

Material Variance Explanation Form

Purpose

The Material Variance Explanation Form (MVEF) provides an explanation for material variances between prior year (PY) and current year (CY) expenditures, revenue, and transfer in/out balances.

The MVEF is required for each shared and non-shared fund.

Note: The MVEF is to be included with the financial reports to the State Controller's Office (SCO). It must be submitted even if there is no activity to report.

Reference Documents

Current Year Reports

- * Report No. 7, Pre-Closing Trial Balance (CY)
- * Report No. 9, Analysis of Change in Fund Balance (CY)

Prior Year Reports

- * Report No. 7, Pre-Closing Trial Balance (PY)
- * Report No. 9, Analysis of Change in Fund Balance (PY) Other Reference Documents
- * SAM Section [7981](#)
- * [Finance Year-End Training – Presentation – Session 2](#), Material Variance Explanation Form.
- * [Chart of Accounts - Crosswalk](#) of Accounts to Legacy Accounts (Finance, FISCAL Resources for Accounting web page)
- * SCO Year-End Financial Reports Procedure Manual (Budgetary/Legal)
- * Year-End Reporting Checklist

How to Prepare

1. The MVEF is available at the [SCO website](#).
2. Enter the Fund Number, Agency Code/Business Unit (BU), Contact Name, and Contact Email.
3. Use the prior year (PY) Report No. 7 to fill in the PY Expenditure (GL 9000), PY Revenue (GL 8000), PY Transfers In (GL 9811) and PY Transfers Out (GL 9812).
4. Use the current year (CY) Report No. 7 to fill in CY Expenditures (GL 9000), CY Revenue (GL 8000), CY Transfers In (GL 9811), and CY Transfers Out (GL 9812).
5. The form will automatically calculate the variance amount and variance percentage.
6. Based on the calculation, a message will appear identifying whether the variance is material and whether it requires an explanation. An explanation is required if a variance amount equals or exceeds \$1 million and the variance percentage equals or exceeds 10%. If a variance explanation is not required, leave the explanation box blank.

Important Notes/Tips

- The MVEF is to be prepared after the Report No. 7, RPTGL068, and Report No. 9 are completed.
- Use the PY and CY Report No. 7's to fill in the PY and CY amounts.
- Use the PY and CY Report No. 9's to fill in the PY and CY amounts for the Fiduciary Funds outside the Centralized Treasury System.
- If a variance explanation is required, provide a detailed explanation for the applicable nominal account type(s). The explanation should answer the question, "Why is there a variance?" If applicable, provide the specific legal citations, Government Codes Sections, budget letter number, executive order number, etc.
- Submit this form to the SCO with the fund's year-end financial statements, even if all amounts are zero.
- If there is no activity on both PY and CY Report No. 7s and Report No. 9s, state "no activity to report" in the explanation boxes and next to the Certification Letter.
- If a fund has multiple sub-funds, agencies/departments are required to submit only MVEF at the main fund level, not per sub-fund. For illustration purposes, below is a Report No. 7- Prior Year sample.

Report Preparation Guide

For illustration purposes, below is a Report No. 7- Prior Year sample.

Prior Year's Report No.7

REPORT 7 - PRE-CLOSING TRIAL BALANCE
Department of Training - 1234
Fund 4321
Fiscal Year 20XX - XX
As of 06/30/20XX

Business Unit:	1234 - Department of Training	Report ID:	RPTGL068
Fund:	4321 - Training Support Fund	Run Date:	8/9/20XX
Subfund:		Run Time:	17:18:03
		Adjustment	998
		Ledger:	BUDLEGAL

GLAN	ACCOUNT TITLE	DEBITS	CREDITS
1110	General Cash - CTS Accounts	50.00	
1130	Revolving Fund Cash	189,289.14	
1190	Cash on Hand	100.00	
1311	AR - Abatements	10,101.00	
1312	AR - Reimbursements	2,205.00	
1319	AR - Other	50.93	
1410	Due From Other Funds	2,351,007.33	
1420	Due From Approps - Same Fund	11,869,849.46	
1600	Provision For Deferred AR		50.93
1710	Expense Advances	735.12	
1730	Prepay to Other Funds/Approps	598,705.76	
3010	Accounts Payable		1,897,213.13
3114	Due to Other Funds - Current		187,155.64
3115	Due to Other Approps-Same Fund		11,955,542.96
3290	Due to Other Govt Entities		395.27
3420	Unearned Reimbursements		900,000.00
3730	Uncleared Collections		50.00
5330	Reserve - Prepaid Items		450,000.00
5570	Fund Balance - Clearing		1,793,602.13
65	Unapp InterUnit Transfers		31,088,000.23
8000	Operating Revenue		629,702.66
2	8100		15,875,776.48
	9000	49,806,417.99	
	9891		51,022.36
Fund	4321	64,828,511.73	64,828,511.79

Report Preparation Guide

For illustration purposes, below is a Report No. 7- Current Year sample.

Current Year's Report No. 7

REPORT 7 - PRE-CLOSING TRIAL BALANCE
Department of Training - 1234
Fund 4321
Fiscal Year 20XX - XX
As of 06/30/20XX

Business Unit:	1234 - Department of Training	Report ID:	RPTGL068
Fund:	4321 - Training Support Fund	Run Date:	8/9/20XX
Subfund:		Run Time:	17:33:03
		Adjustment	998
		Ledger:	BUDLEGAL

GLAN	ACCOUNT TITLE	DEBITS	CREDITS
1110	General Cash - CTS Accounts	90.00	
1130	Revolving Fund Cash	188,289.14	
1190	Cash on Hand	100.00	
1311	AR - Abatements	10,201.06	
1312	AR - Reimbursements	2,205.00	
1319	AR - Other	450.93	
1410	Due From Other Funds	2,451,007.33	
1420	Due From Approps - Same Fund	11,269,849.46	
1600	Provision For Deferred AR		450.93
1710	Expense Advances	636.42	
1730	Prepay to Other Funds/Approps	498,705.76	
3010	Accounts Payable		1,484,665.91
3114	Due to Other Funds - Current		164,956.15
3115	Due to Other Approps-Same Fund		10,950,289.67
3290	Due to Other Govt Entities		395.27
3420	Unearned Reimbursements		900,000.00
3730	Uncleared Collections		90.00
5330	Reserve - Prepaid Items		450,000.00
5570	Fund Balance - Clearing		1,793,602.13
65	Unapp InterUnit Transfers		30,494,670.01
8000	Operating Revenue		611,361.81
3 8100	Reimbursements		15,875,776.48
9000	Appropriated Expenses	48,355,745.62	
9891	Refunds to Reverted Appropriation		51,022.36
Fund	4321	62,777,280.72	62,777,280.72

Report Preparation Guide

For illustration purposes, below is a Material Variance Explanation Form sample.

Material Variance Explanation Form
Expenditures, Revenue, Transfers In, and Transfers Out
June 30, 20XX

2	Fund Number	4321	Contact Name:	R.U. Dunne
	Agency Code:	1234	Contact Email:	ru.dunne@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.

EXPENDITURES				
PY 20XX-XX	CY 20XX-XX	Variance Amount	Variance Percentage	Explanation Required?
\$ 49,806,417.99	\$ 48,355,745.62	\$ (1,450,672.37)	-3%	NO
Explanation: 3 4 5 6				

REVENUE				
PY 20XX-XX	CY 20XX-XX	Variance Amount	Variance Percentage	Explanation Required?
\$ (629,702.66)	\$ (611,361.81)	\$ 18,340.85	-3%	NO
Explanation: 3 4 5 6				

TRANSFERS IN				
PY 20XX-XX	CY 20XX-XX	Variance Amount	Variance Percentage	Explanation Required?
		\$ -	0%	NO
Explanation: 3 4 5 6				
No Activity to Report				

TRANSFERS OUT				
PY 20XX-XX	CY 20XX-XX	Variance Amount	Variance Percentage	Explanation Required?
		\$ -	0%	NO
Explanation: 2 3 4 5				
No Activity to Report				