

# *STATE CONTROLLER'S OFFICE*

## State Government Reporting Training

- INTRODUCTION
- 9:00 – 9:50 AM – BUDGETARY LEGAL
- 10:00 – 10:50 AM – GAAP
- 11:00 – 11:30 AM – POLICY
- CONCLUSION

# *Division of Accounting and Reporting*

## **Bureau of State Government Reporting**

### **Yi-Wen Tsai – Acting Bureau Chief**

#### Budgetary/Legal Section

Yi-Wen Tsai – Manager  
Nhung Huynh – Supervisor  
Janti Tam – Supervisor

#### GAAP (CAFR) Section

Renee Davenport – Manager  
Emmanuel Lasu – Manager  
May Lam - Supervisor

#### Policy Section

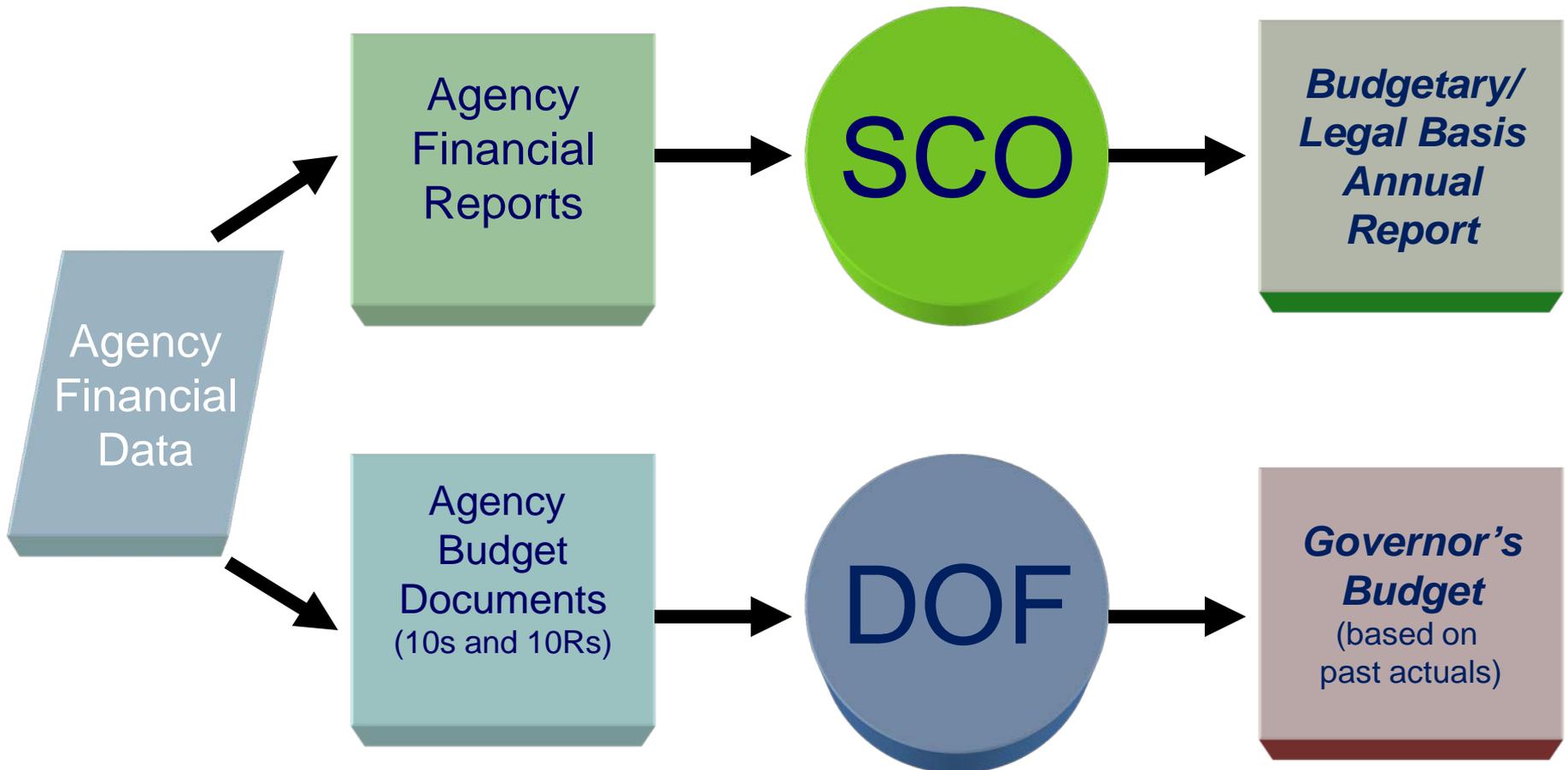
Vacant – Manager

Samprit Shergill  
Will LeMarQuand

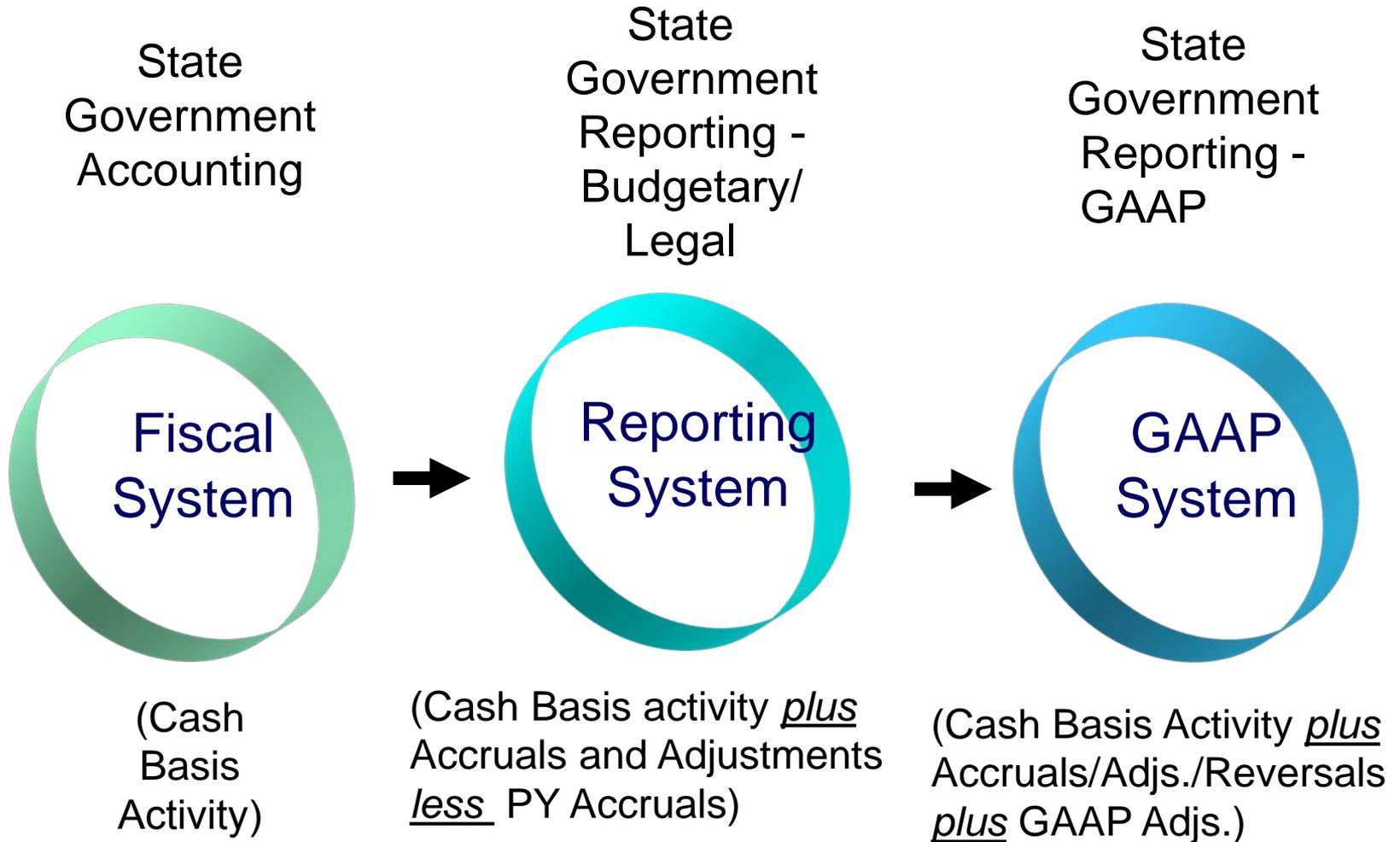
# *Budgetary/Legal Agenda*

- Accounting and Budgeting Relationship
- Budgetary/Legal Basis Accounting System
- Publications and Reports
- Year-End Financial Report Checklist
- Fi\$Cal Wave 1 and Wave 2 Impact Agencies
- Report 14 - Accounts Outside the State Treasury
- Frequently Asked Questions
- Frequent Errors and Issues
- Delinquent Reports
- SCO Website Information

# *Accounting and Budgeting Relationship*



# Accounting Systems



# *Year-end Reports Checklist*

## **Reports**

- Identify the fund classification (governmental/non-governmental) to determine the type of year-end reports required
- Department name, organization code, fund name, and fund number appear on all reports
- All funds, that had activity during the reporting year and/or balances on June 30, are included
- Prior approval obtained from SCO to use computer generated year-end reports
- Each sub-fund is prepared for Bond Funds and Special Deposit Funds
- Do not put in anything in the “SCO Use Only” areas on Reports 1, 3, and 5
- Do not staple the reports
- Submit on time

# *Year-end Reports Checklist*

## **Certification Letter**

- One fund, one certification letter, except for funds with multiple sub-funds
- Department name and organization code, mailing address, email address, names of the department director and chief of accounting for each fund
- Fund name and number
- All required reports are listed for each fund
- Select the correct format for governmental/bond funds (manual/CALSTARS)
- Signature is required from the officer responsible for fiscal administration (wet signature)

# Certification Letter

State Controller's Office - Year-End Financial Reports Procedure Manual - Budgetary/Legal Basis

## Memorandum

Date:  
State Controller's Office  
Division of Accounting and Reporting  
3301 "C" Street, Suite 700  
Sacramento, CA 95816

### **Example 1** **Governmental** **Cost Fund** **Manual Reports**

**Governmental Accounting Advisory Board (1234)**  
**Prepared by: Department of XYZ (7890)**  
123 Elm Street  
Sacramento, CA 95816  
Mr./Ms. I. M. Director, [IMD@gaab.ca.gov](mailto:IMD@gaab.ca.gov)  
Mr./Ms. I. M. Chief of Accounting, [IMCOA@gaab.ca.gov](mailto:IMCOA@gaab.ca.gov)

Insert your department name and number. If you prepare statements for a department other than your own, ensure the accuracy of the information. The four-digit Org code will be used to log the statements in as received.

### CERTIFICATION OF YEAR-END FINANCIAL REPORTS

The following financial reports for the fiscal year ended June 30, 20XX are enclosed:

#### GENERAL FUND (0001)

<u>Report</u>	<u>Description</u>
1	Report of Accruals to Controller's Accounts
2	Accrual Worksheet
3	Adjustments to Controller's Accounts – No activity to report
4	Statement of Revenue
5	Final Reconciliation of Controller's Accounts with Final Budget Report
7	Pre-Closing Trial Balance
8	Post-Closing Trial Balance
15	Reconciliation of Agency Accounts with Transactions per State Controller

If there is no activity

#### SPECIAL REPORTS

<u>Report</u>	<u>Description</u>
14	Report of Accounts Outside the State Treasury – submitted with fund XXXX
18	Statement of Changes in Capital Assets Group of Accounts
19	Statement of Capital Assets Group of Accounts – submitted with fund XXXX
22	Statement of Contingent Liabilities – No activity to report

#### SUPPLEMENTAL FORMS

- Due To/From Other Funds/Appropriations Supplementary Information Form
- Material Variance Explanation Form

Contact Person: Bud G. Tary  
Phone No: (916) 555-1234  
Email: [Bud.G.Tary@gaab.ca.gov](mailto:Bud.G.Tary@gaab.ca.gov)

I certify (or declare) under penalty of perjury that the data on the attached statements is true and correct and that I have not violated any of the provisions of Article 4, Chapter 1, Division 4, Title 1, Government Code (commencing with section 1090).

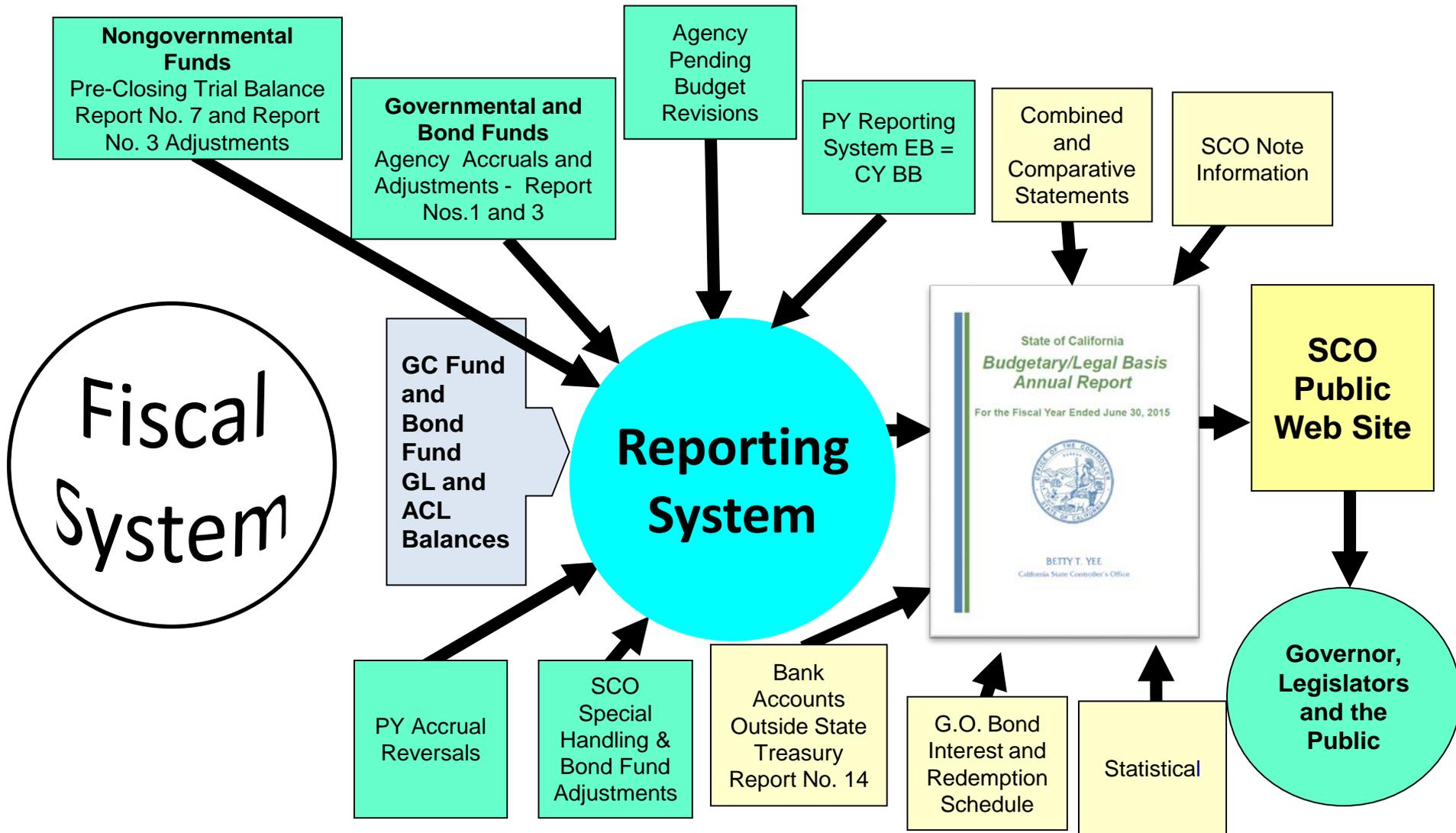
Subscribed and executed this 31st day of July, 20XX, at Sacramento, California.

\_\_\_\_\_  
Signature of Officer /Name and Title of Officer

## **FI\$CAL WAVE 1 and WAVE 2 IMPACT AGENCIES**

- Submit financial reports produced from FI\$Cal.
- Finance will provide assistance and year-end training for departments using FI\$Cal.
- Departments should work with their FI\$Cal Readiness Coordinator and Finance accounting analyst to make arrangements for additional support to meet the year-end deadlines.
- Please also see BL 16-05 and BL 16-06.

# Budgetary/Legal Basis Report Preparation Process

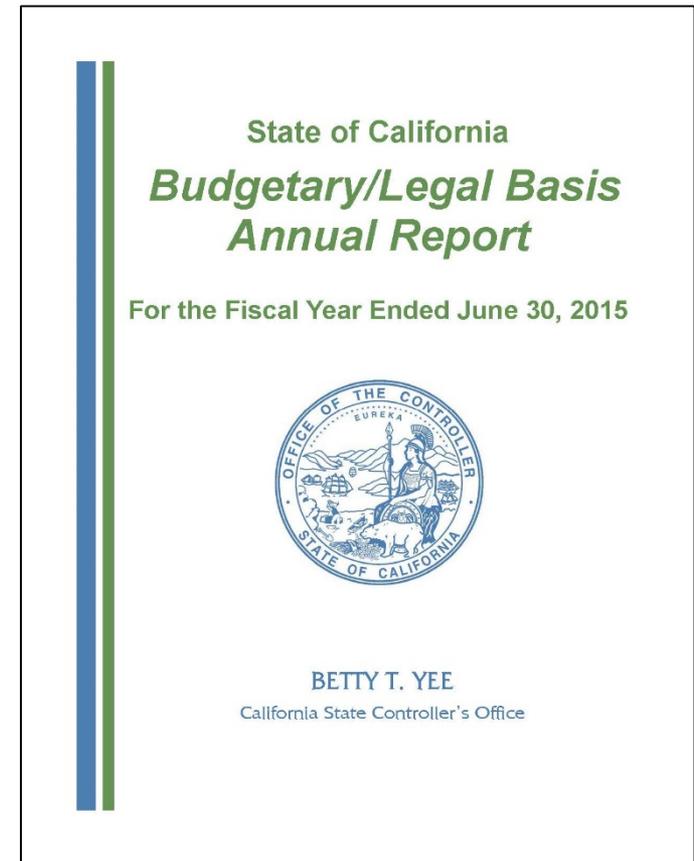


# *Budgetary/Legal Basis Annual Report*

- The *Budgetary/Legal Basis Annual Report* contains an accounting of all fund activity in compliance with State law, State accounting procedures, and the State budget
- It includes balance sheets and operating statements showing the receipts, disbursements, and closing balance of each fund in the State Treasury

# *Budgetary/Legal Basis Annual Report*

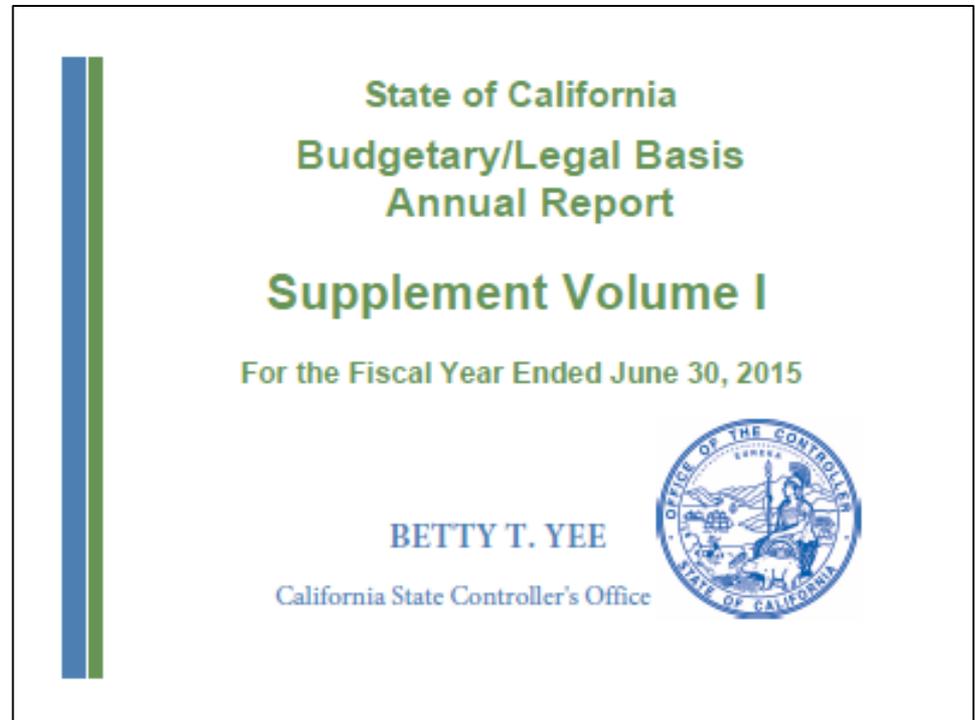
- Available on SCO website.
- [www.sco.ca.gov](http://www.sco.ca.gov)
- Path:
  - ✓ Publications
  - ✓ State Government Reports
  - ✓ State Government Annual Financial Reports
  - ✓ Budgetary/Legal Basis Annual Report
  - ✓ Budgetary/Legal Basis Annual Report Supplements



# *Budgetary/Legal Basis Annual Report Supplement Volume I*

## **Statement of Revenues:**

- Governmental Cost Funds
  - ✓ Revenue By Fund & Source
  - ✓ Revenue By Agency & Source
- Receipts from Federal Government
- Investments – All Funds



# *Budgetary/Legal Basis Annual Report*

## *Supplement Volume II*

State of California  
Budgetary/Legal Basis  
Annual Report

### Supplement Volume II, Part 1

For the Fiscal Year Ended June 30, 2015

BETTY T. YEE

California State Controller's Office



**Statement of Appropriations,  
Expenditures, and Balances**

Includes Governmental Cost Funds

State of California  
Budgetary/Legal Basis  
Annual Report

### Supplement Volume II, Part 2

For the Fiscal Year Ended June 30, 2015

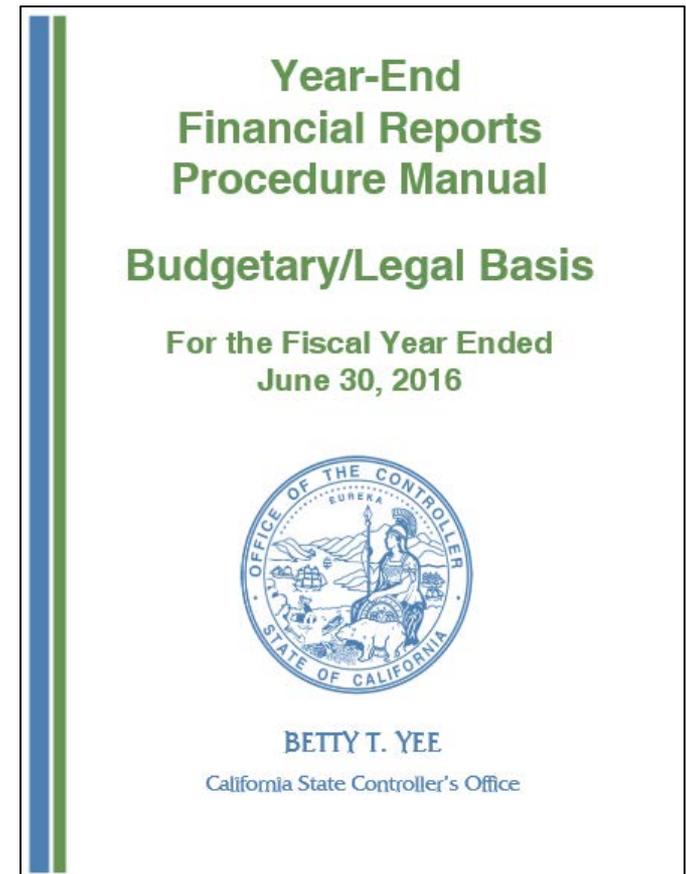
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California State Controller's Office



# *Year-End Financial Reports Procedure*

- SCO provides instructions for preparing and submitting the Year-end financial reports.
- Available on SCO website
- [www.sco.ca.gov](http://www.sco.ca.gov)
- [http://www.sco.ca.gov/Files-ARD/BudLeg/BLBAR\\_Procedure\\_Manual\\_Fiscal\\_Year\\_Ended\\_June\\_30\\_2015.pdf](http://www.sco.ca.gov/Files-ARD/BudLeg/BLBAR_Procedure_Manual_Fiscal_Year_Ended_June_30_2015.pdf)
  - ✓ State and Local
  - ✓ Reporting
  - ✓ Reporting Forms and Instructions
  - ✓ Budgetary/Legal Basis Reporting
  - ✓ Budgetary/Legal Year-End Financial Reports Procedures and Instructions



# *Budgetary/Legal Basis* *Year-End Financial Reports* Procedure Manual

- Changes in reporting requirements and important reminders
- List of important due dates (A/R report – New)
- State Government Reporting Section contact list
- List of required financial reports
- Criteria for the Financial Reporting checklist
- Detailed instructions and examples for:
  - ✓ Governmental Cost Funds
  - ✓ Nongovernmental Cost Funds
  - ✓ Non-Treasury Trust Funds
  - ✓ Special Reports
- Year-end reports checklist

# *Budgetary/Legal Basis Accounts Outside State Treasury Report 14*

- Due August 22, 2016 - required even if no activity
- Use updated form (Sep. 2014) - information available on SCO website and SAM Chapter 7900
- Must reconcile bank statements as of June 30, 2016
- Submit the original to STO and a copy to SCO (includes revisions)
- New accounts requiring DOF approval - submit a copy of approval letter to SCO
- Closed accounts – indicate date when account was closed
- Department head or designee must sign
- Provide tax identification number and authority

# *Frequently Asked Questions*

- When are year-end reports due? **August 1 & August 22, 2016**
- Where can I find SCO reporting information? **SCO website**
- Who can I contact for assistance? **SGR Contact List**
- Who is in charge of statewide accounting policy? **DOF, FSCU**
- What does SGR look at in the Financial Reporting Criteria Checklist? **Year-end financial reports are on time, complete, and without any errors**
- When can I submit a revised year-end report? **By September 15, 2016**

# *Frequently Asked Questions (cont.)*

➤ Which year-end reports are required?

✓ Governmental Cost Funds:

- CALSTARS – Automated

Reports: CSYDB3-1, H14, 3, 4, 6, 7 & 8

- Manual

Reports: 1, 2, 3, 4, 5, 7, 8, & 15

✓ Nongovernmental Cost Funds

Reports: 3, 7, 8, 9, 13, & 20

✓ Bonds Funds

Reports: 1, 2, 3, 4, 5, 7, 8, & 15

✓ Special Reports

Reports: 14, 18, 19, & 22

✓ Supplemental Information

Due To/Due From & Material Variance form

# *Frequent Errors and Issues*

- Year-end reports are submitted after due date
- Certification Letter is not completed correctly
- General Ledger accounts for Report 1 accruals are incorrect
- No back up documents submitted for Report 3 adjustments
- Missing or incorrect Year-end reports – poor quality
- Debits and Credits do not equal
- Due To/Due From form has incorrect appropriation or organization code
- Material Variance form is missing or incomplete

# Delinquent Year-End Report

Agencies who fail to file year-end financial statements in a timely manner are posted on the SCO's website.



Controller **Betty T. Yee**  
California State Controller's Office

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- Reporting
- MIRS
- MyCalPAYS
- Payroll Procedures Manual
- Statewide Training
- CLAS Training
- MyCalPAYS Training
- Payroll Deduction Information

▼ LOCAL GOVERNMENT

- State / Local Government

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## Delinquent Year-End Financial Statements FY 2014-15

Due Dates	Funds
July 31, 2015	General Fund, Feeder Funds, and Special Funds for Economic Uncertainties
August 20, 2015	All other funds

- [Outstanding Year-End Financial Statements as of 2/12/2016](#)
- [Outstanding Year-End Financial Statements as of 2/5/2016](#)
- [Outstanding Year-End Financial Statements as of 1/29/2016](#)
- [Outstanding Year-End Financial Statements as of 1/22/2016](#)
- [Outstanding Year-End Financial Statements as of 1/15/2016](#)
- [Outstanding Year-End Financial Statements as of 1/8/2016](#)
- [Outstanding Year-End Financial Statements as of 1/4/2016](#)

# *State Controller's Office Website*

[http://www.sco.ca.gov/ard\\_reporting.html](http://www.sco.ca.gov/ard_reporting.html)

State and Local / Reporting / Reporting Forms and Information

- Open House and Financial Reporting Criteria
  
- Budgetary/Legal Basis Reporting:
  - ✓ Annual Financial Statements
  - ✓ Budgetary/Legal Year-End Financial Report Procedure Instructions
  - ✓ Budgetary/Legal Year-End Financial Reports (Blank Forms)
  - ✓ Certification Letters (Examples)
  - ✓ Important Year-End Information

*Questions?*





# **STATE CONTROLLER'S OFFICE**

## **BUREAU OF STATE GOVERNMENT REPORTING**

### **State Reporting GAAP Section**

# *GAAP Basis Financial Reporting Agenda*

- GAAP Basis Financial Reporting
- Comprehensive Annual Financial Report (CAFR)  
Preparation Process
- GAAP Agency Request Process
- Common GAAP Adjusting Entries
- Important Due Dates
- Common Errors
- Questions

# *GAAP Basis Financial Reporting*

- The SCO is required to prepare an annual financial report prepared in conformity with accounting principles generally accepted in the United States (GAAP)
- GASB Statement No. 34 (effective beginning in FY 2001-02) established financial statement standards for state and local governments. It established a very specific format for the Comprehensive Annual Financial Report (CAFR)
- State funds are classified into one of the 11 GAAP fund types that are grouped into three broad categories of funds:
  - ✓ Governmental Funds
  - ✓ Proprietary Funds
  - ✓ Fiduciary Funds
- A CAFR Supplement is also prepared to display the legal level of budgetary control in the GAAP fund-type structure

# *GAAP Basis*

## *Financial Reporting (cont.)*

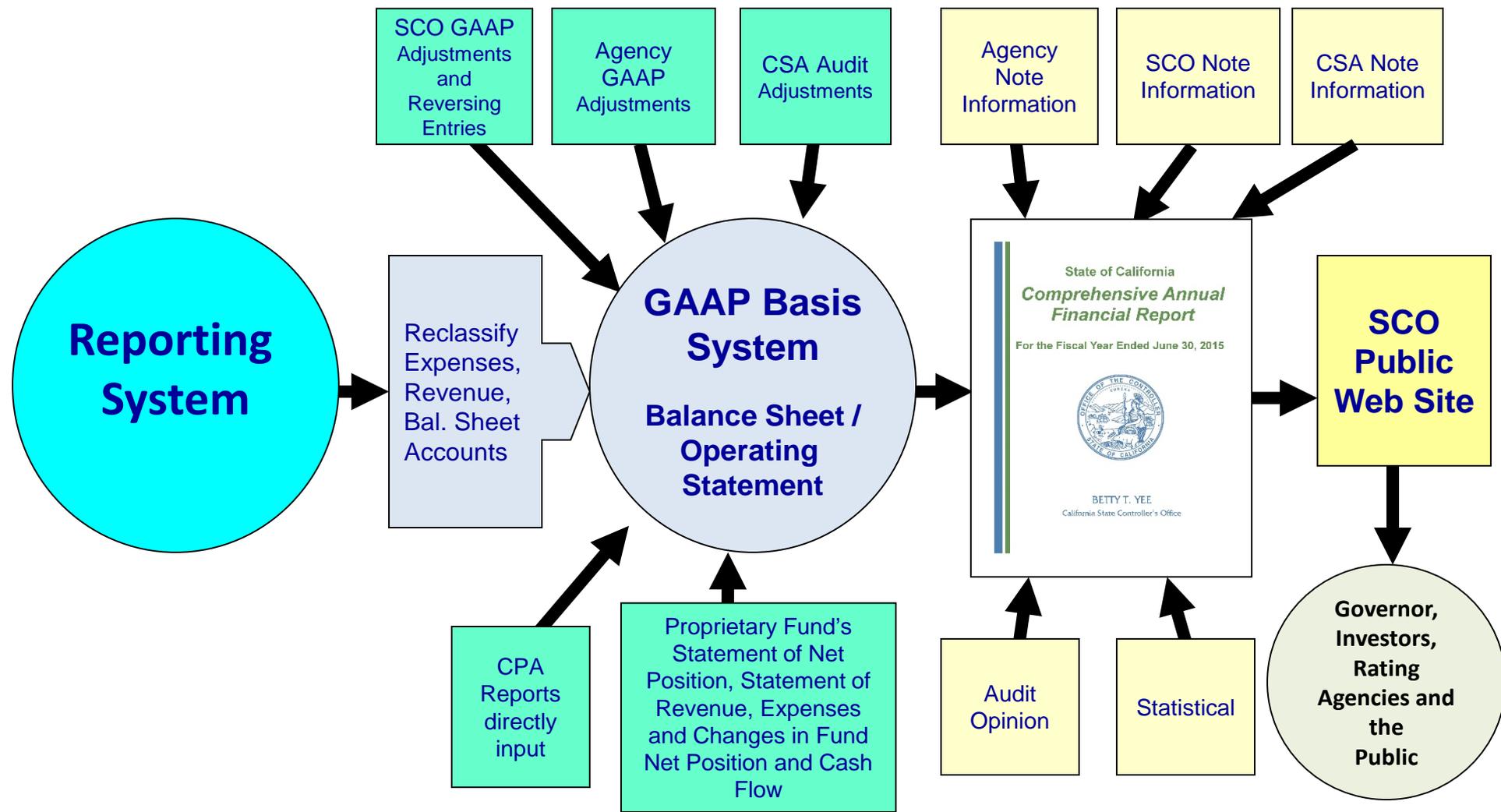
- The CAFR has three main sections:
  - ✓ Introductory (including a Transmittal Letter & Org. Chart)
  - ✓ Financial
    - Independent Auditor's Report
    - Management's Discussion & Analysis (MD&A)
    - Basic Financial Statements
      - Government-wide
      - Fund (Governmental, Proprietary, Fiduciary)
      - Component Unit
      - Notes to the Financial Statements
    - Required Supplementary Information (other than MD&A)
    - Combining Statements and Schedules
  - ✓ Statistical

# *GAAP Basis*

## *Financial Reporting (cont.)*

- The financial information for the CAFR starts with the Budgetary/Legal basis statements
- The GAAP Reporting section has to convert financial information that is accounted for and reported on a Budgetary/Legal basis all year long to a GAAP basis at year end
- The GAAP Reporting section does not always have the detailed information necessary to do the conversion, so we request information from the agencies
- The GAAP Reporting section adds its own adjusting entries and information to produce the CAFR

# Comprehensive Annual Financial Report Preparation Process



# *GAAP Agency Request Process*

- In July, we email GAAP information requests to agencies that have a material GAAP-basis impact
- The requests include instructions, a list of items received in the prior year and any new requirements for the current year
- Main types of information requested:
  - ✓ GAAP adjusting entries
  - ✓ Unaudited proprietary fund statements, including cash flows
  - ✓ Audited financial statements (for those funds where an external audit is performed)
  - ✓ Long-term obligation information (G.O. bonds, revenue bonds, pollution remediation, leases, workers compensation, etc.)
  - ✓ Statement of Changes in Assets & Liabilities for agency funds

# *GAAP Agency Request Process (cont.)*

- The GAAP information requests usually include an Excel workbook that includes:
  - ✓ CY tabs for GAAP entries by fund or fund type, unaudited proprietary fund statements, and any other information requested
  - ✓ PY tabs showing what was submitted in the prior year with any SCO or CSA adjustments

Note: Agencies do not need to change their records to reflect the GAAP adjustments provided to the SCO

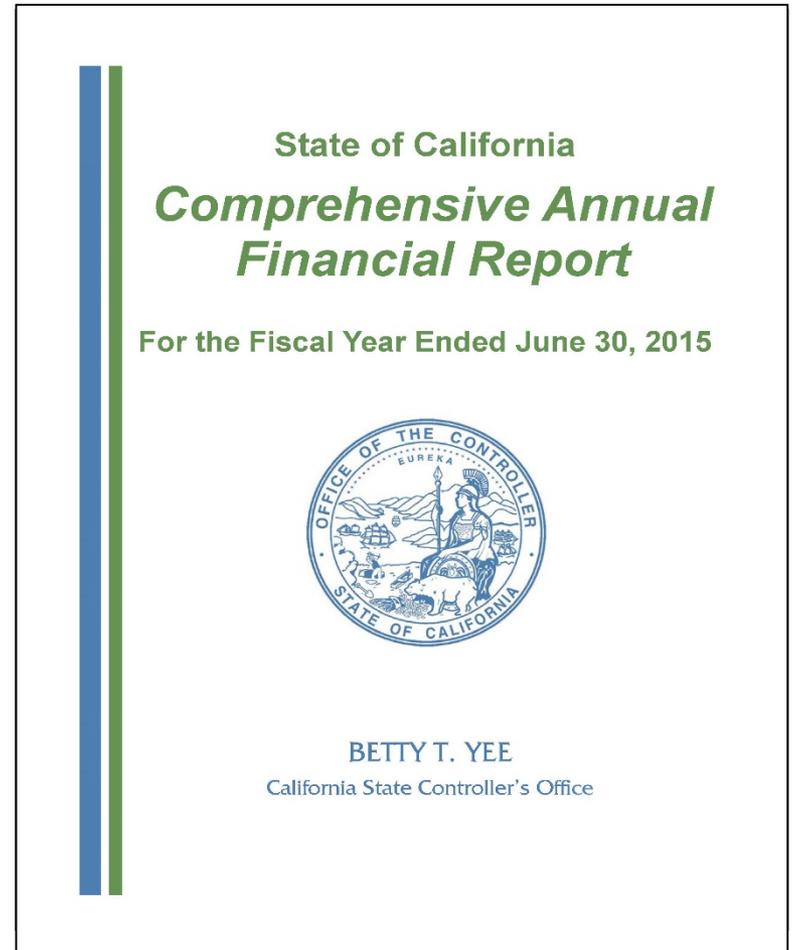
- Agencies complete the CY tabs of the Excel workbook and add any additional GAAP entries they have identified
- The Excel workbooks and any other requested information are emailed back to the GAAP Reporting section with the required Certification Letter and Management Representation Letter.

# *GAAP Agency Request Process (cont.)*

- For funds where an external audit is performed, agencies are asked to email a PDF of the final audit report
- All financial information in the CAFR is audited by the California State Auditor, so they may be contacting you for support for your GAAP entries and other information submitted for the CAFR. They also may ask to contact the audit firm for externally audited funds

# *Comprehensive Annual Financial Report*

- Available on SCO website.
- [www.sco.ca.gov](http://www.sco.ca.gov)
- Path:
  - ✓ Publications
  - ✓ State Government Reports
  - ✓ State Government Annual Financial Reports
  - ✓ Comprehensive Annual Financial Report



# *Comprehensive Annual Financial Report Supplement*

- Available on SCO website.
- [www.sco.ca.gov](http://www.sco.ca.gov)
- Path:
  - ✓ Publications
  - ✓ State Government Reports
  - ✓ State Government Annual Financial Reports
  - ✓ Comprehensive Annual Financial Report (CAFR) Supplement



# *Year-End Financial Reports Information – GAAP Basis*

- SCO provides instructions for the GAAP adjustments, proprietary fund statements, and audited financial reports submitted by the departments/agencies
- Available on SCO website:  
[http://www.sco.ca.gov/Files-ARD/CAFR/gaapinstr\\_FY1415.pdf](http://www.sco.ca.gov/Files-ARD/CAFR/gaapinstr_FY1415.pdf)

## **Year-End Financial Reports Information**

### **GAAP Basis**

**For the Fiscal Year Ended  
June 30, 2015**



**BETTY T. YEE**

California State Controller's Office

# *Common GAAP Adjusting Entries*

## ➤ **Encumbrances and Grant Commitments**

On a GAAP basis, encumbrances (for goods and services not yet received) are not included in liabilities and expenditures, but are included as a restriction/commitment/assignment of fund balance.

Further, some encumbrances represent grant commitments (funded from local assistance appropriations and the State will not own the resulting asset) that are just disclosed in the notes to the financial statements, rather than as a restriction/commitment/assignment of fund balance.

- ✓ **Governmental Funds** – Report 1 encumbrance column is used to create the Reserve for Encumbrances

GAAP Entry needed to eliminate grant commitments:

Dr. Reserve for Encumbrances

Cr. Unassigned Fund Balance

# *Common GAAP Adjusting Entries (cont.)*

## ✓ **Nongovernmental Cost Funds**

Expenditures are input into the Budgetary/Legal Basis Reporting system at the general ledger level from the agency's Report 7. The liability and expenditure general ledger accounts on the Report 7 include amounts for encumbrances.

GAAP Entry needed to establish Reserve for Encumbrances:

Dr. Unassigned Balance

Cr. Reserve for Encumbrances

Dr. Accounts Payable (and/or other liability accounts)

Cr. Expenditures (specific functional expenditure account)

GAAP Entry needed to eliminate grant commitments:

Dr. Reserve for Encumbrances

Cr. Unassigned Fund Balance

# *Common GAAP Adjusting Entries (cont.)*

## ➤ **Proprietary Funds - Reclassification of Revenue and Expenses**

GAAP system automatically summarizes all the Budgetary/Legal Basis revenues into one GAAP revenue account (Services and Sales) and all the Budgetary/Legal Basis expenses into one GAAP expense account (Services and Charges).

- ✓ Need to reclassify amounts to other revenue categories – Interest Revenue, Rent, Other

Dr. Services and Sales  
Cr. Interest Revenue

- ✓ Need to reclassify amounts to other expense categories – Depreciation, Personal Services, Interest Expense

Dr. Depreciation  
Dr. Personal Services  
Cr. Services and Charges

# *Important Due Dates*

- GAAP Adjusting Entries – September 1, 2016
- Audited Financial Statements – September 30, 2016
  - ✓ If final audit is not complete by September 30, 2016, a draft must be submitted by that date
  - ✓ Final audit reports due after draft submitted – October 14, 2016
- Statistical information for CAFR – December 1 or December 15, 2016 (depending on type and agency)

# *Common Errors*

- Failure to meet GAAP Request due dates
- Substantial errors on GAAP entries or other information provided
  - ✓ Multiple revisions submitted
  - ✓ Incorrect GAAP GL accounts used
  - ✓ Incorrect amounts or incomplete entries
  - ✓ Incorrect footing or summation / debits  $\neq$  credits
- Missing entries or requested information
  - ✓ Not all worksheets submitted
  - ✓ Current year entry tab not completed or prior year provided instead of current year
- Report 18 for capital assets not completed correctly
- Certification Letter and/or Management Representation Letter not submitted or incomplete

*Questions?*



**State Reporting Policy  
Training**

# *State Reporting Policy Agenda*

- GASB – Governmental Accounting Standards Board
- GASB Implementation
- New Funds
- Accuracy and Timeliness
- GASB 68 and 71 updates
- Upcoming GASB Standards (Fiscal Year 2015-16)
- Questions

# *Governmental Accounting Standards Board (GASB)*

- The Governmental Accounting Standards Board (GASB) develops Generally Accepted Accounting Principles (GAAP) for State and Local governments.
- SCO must comply with GASB standards for proper reporting of accounting transactions in order to produce the State's financial statements.
- The GASB consistently issues new standards and revisions to old standards. The SCO needs to analyze the effects and impacts to the financial statements for the State, and the State's agencies and departments, for each of these new and revised standards.

## *GASB (cont.)*

- In the year of implementing those new standards, the SCO's State Reporting Policy section provides information and guidance to agencies/departments to ensure proper implementation of those new GASB standards.
- Information for previously implemented GASB standards becomes part of future GAAP information requests (transactions, disclosures, reporting information, assertions, certifications, etc.).

# *GASB Implementation*

- For the successful implementation of any GASB standard, the SCO relies on state departments providing necessary information in a timely manner.
- The Policy Section evaluates and assesses the impact of GASB standards on state departments/agencies, the SCO's reporting systems, and the State's financial publications (e.g. CAFR).
- For the SCO to gain complete understanding of agency transactions, we request information through surveys, correspondence, and meetings related to the new GASB standards.
- The SCO provides additional information on our website for State departments/agencies for reference and understandability.

[http://www.sco.ca.gov/ard\\_reporting.html](http://www.sco.ca.gov/ard_reporting.html) (GAAP Basis Reporting)

# *New Funds*

- The Policy section reviews new and revised funds for the State and requests input from the administering organizations for these funds related to fund balance classification analysis.
- Agency input is important to the SCO's understanding of inflows and related constraints on the resources of these funds to ensure proper presentation in the State's financial statements.

# *Accuracy and Timeliness*

- New GAAP requirements related to GASB standards changes, and the needed changes to the SCO's internal processes and procedures, rely on thorough and timely responses from the agencies.
- Complete and accurate responses to survey questions, or any requested information, are important to ensure the SCO's understanding of agency processes, procedures, and even the agency's understanding of an issue or requirement.

# *GASB 68 & 71 Update*

- The SCO will be publishing the AU-C 805 Opinion related to pension plans
- Similar to last year, SCO will be providing pension elements to enterprise, internal service and component unit funds
- The funds mentioned above are required to report pension elements and deferred employer contributions made in the FY 2015-16

# *Upcoming GASB Standards*

- **FY 2015-16 CAFR – Four new GASB standards will be implemented**
  - ✓ GASB 72 – Fair Value Measurement and Application
  - ✓ GASB 73 – Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68
  - ✓ GASB 76 – The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments
  - ✓ GASB 79 – Certain External Investment Pools and Pool Participants

*Questions?*

