Past Year Fund Reconciliation

When past year actuals are provided by departmental accounting offices to departmental budget staff, a reconciliation between accounting and budgeting must be completed. This training aid provides background and instructions for budget staff submitting past year fund reconciliation documents to their Finance Budget Analyst.

Fund Classifications

In budgeting we categorize funds into five different classifications generally based on the fund's revenue source; General Fund, Special Fund, Bond Fund, Federal Fund, and Nongovernmental Cost Fund.

General Fund (G): Used to account for revenues not specifically designated to be accounted for by any other fund. Primary sources of revenue are personal income tax, sales tax, and corporation tax.

Special Funds (S): Used to account for taxes, licenses, and fees that are restricted by law for particular activities of government.

Bond Funds (B): Used to account for proceeds of general obligation (non-self liquidating) bond authorizations.

Nongovernmental Cost Funds (N): Used to account for revenues from sources other than general or special taxes, licenses, fees, or other state revenues (excluding bond proceeds and federal receipts).

Federal Funds (F): Used to account for all monies received from an agency of the federal government.

All special funds along with a select few federal, bond, and other non-governmental cost funds are displayed in the fund administrators' budget galley, Fund Condition Statement section. The FCS section includes a detailed breakdown of all revenue and expenditure fund information and allows readers to see how all the financial information ties together.

Matching vs. Reconciling

The goal of the past year fund reconciliation process is to tie budgeting and accounting fund balances. This does not however mean matching between the two. It is our duty to the State to provide the most accurate information possible to allow for elected officials to make informed budgeting decisions.

Matching: Two numbers are the same. Do not force them to match if they don't, we need to understand which one is correct and why.

Reconciled: Explaining any differences between two numbers and providing the best number to Finance to make the best recommendations on budget issues.

On accounting documents you will notice every dollar and cent is included, for budgeting we round everything to the nearest thousand "000". As such variances between the two will occur, which is why we allow for a variance of up to \$5,000 without a written explanation. Any amount over the \$5,000 threshold will require a reconciliation explanation.

Past Year Fund Reconciliation Package

A complete fund reconciliation package consists of a DF-117, DF-303 or DF-304, a Fund Condition Statement if applicable, and all backup accounting documents.

DF-117: A Certification of Past and Prior Year Information, signed by the Department Director or equivalent and may be designate one level down such as to a Chief Deputy Director. A digital signature is acceptable.

DF-303 (Accounting Document): A fully annotated Detailed Fund Balance report for funds that will have a Fund Condition Statement in the Governor's Budget galley.

DF-304 (Accounting Document): A Past Year Expenditure Reconciliation report submitted for all other funds with expenditure activity that do not have a Fund Condition Statement in the Governor's Budget galley.

FCS (Budgeting Document): A Fund Condition Statement, if applicable, with an adjusted beginning and ending balance that ties to the DF-303 rounded to thousands.

Backup accounting documents include but are not limited the Report 4, 6, 9, and 15. It is expected these Year End Reports be fully annotated by department accounting staff to allow budgeting to tie between them and the DF-303.

All past year fund reconciliation forms (DF-117, DF-303, DF-304, and FCS) can be located on Finances website, directly link below:

https://dof.ca.gov/accounting/accounting-policies-and-procedures/accounting-policies-and-procedures-fund-reconciliation/

Roles and Responsibilities

Departments are responsible for preparing the past year fund reconciliation package. It is <u>crucial</u> that departmental accounting and departmental budgeting staff coordinate with each other.

Department accounting staff are responsible for preparing fully <u>annotated</u> DF-303 or DF-304 documents and for providing all relevant backup accounting reports also fully annotated.

Department budgeting staff are responsible for preparing fully <u>annotated</u> Fund Condition Statements and submitting the past year fund reconciliation package as a whole to Finance.

Finance is responsible for reviewing past year fund packages, and are instructed to return any fund package to the department if it is incomplete or if corrections are necessary. Finance's central units are responsible for providing central technical instructions.

Information provided to Finance is subject to audit. If an audit does occur, the cost will be funded by the department's existing spending authority.

Shared Fund vs. Non-Shared Fund

It is important that a few distinctions be made between the roles and responsibilities of shared funds and non-shared funds along with fund administrators and fund users. It is critical that fund users and administrators coordinate amongst themselves in order to produce a successfully reconciled fund.

Fund Administrator: The fund administrator is the designated department responsible for the collecting, reviewing, reconciling and submitting a DF-117, a <u>consolidated</u> DF-303, and Fund Condition Statement to Finance.

Fund User: The fund user is a department that spends, collects revenue, or transfers cash to a fund that their department does not administer. Fund users are responsible for reconciling their portion of the prior year adjustment, past year revenues, expenditures, and transfers between their Year End accounting documents and their DF-303. Users will review, prepare and submit a DF-303 report along with supporting reports and certification to the fund administrator by the date established by the fund administrator.

Non-Shared Fund: Funds that have are only used by the fund administrator for expenditures, revenues, or transfers. The fund administrator is solely responsible for submittal of the past year fund reconciliation package.

Shared Fund: Funds that have one or more fund users that either have expenditures, revenues, or transfers. A shared fund reconciliation package will include DF-303 reports from each department along with a <u>consolidated</u> DF-303 and Fund Condition Statement report prepared by the fund administrator.

General Fund Past Year Reconciliation

Finance is responsible for reconciling past year expenditures and revenues for the General Fund between Finance (budgeting) and SCO (accounting), similar to the role of a fund administrator.

Past year expenditure and past year revenue amounts reported to Finance from departments must be reconciled by departments to amounts reported to the SCO in the year-end financial statements, similar to the role of a fund user.

After submittal of past year updates by departments, no changes to the General Fund may be made without prior approval from Finance.

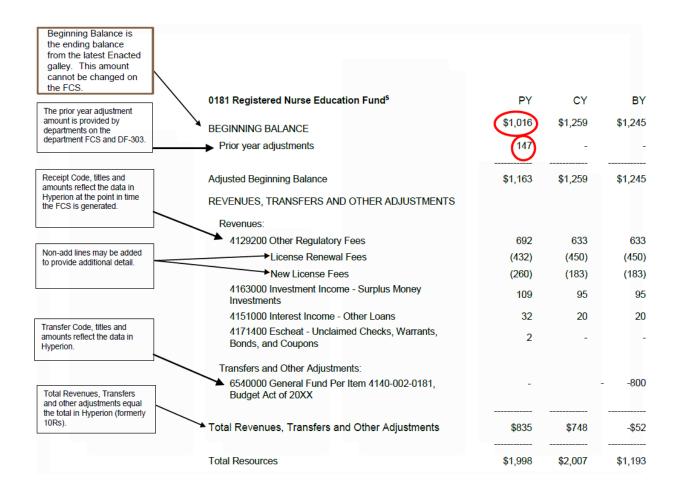
Departments may be contacted by their Finance analyst for further clarification and assistance if there are material differences between Finance and SCO.

Fund Condition Statement Components

The fund condition statement is broken into two sections, Fund Resources and Fund Expenditures.

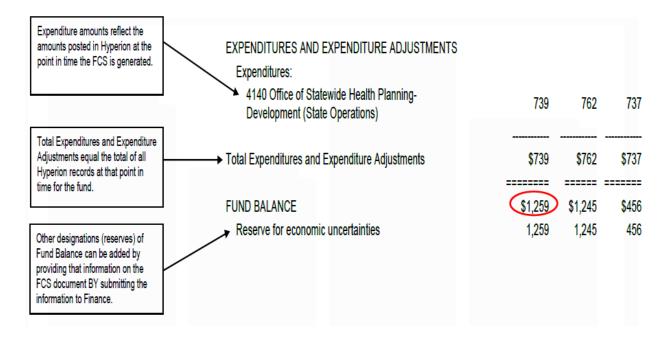
Fund Resources include: Beginning Balance, Prior Year Adjustment, Adjusted Beginning Balance, Revenues, Transfers, and Loans.

The Beginning Balance is always equal to the ending balance for past year as displayed in the Enacted Budget Galley. If adjustments are needed to years prior to past year, they should be incorporated into the Prior Year Adjustment. The Adjusted Beginning Balance should match between the DF-303 and the FCS.



Fund Expenditures include: Expenditures and Expenditure Transfers, Statewide Adjustments, the Ending Fund Balance.

The ultimate goal of past year fund reconciliation is to have the Ending Balance tie between the DF-303 and the FCS. It's more important the accounting and budgeting can reconcile ending fund balances than any other section.



Prior Year Adjustments

Prior year adjustments are made to record the difference between previous accruals (including encumbrances) and actual expenditures, transfers, or revenues for years prior to past year. This can also include adjustments to statewide assessments.

A prior year adjustment will include all activity that occurred in years prior to the current past year. Below is an example of how a prior year adjustment is calculated:

The first column, 2023-24 Last Estimates, represents past year estimated amounts reported at Budget Act in a department's enacted budget galley. The second column, 2023-24 Actuals, represents the actual expenditure amounts reported by accounting after closing out the fiscal year. The third column 2024-25 represents the current past year which will display in the department's Governor's Budget galley.

For the example below in the first column an estimated expenditure amount of 13 was published at enactment. The 13 included accruals and other estimations. In the second column accounting reported an actual expenditure amount of 5, causing a difference between the ending fund balance reported at enactment and the actual fund balance reported after year-end closing. In order to transparently update the beginning balance to reflect actuals the difference will be added as a Prior Year Adjustment.

FUND CONDITION STATEMENT

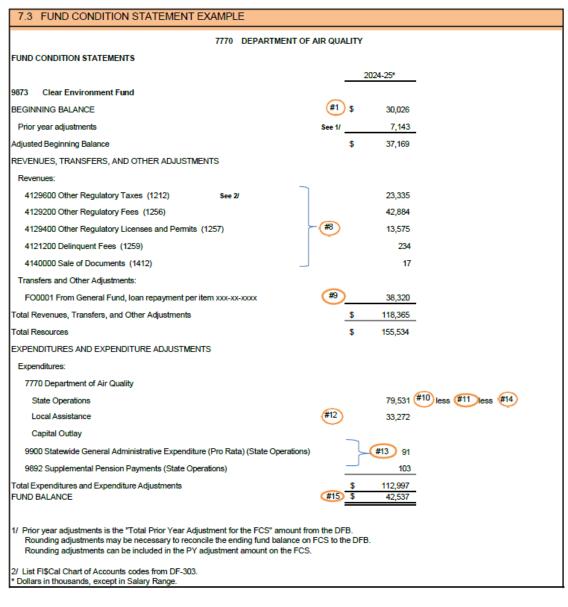
0950 Training Fund ^N
BEGINNING BALANCE
Prior year adjustments
Adjusted Beginning Balance
REVENUES, TRANSFERS, AND OTHER ADJUSTMENTS
Revenues:
4164000 - Gain/Loss on Sale of Investments
Total Revenues, Transfers, and Other Adjustments
Total Resources
EXPENDITURES AND EXPENDITURE ADJUSTMENTS
Expenditures:
0554 Department of Training
Total Expenditures and Expenditure Adjustments
FUND BALANCE

2023-24 Last Estimate	2023-24 Actuals	2024-25	2025-26	2026-27
\$9	\$9	\$9	\$15	\$20
-	-	> 5	-	-
\$9	\$9	\$14	\$15	\$20
\$13	\$13	\$13	\$15	\$18
\$13	\$13	\$13	\$15	\$18
\$22	\$22	\$27	\$30	\$38
13	8	12	10	15
\$13	\$8	\$12	\$10	\$15
\$9	\$14	\$15	\$20	\$23
Diffe	erence of 5			

Tying Accounting to Budgeting

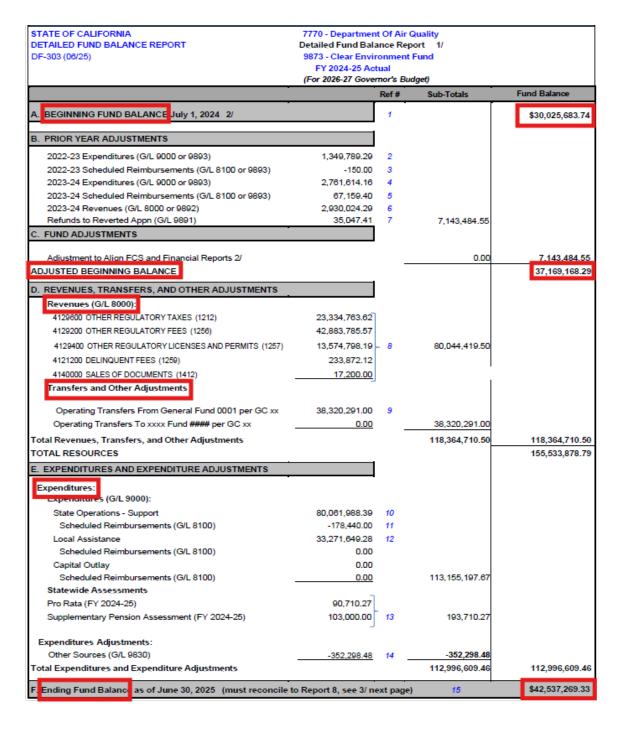
The FCS produced by a department's budget office and the DF-303 populated by departmental accounting should tie for the Adjusted Beginning Balance, Total Resources, Total Expenditures, and most importantly Ending Fund Balance. The beginning balances may be different, but the adjusted beginning balances should match. Below are examples of an FCS, DF-303, and backup accounting reports that are fully annotated.

Below is an example of a FCS that has been annotated. Annotations should be numbered and tie to the DF-303 and the backup accounting documents. This will allow for a smoother fund reconciliation process and far less confusing dialogue between finance staff, departmental budget staff, and departmental accounting staff. Note the "#1" circled on the FCS ties to the "1" placed in the reference column of the DF-303 on the next page.



The Detailed Fund Balance Report (DF-303) is an accounting reconciliation document that displays past year actuals for a fund. The DF-303 should tie to the Year End backup reports and should be clearly annotated.

Below is an example of a DF-303 that has been annotated, annotations should be numbered and tie to the FCS and the backup accounting documents. Note that the "8" entered into the Ref # column next to "80,044,419.50" ties to the sum of the values annotated with a circled "#8" on the FCS above.



Year End Statement of Revenues (Report 4): An accounting reconciliation document that ties to the Revenues, Transfers and Other Adjustments section of the DF-303.

Below is an example of provided accounting documents that is fully annotated, annotations should be numbered and tie to the DF-303. Note that that the circled "#8" in this sample Report 4 matches the amounts annotated with the #8 on the previous two samples.

REPORT 4 - YEAR END STATEMENT OF REVENUE Department of Air Quality - 7770 Fund 9873 Fiscal Year 2024-25 As of 06/30/2025

 Business Unit :
 7770 - Department of Air Quality
 Report ID :
 RPTGL065

 Fund :
 9873 - Clear Environment Fund
 Run Date :
 7/1/2025

 Subfund:
 Run Time :
 10:29:59

 Enactment Year :
 2024
 Adjustment Period:
 998

Account	<u>Description</u>	Actual Revenues	<u>Total</u>
121200	Other Regulatory Taxes	23,334,763.62	
125600	Other Regulatory Fees	42,883,785.57	
125700	Other Regulatory Licenses and Permits	13,574,798.19	
125900	Delinquent Fees	233,872.12	
141200	Sales of Documents	17,200.00	
*Total Fund	9873		80,044,419.50#8

RECONCILIATION OF STATE CONTROLLERS REVENUE WITH STATEMENT OF REVENUE,

TOTAL REVENUE PER STATE CONTROLLERS OFFICE ACCOUNTS RECONCILING FACTORS:

ACCRUALS PER REPORT OF ACCRUALS

ADJUSTMENT TO CONTROLLERS ACCOUNTS

TOTAL REVENUE PER STATEMENT OF REVENUE 80,044,419.50

0.00

Final Budget Report (Report 6): Provides a detailed breakdown of expenditure amounts for both past year and prior years. Below is an example of the accounting document that is fully annotated. Annotations should be numbered and tie to the DF-303.

REPORT 6 - FINAL BUDGET REPORT DEPARTMENT OF AIR QUALITY - 7770 FISCAL YEAR 2026 - 25 AS OF 06/30/2025

Page No:1

Fund: Subfund: Reference: Enactment Year:	9873 000 001 2022	- CLEAR EN	IVIRONMI	ENT FUND			Report Run Da Run Ti Adjusti	ate: 7/1/2025
Budget Period	PG	EL CMP	TSK	Appropri	iation Description			
.Appropriatio	n	Expen	ditures	Enc	umbrance/Allocated Encumbrance	Prior Year Encumbrance Reversals	Budgetary Expenditures	Balance
REGULAR APPRO	PRIATI	ONS						
2022	10			Research	and Development			
-12,043, TOTAL FOR REGU		PROPRIATI		77.99	0.00	1,639,067.28	-1,349,789.29	-13,392,944.72
-12,043, SCHEDULED REIM		MNETS	289,27	77.99	0.00	1,639,067.28	-1,349,789.29	-13,392,944.72
2022	90 150.00	EL CMP TSK / Expenditures ATIONS 43 289,277. R APPROPRIATIONS: 43 289,277. RSEMNETS 0 150. LED REIMBURSEMENTS:		50.00	0.00	150.00	0.00	
TOTAL FOR SCHE	DULED	REIMBURSE	EMENTS:					
TOTAL REFERENCE	150.00 E	001	15	50.00	0.00	0.00	150.00	0.00
-12,043,			289,42	27.99	0.00	1,639,067.28	-1,349,639.29	-13,392,944.72

REPORT 6 - FINAL BUDGET REPORT DEPARTMENT OF AIR QUALITY - 7770 FISCAL YEAR 2024 - 25 AS OF 06/30/2025

Fund:

Subfund:

9873 - CLEAR ENVIRONMENT FUND

000

Page No:1

RPTGL067

7/1/2025

Report ID:

Run Date:

Reference: 001 Enactment Year: 2024									Time: sting Period	09:31:29 : 998	
Budget	Period	PG	EL	СМР	TSK	Appre	opriation Description				
.Appropriation Expe		Expen	ditures		Encumbrance/Allocated Encumbrance	Prior Year Encumbrance Reversals	Budgetary Expenditure	s l	Balance		
REGULA	AR APPRO	PRIA	TION	IS							
2024		10				Resea	rch and Development				
	-96,226,2	47.00			70,009,1	199.35	10,052,789.04	0.00	80,061,988.3	39	-16,164,258.61
TOTAL	FOR REGI	JLAR	APP	ROPRIA	TIONS:						
	-96,226,2	47.00			70,009,1	199.35	10,052,789.04	0.00	0 80,061,988.3	39 #10	-16,164,258.61
SCHEDU	ULED REIN	IBUR	SEM	NETS							
2024		90									
	183,6	40.00			-178,4	140.00	0.00	0.00	-178,440.	00	5,200.00
TOTAL	FOR SCH	EDULI	ED RI	EIMBUR!	SEMENT	ΓS:					
	183,6	40.00			-178,4	140.00	0.00	0.0	-178,440.	00 #11	5,200.00
TOTAL	REFEREN	CE	001								
	-96,042,6	07.00		(69,830,7	759.35	10,052,789.04	0.00	79,883,548.3	39	-16,159,058.61
							TOTAL R	EFERENCE			

Analysis of Change in Fund Balance (Report 9): Provides a summarized view of the components of a fund's balance. Below is an example of the accounting document that is fully annotated. Annotations should be numbered and tie to the DF-303.

REPORT 9 ANALYSIS OF CHANGE IN FUND BALANCE Department of Air Quality - 7770 Fund 9873 Fiscal Year 2024-25 As of 06/30/2025

Business Unit: 7770 - Department of Air Quality Report ID:
Fund: 9873 - Clear Environment Fund Run Date:
Subfund: Run Time:

Run Time: 09:41:30

RPTLGL113

07/01/25

Adjustment Period: 998 Account Number **Account Title** Total 5530 Fund Balance - Clearing, July 1, 2024 30,025,683.74(#1) Additions: 8000 82,974.443.79 Revenue/Operating Revenue 8100 245,449.40 Reimbursements 9811 **Oeprating Transfer In** 38,320,291.00 9839 352,298.48 #14 Other Financing Sources 35,047.41 9891 **Refunds to Reverted Appropriations Total Additions** 121,927,530.08 **Deductions:** 9000 **Appropriated Expenses** 109,312,944.49 **Supplemental Pension Assessments** 9998 103,000.00 **Total Deductions** 109,415,944.49 Adjustments to Fund Balance: **Total Adjustments** 5530 Fund Balance - Clearing, June 30, 2025 42,537,269.33 #15 Reconciliation of Agency Accounts with Transactions per State Controller (Report 15): Provides a summary of fund activity for expenditures and resources. Below is an example of the accounting of a fully annotated document. Annotations should be numbered and tie to the DF-303. This will allow for a smoother fund reconciliation process.

REPORT NO. 15 RECONCILIATION OF AGENCY ACCOUNTS WITH TRANSACTIONS PER STATE CONTROLLER DEPARTMENT OF AIR QUALITY (7770) CLEAR ENVIRONMENT FUND (8573)

	Reverse Prior Year				Apply Cum	oly Current Year Transactions per Agency Accounts										
	(A) Transactions per Controller	(B) Adjustments to Controller's Accounts	(C) Accruals	(D) Corrections made by Controller's	(E) Adjustments to Controller's Accounts	(F) Accruals	(G) Total of Columns (Al-(F)	(H) Appropriation Expenditures (9000)	(I) Reimburse- ments (8100)	(J) Revenue (8000)	(K) Refunds to Reverted Appropriations (9891)	(L) Prior Year Appropriation Adjustments (9893) 1/	(M) Prior Year Revenue Adjustments (9892) 2/	(N) Operating Transfers in (9811)	(O) Other Financing Sources (9839)	(P) Statewide Assess- ments 3/
APPROPRIATION - STATE OPERATIONS																
ITEM 9873-001-7770, CHAPTER XX/24			i					-	10	i			i	i		
Program 10	80,061,988.39						80,061,988.39	80,061,988.39								
Reimbursements	-178,440.00		i				-178,440.00		-178,440.00	(n)			i	i		
Local Assistance	33,271,649.28						33,271,649.28	33,271,649.28	12							
									_							
ITEM 9873-001-7770, CHAPTER XX/23													•			
Program 10	-2,761,614.16						-2,761,614.16					-2,761,614.16				
Reimbursements	-67,159.40						-67,159.40					-67,159.40	(5)			
ITEM 9873-001-7770, CHAPTER XX/22																
Program 10	-1.349.789.29						-1.349.789.29					-1,349,789.25	(2)			
Reimbursements	150.00		i				150.00			i		150.00		i		
																_
Other Sources	-352,298.48						-352,298.48								-352,298.4	(14)
REVENUE FY 23/24													-	-	_	
4129600 Other Regulatory Taxes (121200)	-23,334,763.62						-23,334,763.62			-23,334,763.62			i	i		
4129200 Other Regulatory Fees (125600)	-42,883,785,57						-42.883.785.57			-42,883,785,57						
4129400 Other Regulatory Licenses and Permits (125700)	-13,574,798.19		i				-13,574,798.19			-13,574,798.19	(8)		i	i	i	
4121200 Delinquent Fees (125900)	-233,872.12						-233,872.12			-233,872.12						
4140000 Sales of Documents (141200)	-17,200.00						-17,200.00			-17,200.00						
REVENUE FY 23/24	-2,930,024.29						-2,930,024.29						-2,930,024.29	(6)		
Transfer from General Fund	-38,320,291.00						-38,320,291.00							-38,320,291.00	(9)	
REFUNDS TO REVERTED APPROP	-35,047.41						-35,047.41				-35,047.41	(7)				
Pro Rata	90,710.27		i				90,710.27						i	_		90,710.2
Supplemental Pension Assessments	103,000.00		i				103,000.00						İ		13	103,000.0
TOTALS	-12,611,686.68	0.00	0.00	0.00	0.00	0.00	-12,611,686.69	113,333,637.67	-178,440.00	-80,044,419.60	-35,047.41	-4,178,412.8	-2,830,024.29	-38,320,291.00	-352,298.4	193,710.2

Other Resources Available

Fund Balance Reconciliation Guide:

Fund Balance Reconciliation Guide (ca.gov)

Past Year Fund Reconciliation Forms:

https://dof.ca.gov/accounting/accounting-policies-and-procedures/accounting-policies-and-procedures-fund-reconciliation/

BL 25-07:

BL 25-07: Past Year Budget Adjustments and Fund Balance Reconciliation for the 2026-27 Budget Cycle

BL 20-23:

BL 20-23: Fund Balance Reconciliation Responsibilities