

AFR Accounting & Reporting Clarifications

Updated 9/15/2026

Accuracy Certification Statement and Audit Certification:

- In order for an AFR to be approved, both the Accuracy Certification Statement and Audit Certification must be signed and uploaded to CFRS.
- Each document requires separate signatures from both the Board Secretary and the Chief School Administrator.
- If any changes/corrections are made to an AFR, a newly signed Accuracy Certification Statement is required for approval.
- If a Revised AFR is submitted, a newly signed Accuracy Certification Statement and Audit Certification are required for approval.
- Audit Certification submission is required for all LEAs other than Intermediate Units pursuant to Act 104 (HB 101) and must be submitted no later than 12/31/2026. 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. If the audit is not complete by the 12/31 due date of this form, it may be signed and submitted if the school officials feel comfortable stating that the AFR data is materially consistent with the financial data that is currently undergoing the audit. Forms not submitted by the 12/31 due date will cause the AFR to be delinquent regardless of the audit status. The Audit Certification Template is provided within the CFRS-AFR program. A new audit certification form must be uploaded to the CFRS-AFR application only when a REVISED AFR is submitted.

Fund Guidance:

- ❖ **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. The Comptroller's Office is not in a position to approve unallowable transactions if or when errors are discovered on the AFR.
 - **Capital Reserve - Fund #31:** The establishment and use of this fund is governed by the PA School Code, Sections 690 and 1850.4.
 - › **Section 690:** A fund created under this section is allowable for use only by School Districts to account for the receipts of a special tax levied for an approved school building project.

- › Transfers of these tax receipts from the General Fund to Fund #31 should be properly coded to expenditure detail code 5230-931. The amount reported in this expenditure code will be automatically populated onto the Revenue Detail screen as the Fund #31 incoming transfer in account 9310. There is no manual entry area available on the Revenue Detail data entry screens to report incoming fund transfers to this Capital Reserve Fund.
- › Please refer to the School Code for additional regulations regarding the creation and utilization of this fund.
- › **Section 1850.4:** A fund created under this section is allowable for use by AVTS/CTC schools only for the purpose of purchasing equipment or maintaining facilities.
- › 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 for this purpose or from unencumbered funds remaining in the General Fund.
- › Transfers of these funds from the General Fund to Fund #31 should be properly coded to expenditure detail code 5230-931. The amount reported in this expenditure code will be automatically populated onto the Revenue Detail screen as the Fund #31 incoming transfer amount in account 9310. There is no manual entry area available on the Revenue Detail data entry screens to report incoming fund transfers to this Capital Reserve Fund.
- › Please refer to the School Code for additional regulations regarding the creation and utilization of this fund.
- **Capital Reserve - Fund #32:** The establishment and use of this fund is governed by the Municipal Code, Sections 1431-1436.
 - › Per the Municipal Code, 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.
 - › Insurance recoveries may be deposited or transferred into this fund if the original expenditure was made from and reported within Fund #32.
 - › There is no manual entry area available on the Revenue Detail data entry screens to report incoming fund transfers to this Capital Reserve Fund. The amount entered in the General Fund Expenditure Detail section, code 5230-932 as outgoing transfers to Fund #32 will be automatically populated onto the Revenue Detail screen as the Fund #32 incoming transfer amount in account 9310.
 - › 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. The purchase of items such as computers or furniture would not be considered capital improvements and therefore would not be allowable uses of the capital reserve fund.**
 - › 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.
- To account for bad debt expenses in the Food Service Fund, code transfers out of the General Fund using 5251-939, and code the transfer into the Food Service Fund using 9310.

❖ **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.

Expenditure Classifications:

❖ **Expenditures - Elementary/Secondary/Federal Split:** Expenditures are frequently found to be allocated and reported incorrectly within the elementary, secondary, and federal categories. This error is especially common in the case where a building such as a middle school houses grade levels within both the elementary and secondary categories.

- Elementary expenditures – should include costs for students in grades K-6
- Secondary expenditures – should include costs for students in grades 7-12
- Federal expenditures – should include only those costs that are funded with Federal funds. If an expenditure is related to a federal program, but is not funded with federal revenue, that expenditure should be reported as elementary or secondary.

❖ **Chief School Administrator and Principal Costs - Proper Use of Functions 2360 and 2380:**

- The AFR must include expenditures in both Function 2360 and 2380.
- Function 2360 is to be completed with the expenditures directly related to the duties applicable to a Chief School Administrator - overall LEA administration.
- Function 2380 should be completed with the expenditures directly related to the duties applicable to a Principal - specifically building administration.
- If one individual fills both of these roles, or additional roles at the school, the expenditures should be prorated to all applicable functions.
- When schools receive administrative services as part of a management contract, the contract must be reviewed to identify the functional nature of those services, and the contract costs are to be allocated and reported in the most applicable expenditure codes.
- Function 2390 should not be used to account for any management contract costs or administrative services that can be recorded more accurately within another function.

❖ **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.

- ❖ **Higher Education Programs for Secondary Students (Function 1700)** This function should only include costs applicable to programs provided to your secondary students. Adult education costs and community college sponsorship costs should be coded to Function 1600.
- ❖ **Technology costs**
 - The costs associated with technology hardware or software utilized by students and/or teachers for instructional purposes must be reported in a 1000 instructional function. These costs may not be combined and reported within a 2000 function with technology costs for non-instructional uses simply because a group of similar items was obtained for both instructional and non-instructional purposes.
- ❖ **Tuition Reimbursement (Object 240)** for staff members can only be coded to one of the following functions:
 - Staff development functions 2271, 2272, 2834, or 2836
 - Instructional functions 1806 or 1600
 - Non-public functions 1500, 2280, 2450, or 2750
- ❖ **Transportation**
 - Function 2700 should only be utilized for trips between school and home, or from school to school.
 - Transportation costs for educational field trips and student activities should be recoded to the applicable instructional or student activity function.
 - Fuel purchases for use by, or on behalf of a transportation contractor should be coded to object 513.
 - Pupil Transportation subsidy "Balance Due" payments received after the end of the fiscal year are frequently missed when reporting revenue.
 - › The Audit Confirmation report available on FAI is strictly a cash disbursement report, and only includes cash payments distributed within the fiscal year. The amounts displayed on the report are not "revenue" amounts applicable to that fiscal year.
 - › The transportation subsidy historically has a shortfall every year which results in two payments being disbursed in August. One is applicable to the current fiscal year, and the other is a balance due amount for the previous year.
 - › Please ensure the revenue reported under code 7311 reflects the revenue earned, rather than the cash received during the fiscal year. The 7311 revenue amount referenced in AFR validation 30501 will reflect the subsidy amount that should be accounted for as revenue for the fiscal year.
 - **For payable year 2025-26, the final Pupil Transportation Subsidy payment (revenue 7311) was paid in the June 2026 Unipay and must be accrued and reported as revenue on the 2025-26 AFR. Note: Some school districts also received a Pupil Transportation Subsidy adjustment ("S D Transp Adj") payment on 8/27/2026 which must also be reported as revenue on the 2025-26 AFR. This prior year revision payment should not be confused with the first Pupil Transportation Subsidy ("S D Transportation") payment for 2026-27, which was also paid in the August 2026 Unipay. The subsidy payment for 2026-27, which is for school year 2025-26, should be reported as revenue for 2026-27.**

Interfund Transactions:

- ❖ **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	\$10,000
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	\$10,000
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	\$10,000
Due from Other Funds	\$10,000	Cash	\$10,000

Debt Obligations:

- ❖ **Long-Term Debt/Liability reporting - Statement of Indebtedness (SOIN), Revenues, and Expenditures:** Data reported for school debt/liabilities should be comparable throughout all areas of the AFR.
 - Interest reported in the SOIN debt detail should match the expenditures reported for interest.
 - Most reduction of debt in the SOIN debt detail should be comparable to expenditures for principal payments.
 - Bond Refunding: Account codes 5120 and 9120 should be used to record the transactions associated with bond refunding. 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 Termination Fees are accounted for as an expenditure within code 5110-990
 - Swap Gains are accounted for as 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. Do not include Underwriter's Discounts within this code.
 - Bond Issuance Costs, Underwriter's Discounts, and Paying Agent Fees are accounted for as expenditures within account 2390-810 rather than within any 5000 function. Per GASB #65 - Debt issuance costs,

except any portion related to prepaid insurance costs, should be recognized as an expense in the period incurred.

- 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 the addition of accreted interest.
- Leases and Other Right-to-Use Arrangements that meet the criteria of GASB 87 and GASB 96:
 - › The initial recognition of the full value of the agreement is to be accounted for both as an expenditure in the applicable functional code utilizing one of the newly created 730 object codes, and as an other financing source within revenue code 9220.
 - › Subsequent monthly/yearly payments on these agreements are accounted for as an other financing use within expenditure accounts 5140-910 and 5140-830.
 - › Other long-term agreements that do not meet the criteria of these GASB statements should be accounted for as either Extended Term Financing or Other Long-Term Debt.
 - › Please refer to detailed GASB 87 accounting guidance available on the PDE website: [GASB 87 Guidance](#)
- Short term debt interest and fees are considered current expenditures and should be recorded to function 2519.

Unusual or Infrequent Items:

- ❖ **Unusual or Infrequent Items** - Please be sure to review items you have recorded as unusual or infrequent and be sure they meet the requirements as set by GASB Statement 103. Please work with your auditors to make this determination.
 - **Unusual Items:** Transactions or events that exhibit a high degree of abnormality and are clearly unrelated or only incidentally related to typical LEA activities.
 - **Infrequent Items:** Transactions or events that would not reasonably be expected to recur in the foreseeable future.

Common AFR Reporting Errors:

- Incorrect allocation of expenditures in the applicable elementary and secondary columns. Elementary consists of grades K-6 and secondary consists of grades 7-12.
- Revenue received as pass thru must be reported in an applicable pass thru code.
- Improper use of 'Miscellaneous' codes such as 6999, 9910, 2900, and 890. These are to be used only if the revenue or expenditure does not fall within a more applicable established code.
- Subsidy payment "Balance Due" amounts received after the end of the fiscal year are frequently missed when reporting Revenue.
- Improper use of available revenue codes within the Capital Reserve Funds #31 or #32 to report revenues which are unallowable for these funds.
- Per GASB Statement 54, special revenue funds may not be utilized for capital project costs. Function 4000 is not available for data entry within any of the special revenue funds, Funds 21-29.