Budget Letter

NUMBER:	15-16
SUBJECT: PAST YEAR ADJUSTMENTS FOR THE 2016-17 BUDGET CYCLE	**DATE ISSUED:** August 11, 2015
REFERENCES: BUDGET LETTERS 14-07, 14-15, 14-16, 14-18, 15-03, 15-04, 15-05, 15-06 AND 15-15	**SUPERSEDES:** BL 14-16

TO: Agency Secretaries
        Department Directors
        Departmental Budget and Accounting Officers
        Department of Finance Budget and Accounting Staff

FROM: DEPARTMENT OF FINANCE

In the past, the Department of Finance (Finance) provided a hard copy of past year schedule 10s and 10Rs to departments to update past year budgetary amounts. Now that FI$Cal (Hyperion) is the budgetary system of record, Finance will provide departments Hyperion reports containing initial past year expenditure and revenue data to assist in the preparation of the 2016-17 Governor's Budget. Departments will utilize the reports, in conjunction with the information in the 2014-15 financial statements and other accounting reports, to make appropriate budget adjustments to Hyperion to reflect past year actuals.

Deadlines and Deliverables

September 11, 2015 (Friday)	**Past year update of Expenditures and RTLs (Revenues, Revenue Transfers, Loans, and Loan Repayments).**
September 16, 2015 (revised from September 1, 2015, per BL 15-03)	**(1) Non-shared fund administrators submit DF-303 packets to Finance budget analyst.** **(2) Shared fund users submit DF-303 packets to fund administrators.** **(3) Departments submit DF-304 and supporting documentation to Finance budget analyst.**
September 25, 2015 (revised from September 15, 2015, per BL 15-03)	**Shared fund administrators submit DF-303 packets to Finance budget analyst.**

Until departments and State Controller's Office (SCO) control functions are transitioned into FI$Cal (PeopleSoft) for accounting, departments will need to reconcile between the legacy system coding structure used to prepare financial statements and the new account/category codes used in Hyperion. Due to this reconciling process, we realize departments will encounter more difficulty preparing their past year budget adjustments for Hyperion during this transition period. To minimize workload on the departments, a few new tools have been devised to assist.

1. A translation from Hyperion codes to legacy codes for each department.
2. A new CALSTARS "Past Year Expenditure" file that CALSTARS departments can order.
3. A new past year baseline budget adjustment upload template specifically for past year expenditure update purposes.

<u>**GLOSSARY RELEVANT TO THIS BUDGET LETTER**</u>

BR = Budget Request. A component within an issue to identify proposed change to dollars and positions.
BU = Business Unit. An organization code/entity.
Category = An account code in the Chart of Accounts.
DP = Decision Package. Equivalent to an issue.
ENY = Enactment Year. Formerly Year of Appropriation.
Request Amounts = Authorized spending by account code.
String = BU-Reference-Fund-ENY-Program-Category. The combination of codes to enter expenditure amounts in the Hyperion system.
UCM = Uniform Code Manual.

<u>**EXPENDITURES**</u>

1. **Initial Reports**—By late August, departments will be provided with two past year reports. Each report reflects the expenditures of the 2014-15 fiscal year as of the 2015 Budget Act

   a. Category 5 (AC_5) expenditures. This report shows gross amounts of each expenditure string (BU-reference-fund-ENY-program-category), including the values for reimbursement that tie to this string.
   b. Category 48 (AC_48) reimbursements. This report shows the amount of reimbursement related to each BU-reference-fund-ENY-program-reimbursement combination.

   These reports have three sections:

   a. Initial amounts extracted from Hyperion. These reflect the rolled over values, as described in BL 15-05, for 2014-15 when the 2015-16 budget was enacted.
   b. Incremental change. No need to update. This automatically calculates the difference between (c) and (a).
   c. Past year actuals. Departments are to update this section to show reconciled past year budgetary expenditures.

2. **Hyperion vs Legacy Code Translation**—With the attempt to make this process smoother for the departments, the AC_5 report will provide each department a side-by-side translation of the Hyperion expenditure string in Hyperion code vs legacy codes utilizing two crosswalks that are posted on Finance's website http://www.dof.ca.gov/FISCal_Resources/view.php.

   a. Program Crosswalk (SCO legacy system and Hyperion).
   b. Category Code Crosswalk for Past Year (condensed UCM object codes and Hyperion category codes). The last column in this crosswalk provides AC codes that departments must use for past year incremental baseline adjustments. For AC codes with one asterisk, more than one AC code is available under the parent code in Hyperion and departments have the latitude to use the most applicable one.

3. **CALSTARS Past Year Expenditures**—CALSTARS departments may request a new "Past Year Expenditures (HD)" file through the CALSTARS G.2 screen. This new file provides past year budgetary expenditure amounts for each expenditure string under the legacy codes. This file should facilitate departments updating the past year amounts in Hyperion. This data can also be summarized using the CALSTARS Q35 report.

   CALSTARS departments can obtain reimbursement data from the CALSTARS Q24 report.

   Assistance is available from the CALSTARS Hotline at (916) 327-0100 or email: hotline@dof.ca.gov.

4. **Reconciliation to Year End Financial Statements**—After adjustments are made**,** the final past year (2014-15) budgetary expenditure amounts in Hyperion must reconcile to dollar amounts reported to the SCO on the year-end financial statements. If source documents other than year-end financial statements are being used by departments, these source documents must be approved by your Finance budget analyst prior to submittal of past year information. Departments must provide a written explanation of any discrepancies between the budget documents and the year-end financial statements to their Finance budget analyst. Unapproved discrepancies may require a revision of the past year expenditures or year-end financial statements. Final budgetary amounts will be shown in the Governor's Budget as past year expenditures.

5. **Required Backup Information**—Departments must submit their Final Budget Report (Year-end Report 6) documentation to their Finance budget analyst to verify past year actual expenditures. For nongovernmental cost funds, expenditures may need to be reconciled with other appropriate documentation if they do not reconcile to the Report 6.

6. **Relationship to Past Year Fund Balance Reconciliation**—In addition, past year expenditure information must tie to the Detailed Fund Balance Report (DF-303) prepared by the department if there is a Fund Condition Statement in the Governor's Budget. Instructions for reconciling funds for the past year and preparation of the DF-303 and DF-304 are available on the Finance website at: http://www.dof.ca.gov/accounting/Fund%20Reconciliation/. Please note that due dates have been extended since BL 15-03 was issued to adjust for the September 11, 2015 due date for past year budget adjustments (see *Deadlines and Deliverables* chart above).

7. **How to Update the Past Year Actual Section**—The initial reports referenced in item 1 above have three sections as described. Each section has four columns for each expenditure string:

    a. Request amount (the authorized amount)
    b. Estimated Savings
    c. Estimate Carryovers
    d. Budgetary Expenditures (request minus savings and carryovers equals budgetary expenditures)

    After determining the final budgetary expenditures from accounting documents, assuming the request (authorized) amount did not change, the departments must determine if the change in budgetary expenditures is a result of a change in savings and/or carryovers (since the rollover). If the encumbrance period for the expenditure authority has expired, the difference should be reflected as savings. If there is a change in the authorized amount, enter those incremental adjustments in the request amount column, noting the legal budgetary authority for the adjustment.

    Post the four updated amounts in the Past Year Actual Section of the reports. The incremental change section of the reports will be calculated (using past year actuals minus the initial amounts).

8. **How Will Changes Be Reflected in Hyperion**—Once the incremental adjustments to past year for the expenditure string have been determined, those adjustments will be made in one single **new DP/BR.** Use the following DP/BR name and description:

    • XXXX-001-BBA-**DP**-2016-GB, Description: Past year adjustments
    • XXXX-001-BBA-**BR**-2016-GB, Description: Past year adjustments

    Wave 1 and 2 departments. Electronically send a copy of the updated reports to your Finance budget analyst. Enter or upload the incremental adjustments directly into Hyperion using the Governor's Budget scenario and Department Working version. Copy the DP to the DOF/Department Exchange

version. Inform your Finance budget analyst once the DP is available for Finance to accept in the DOF/Department Exchange version.

Non-Wave 1 and 2 departments. Discuss with your Finance budget analyst whether it is necessary to provide an upload template or if your Finance budget analyst will key the data directly into Hyperion. If a template is required, post the incremental amounts in a new Past Year BBA Template (brand new in August 2015 and located here http://www.dof.ca.gov/budgeting/forms/view.php) and submit to your Finance budget analyst for uploading into Hyperion. Incremental increase in savings or carryovers must be shown as negative amounts.

REVENUES, REVENUE TRANSFERS, LOANS, AND LOAN REPAYMENTS (RTLs)

1. **Initial Reports**—By mid August, each department will receive the Past Year Incremental RTL Adjustments report containing 2014-15 amounts when the 2015-16 budget was enacted. The report has these sections:

    a. Revenue Request (aka revenue)
    b. Revenue Transfer
    c. Loan Amount
    d. Loan Repayment

2. **Reconciliation to Year End Financial Statements**—All past year RTL data must reconcile to the year-end financial statements reported to the SCO. Revenue data, excluding transfers and loans, must be reconciled with the Statement of Revenue (Year-end Report 4). Transfers and loans must be reconciled with the Final Budget Report (Year-end Report 6) or the Reconciliation of Agency Accounts with Transactions per State Controller Report (Year-end Report 15). Finance's approval is required for any difference between final revenue data reflected in Hyperion and revenue data reported to the SCO; departments must submit an explanation for any differences. Final budgetary amounts will be shown in the Governor's Budget.

3. **CALSTARS Data**—CALSTARS departments may use the CALSTARS Q24 report to assist in preparing past year RTLs.

    Assistance is available from the CALSTARS Hotline at (916) 327-0100 or email: hotline@dof.ca.gov.

4. **Required Backup Information**—Departments must submit a copy of Year-end Reports 4, 6, and/or 15.

5. **Relationship to Past Year Fund Balance Reconciliation**—Past year RTL data must tie to any related Detailed Fund Balance Report (DF-303) prepared by the department.

6. **How to Update the Past Year Revenues**—Departments are to enter the past year actuals and the RTL file will calculate the incremental sections of the report.

7. **How Will Revenue Changes Be Reflected in Hyperion**—Once the incremental adjustments to past year revenues are determined, all these adjustments will be made in one single **new DP/BR.** Use the following DP/BR name and description:

    - XXXX-001-BRTL-**DP**-2016-GB, Description: Past year revenue adjustments
    - XXXX-001-BRTL-**BR**-2016-GB, Description: Past year revenue adjustments

Wave 1 and 2 departments. Electronically send a copy of the updated reports to your Finance budget analyst. Enter or upload the incremental adjustments directly into Hyperion using Governor's Budget scenario and Department Working version. Copy the DP to the DOF/Department Exchange version. Inform your Finance budget analyst once the DP is available for Finance to accept in the DOF/Department Exchange version.

Non-Wave 1 and 2 departments. Discuss with your Finance budget analyst whether it is necessary to provide an upload template or if your Finance budget analyst will key the data directly into Hyperion. If a template is required, post the incremental amounts in a Baseline Revenues, Transfers, and Loans upload template (updated in July 2015) found here:
http://www.dof.ca.gov/budgeting/forms/documents/BRTL%20Upload%20Template%20Blank.xlsm
and submit to your Finance budget analyst for uploading into Hyperion.

8. **How to Update Revenue Transfers, Loans, and Loan Repayments**

The process to update past year revenue transfers, loans, and loan repayments for the 2016-17 budget cycle is different than updating expenditures and revenues. For adjustments to revenue transfers, loans, and loan repayments, the existing DP/BRs must be used since those have been rolled over intact in the budget rollover process for the 2016-17 budget cycle.

Wave 1 and 2 departments will need to update Hyperion by replacing (overlaying) the existing values with the final updated value for those BRs (not the incremental adjustment value).

For non-Wave 1 and 2 departments, their respective Finance budget analysts will enter the final values (overlay the existing amount) in Hyperion by using the past year actual amounts from the revenue transfers, loans, and loan repayments past year report submitted by their departments.

Since all the rolled over revenue transfers, loans, and loan repayments have last cycle's DP/BR name (i.e., XXXX-XXX-BRTL-BR-2015-XX), Finance budget analysts will be updating all those DPs to reflect FY 2016 and GB (Governor's Budget). This will be done once the Finance budget analyst has reviewed the past year data provided via Hyperion for Wave 1 and 2 departments, or after non-Wave 1 and 2 departments submit the RTL upload templates.

ROUNDING

Departments are strongly encouraged to round all expenditure and RTL "final" amounts to the nearest thousand (e.g., $2,000 instead of the true actual of $1,992) to avoid rounding issues in Hyperion reports and budget publications. For example, if the initial rolled over amount was $22,745,411 and the true actual was $22,750,898, you would enter an incremental adjustment of +$5,589 to have a final amount of $22,751,000.

If you have any questions, please contact your Finance budget analyst.

/s/ Veronica Chung-Ng

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