

# ***AFR Accounting & Reporting Clarification***

***Posted 9/1/16***

- ❖ An **Audit Certification Form** submission is required pursuant to Act 104 (HB 101), and must be submitted no later than 12/31/2016. The form requires the signatures of the Chief School Administrator and the Board Secretary to certify that, in the auditor's opinion, the financial information reported within the AFR is materially consistent with the LEA's audited financial statements. The Audit Certification Template is provided within the CFRS-AFR program. A new audit certification form must be uploaded to the CFRS-AFR application when a REVISED AFR is submitted.
- ❖ **Athletic/Activity Funds** may only be reported as Special Revenue Fund 29 if the following conditions outlined in GASB #54 are met. Please refer to Accounting Bulletin 2010-02 for further information.
  - Expenditures are limited to costs specifically for the intended athletic/activity program, which may not include expenditures for capital projects or debt service.
  - The revenue source, typically gate receipts, must comprise a substantial portion (at least 50%) of the inflow of this fund. Note: transfers from other funds may not be considered a revenue source, regardless of their origination.
  - If these criteria are met and Fund 29 is utilized, then ALL athletic/activity expenditures of the school must be accounted for within this fund.
  - If these conditions are not met, all athletic/activity expenditures must be accounted for in the general fund of the school.
- ❖ **The Capital Reserve Funds** are reported as Funds #31 and #32 within the Capital Projects fund. Although classified as Capital Projects fund types, the capital reserve funds are still subject to more stringent legislative restrictions. Please refer to Chapter 6 of the Accounting Manual and Accounting Bulletins 2000-05, 2003-01, and 2007-01 for more detailed information.
  - Capital Reserve - Fund #31: The establishment and use of this fund is governed by the PA School Code, Sections 690 and 1850.
    - › A fund created under section 690 is used only by School Districts to account for the receipts of a special tax levied for a particular purpose.
    - › Transfers of these tax receipts from the General Fund to Fund #31 should be properly coded to expenditure detail code 5230-931.
    - › A fund created under section 1850 is allowable for use by AVTS/CTC schools only.
  - Capital Reserve - Fund #32: The establishment and use of this fund is governed by the Municipal Code, Sections 1431-1436.
    - › The only allowable deposits into this fund include the interest earnings of the fund itself, and interfund transfers from the General Fund. Transfers can be made from General Fund appropriations with surplus money throughout the year, or year end General Fund surplus money.
    - › General Fund transfers to Fund #32 can only be entered into the AFR by reporting the transfer amount in the General Fund Expenditure Detail section, code 5230-932. This amount will then be automatically populated into the Statement of Revenues, Expenditures and Changes in Fund Balance (REG). There is no manual entry area available on the REG to report incoming fund transfers to the Capital Reserve Fund.
    - › All expenditures of this fund must be accounted for within the fund itself. Transfers out of this fund are not allowed for any purpose.
    - › Given that transfers out are not allowable, it is only appropriate to book an amount as "Due to other funds" if an interfund reimbursement is anticipated. Interfund reimbursements may be recorded only

for allowable uses of the capital reserve fund. Any such reimbursements must be accounted for accurately as detailed in "Interfund Reimbursements" found below. Reimbursements ARE NOT accounted for or reported as interfund transfers.

- › Expenditures are limited to capital improvements, replacement and additions to public works and improvements, for deferred maintenance thereof, and for the purchase or replacement of school buses and **for no other purpose**.
- › Debt service payments are an allowable use of this fund, but the expenditure must be reported within Fund #32. Moneys may not be transferred to another fund to make the debt service payments.

❖ **Capital Projects Fund #39** is utilized within the AFR to report the total of all capital projects fund activity not specifically associated with Funds #31 and #32.

❖ **Food Service Fund: Proprietary Fund #51**

- A Food Service Fund should be utilized to account for any food service activity that involves a user charge.
- All user charges must be recognized as revenue within this fund. If a food service management contractor collects the meal charges, these funds must be reported as school revenue and may not be netted against the management fees.

❖ **Food Service Expenditures:** Contracted food service management expenditures should be coded only to objects 571 and 572. The use of any objects in the 300 series for food service management is incorrect.

❖ **Internal Service Fund #60**

- Use of an internal service fund should be carefully reviewed to ensure that proper governmental accounting principles are being followed.
- Internal Service Funds are established to provide goods or services to other funds of the entity.
- Internal service fund receipts from other funds for goods/services rendered are recorded as revenue in account 6970. These receipts are not interfund transfers.
- All funds receiving the goods/services would code the outflow of resources as expenditures in the function/object code representing the goods/services. These outflows are also not interfund transfers.

❖ **The Statement of Indebtedness (SOIN):** Data reported for school debt/liabilities should be comparable throughout all areas of the AFR.

- Interest reported in the debt detail should match the expenditures reported for interest.
- Most reduction of debt in the debt detail should be verifiable by reviewing expenditures for principal payments.
- Refunding of Bonds: Account codes 5120 and 9120 should be used to record the transactions associated with bond refunding.
- Swap Termination Fees are accounted for as an expenditure within code 5110-990
- Swap Gains are accounted for as a revenue within code 6530
- Bond Premiums are accounted for as other financing sources in account 9130
- Bond Discounts are accounted for as an expenditure within account 5150-990
- Bond Issuance Costs are accounted for an expenditure within account 2390-810
- Accreted interest for Capital Appreciation Bonds (CAB) should not be reported as an increase to debt principal. A separate entry area is available on the SOIN to report accreted interest.

❖ **Bond Refunding codes:** Account codes 5120 and 9120 should be used to record the transactions associated with bond refunding. Do not code these transactions to accounts 5110 and 9110. Both accounts listed above

should be used when reporting bond refunding on the AFR. The amounts should not be netted and reported as a single entry.

- ❖ **Swap Coding:** Swap Termination Fees and Proceeds should be accounted for in expenditure code 5110-990 and revenue code 6530 accordingly.
- ❖ **Tuition Reimbursement (Object 240)** for any staff member should be coded to one of the following staff development functions: 2271, 2272, 2834, or 2836.
- ❖ **Interfund Reimbursements** are repayments to a fund that initially paid an expense/expenditure from the fund that was ultimately responsible for the expense/expenditure. Reimbursements are not to be confused with interfund transfers, advances, or loans. Examples are as follows:

- **Example 1: Capital Projects Fund reimburses the General Fund in the same fiscal year**

The initial expenditure is recorded in the General Fund. When the Capital Projects Fund reimburses the General Fund, the General Fund expenditure is reduced and the Capital Projects Fund recognizes the expenditure in the appropriate function/object.

Initial Expenditure			
	<u>General Fund</u>		<u>Capital Projects Fund</u>
	Expenditures - Equipment	\$10,000	No Entry
	Cash	\$10,000	
Reimbursement occurs			
	<u>General Fund</u>		<u>Capital Projects Fund</u>
	Cash	\$10,000	Expenditures - Equipment
	Expenditures - Equipment	\$10,000	Cash
			\$10,000

- **Example 2: Capital Projects Fund reimburses the General Fund in the following fiscal year**

The initial expenditure is recorded in the General Fund. At year end reimbursement has not yet occurred. Due to/Due from entries are recorded and the expenditure is recognized in the fund ultimately responsible for the cost. In the following fiscal year, entries are only required for cash and due to/due from.

Initial Expenditure			
	<u>General Fund</u>		<u>Capital Projects Fund</u>
	Expenditures - Equipment	\$10,000	No Entry
	Cash	\$10,000	
Year End Entries			
	<u>General Fund</u>		<u>Capital Projects Fund</u>
	Due from Other Funds	\$10,000	Expenditures - Equipment
	Expenditures - Equipment	\$10,000	Due to Other Funds
			\$10,000
Reimbursement Occurs in Following Fiscal Year			
	<u>General Fund</u>		<u>Capital Projects Fund</u>
	Cash	\$10,000	Due to Other Funds
	Due from Other Funds	\$10,000	Cash
			\$10,000