Division of Local Government and School Accountability

Joe Testa, Auditor 2, Local Official Training

Completing Delinquent AFRs

New York State Comptroller
THOMAS P. DiNAPOLI

Objectives

- Background
  - Importance of Filing
  - Reasons for Delinquent Filing
- Understanding Financial Data (Framework)
  - Compiling available data
  - Categorizing/defining data (revenues/expenditures)
  - Calculating Fund Balance
  - Preparing Balance Sheets
  - Completing the Annual Financial Report (AFR)
- OSC Filing Resources

Annual Financial Report (AFR)

- Legal requirement
  - General Municipal Law, Section 30.
    - The responsibility of the CFO.
    - Board should ensure this responsibility is being met.
  - Filed with OSC 60 to 120 after the close of the fiscal year.
    - Extensions may be granted upon request.
    - Filing deadlines and length of extensions depend on the class of local government and population.
  - Shall make accessible on municipal website pursuant to Article 13-E of General Municipal Law.
    - Effective December 21st, 2025.

Potential Consequences of Not Filing

- May reduce confidence in management to be transparent in the use of public funds.
- May affect credit rating.
  - Withdrawal of credit rating in cases of repetitive non-filing.
  - Local government will be marked as “not filed” in the Fiscal Stress Monitoring System (FSMS).
- May reduce ability to properly assess financial condition and manage fiscal emergencies.

Other Consequences of Not Filing

Potential limitations of a delinquent report

- The longer a report goes unfiled, the less reliable the data may become.
  - Inconsistent measurement of assets and liabilities between fiscal years reduces comparability.
  - Not recognizing transactions in the period they occurred leads to an inability to conduct trend analysis.
  - Undefined prior year adjustments reduce transparency.
- Governing board must consider these limitations prior to using the information for budgeting.

Reasons for Delinquent Reports

- The CFO did not meet their statutorily mandated fiscal responsibilities.
  - Incomplete or missing accounting records.
- Lack of understanding:
  - Basics duties and responsibilities.
  - Unaware of filing requirement.
    - Contact information not updated with OSC.
      - https://www.osc.ny.gov/local-government/resources/contact-update-and-online-help
- Lack of Board Oversight.

Looking ahead

Consistent and accurate accounting allows for effective financial planning

Cash Flow Forecast													
	GENERAL FUND (A) Actual			Estimates									20XX
Inflows	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Real Property Taxes	52,530	120,725	38,850	24,000	13,895								250,000
Interest and Penalties		15,650	9,300	3,500	1,750								30,200
Sales Tax			76,501			75,000			75,000			93,750	320,251
Court Fines and Fees	6,300	6,120	7,380	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	7,000	82,800
Clerk Fees	975	1,230	870	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	12,075
Court Grant			20,000										20,000
Total Inflow	**59,805**	**143,725**	**152,901**	**35,500**	**23,645**	**83,000**	**8,000**	**8,000**	**83,000**	**8,000**	**8,000**	**101,750**	**715,326**
Outflows	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Salaries and Benefits	46,000	52,350	42,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	40,000	**500,350**
Building Maintenance		4,730				12,500							**17,230**
Utilities	2,100	2,230	1,800	1,750	1,500	1,500	1,500	1,500	1,500	1,500	1,750	1,750	**20,380**
Computer Equipment	20,000												**20,000**
Clerk	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	2,100	**25,200**
Board	750	750	750	750	750	750	750	750	750	750	750	750	**9,000**
Court	7,500	8,250	8,100	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	**95,850**
Court Capital Outlay					17,500								**17,500**
Debt Payment	10,000												**10,000**
Total Outflow	**88,450**	**70,410**	**54,750**	**52,600**	**69,850**	**64,850**	**52,350**	**52,350**	**52,350**	**52,350**	**52,600**	**52,600**	**715,510**

Starting Point

Review the most recent financial statements (if available).

- Each local government has one or more Fund Financial Statements (Funds), and each fund contains:
  - Balance Sheet
    - Identify outstanding accruals
  - Results of Operations
    - Revenues & Expenditures
  - Changes in Fund Balance
  - Budget Summary

Framework

- Step 1 – Identify significant events
- Step 2 – Compile given financial data
- Step 3 – Reconcile beginning of year fund balance
- Step 4 – Calculate end of year fund balance
- Step 5 – Define revenues and expenditures
- Step 6 – Review OSC’s AFR resources and fill in AFR data.

Identify Significant Events

Research

- Find out what records employees are already keeping.
- Talk to department heads and board members about what occurred during the year.
- Look around the office for anything that has not been properly recorded in your accounting system.
  - Cash that has not been deposited to the bank
  - Unaccounted for checks
  - Purchase orders
  - Invoices

Identify Significant Events

For Example:

- Collected $198,000 of Real Property Taxes (RPT).
- Received $40,000 in State Aid.
- Issued an $80,000 Installment Purchase Contract (IPC) for a new vehicle.
  - Date of Issuance: June 1st
  - Monthly payments began in July
- Added $15,000 to Repair Reserve.
- Began planning for a Water Capital Project.

Identify Significant Events

Sort by Fund

General (A)	Highway (DA)	Water (SW)
• Levied $114k RPT • Added $15k to a repair reserve	• Levied $84k RPT • Issued $80k IPC • Made IPC payments during the year – $12,000 principal – $2,500 interest	• Received $40k in state aid • Began planning a water capital project

Compile Given Financial Data

- Bank statements – will serve as the master record for inflows and outflows.
- Claims abstracts
- Debt records
- Payroll and benefits reports
- Tax warrants
- User accounts – e.g., sewer and water billing
- Board meeting minutes – e.g., resolutions related to capital projects, reserves, personnel etc.

Compile Given Financial Data

Organize Changes to Cash

- Use bank statements to create a list of every addition and deduction to the account balance.
  - Be sure to date each transaction.
  - It is recommended to create a separate set of lists for each month of the fiscal year you're reporting.
- Define which bank accounts are associated with which funds.
  - Some funds may share one bank account.
  - Who has control of each bank account? Ask them what they are used for.

Compile Given Financial Data

Organize Changes to Cash

General (A)	Highway (DA)	Water (SW)
Bank Accounts: XXX1, XXX3	Bank Accounts: XXX2, XXX4	Bank Accounts: XXX5, XXX6
Beg. of Year Cash **$236,000** Total Cash Inflow **$187,000** Total Cash Outflow **$147,000** End of Year Cash **$276,000**	Beg. of Year Cash **$160,000** Total Cash Inflow **$139,000** Total Cash Outflow **$122,000** End of Year Cash **$177,000**	Beg. of Year Cash **$102,000** Total Cash Inflow **$93,000** Total Cash Outflow **$99,000** End of Year Cash **$96,000**
Outstanding Checks = $1,038	Outstanding Checks = $0	Outstanding Checks = $0

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Compile Given Financial Data

Organize Changes to Cash

Inflows		Accrual?
Property Taxes		
Property Tax Items		
Departmental Income		
Intergovernmental Charges		
Use of Money and Property		
Sales of Property		
Other Revenues		
State Aid		
Federal Aid		
Interfund Transfers		
Unknown		
Total Inflow		

The right most column is for tracking accruals – changes to cash that do not create "new" revenues or expenditures.

Outflows		Accrual?
General Government Support		
Education (Scholarships)		
Public Safety		
Health		
Home and Community Services		
Employee Benefits		
Debt Service		
Interfund Transfers		
Unknown		
Total Outflow		

- Compare to accounting records for missing or incorrect entries.
- Perform monthly/annually per fund.

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Reconcile Prior Year Balance Sheet

- Research amounts on last year's balance sheet to make sure they correspond with the compiled financial data.
- Early detection of discrepancies will indicate one of two things:
  - Key financial data is missing.
  - A mistake was made on last year's AFR and a prior year adjustment will need to be posted on this year's report.

Reconcile Prior Year Balance Sheet

- Does $236,000 tie out to our 12/31 bank reconciliations from that year?
- What does $17,000 accounts receivable represent?
  - When did we collect it?
  - **This revenue was already recorded.**
- What does $3,000 accounts payable represent?
  - When did we pay it?
  - **This expenditure was already recorded.**

Last year's Balance Sheet (12/31)

Assets

Total Cash
$236,000

Accounts Receivable
$17,000

Total Assets = $253,000

Liabilities

Accounts Payable
$3,000

Fund Balance

Total Fund Balance
$250,000

Total Liabilities + Fund Balance = $253,000

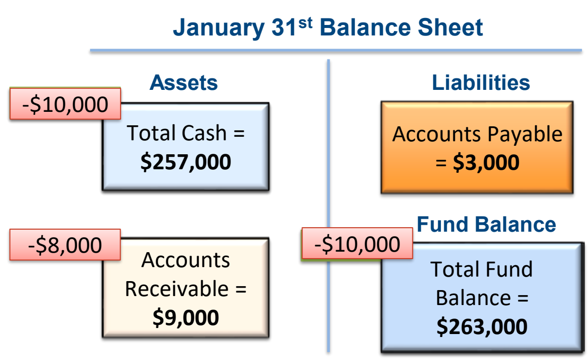
Calculate End of Year Fund Balance

- Use bank reconciliation(s) from the first month of the fiscal year to determine end of ***month*** cash.
- Add the total increases and total decreases to our bank balance, from only that first month, to our balance sheet.
  - Determine if any amounts tie out to receivables or payables reported on last year's balance sheet.
  - All other changes to the bank balance will be reported as current year revenues and expenditures that either increase or decrease our end of year fund balance.

Calculate End of Year Fund Balance

Reconcile January Activity

- Total cash collected in January was $31,000. $8,000 represents state aid previously reported as accounts receivable.
- Total cash spent in January was $10,000.



Notice that total assets still equal total liabilities + fund balance. $266,000

Define Revenues and Expenditures

January Revenue	
Property Taxes	$ 20,000
Property Tax Items	
Departmental Income	
Intergovernmental Charges	
Use of Money and Property	
Sales of Property	
Other Revenues	
State Aid	
Federal Aid	
Interfund Transfers	
Unknown	$ 3,000
Total January Revenue	**$ 23,000**

$8,000 of state aid was recognized as a revenue last year and is not a current year revenue.

January Expenditures	
General Government Support	$ 6,000
Education (Scholarships)	
Public Safety	$ 2,000
Health	
Home and Community Services	
Employee Benefits	$ 2,000
Debt Service	
Interfund Transfers	
Unknown	
Total January Expenditures	**$ 10,000**

Define Revenues and Expenditures

Current year revenues **increase** end of year fund balance.

Cash collected related to a prior year receivable does not increase end of year fund balance.

January	Current Year Revenue	Cash Collected on Accounts Receivable
Property Taxes	$ 20,000	
Property Tax Items		
Departmental Income		
Intergovernmental Charges		
Use of Money and Property		
Sales of Property		
Other Revenues		
State Aid		$ 8,000
Federal Aid		
Interfund Transfers		
Unknown	$ 3,000	
Total	**$ 23,000**	**$ 8,000**

Calculate End of Year Fund Balance

- At this point, we may begin defining our changes to cash into various revenue and expenditure categories.
- Keep in mind:
  - The payment of a bill that was already reported as *accounts payable* does not create a new expenditure.
  - The collection of a revenue previously reported as *accounts receivable* does not create a new revenue.

Beginning of Year Fund Balance = $250,000

January Total Revenue = $23,000 | January Total Expenditures = $10,000

End of January Fund Balance = $263,000

Calculate End of Year Fund Balance

Reconcile February Activity

- Total cash collected in February was $26,000.
- Total cash spent was $20,000. However, $3,000 represents outstanding invoices from the prior year. Previously reported as accounts payable.

February 28th Balance Sheet

Assets

-$20,000

Total Cash = **$263,000**

Accounts Receivable = **$9,000**

Liabilities

-$3,000

Accounts Payable = **$0**

Fund Balance

-$17,000

Total Fund Balance = **$272,000**

Notice that total assets still equal total liabilities + fund balance. $272,000

Define Revenues and Expenditures

$3,000 represents an invoice paid in February, recognized as an expenditure last year and reported under accounts payable.

February Revenue	
Property Taxes	$ 21,000
Property Tax Items	
Departmental Income	
Intergovernmental Charges	
Use of Money and Property	
Sales of Property	
Other Revenues	
State Aid	$ 5,000
Federal Aid	
Interfund Transfers	
Unknown	
Total February Revenue	**$ 26,000**

February Expenditures	
General Government Support	$ 6,000
Education (Scholarships)	
Public Safety	
Health	
Home and Community Services	
Employee Benefits	$ 2,000
Debt Service	
Interfund Transfers	
Unknown	$ 9,000
Total February Expenditures	**$ 17,000**

Define Revenues and Expenditures

Current year expenditures **decrease** end of year fund balance.

Cash spent related to a prior year payable does not increase end of year fund balance.

February	Current Year Expenditure	Cash spent on Accounts Payable
General Government Support	$ 6,000	$ 3,000
Education (Scholarships)		
Public Safety		
Health		
Home and Community Services		
Employee Benefits	$ 2,000	
Debt Service		
Interfund Transfers		
Unknown	$ 9,000	
Total	**$ 17,000**	**$ 3,000**

Calculate End of Year Fund Balance

- Once again, we may categorize our revenues and expenditures by account code or simply continue our running list of monthly totals to track their effect on fund balance.

Beginning of Year Fund Balance = $250,000	
January Total Revenue = $23,000	January Total Expenditures = $10,000
February Total Revenue = $26,000	February Total Expenditures = $17,000
End of February Fund Balance = $272,000	

Calculate End of Year Fund Balance

Reconcile March Activity

- Total cash collected in March was $31,000.
- Total cash spent was $29,000.

March 31st Balance Sheet

Assets

-$29,000

Total Cash
$265,000

Accounts Receivable
$9,000

Liabilities

Accounts Payable
$0

Fund Balance

-$29,000

Total Fund Balance
$274,000

Notice that total assets still equal total liabilities + fund balance. $274,000

Calculate End of Year Fund Balance

Beginning of Year Fund Balance = $250,000	
January Total Revenue = $23,000	January Total Expenditures = $10,000
February Total Revenue = $26,000	February Total Expenditures = $17,000
March Total Revenue = $31,000	March Total Expenditures = $29,000
Total Revenues = $80,000	**Total Expenditures = $56,000**
End of March Fund Balance = $274,000	

Beginning Fund Balance + (Revenues – Expenditures) =
Ending Fund Balance

Calculate End of Year Fund Balance

Reconcile April Activity

- Total cash collected in April was $17,000.
- Submitted state aid claim for $2,000
- Total cash spent was $21,000.

April 30th Balance Sheet

Assets

-$21,000
Total Cash
$261,000

+$2,000
Accounts Receivable
$11,000

Liabilities

Accounts Payable
$0

Fund Balance

-$21,000
Total Fund Balance
$272,000

Notice that total assets still equal total liabilities + fund balance. $272,000

Calculate End of Year Fund Balance

Beginning of Year Fund Balance = $250,000

January Total Revenue = $23,000	January Total Expenditures = $10,000
February Total Revenue = $26,000	February Total Expenditures = $17,000
March Total Revenue = $31,000	March Total Expenditures = $29,000
April Total Revenue = $19,000	April Total Expenditures = $21,000
Total Revenues = $99,000	**Total Expenditures = $77,000**

End of April Fund Balance = $272,000

Beginning Fund Balance + (Revenues – Expenditures) = Ending Fund Balance

Calculate End of Year Fund Balance

Reconcile May Activity

- Total cash collected in May was $19,000. $9,000 represents grants previously reported as accounts receivable.
- Total cash spent was $16,000.

May 31st Balance Sheet

Assets

-$16,000
Total Cash
$264,000

-$9,000
Accounts Receivable
$2,000

Liabilities

Accounts Payable
$0

Fund Balance

-$16,000
Total Fund Balance
$266,000

Notice that total assets still equal total liabilities + fund balance. $266,000

Calculate End of Year Fund Balance

Beginning of Year Fund Balance = $250,000

January Total Revenue = $23,000	January Total Expenditures = $10,000
February Total Revenue = $26,000	February Total Expenditures = $17,000
March Total Revenue = $31,000	March Total Expenditures = $29,000
April Total Revenue = $19,000	April Total Expenditures = $21,000
May Total Revenue = $10,000	May Total Expenditures = $16,000
Total Revenues = $109,000	**Total Expenditures = $93,000**

End of May Fund Balance = $266,000

Beginning of Year Fund Balance = $250,000

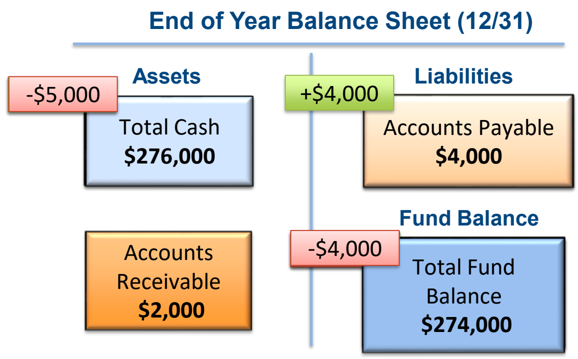
January Total Revenue = $23,000	January Total Expenditures = $10,000
February Total Revenue = $26,000	February Total Expenditures = $17,000
March Total Revenue = $31,000	March Total Expenditures = $29,000
April Total Revenue = $19,000	April Total Expenditures = $21,000
May Total Revenue = $10,000	May Total Expenditures = $16,000
June Total Revenue = $12,000	June Total Expenditures = $9,000
July Total Revenue = $5,000	July Total Expenditures = $10,000
August Total Revenue = $7,000	August Total Expenditures = $4,000
September Total Revenue = $13,000	September Total Expenditures = $6,000
October Total Revenue = $15,000	October Total Expenditures = $8,000
November Total Revenue = $6,000	November Total Expenditures = $11,000
December Total Revenue = $7,000	December Total Expenditures = $9,000
Total Revenues = $174,000	**Total Expenditures = $150,000**

End of Year Fund Balance = $274,000

Calculate End of Year Fund Balance

Reconcile December Activity

- Total cash collected in December was $7,000.
- Total cash spent was $5,000.
- Invoice received for $4,000. The bill was not paid until the next fiscal year.
  - This brings the total expenditures to $9,000.



Define Revenues and Expenditures

The General Fund added **$15,000** to a repair reserve during the year. This is reflected on the balance sheet but does not create a revenue or expenditure.

State aid claim submitted in April remains uncollected. Year-end accounts receivable: **$2,000.**

Year-End Revenue		Accrual?
Property Taxes	$ 114,000	
Property Tax Items		
Departmental Income		
Intergovernmental Charges	$ 10,000	
Use of Money and Property	$ 3,000	
Sales of Property		
Other Revenues		
State Aid	$ 32,000	X
Federal Aid		
Interfund Transfers		
Unknown	$ -	
Total Revenue	**$ 159,000**	

Invoice from vendor received in December remains unpaid. Year-end accounts payable = **$4,000.**

Year-End Expenditures		Accrual?
General Government Support	$ 75,000	X
Education (Scholarships)		
Public Safety	$ 12,000	
Health		
Home and Community Services		
Employee Benefits	$ 24,000	
Debt Service	$ 22,000	
Interfund Transfers		
Unknown	$ 2,000	
Total Expenditures	**$ 135,000**	

Define Revenues and Expenditures

Revenue Account Codes

- 1000 – 2999: Local Sources
- 3000 – 3999: State Sources
- 4000 – 4999: Federal Sources
- 5000 – 5999: Interfund Transfers and Proceeds of Obligations

Expenditure Account Codes

Function:

1000 – 1999 – General Govt. Support

2000 – 2999 – Education

3000 – 3999 – Public Safety

4000 – 4999 – Health

5000 – 5999 – Transportation

6000 – 6999 – Economic Assistance and Opportunity

7000 – 7999 – Culture and Recreation

8000 – 8999 – Home and Community Service

9000 – 9099 – Employee Benefits

9700 – 9799 – Debt Service

9900 – 9999 – Interfund Transfers

Object of Expenditure:

.1 – Personal Services

.2 – Equipment & Capital Outlay

.4 – Contractual and Other

.6 – Debt Service Principal

.7 – Debt Service Interest

.8 – Employee Benefits

.9 – Interfund Transfers

Completing the AFR

Before you get started

- Make sure you have access to the report.
  - Help Desk: (518) 408-4934 (option 1).
- Determine what year you can file next.
- Familiarize yourself with the report.
  - See "AFR Training" on our AFR Webpage
  - https://www.osc.ny.gov/local-government/required-reporting/annual-financial-report
- Contact our Data Management Unit.
  - (518) 408-4934 (option 4)
  - AFRFile@osc.ny.gov

Explaining Unknown Amounts

Notes to the Financial Statements

- Used to disclose any additional information necessary for the reader to better understand the reported information.
  - Explanation for the use of special revenue funds
  - Significant encumbrances at year end
  - Related party transactions with jointly governed organizations
  - Additional explanation of prior year adjustments

Additional Required Reporting

- Fixed Assets (K) Schedule
- Budget Summary
- Fire District Questionnaire
  - Include Statutory Spending Limit and Margin
- LOSAP Note Disclosures (if applicable)
  - https://www.osc.ny.gov/files/local-government/publications/pdf/losap.pdf

OSC Filing Resources

- Fire District Information
  - https://www.osc.ny.gov/local-government/resources/fire-district-information
- Audits of Local Governments
  - https://www.osc.ny.gov/local-government/audits
- AFR Information Page
  - https://www.osc.ny.gov/local-government/required-reporting/annual-financial-report
- Publications
  - https://www.osc.ny.gov/local-government/publications
- Training
  - https://www.osc.ny.gov/local-government/academy

Questions?

Division of Local Government and School Accountability
localtraining@osc.ny.gov

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Thank you.

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