



State of North Carolina

Office of the State Controller

DAVID T. MCCOY
STATE CONTROLLER

February 6, 2009

MEMORANDUM NO. SAD 09-06

TO: Chief Fiscal Officers

FROM: David McCoy

A handwritten signature in black ink that reads "David McCoy".

SUBJECT: Revised Inventory Policy

The Office of the State Controller (OSC) revised the Inventories Policy to establish a statewide uniform method for recording inventories in the Comprehensive Annual Financial Report (CAFR). The revised policy requires the consumption method for recording inventory in governmental, proprietary funds and component units. This method records the inventory as expenditures or expenses when consumed. The policies and procedures for recording inventory in the CAFR are located on OSC's website at the following link:

http://www.ncosc.net/sigdocs/sig_docs/documentation/policies_procedures/sigInventories_Policy.html

This change will only impact governmental funds during the 13th period by requiring inventory assets to be offset by expenditures instead of fund balance.

Entries in the North Carolina Accounting System (NCAS) required for recording inventories using the consumption method are as follows:

- Agencies that did not use a DOC ID 33 for recording the June 30, 2008 NCAS inventory entry will be required to record a manual entry to reverse the June 30, 2008 balances in the *Inventories and Reserve for Inventories – Fund Balance* accounts. The NCAS entry should be entered using DOC ID 32 with a June 30, 2009 effective date posting to the following accounts:

Debit – Reserve for Inventories – Fund Balance account 321101

Credit – Inventories – applicable account(s) 116XXX

- The NCAS entry to record inventories using the consumption method beginning with the June 30, 2009 fiscal year, should be entered with a DOC ID 33 with a June 30 effective date posting to the following accounts:

Debit – Inventory account(s) 116XXX

Credit – 13th Month Supplies and Material Adjustment – account 533999 and or

Credit – 13th Month Purchase for Resale Adjustment – account 533899

This action is effective for the fiscal year beginning July 1, 2008. If you have any questions concerning the revised policy please contact your OSC Financial Analyst. Thank you for your assistance and support.

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