

Adjustments in Accounting Methods and Prior Year Fund Balances

Government Code section 13344 requires the Department of Finance to clearly note in the Governor's Budget or related documents any adjustments of prior year fund balances and accounting methods. This requirement is to ensure the closest possible comparability of the Governor's Budget with the State Controller's Budgetary-Legal Basis Annual Report (Annual Report).

Accounting Methods

Starting with fiscal year 2017-18, Fund 8001 Teachers' Health Benefits Fund, which is administered by the California State Teachers' Retirement System, has transitioned from the cash basis of accounting to the full accrual basis. The change in the basis of accounting results in a minor adjustment in the fund's beginning balance and is more consistent with the Generally Accepted Accounting Principles.

Prior Year Fund Balances

Government Code section 13344 requires state departments to prepare and maintain financial and accounting data for inclusion in the Governor's Budget, Budget Act and related documents, and the State Controller's Annual Report, according to the methods and bases provided in regulations, budget letters, and other directives of Finance. Consistent with this requirement, Finance has continued its efforts in instructing and assisting departments in the reconciliation of special funds between the Governor's Budget documents provided to Finance and the year-end financial statements provided to the State Controller's Office by departments. Departments that are the designated fund administrators continue to be primarily responsible for the reconciliation, and Finance works very closely with the departments to ensure this is or will be completed for all special funds. Special fund balances included in the Governor's Budget were reconciled using the best information available at the time. However, final balances for the Annual Report and certain actual revenue or expenditure amounts are not available during the preparation of the Governor's Budget. Therefore, there will be some remaining variances in the spring when final balances become available. Finance will follow up the efforts in the spring to evaluate if additional budget changes are necessary.