiscal year, 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.

### **Departmental Receipts and Federal Funds**

Agencies must complete a year-end reconciliation of receipt-supported expenditures and related collection of receipts to ensure these are in balance. To the extent the agency has deposited excess federal receipts in the general fund, they must be returned to the 3XXXX federal code. Similarly, the agency should make every effort to collect all earned receipts within the fiscal period.

### **Reconciliation of Salary Reserve**

Salary reserve balances at the fund/account level within a budget code cannot be negative at the end of the fiscal year. Appropriate budget revisions and/or personnel actions must be prepared to realign the salary reserve prior to closeout. Department budget officers need to verify in writing to OSBM that negative salary reserve balances do not exist prior to certifying the June 2017 BD 701 monthly budget reports as final. For all agencies on BEACON, please use the IBIS Salary Control Function to review reserve balances and FTE counts.

OSBM will review June 2017 transactions to ensure that budgeted salaries of vacant positions are not reduced to the minimum where positive salary reserve balances already exist. These transactions will be reviewed and considered when determining agency allocations from reserves for legislative salary increases.

### **Cash Balances**

The BD 701 monthly budget reports for all special funds for June 2017 cannot contain any negative cash balances at the fund/center level.

### **Over Expended Accounts**

The BD 701 monthly budget report for June 2017 should not have negative year-to-date expenditure balances in the "Unrealized Authorized" column at the six-digit level for NCAS accounts in the 531X, 536X, 537X, and 538X range. Examples of the six-digit account level are *531211 SPA-Regular Salaries – Appropriations* or *536506 Summer Reading Camps*. Accounts in the 532X through 535X range should not have negative expenditures at the four-digit level. Examples of the four-digit account level are *533100 General Administrative Supplies* or *535800 Other Administrative Expenses*.

To the extent that the June BD 701 budget report reflects over-expended funds/ accounts, OSBM may or may not approve budget actions for year-end closeout adjustments that require OSBM approval. Agencies should submit budget revisions providing appropriate justification for such requests, including the reason for the over-expenditure, the reason prior authorization was not received, and explanation of the funding source(s) proposed to correct the over-expenditure(s) which will be taken into consideration.

Agencies must also check the certified and authorized budgets to ensure that no negative budgeted amounts exist. These standards apply to all budget codes.

### **Reconciliation of Budgeted Codes**

Departments, Institutions, and Agencies must review the BD 701 budget reports to ensure that the budgeted amounts in both certified and authorized columns reconcile to actions approved by OSBM through the budget revision process. Please use the RK 325 report as of June 29, 2017 in the reconciliation process.

### **Capital Improvement Allotments and Reports**

All allotment requests for the month of June must be submitted to OSBM before **June 7, 2017**. Chief Fiscal Officers are to review all capital improvement budget codes and close all completed capital projects. Requests to close capital budget codes must be submitted to OSBM by **May 31, 2017**. Capital Improvement reports must be completed and filed by **June 21, 2017**, which is separate from reports covering current operations. Please note that all COPs requisitions for the last draw of FY 2016-2017 should be into OSBM by close of business on **May 26, 2017**.

### **General Fund, Highway Fund, Highway Trust Fund and Special Fund Monthly Reports**

One copy of final BD701 budget reports for June must be submitted to your OSBM analyst no later than one week after closing the fiscal year.

### **Allotments for the First Quarter 2017-2018**

OSBM will issue instructions for FY 2017-2018 First Quarter Allotments in June.

Thank you for your attention to these guidelines as you continue to serve the citizens of North Carolina as excellent stewards of taxpayer dollars. Please contact your OSBM budget analyst at (919) 807-4700 if you have any questions about these procedures.