

Training Objectives

- Common AUD Reporting Errors
- · Handling Errors in the new AFR
- Proper Accounting for Debt Transactions

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Types of Errors

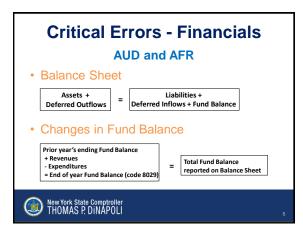
- Key Problems:
 - -Improper accounting
 - -Inconsistency
- Financial edits and validation rules help identify errors.
 - -Critical vs. non-critical

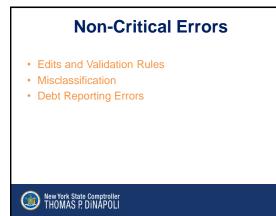
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AUD and AFR Terminology

Critical and Non-Critical Errors

- AUD
 - Critical edits must be resolved to submit AUD.
 - Non-critical edits do not prevent AUD submittal.
- AFR (Filings for 2023 FYE and on)
 - Critical validation rules must be resolved.
 - Non-critical validation rules require resolution or explanation.





Transfers

Bank transfers vs. Interfund transfers

- Bank transfers exchange of assets
 - Not to be confused with interfund transfers.
 Should not be included in revenues and
- expenditures.Transfers In = Transfers Out
 - Transfer codes: Revenue (5031) and
 - Expenditures (9901.9 or 9905.9)

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Due To / Due From

- AUD edits
 - Due To/ Due From do not equal
- AFR validation rules
 - Due To/ Due From do not equal
 - Due From is 5% or more of Fund Balance

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Negative Figures

- AUD no edits, reviewed by OSC staff
- · AFR prevents reporting inappropriate negatives
 - Exceptions include:
 - · Allowance for Receivables (credit balance)
 - Deficit Fund Balance ("Unclassified" code 917)
 - Few other exceptions for specific transactions
- Example: Reimbursements
 - Net against expenditure if current year
 - If prior year reimbursement, use revenue code 2701 "Refund of Prior Year's Expenditures"

Negative Cash

• AUD

 If a fund is borrowing from another or pooled bank accounts, then report Due To/ Due From to reflect actual cash balances.

• AFR

- Negative balances not allowed for cash asset codes.
- Code 633 Due to Financial Institution for Overdrawn Accounts.

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Budget Reporting

Appropriated Fund Balance

- The appropriated fund balance reported on the balance sheet should equal the amount reported on the budget summary.
 - AUD
 - · No edit, part of OSC review
 - AFR
 - Non-critical validation rule
 - Validation rule for large budget to actual variance
 Greater than 20% on revenue or expenditure sides

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Unclassified and Other Codes

AUD

- Unclassified Revenue 2770
- Online Chart of Accounts Query
 - Add comment/description
 - Search available codes prior to using 2770
 http://www1.osc.state.ny.us/acctlookup/accountlookup.cfm

AFR

· Several codes require explanation

Deferred Inflows and Outflows of Resources

Activity related to future periods

- AUD
 - No edit, part of OSC review.
- AFR
 - Validation rules trigger if greater than 5 % of fund balance and liabilities.

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Restricted Funds

- Fund balance subject to externally enforceable legal purpose restrictions
 - Restricted Fund Balance (800-899) = Restricted Assets (230, 231, 452, 453)
- AUD
 - No edits, part of OSC review
- AFR
 - Validation rule, non-critical

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Consolidated Local Street and Highway Improvement Program (CHIPS)

- CHIPS Revenue is recorded in 3501 State Aid, Consolidated Highway Aid.
- Capital Expenditures are recorded in account 5112.2 Perm Improve Highway, Equip, & Cap Outlay.

Reporting Debt in the Annual Update Document (AUD)

- Supplemental Section
 Statement of Indebtedness (SOI)
- Several debt edit checks
 - Statement of Indebtedness vs. Fund activity
 - Debt edit exceptions

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Validation Rules

Statement of Indebtedness

- AUD Edits
 - Principal paid
 - Newly issued
 - Outstanding balances
- AFR New Validation Rules
 - Interest paid
 - BANs redeemed
- Critical vs. Non-Critical

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Types of Indebtedness

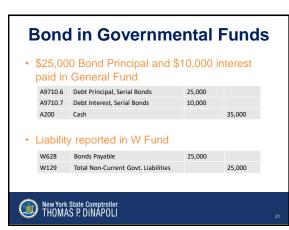
- Bonds
- Bond Anticipation Notes (BANs)
- Tax Anticipation Notes (TANs)
- Revenue Anticipation Notes (RANs)
- Budget Notes/ Deficiency Notes
- Installment Purchase Contracts (IPCs)
- Current and Advanced Refundings

Bond in Governmental Funds

- Liability in the Schedule of Non-current Governmental Liabilities (W628)
 - Bond proceeds and related expenditures are shown in the Capital Projects (H) Fund.
 - Principal (9710.6, 9720.6) and interest payments (9710.7, 9720.7) are shown in the related operating fund, or in the Debt Service (V) Fund.

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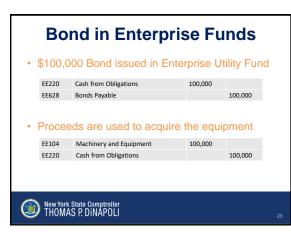
	Bond in Governmental Funds				
•	Bond is	sued for \$500,000. No	proceed	s spent.	
	H200	Cash	500,000		
	H5710	Serial Bonds		500,000	
	W129	Total Non-current Gov. Liabilities	500,000		
	W628	Bonds Payable		500,000	
•	Procee	ds used to purchase a t	ouilding.		
	H1620.2	Buildings, Equip. and Cap. Outlay	500,000		
	H200	Cash		500,000	



Bond in Enterprise Funds

- Liability reported on Balance Sheet.
- If proceeds were used to purchase an asset, report as a balance sheet transaction. Net assets are not affected.
 AFR will no longer trigger an error.
- Acquired asset is expensed using depreciation method over the useful life.

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Bonds – Exceptions

- Judgements and Claims
- e.g., Tax Certiorari
- Deficit Financing
- Bond Refunding

Bond Validation Rules

- · Bond Validation Rules:
 - Bond liabilities on Balance Sheet (623, 628) = Bonds outstanding at end of year on SOI
 - Total Bond principal expenditures in the funds (9710.6, 9720.6, 9700.6) = Bonds redeemed on SOI
 - Total Bond interest expenditures in the funds (9700.7, 9710.7, 9720.7) = Bond Interest Paid on SOI
 - Total Bond revenue (5710, 5720, 5700, 5791, 5792) = Bonds issued on SOI

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BAN in Governmental Funds

- Liability in Capital Projects (H) fund
 Unless maturity is greater than one year
- Proceeds and related capital expenditures in the (H) fund
- Principal and interest payments in the related operating funds
- Account code H5731 BANs Redeemed from Appropriations

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BAN in Governmental Funds – Short Term

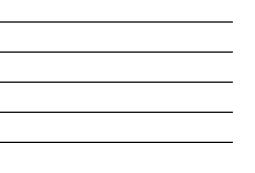
• New short-term BAN issued for \$100,000

	H200	Cash	100,000	
	H626	BANs Payable		100,000
		ds used to purchase \$1 ly Department	00,000 t	ruck for
	H5110.2	Maintenance of Streets, Equip. and Cap. Outlay	100,000	
	H200	Cash		100,000
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E	BAN	in Governmer – Short Ter		unds	5	
	 Paid principal of \$25,000 and interest of \$2,000 out of Highway (DA) Fund 					
	DA9730.6 DA9730.7	Debt Principal, BANs Debt Interest, BANs	25,000 2,000			
	DA200	Cash		27,000		
Lia	ability re	eported in Capital Proje	cts (H) F	und		
	H626	BANs Payable	25,000			
	H5731	BANs Redeemed From Appropriations		25,000		
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BAN in Governmental Funds					
		– Long Ter	m		
•	New lor	ng-term BAN issued for	\$100,00	0	
	H200	Cash	100,000		
	H5730	Bond Anticipation Note		100,000	
	W129	Total Non-current Govt. Liabilities	100,000		
	W626	BANs Payable		100,000	
•	Liability reported in Capital Projects (H) Fund				
	H5110.2	Maint. of Streets, Equip. and Cap. Outlay	100,000		
	H200	Cash		100,000	
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E	BAN	in Governmer		unds	5	
		– Long Ter	m			
•	Paid pri	incipal of \$25,000 and i	nterest c	of \$2,000)	
	out of th	ne Highway (DA) Fund			-	
	DA9730.6	Debt Principal, BANs	25,000			
	DA9730.7	Debt Interest, BANs	2,000			
	DA200	Cash		27,000		
 Liability reported in Schedule of Non-current Governmental Liabilities (W) 						
	W626	BANs Payable	25,000			
	W129	Total Non-current Gov't Liabilities		25,000		
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E	BAN	in Governmer	ntal F	unds	5	
	– Long Term					
• 5	\$75,000) BAN is redeemed with	procee	ds from		
r	new bo	nd issuance				
	W129	Total Non-current Govt. Liabilities	75,000			
	W628	Bonds Payable		75,000		
	W626	BANs Payable	75,000			
	W129	Total Non-current Govt. Liabilities		75,000		
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BAN in Enterprise Funds

- Liability reported on balance sheet.
- If proceeds were used to purchase an asset, report as a balance sheet transaction. Net Assets are not affected.
- Acquired asset is expensed using depreciation method over the useful life.

	BAN in Enterprise Funds \$100,000 BAN issued in Enterprise Utility Fund 					
	EE220	Cash From Obligations	100,000			
	EE626	BANs Payable		100,000		
•	Proceeds are used to acquire equipment EE104 Machinery and Equipment 100,000					
	EE220	Cash From Obligations		100,000		
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BAN in Enterprise Funds

• \$100,000 BAN issued in Enterprise Utility Fund

EE626	BANs Payable	25,000	
EE9730.7	Debt Interest, BANs	5,000	
EE220	Cash From Obligations		30,000

Bond Anticipation Notes -Exceptions

- Judgements and Claims – e.g., Tax Certiorari
- Deficit Financing

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Debt Edits – BANs

- · BAN edit checks:
 - BAN liabilities on Balance Sheet (626) = BANs outstanding at year-end on SOI
 - Total BAN principal (9730.6) in funds = BAN principal payments on SOI
 - Total BAN principal (9730.6) = BANs Redeemed from Appropriations (H5731)

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Installment Purchase Contracts (IPCs)

- An agreement used to finance the acquisition of an asset.
 - Accounted for similarly to Bonds in the Governmental and Enterprise funds.
 - Account codes 5785, 9785.6, 9785.7.
 - Capital asset shown in Schedule of Noncurrent Governmental Assets (K).
 - Liability shown in the Schedule of Non-current Governmental Liabilities (W685).

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Statement of Indebtedness

Summary of AFR Reporting Changes

- · Debt issuances reported as single record, even if multiple purposes.
- Interest expenditures reported, but not interest rate.
- Debt limit exemptions not reported.
- · Indicate if a debt is associated with proprietary funds.
- BAN renewals.
- Refunded debt separated.
 Indicate if a refunding is current or advanced.



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Other Supplemental Schedules

- Schedule of Time Deposits and Investments – Merged with Bank Reconciliation in AFR.
- Energy Costs and Consumption Schedule – No longer collected for AFR.

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Employee and Retiree Benefits Schedule

- Expenditures for each provided benefit should reconcile against fund activity.
 - AUD
 - No edits, part of OSC review.
 - AFR
 - Critical validation rule triggers if any reported benefit expenditure is less than reported in funds.

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Bank Reconciliation Statement

Cash in Bank Reconciliation statement = Cash in the funds (200, 210, 223, 230, 231)

- AUD
 - Edit, non-critical.
- AFR
 - Validation rule, non-critical.
 - Additional validation rules to ensure reliable cash balance reporting.

Resources and Contacts

- Accounting and Reporting Manual (ARM):
 <u>http://www.osc.state.ny.us/localgov/pubs/arm.pdf</u>
- AFR Modernization Website:
 - <u>https://www.osc.state.ny.us/local-government/required-reporting/annual-financial-report-afr-modernization-project</u>
- Data Management Unit Help Line:
 866-321-8503 or 518-408-4934, Option 4

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