



Joint Legislative Audit Committee
Office of the Auditor General



**FINANCIAL AUDIT REPORT
PAY ROLL REVOLVING FUND
YEAR ENDED JUNE 30, 1979**

REPORT TO THE
CALIFORNIA LEGISLATURE

REPORT **F-441.5**

REPORT OF THE
OFFICE OF THE AUDITOR GENERAL
TO THE
JOINT LEGISLATIVE AUDIT COMMITTEE

441.5

FINANCIAL AUDIT REPORT
STATE PAY ROLL REVOLVING FUND
YEAR ENDED JUNE 30, 1979

OCTOBER 1980



California Legislature

Joint Legislative Audit Committee

GOVERNMENT CODE SECTION 10500 et al

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S. FLOYD MORI
CHAIRMAN

November 21, 1980

441.5

The Honorable Speaker of the Assembly
The Honorable President pro Tempore of the Senate
The Honorable Members of the Senate and the
Assembly of the Legislature of California

Members of the Legislature:

Your Joint Legislative Audit Committee respectfully submits the Auditor General's financial audit report of the State Pay Roll Revolving Fund, year ended June 30, 1979.

The auditors are Curt Davis, CPA; Michael Dendorfer, CPA; Romero Zamora; Gus Demas; Ed Pierini; Teri Yee; Michael Tritz; and Charles Thrasher.

Respectfully submitted,

Floyd Mori

S. FLOYD MORI
Chairman, Joint Legislative
Audit Committee

Attachment

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INTRODUCTION

In response to a resolution of the Joint Legislative Audit Committee and in compliance with federal Office of Revenue Sharing regulations, we have conducted a financial audit of the State Pay Roll Revolving Fund. This audit was conducted under the authority vested in the Auditor General by Sections 10527 and 10528 of the Government Code.

The State Pay Roll Revolving Fund is the depository for amounts transferred to the State Controller from the funds and appropriations of the agencies in the uniform state pay roll system. This fund was created to pay compensation to officers and employees of the State and to pay amounts withheld from compensation for income tax, retirement, insurance, bonds, and other approved payroll deductions. Monies are also transferred by the State Controller to the State Pay Roll Revolving Fund to pay the State's share of retirement, social security, and health benefits.

AUDITOR'S OPINION

To the Joint Legislative Audit Committee of the California Legislature:

We have examined the balance sheet of the State Pay Roll Revolving Fund as of June 30, 1979 and the related statement of changes in assets and liabilities for the year then ended. Our examination was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of the State Pay Roll Revolving Fund at June 30, 1979 and the changes in assets and liabilities for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



WESLEY E. VOSS
Assistant Auditor General

Date: August 30, 1980

Staff: Curt Davis, CPA
Romero Zamora
Mike Dendorfer, CPA
Gus Demas
Ed Pierini
Teri Yee
Michael Tritz
Charles Thrasher

STATE OF CALIFORNIA
STATE PAY ROLL REVOLVING FUND
BALANCE SHEET
AGENCY FUND
JUNE 30, 1979

ASSETS

Cash	\$318,286,396
Receivables (Note 2)	987,163
Allowance for deferred receivables	<u>(987,163)</u>
Total Assets	<u>\$318,286,396</u>

LIABILITIES

Accounts payable	\$197,256,008
Due to other funds (Note 3)	<u>121,030,388</u>
Total Liabilities	<u>\$318,286,396</u>

The notes to the financial statements are an integral part of this statement.

STATE OF CALIFORNIA
STATE PAY ROLL REVOLVING FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITES
AGENCY FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 1979

	<u>Balance July 1, 1978</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 1979</u>
ASSETS				
Cash	\$310,685,126	\$3,445,902,983	\$3,438,301,713	\$318,286,396
Receivables	660,354	2,676,152	2,349,343	987,163
Allowance for deferred receivables	<u>(659,586)</u>	<u>(2,676,152)</u>	<u>(2,348,575)</u>	<u>(987,163)</u>
Total Assets	<u>\$310,685,894</u>	<u>\$3,445,902,983</u>	<u>\$3,438,302,481</u>	<u>\$318,286,396</u>
LIABILITIES				
Accounts payable	\$239,163,204	\$2,531,192,508	\$2,573,099,704	\$197,256,008
Due to other funds	<u>71,522,690</u>	<u>914,710,475</u>	<u>865,202,777</u>	<u>121,030,388</u>
Total Liabilities	<u>\$310,685,894</u>	<u>\$3,445,902,983</u>	<u>\$3,438,302,481</u>	<u>\$318,286,396</u>

The notes to the financial statements are an integral part of this statement.

STATE PAY ROLL REVOLVING FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1979

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements reflect the financial position and changes in assets and liabilities of the State Pay Roll Revolving Fund. The statements have been prepared in conformity with generally accepted accounting principles applicable to state and local governments as prescribed by the American Institute of Certified Public Accountants and by the National Council on Governmental Accounting.

The State Payroll Revolving Fund is an Agency Fund. Agency Funds are used to account for assets held by a governmental unit as a trustee capacity or as an agent for individuals, private organizations, other governmental units, and other funds.

Assets and liabilities are accounted for on the modified accrual basis. Agency Funds are custodial (assets equal liabilities) and thus do not involve the measurement of operations.

2. RECEIVABLES

Receivables represent the amount of employee salary overpayments which have not been collected as of June 30, 1979. Each agency is responsible for collecting salary overpayments.

3. DUE TO OTHER FUNDS

At June 30, 1979, not all shares of social security, retirement, health benefits, and miscellaneous employee deductions had been transferred to the appropriate fund. For example, \$71 million due to the Old Age and Survivors' Insurance Revolving Fund and \$44 million due to the Public Employees' Retirement Fund had been withheld but not transferred.

OTHER COMMENTS

As an integral part of our examination, we reviewed the accounting procedures and the related system of internal accounting control of the State Controller (who maintains this fund's accounting records) to the extent we considered necessary to properly form an opinion concerning the fairness with which the financial statements of the State Pay Roll Revolving Fund present financial position and changes in assets and liabilities in accordance with generally accepted accounting principles consistently applied.

cc: Members of the Legislature
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Secretary of State
State Controller
State Treasurer
Legislative Analyst
Director of Finance
Assembly Office of Research
Senate Office of Research
Assembly Majority/Minority Consultants
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