

The Annual Financial Report Common Filing Errors – Fire Districts

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New York State Comptroller
THOMAS P. DINAPOLI

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Training Objectives

- Getting started
 - Legal requirement
 - Filing process
- Supplemental schedules
- How to report...
 - Debt, LOSAP, & Reserves
- Validation rules & common errors
- Training resources

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Annual Financial Report (AFR)

- Legal requirement
 - General Municipal Law, Section 30
 - The responsibility of the CFO.
 - Filed with the OSC within 60 days after the close of the fiscal year.
 - OSC may extend an additional 60 days with written request.
 - To the extent practicable, make accessible on website.



Order of Completion

Step 1 – Compile Source Documents

- Bank Reconciliation
 - For the month ending the fiscal year (12/31).
- Journal entries
 - Close out revenues & expenditures to the Balance Sheet prior to filling in the AFR.
- Total revenues & expenditures
 - Through closing out journal entries, determine outstanding receivables & payables.
- Investments (if applicable)



Order of Completion

Step 2 – Financial (Fund) Statements

- Balance Sheet
 - Assets = Liabilities + Fund Balance
- Results of Operation
 - Revenues
 - Expenditures
- Changes in Fund Balance
- Budget Summary

Order of Completion

Step 3 – Supplemental Schedules

- Bank Reconciliation
 - Includes collateral and investments.
- Employee and Retiree Benefits
- Fire District Questionnaire
- Statement of Indebtedness
- Bond Repayment
 - New schedule for Annual Financial Report.

Order of Completion

Step 4 – Validation

- Validation rules highlight common data discrepancies and accounting errors.
 - Critical validation rules represent definitive discrepancies, which require data revisions prior to submission.
 - Non-critical validation rules may require data revisions. However, with a reasonable comment, they will not prevent the submission of the final report.

Single Entry Cash Basis Accounting

- Financial transactions are recorded only when cash has been received or disbursed.
 - This eliminates the use of receivables & payables.
 - Reserves are reported in a separate (R) Fund.
- May be used by fire districts with less than \$500,000 of revenues.

Double Entry Modified Accrual Accounting

- Fire districts with revenues of \$500,000 or more are required to use the modified accrual basis of accounting.
 - Revenues are recognized when they become *measurable and available* to finance expenditures.
 - Expenditures, with certain exceptions such as debt service payments, are recognized when the fund liability is incurred.

Double Entry Modified Accrual Accounting

- Measurable: ability to quantify the amount of the receivable and corresponding revenue.
- Available: collectible within the current period *or shortly thereafter* to pay liabilities of the current period.
 - Real property taxes are limited to collections during the fiscal year and in the first 60 days of the ensuing fiscal year [GASB Cod. Sec P70].
 - Board should establish a clear **revenue recognition period** for all other revenues.

Supplemental Schedules

Bank Reconciliation

Accounts Add Record

Include all checking, savings, C.D., and other accounts

Account No	Account Type	Associated Fund(s)	Bank Balance	Deposits in Transit	Outstanding Checks	Adjustments	Total
Edit 1478	Checking	A	\$145,114.00	\$0.00	\$0.00	\$0.00	\$145,114.00
Edit 4279	Savings	A	\$257,121.00	\$0.00	\$0.00	\$0.00	\$257,121.00
Total			\$402,235.00	\$0.00	\$0.00	\$0.00	\$402,235.00
			Total Cash Balance From Financials				\$402,235.00

[Export to CSV](#)

Collateralization of Cash [Edit](#)

Total Bank Balance	\$402,235.00
FDIC Insurance	\$500,000.00
Collateralized with Securities held in possession of the municipality or its agent or otherwise secured	\$0.00
Total of FDIC Insurance and Collateralized with securities held in possession of the municipality or its agent or otherwise secured	\$500,000.00

Investments and Collateralization of Investments [Edit](#)

Investments from Financials	\$0.00
Market Value as of Fiscal Year End Date	\$0.00
Collateralized with Securities held in possession of the municipality or its agent or otherwise secured	\$0.00

Supplemental Schedules

Employee and Retiree Benefits

- New disclaimer option
- Clarifies/summarizes objects of employee benefit expenditures.
 - Reconciles distributed employee benefit expenditures (*expenditures with object code “.8”*).
 - Benefits reported must be equal to or greater than amounts in corresponding account code.

Supplemental Schedules

Fire District Questionnaire

Questions	
1. Has your Fire District adopted a written procurement policy and is it complied with?	Yes
2. Does your Fire District have a written travel policy and is it complied with?	Yes
3. Does your Fire District perform monthly bank reconciliations?	Yes
4. Has your Fire District adopted an investment policy as required by General Municipal Law, Section 39?	Yes
5. Has your Fire District contracted to have an independent audit of its financial statements?	No
5a. If not, has the Board of Fire Commissioners performed an internal audit of the Treasurer's record and reports?	Yes
6. What is your Fire District's statutory spending Limitation* for the next fiscal year?	\$462,000.00
7. What is your Fire District's statutory spending limitation margin* for the next fiscal year?	\$20,000.00
8. Does your Fire District have a Length of Service Award Program (LOSAP) for volunteer firefighters?	Yes

*Fire District ARM can be used to calculate your Fire District's Statutory spending limitation and spending limitation margin.



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Statutory Spending Limit

Purpose

- Pursuant to Section 176(18) of the Town Law.
- Established to ensure that districts do not exceed the maximum amount which may be expended without voter approval.
- Used as a tool to reduce risk of significant tax increases during any one fiscal year.



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Statutory Spending Limit

Where to obtain data

Full Valuation

- Assessed value (of real property subject to taxation) ÷ equalization rate
- A fire district can typically calculate the full valuation by using data provided by the town.
- If the boundaries of a fire district serves the same boundaries of the entire town, a fire district can obtain the full valuation through OSC's Tax Data.
 - <https://www.osc.ny.gov/local-government/data/real-property-tax-levies-taxable-full-value-and-full-value-tax-rates?redirect=legacy>



Statutory Spending Limit

Where to obtain data

Assessed Valuation

- Use the assessed valuation from the *prior fiscal year* you are reporting.
- Provided by the town(s) your fire district serves.
 - There are multiple lines at the top of Worksheet A in the *Fire District Accounting and Reporting Manual (ARM)* for each town your fire district serves (if applicable).



Statutory Spending Limit

Where to obtain data

Assessed Valuation

- Amount can be verified on your county's website.
 - Review final assessment roll.
- Determine responsibility for intermunicipal communications.
 - Determine timelines and documentation.
 - Discrepancies in tax roll valuations.

Statutory Spending Limit

Where to obtain data

Equalization Rate

- Like the assessed valuation, this is provided by the town(s) you serve.
- A different equalization rate is established for each assessment roll (year).
- Rates can be verified by data provided by the NYS Office of Real Property Tax Services.
 - <https://www.tax.ny.gov/research/property/assess/eqrat/ecounty.htm>

Computation of Statutory Spending Limits: Worksheet A

See page 15 of [Fire Districts ARM](#)

Town	Assessed Valuations (AV)	Equalization Rates (ER)	Full Valuations (AV/ER)
	\$	%	\$
	\$	%	
	\$	%	
	Total Full Valuations		\$ \$200,000,000
	Less First Million of Full Valuation		1,000,000
	Excess Over First Million of Full Valuation		\$ \$199,000,000
	Multiply Excess by One Mill		x .001
	Expenditures Permitted on Full Valuation Above \$1,000,000		\$ \$199,000
	Add Expenditures Permitted on Full Valuation Below First \$1,000,000		2,000
	Statutory Spending Limitation for 20____ (year 2)		\$ \$201,000
	Add Exclusions from Statutory Spending Limitation (Town Law, Section 176(18) (from Worksheet B))		
	Add Spending Authorized by Voters in Excess of Statutory Spending Limitation (Town Law, Section 179) (Proposition Adopted on _____)		
	Sum of Statutory Spending Limitation, Exclusions and Excess Spending Authorized by Voters		\$
	Less Budget Appropriations		
	Statutory Spending Limitation Margin		\$

*(or divide
by \$1,000)*



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Statutory Spending Limit =

$((\text{Full Valuation} - \$1,000,000) \div \$1,000) + \$2,000$

**If our Full Valuation is \$200,000,000, our
Statutory Spending Limit is \$201,000.**

- $\$200,000,000 - \$1,000,000 = \$199,000,000$
- $\$199,000,000 \div \$1,000 = \$199,000$
- $\$199,000 + \$2,000 = \$201,000$



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Computation of Statutory Spending Limits: Worksheet B

Selected Exclusions From Statutory Spending Limit

1	<p>Payments under contracts made pursuant to subdivisions 12 and 22 of Section 176 of the Town Law:</p> <p>Subdivision 12 - A contract for a supply of water and for furnishing, erecting, maintaining, caring for and replacing fire hydrants.</p> <p>Subdivision 22 - A contract for furnishing fire protection within the fire district, including emergency services and general ambulance services.</p>
3	Principal and interest on bonds, bond anticipation notes, capital notes and certain budget notes, and interest on certain tax anticipation notes.
5	District's contribution to the New York State and Local Employees' Retirement System and the New York State and Local Police and Fire Retirement System.

Computation of Statutory Spending Limits: Worksheet B

Selected Exclusions From Statutory Spending Limit

8	Payment required annually to fund service awards to volunteer firefighters made pursuant to Article 11-A of the General Municipal Law.
16	Cost of fuel for the fire district's emergency vehicles, including fuel tax carryovers.
17	Cost of annual independent audits required by Section 181-b (formerly Section 181-a) of the Town Law for fire districts with revenues of \$400,000 or more.
18	Appropriations to, or expenditures from, most reserve funds established pursuant to the General Municipal Law.
21	Use of gift proceeds.
22	Use of insurance proceeds received for the loss, theft, damage or destruction of real or personal property - when applied to repair or replace such property.

Computation of Statutory Spending Limits: Worksheet C

Other Exclusions – Borrowing and Reserve Funds

- Exclusions listed below may not have been available at the time the budget was being prepared.
- Therefore, Worksheet C should be used during the fiscal year you are reporting.

1)	Use of the proceeds of bonds, bond anticipation notes, capital notes or certain budget notes.
2)	Expenditures from most reserve funds established pursuant to the General Municipal Law.
3)	Use of premiums from the sale of obligations, the unexpended portion of the proceeds of fire district obligations, and the income and capital gains from the investment of the proceeds of obligations.



Supplemental Schedules

Statement of Indebtedness

- Debt Records: Add newly issued debt, and principal and interest payments on existing debt.
 - Include responsible funds, date issuance and maturity, and purpose for the debt.
- Debt Summary: Summarizes debt by type.
 - Bonds, BANs, IPCs, etc.
- Validation rules check that data reported on the Statement of Indebtedness ties out to the financial statements.



Adding Debt Records

Accessed on the “Debt Records” section of the Statement of Indebtedness

Edit Debt Record	
<p>Select the debt type *</p> <p>Bond</p>	<p>Enter the amount of debt issued *</p> <p>\$ 50,000.00</p> <p>Amount greater than 0 and lower or equal to 999,999,999,999.99.</p>
<p>Was this debt administered by EFC? * <input type="radio"/> Yes <input checked="" type="radio"/> No</p>	<p>Enter the principal paid during the reporting period, excluding refunded debt *</p> <p>\$ 10,000.00</p> <p>Amount between 0 and 999,999,999,999.99.</p>
<p>Was this debt administered by USDA? * <input type="radio"/> Yes <input checked="" type="radio"/> No</p>	<p>Total Debt Payments</p> <p>\$ 10,000.00</p>
<p>Was this debt a private sale? * <input type="radio"/> Yes <input checked="" type="radio"/> No</p>	<p>Enter the interest paid during the reporting period *</p> <p>\$ 2,000.00</p> <p>Amount between 0 and 999,999,999,999.99.</p>
<p>Enter the primary purpose of this debt *</p> <p>Roof Repair</p>	<p>Enter the amount of accreted interest *</p> <p>\$ 0.00</p> <p>Amount between 0 and 999,999,999,999.99.</p>
<p>Select the funds responsible for paying the debt *</p> <p>A - General</p>	<p>Ending Balance</p> <p>\$ 40,000.00</p>
<p>Enter the date on which the sale of the debt was closed *</p> <p>05/19/2023</p> <p>Date must be earlier than 01/01/2024.</p>	<p>Save</p>
<p>Enter the date of final maturity *</p> <p>05/19/2028</p> <p>Date must be later than 05/19/2023.</p>	

Supplemental Schedules

Bond Repayment Schedule

- Summarizes annual bond debt service.
- Linked to Statement of Indebtedness (SOI).
 - SOI needs to be marked complete first.
 - Principal and interest payments listed on the bond repayment schedule must match SOI records.
 - Validation rules will check for discrepancies between the two schedules.

Bond Repayment Schedule

Validation Summary

☒ Run Validation/Mark Complete

Summary [Edit](#)

For each fiscal year below enter the total amount of all Bond principal and Bond interest payable for that fiscal year. The system will populate the fiscal years in the table based upon the maturity dates entered in the Statement of Indebtedness. The Total Due Column is calculated as the total of the Principal Due and Interest Due for the individual fiscal years. The Balance column is calculated as the amount of principal outstanding for all Bonds at the end of that fiscal year. The Balance should end at zero in the last fiscal year.

Fiscal Year Ending	Bond Principal Due	Bond Interest Due	Total Due	Remaining Principal Balance
2025	\$45,000.00	\$3,000.00	\$48,000.00	\$315,037.00
2026	\$45,000.00	\$3,000.00	\$48,000.00	\$270,037.00
2027	\$45,000.00	\$3,000.00	\$48,000.00	\$225,037.00
2028	\$45,000.00	\$3,000.00	\$48,000.00	\$180,037.00
2029	\$45,000.00	\$3,000.00	\$48,000.00	\$135,037.00
2030	\$45,000.00	\$3,000.00	\$48,000.00	\$90,037.00
2031	\$45,000.00	\$3,000.00	\$48,000.00	\$45,037.00
2032	\$45,000.00	\$3,000.00	\$48,000.00	\$37.00
Total	\$360,000.00	\$24,000.00	\$384,000.00	
\$360,037.00 Total Bond Ending Balance from Statement Of Indebtedness				

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Reporting Debt in the AFR

- Initial debt proceeds should be recorded in the Capital Projects (H) Fund.
- Statement of Indebtedness.
 - Update Bond Repayment Schedule (if applicable).
- Debt payable is reported in the Non-Current Government Liabilities (W) Schedule.
- Debt principal and interest payments made during the reporting period are reported in the responsible operating fund.
 - For most fire districts, this is the General (A) Fund.

Common Omissions

- Non-Current Governmental Assets (K) Schedule
 - Reported at historical cost.
- Budget Summary
- Collateralization of cash
 - Subsection of the Bank Reconciliation.
- Fire District Questionnaire
 - Include Statutory Spending Limit and Margin.

Related Required Reporting

- Audited financial statements
 - Fire districts with annual revenues of \$400,000 or more are required to obtain an independent audit.
 - Report must be filed with OSC within 180 days of the end of fiscal year audited.
- LOSAP Note Disclosures/Audit
 - <https://www.osc.ny.gov/files/local-government/publications/pdf/losap.pdf>
- Notes to the Financial Statements

Length of Service Awards Program (LOSAP)

- LOSAP assets are reported in the General (A) Fund.
 - Asset code A461 – Service Award Program Assets & fund balance code A895 – Restricted for Service Award Program.
- Gains and losses of the program assets are reported in revenue code A2401 – Interest and Earnings.
 - In the case of a loss, report a negative figure.

Validation Rules



Non-Critical vs. Critical



Non-Critical Validation Rules	Critical Validation Rules
<ul style="list-style-type: none"> • Indicate possible errors • Require a comment 	<ul style="list-style-type: none"> • Indicate a reporting error • Require a correction
Validation Rules User Manual: https://www.osc.ny.gov/files/local-government/required-reporting/pdf/afr-validation-rules.pdf	

Validation Rules

Non-Critical Validation Rules

- Budget out of balance or left blank
- A new fund was added
- A fund is no longer being used
- Transfers in unequal from transfers out
- Debt proceeds reported in an operating fund
- Cash/investment reserves do not equal reserved fund balance
- Budget vs. actual variance >20%

Validation Rules

Critical Errors

- Balance Sheet



- Changes in Fund Balance



Changes in Fund Balance

Summarizes the difference in fund balance from the beginning of the fiscal year to the end (should be known).

Analysis of Changes in Fund Balance		01/01/2023 - 12/31/2023
8021 - Fund Balance - Beginning of Year	\$	461,706.00
8012 - Prior Period Adjustment OR Change in Accounting Principle - Increase in Fund Balance		-
8022 - Restated Fund Balance - Beginning of Year	\$	461,706.00
Add Revenues and Other Sources		\$509,950.00
Deduct Expenditures and Other Uses		\$460,280.00
8029 - Fund Balance - End of Year	\$	511,376.00

Common Errors

Prior Year Adjustments

- Represents a reporting error made in a prior year's report.
 - The difference does not reflect something that was missed in the current year.
- Can be added to the Changes in Fund Balance tab of any fund, the Bank Reconciliation and the Statement of Indebtedness.

Common Errors

Cash can no longer be entered as a negative figure. Even in the case of an overdrawn bank account, you would report the amount overdrawn in liability code 633.

Assets and Deferred Outflows of Resources	
Assets	
Cash	
200 - Cash	\$ 0.00
Total for Cash	\$0.00
Restricted Assets	
461 - Service Award Program Assets	\$ 0.00
Total for Restricted Assets	\$0.00
Total for Assets	\$0.00
Total for Assets and Deferred Outflows of Resources	\$0.00

Liabilities, Deferred Inflows and Fund Balances	
Liabilities	
Due to	
631 - Due To Other Governments	-
633 - Due to Financial Institution for Overdrawn Accounts	\$ 500.00
Total for Due to	\$500.00
Total for Liabilities	\$500.00
Fund Balance	
Unassigned Fund Balance	
917 - Unassigned Fund Balance	\$ -500.00
Total for Unassigned Fund Balance	(\$500.00)
Total for Fund Balance	(\$500.00)
Total for Liabilities, Deferred Inflows and Fund Balances	\$0.00

Common Errors

Reserve Fund Balance

- Fund balance subject to externally enforceable legal purpose restrictions.
 - Reserved fund balance (account codes 814-898)
 - Cash/investment reserves (account codes 230, 231, 452, 453)
- OSC's Reserves Guide
 - <https://www.osc.ny.gov/files/local-government/publications/pdf/reserve-funds.pdf>

Common Errors

Using Reserves

- Fire districts who report using **cash basis accounting** use a Reserve (R) Fund.
 - Additions to reserves require an interfund transfer from the A Fund to the R Fund.
 - Expenditures are made directly out of the R Fund.
- Fire districts who report on **modified accrual basis accounting** account for their reserves in the General (A) Fund.

Common Errors

Interfund Transfers

- The following *balance sheet transactions* would not be recorded as interfund transfers:
 - Transfers between bank accounts in the same fund.
 - Interfund Loans.
 - Moving cash from restricted to unrestricted (*under modified accrual accounting*).
- Transfers in should equal transfers out.
 - Revenue codes (in): 5031 & 5050
 - Expenditures codes (out): 9901.9 & 9950.9

Common Errors

Appropriated Fund Balance

- Fund Balance appropriated for use in the ensuing fiscal year's budget
 - Balance Sheet (code 914) should equal Budget Summary (code 599)

Common Errors

The system **will allow** you to enter negative fund balance in one code and positive fund balance in another. However, this is improper accounting and would generate a non-critical Validation Rule (VR23).

Assigned Fund Balance	
914 - Assigned Appropriated Fund Balance	\$ 15,000.00
Total for Assigned Fund Balance	\$15,000.00
Unassigned Fund Balance	
917 - Unassigned Fund Balance	\$ 0.00
Total for Unassigned Fund Balance	\$0.00
Total for Fund Balance	\$15,000.00



Assigned Fund Balance	
914 - Assigned Appropriated Fund Balance	\$ 20,000.00
Total for Assigned Fund Balance	\$20,000.00
Unassigned Fund Balance	
917 - Unassigned Fund Balance	\$ -5,000.00
Total for Unassigned Fund Balance	(\$5,000.00)
Total for Fund Balance	\$15,000.00



Technical Assistance

- Enrollment and password issues
 - Help Desk
 - 1-866-321-8503, option 1
 - LocalGov@osc.ny.gov
- Annual Financial Report questions
 - Data Management Unit (DMU)
 - 1-866-321-8503, option 4
 - AFRFile@osc.ny.gov

OSC 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?

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