
Purpose

The Material Variance Explanation Form (MVEF) is used to identify and provide explanations for material variances between prior year (PY) and current year (CY) Expenditures (GL 9000), Revenue (GL 8000), Transfers In (GL 9811) and Transfers Out (GL 9812) balances.

The State Controller's Office (SCO) requires a MVEF for each shared and non-shared fund's year-end financial reports, even if there is no activity to report or if all amounts are zero. If a fund has multiple sub-funds, departments must submit only one MVEF at the main fund level, not per sub-fund. The form must be listed on the Certification Letter under Supplemental Forms.

Reference Documents

- Report No. 7, Pre-Closing Trial Balance
- Report No. 9, Analysis of Change in Fund Balance
- SCO Year-End Financial Reports Procedure Manual (Budgetary/Legal Basis)
- Year-End Financial Reports Checklist

How to Prepare

The MVEF is an input document that is manually prepared by departments. The blank form is available on the SCO website at https://www.sco.ca.gov/ard_reporting.html.

Complete the MVEF after preparing the fund's Report Nos. 7 and 9. Use Report No. 9 only for Fiduciary Funds Outside the Centralized Treasury System, also known as Non-Treasury Trust Fund (Fund 0990).

The instructions on the following page are followed by illustrations of the completed MVEF.

[Illustration 1 – Governmental/General Fund](#)

[Illustration 2 – NGCF/Working Capital and Revolving Funds](#)

[Illustration 3 – NGCF/Trust and Agency Funds – Federal](#)

[Illustration 4 – NGCF/Trust and Agency Funds – Non-Federal \(Parent Fund Level\)](#)

Report Preparation Guide Material Variance Explanation Form

Instructions

Each numbered item in the following instructions reference a corresponding numbered field in Illustrations 1 to 4.

1	Enter the Fund Number, Agency Code, Contact Name, and Contact Email.
2	<p>Using the PY and CY Report No. 7, fill in the PY and CY amounts (yellow cells).</p> <p>For Fund 0990, use the PY and CY Report No. 9 to fill in the PY and CY amounts on the MVEF.</p> <ul style="list-style-type: none"> • The total additions amount (sum of operating income, receipts from depositors, and other additions) on Report No. 9 represents the revenue amount on the MVEF. • The total deductions amount (sum of operating expenditures, payments to and for depositors, securities released for individuals, prior year surplus adjustments, and other deductions) on Report No. 9 represents the expenditure amount on the MVEF.
3	<p>The form will automatically calculate the variance amount and variance percentage.</p> <p>Material Variance Criteria:</p> <ul style="list-style-type: none"> • CY balance less PY balance is equal to or greater than \$1 million; <p style="text-align: center;">AND</p> <ul style="list-style-type: none"> • Percentage of variance (variance divided by PY balance) is equal to or greater than 10%. When either the CY or PY balance is zero, the variance percentage is insignificant, and no explanation is needed.
4	<p>Based on the calculation, a message will appear identifying whether or not the variance is material and whether it requires an explanation.</p> <p>a) If a variance explanation is required, explanations should answer the question 'Why is there a variance?' If applicable, provide the specific legal citations, statute, budget letter number, executive order number, etc.</p> <p>Examples of acceptable variance explanations:</p> <ul style="list-style-type: none"> • Revenue (GL 8000) increased due to a new revenue source per GC section XXXX. • Expenditures (GL 9000) decreased due to Program XX budget cuts, lack of funding, or increased federal reimbursements. • Transfers In (GL 9811) increased due to additional federal grants administered for Program XX. <p>Examples of unacceptable variance explanations:</p> <ul style="list-style-type: none"> • Revenues increased. • Expenditures decreased due to increased encumbrances. • Transfers In increased due to federal grants. <p>b) If a variance explanation is not required, leave the explanation box blank.</p> <p>c) If there is no activity on PY and CY Report Nos. 7 and 9, state 'no activity to report' in the explanation boxes and on the Certification Letter.</p>

Report Preparation Guide Material Variance Explanation Form

Illustration 1 – Governmental/General Fund

Material Variance Explanation Form Expenditures, Revenue, Transfers In, and Transfers Out

June 30, 20XX

Fund Number: <u>0001</u>	Contact Name: <u>1 Departmental Accountant</u>
Agency Code: <u>1234</u>	Contact Email: <u>departmental.accountant@training.ca.gov</u>

Fill in the prior year and current year amounts below for expenditures, revenue, transfers in, and transfers out. Use the amounts from Report 7 from prior and current years. Be sure to include any prior year revision amounts, if applicable.

An explanation is required if a variance amount equals or exceeds \$1 million AND the variance percentage equals or exceeds 10%. If a "YES" is indicated under "Explanation Required", input an explanation in the space provided. Submit this form to the SCO with the fund's year-end financial statements, even if all amounts are zero.

2		EXPENDITURES		3		4
PY 20XX-XX	CY 20XX-XX	Variance Amount	Variance Percentage	Explanation Required?		
\$ 50,001,830.70	\$ 52,223,727.43	\$ 2,221,896.73	4%	NO		
Explanation: 4b						

2		REVENUE		3		4
PY 20XX-XX	CY 20XX-XX	Variance Amount	Variance Percentage	Explanation Required?		
\$ (9,038.88)	\$ (5,000.17)	\$ 4,038.71	-45%	NO		
Explanation: 4b						

2		TRANSFERS IN		3		4
PY 20XX-XX	CY 20XX-XX	Variance Amount	Variance Percentage	Explanation Required?		
\$ (11,038,531,887.00)	\$ (5,777,979,057.82)	\$ 5,260,552,829.18	-48%	YES		
Explanation: 4a Transfers In (GL 9811) decreased due to the reduction of the state's direct disaster response costs paid by the General Fund (0001) and reimbursed from the Coronavirus Fiscal Recovery Fund (8506).						

2		TRANSFERS OUT		3		4
PY 20XX-XX	CY 20XX-XX	Variance Amount	Variance Percentage	Explanation Required?		
\$ -	\$ -	\$ -	0%	NO		
Explanation: 4c No activity to report.						

Report Preparation Guide Material Variance Explanation Form

Illustration 2 – NGCF/Working Capital and Revolving Funds

Material Variance Explanation Form Expenditures, Revenue, Transfers In, and Transfers Out

June 30, 20XX

Fund Number: <u>0687</u>	Contact Name: <u>1</u>	Departmental Accountant
Agency Code: <u>1234</u>	Contact Email:	<u>departmental.accountant@training.ca.gov</u>

Fill in the prior year and current year amounts below for expenditures, revenue, transfers in, and transfers out. Use the amounts from Report 7 from prior and current years. Be sure to include any prior year revision amounts, if applicable.

An explanation is required if a variance amount equals or exceeds \$1 million AND the variance percentage equals or exceeds 10%. If a "YES" is indicated under "Explanation Required", input an explanation in the space provided. Submit this form to the SCO with the fund's year-end financial statements, even if all amounts are zero.

2		EXPENDITURES		3		4
PY 20XX-XX	CY 20XX-XX	Variance Amount	Variance Percentage	Explanation Required?		
\$ 3,001,830.70	\$ 2,922,746.23	\$ (79,084.47)	-3%	NO		
Explanation: 4b						

2		REVENUE		3		4
PY 20XX-XX	CY 20XX-XX	Variance Amount	Variance Percentage	Explanation Required?		
\$ (2,115,000.00)	\$ (1,885,658.78)	\$ 229,341.22	-11%	NO		
Explanation: 4b						

2		TRANSFERS IN		3		4
PY 20XX-XX	CY 20XX-XX	Variance Amount	Variance Percentage	Explanation Required?		
\$ -	\$ -	\$ -	0%	NO		
Explanation: No activity to report. 4c						

2		TRANSFERS OUT		3		4
PY 20XX-XX	CY 20XX-XX	Variance Amount	Variance Percentage	Explanation Required?		
\$ -	\$ -	\$ -	0%	NO		
Explanation: No activity to report. 4c						

Report Preparation Guide Material Variance Explanation Form

Illustration 3 – NGCF/Trust and Agency Funds – Federal

Material Variance Explanation Form Expenditures, Revenue, Transfers In, and Transfers Out

June 30, 20XX

Fund Number: 0890	Contact Name: 1	Departmental Accountant
Agency Code: 1234	Contact Email:	departmental.accountant@training.ca.gov

Fill in the prior year and current year amounts below for expenditures, revenue, transfers in, and transfers out. Use the amounts from Report 7 from prior and current years. Be sure to include any prior year revision amounts, if applicable.

An explanation is required if a variance amount equals or exceeds \$1 million AND the variance percentage equals or exceeds 10%. If a "YES" is indicated under "Explanation Required", input an explanation in the space provided. Submit this form to the SCO with the fund's year-end financial statements, even if all amounts are zero.

2		EXPENDITURES		3		4
PY 20XX-XX	CY 20XX-XX	Variance Amount	Variance Percentage	Explanation Required?		
\$ 14,522,942,662.72	\$ 7,160,037,594.89	\$ (7,362,905,067.83)	-51%	YES		
Explanation: Expenditures (GL 9000) decreased due to the prior fiscal year 20XX-XX being the last year of funding for Grant XYZ under 4a CFDA XX.XXX. As such, the total variance of \$XX million represents the prior year expenditures related to Grant XYZ that were not incurred in the current fiscal year 20XX-XX.						

2		REVENUE		3		4
PY 20XX-XX	CY 20XX-XX	Variance Amount	Variance Percentage	Explanation Required?		
\$ (14,522,942,662.72)	\$ (7,160,037,594.89)	\$ 7,362,905,067.83	-51%	YES		
Explanation: Revenue (GL 8000) decreased due to the prior fiscal year 20XX-XX being the last year of funding for Grant XYZ under CFDA 4a XX.XXX. As such, the total variance of \$XX million represents the prior year expenditures related to Grant XYZ that were not incurred in the current fiscal year 20XX-XX.						

2		TRANSFERS IN		3		4
PY 20XX-XX	CY 20XX-XX	Variance Amount	Variance Percentage	Explanation Required?		
\$ -	\$ -	\$ -	0%	NO		
Explanation: 4c No activity to report.						

2		TRANSFERS OUT		3		4
PY 20XX-XX	CY 20XX-XX	Variance Amount	Variance Percentage	Explanation Required?		
\$ -	\$ -	\$ -	0%	NO		
Explanation: 4c No activity to report.						

Report Preparation Guide Material Variance Explanation Form

Illustration 4 – NGCF/Trust and Agency Funds – Non-Federal (Parent Fund Level)

Material Variance Explanation Form Expenditures, Revenue, Transfers In, and Transfers Out

June 30, 20XX

Fund Number: 0942 Contact Name: 1 Departmental Accountant
 Agency Code: 1234 Contact Email: departmental.accountant@training.ca.gov

Fill in the prior year and current year amounts below for expenditures, revenue, transfers in, and transfers out. Use the amounts from Report 7 from prior and current years. Be sure to include any prior year revision amounts, if applicable.

An explanation is required if a variance amount equals or exceeds \$1 million AND the variance percentage equals or exceeds 10%. If a "YES" is indicated under "Explanation Required", input an explanation in the space provided. Submit this form to the SCO with the fund's year-end financial statements, even if all amounts are zero.

2		EXPENDITURES		3		4
PY 20XX-XX	CY 20XX-XX	Variance Amount	Variance Percentage	Explanation Required?		
\$ 484,635.94	\$ 311,669.23	\$ (172,966.71)	-36%	NO		
Explanation: 4b						

2		REVENUE		3		4
PY 20XX-XX	CY 20XX-XX	Variance Amount	Variance Percentage	Explanation Required?		
\$ (566,452.69)	\$ (948,740.89)	\$ (382,288.20)	67%	NO		
Explanation: 4b						

2		TRANSFERS IN		3		4
PY 20XX-XX	CY 20XX-XX	Variance Amount	Variance Percentage	Explanation Required?		
\$ -	\$ -	\$ -	0%	NO		
Explanation: No Activity to report. 4c						

2		TRANSFERS OUT		3		4
PY 20XX-XX	CY 20XX-XX	Variance Amount	Variance Percentage	Explanation Required?		
\$ -	\$ -	\$ -	0%	NO		
Explanation: No activity to report. 4c						