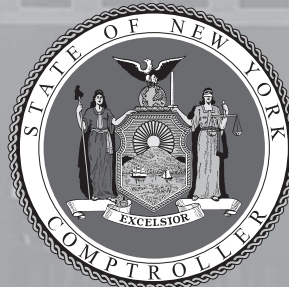




ACCOUNTING AND REPORTING MANUAL

INDUSTRIAL DEVELOPMENT  
AGENCIES



JANUARY 2005

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# **INDUSTRIAL DEVELOPMENT AGENCIES**

## **PART 1**

### **GENERAL INFORMATION**

#### **INTRODUCTION**

In 1969, New York State adopted the Industrial Development Agency Act. The Act defines Industrial Development Agencies (IDAs) and sets forth their organization and powers. IDAs are independent public benefit corporations. They are created to promote, develop, encourage and assist industrial, manufacturing, warehousing, commercial, research and recreation facilities to advance job opportunities, health, and economic welfare of the people of the State of New York.<sup>1</sup> Each IDA is a non-profit governmental entity created by a special act of the State Legislature for the benefit of a particular local government at the request of one or more municipalities.

IDAs carry out their mandate by creating projects that offer financial incentives to attract, retain, and expand businesses within their jurisdiction. To achieve these goals, an IDA can buy, sell and lease property and issue debt. Businesses wishing to obtain financial assistance typically apply to an IDA. The assistance granted to these businesses generally includes the issuance of a low interest Industrial Development Revenue Bond, and exemptions from real property tax, mortgage recording tax, and sales and use tax. The bonds issued are not obligations of the municipality or the State. As part of the transaction, the IDA generally takes title to the project's real property. In doing so, the IDA is not required to pay taxes or assessments on any property it acquires or that is under its jurisdiction, control, or supervision. Usually, this benefit is, in effect, passed through to the assisted business. A portion of the local real property tax exemption is usually recaptured in the form of payments in lieu of taxes (PILOTS). The assisted business typically agrees to make PILOTS, which generally are significantly less than the real property taxes which are abated.

In many cases, the financing of an IDA-sponsored project takes the form of a lease-purchase agreement with the business. The IDA sells its bonds and uses the proceeds to acquire or construct the project for the business. Upon completion, the project is leased to the business for a term equal to the term of the IDAs bond issue. The annual payments from the business are then set at an amount sufficient to pay the annual principal and interest on the IDA bonds. Since IDAs are considered governmental agencies, property acquired by them or under their control has tax-exempt status. The business usually has the option to purchase the project for a nominal fee at the end of the financing term.

IDAs may also provide financial assistance through "straight-lease" transactions. Under such arrangements, the IDA generally would take title to property of a project occupant, thereby entitling the property to tax exemptions, with no additional financial assistance provided through the proceeds of the IDA bonds.<sup>2</sup>

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<sup>1</sup> General Municipal Law §858.

<sup>2</sup> General Municipal Law §854(15)

The Board of an IDA, consisting of between three and seven members, is generally appointed by the governing body of its sponsoring municipality. IDA decisions affect the school districts and other local governments in the area in which the IDA operates. The IDA tax exemption policies are often a concern of these taxing jurisdictions, particularly for school districts. The major taxing jurisdictions which are affected by IDA decisions may not be represented in the IDA membership and, therefore, may have little input into IDA decisions which affect their tax bases and revenue streams. Accordingly, provisions of the General Municipal Law require each IDA to establish a uniform tax exemption policy with input from affected tax jurisdictions and to provide guidelines for claiming real property tax, mortgage recording tax, and sales tax exemptions. The IDA must also establish a procedure for deviation from its uniform tax exemption policy and provide written notification of the reasons for the deviation to affected taxing jurisdictions.

### **1993 LEGISLATION**

In 1993, legislation was passed altering the powers of IDAs. The main focus of the legislation addressed the issue of making IDAs more accountable by requiring them to:

- submit written payment in lieu of tax agreements, including payment allocation, to taxing jurisdictions;
- file real property tax exemptions with county chief executive officers and school districts;
- submit data on outstanding projects annually to the New York State Comptroller's Office;
- hold a public hearing for all projects in excess of \$100,000; and
- adhere to the same conflict of interest code of ethics as municipalities.

**INDUSTRIAL DEVELOPMENT AGENCIES**  
**PART 2**  
**ACCOUNTING AND REPORTING**

This Accounting and Reporting Manual (Manual) for IDAs is prescribed by the New York State Comptroller in accordance with the provision of General Municipal Law §36 and §859. The Manual has been designed to not only meet these statutory requirements, but also to assist the IDA in establishing and maintaining sound financial management systems. Accordingly, the accounting and reporting structures reflect the unique responsibilities and requirements contained in the enabling statutes.

The statutes governing IDA operations also include provisions relating to the audit of IDA financial statements and operations. Guidance relating to audit issues is presented in Part 3 - Audit Requirements.

## **ACCOUNTING**

### **Single Fund**

All financial activity of the IDA will be reported in a single fund. Therefore, any IDA that chooses to account for its financial activity in more than one fund will have to combine the funds for annual financial reporting purposes.

### **Measurement Focus and Basis of Accounting**

IDAs use the measurement focus and basis of accounting as appropriate for proprietary funds. Measurement focus refers to what is measured and reported in the financial statements, while basis of accounting determines when a transaction or economic event is recognized.

IDAs, similar to business enterprises, utilize a measurement focus based on the flow of economic resources. This includes the capitalization of fixed assets, charging depreciation expense and recording long term debt as a fund liability. Accordingly, IDAs use an accrual basis of accounting which recognizes revenues and expenses when they occur, regardless of cash flow.

### **Uniform Classification of Accounts**

A classification of accounts is the systematic arrangement of accounts based on a definite scheme. The purpose of classifying accounts is to provide for the recording of financial information in such form as to be capable of comparison with similar data for other periods and other IDAs. This classification serves as the reporting model for both administrative control purposes and to the general public. A uniform classification of accounts is provided in this manual (see Part 5, Uniform System of Accounts). An explanation of the accounts has been included for uniformity in their application. The chart of accounts is extensive and represents a composite of IDA transactions. Only those accounts that are applicable to each specific Agency should be used.

### **Gross Basis**

Revenue and expense transactions should be recorded gross rather than net. Offsetting entries to revenue and expense accounts are not permitted except for corrections of previous entries. The maintenance of accounts on a gross basis will give maximum information regarding Agency operations.

### **Budgetary Accounting**

Each Agency must provide to the chief executive officer and the governing body of the municipality for whose benefit the Agency was established and make available for public inspection and comment, its proposed budget for the forthcoming fiscal year, no later than 20 business days before adoption. The Agency must file its proposed budget with the clerk of the municipality.<sup>3</sup> The adoption and monitoring of a budget will help ensure that:

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<sup>3</sup> General Municipal Law §861

- service objectives are attained;
- expenses are controlled; and
- adequate resources will be available to finance current operations, repay long-term liabilities and meet capital outlay requirements.

Budgetary reporting is not required in the annual financial report to the State Comptroller.

### **Restricted Revolving Funds**

IDAs may administer revolving loan funds for the purpose of fostering economic development. The source of funds to finance the loan program must be from State, Federal or private grants. IDAs may not loan their own moneys or moneys received from their sponsoring government. Grants received from outside sources which will be used to make loans from a revolving fund should be recorded as a “non-operating revenue.”<sup>4</sup> Moneys subsequently loaned to commercial enterprises and principal repayments of those loans should not be recorded through revenues and expenses, but recorded as loans receivable. However, any earnings (e.g., interest income) should be credited to revenues.

## **SUPPLEMENTAL RECORDS**

### **Payments in Lieu of Taxes (PILOTS)**

A significant incentive in IDA projects is their exemption from real property tax, mortgage recording tax, and sales and use tax. By law, an IDA is not required to pay taxes on any property acquired by it or under its jurisdiction, control or supervision. A portion of the tax exemptions may be recaptured in the form of PILOTS. The business typically would agree to make PILOT payments, which represent full or partial remuneration to one or more of the real property taxing jurisdictions involved.

All PILOTS, whether made by the IDA in connection with property owned by the IDA, or made by business or private developers directly to the taxing authorities, must be included in the supplemental schedule of the annual financial report. In order to accomplish this, each IDA should have an appropriate system in place to track PILOTS required to be made, and those PILOTS actually made, between businesses and taxing authorities. This system should also track PILOTS required to be made by the IDA itself.

### **Conduit Financing**

One of the major activities of IDAs is to provide financial assistance to businesses through the issuance of low interest Industrial Development Revenue Bonds and tax exemptions from real property tax, mortgage recording tax, and sales and use tax. In the normal arrangement, the IDA obtains title to the property, equipment, or improvement, and enters into a lease agreement with the business. Lease payments are structured to coincide with debt service payments. Proceeds of the obligations as well as debt service payments are administered by the business through a trustee bank. The obligations are not

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<sup>4</sup> GASB Statement No. 34

obligations of the Agency; the primary function of the IDA is to arrange financing between the business and the bond holders. This is a financing arrangement and the IDA merely acts as the financing conduit.

To record the assets and liabilities resulting from these transactions would tend to overstate and inflate the operations of the IDA. Consequently, in conduit financing arrangements, the IDA does not record bond proceeds, the assets acquired, liabilities incurred, or debt service payments in the financial statements. Although not part of the accounting system, State statutes require disclosure of these transactions in a supplemental schedule to the financial statements which list all bonds and notes, whether or not they are considered to be obligations of the IDA (see Part 4 - Annual Report).

### **Straight-Leases**

Arrangements that do not involve the issuance of bonds or notes are referred to as “straight-lease” projects. In a straight-lease agreement, the IDA takes title to the property or equipment, leases the property for a nominal amount, and as in a bond agreement, provides property and sales tax exemptions. Financing, if any, is obtained directly by the project operator. Because of costs associated with taxable bonds, or because of a favorable cash position, some businesses may find better means to finance their development, while the tax exemptions can provide a significant and long-term incentive.

### **Financing IDA Projects**

In addition to the above described conduit financing, IDAs are authorized to issue obligations to finance IDA-sponsored projects in order to attract new business. Debt issued for this purpose is IDA debt and may be secured by a mortgage or lien on the property. The IDA property may eventually be leased, rented or sold to the business. All transactions relating to this type of activity should be recorded in the accounts of the IDA and reported in the annual financial statements.

### **Employment Statistics**

The creation of new jobs, or the retention of existing jobs, in the jurisdiction served by the IDA is an important element in many IDA projects. This employment information is obtained from the businesses benefited by IDA involvement. The initial agreement between the IDA and the businesses should include a requirement for the project operator to make this information available to the IDAs.

IDA Boards should consider taking independent steps to verify reported employment data, such as making on-site inspections of company premises and entering into contractual agreements with benefited project owners that provide IDA officials with access to employment information.

Records should be maintained for each project in a manner to facilitate the reporting of employment statistics in the supplemental section of the annual report. The employment numbers may be estimates, and the figures reported the first year for the following categories: “full-time equivalent (FTE) employees prior to IDA status,” “jobs to be created” and “jobs to be retained,” should not change in subsequent annual reports. The records must also provide a means to compare original estimates to the actual results achieved over the life of the project. Any construction jobs that are created as a result of the project are not included in the employment statistics since they are not considered permanent long-term jobs.

# **INDUSTRIAL DEVELOPMENT AGENCIES**

## **PART 3**

### **AUDIT REQUIREMENTS**

As provided in the General Municipal Law §859, each IDA must have an annual audit performed by an independent certified public accountant (CPA) in accordance with Generally Accepted Government Auditing Standards. The audit must be completed within 90 days of the close of its fiscal year. The audit report, together with the IDA's annual report, must be filed within 30 days of completion with the State Comptroller, the Commissioner of the State Department of Economic Development, and the municipality that created the IDA.<sup>5</sup>

When arranging for the annual audit, the IDA should, at a minimum, establish the scope of the audit, identify the auditing standards to be followed by the auditors and set forth the audit reports to be prepared at the conclusion of the audit. An engagement letter between the external auditor and the IDA should spell out each of these items. The engagement letter may also state that the auditor will assist the IDA in preparing its response to the audit and identify other pertinent information or services to be rendered in conjunction with the audit. When the auditor's report is submitted, the IDA should review the report with the CPA to ensure that the terms of the engagement letter have been satisfied.

Audit findings and recommendations present officials with opportunities to take positive action to improve operations. The General Municipal Law authorizes an IDA to respond to any audit performed by a CPA or any management letter prepared in conjunction with such an external audit. This formal response is a mechanism for the IDA to document the actions they have planned and already implemented.

When governing boards promptly focus on findings and recommendations contained in audit reports, issues identified in the audit can be addressed quickly and the value of an audit as an effective management tool can be greatly enhanced. Documenting those corrective actions in a written response provides a means to communicate with the sponsoring municipality and other interested parties. Officials may want to use the expertise of their auditors in preparing their audit response. Auditors should be able to suggest actions necessary and give constructive advice. Such advice should be considered when preparing the written response.

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<sup>5</sup> General Municipal Law §31

## STATE REQUIREMENTS

To meet State requirements, the audit package must include:

- A. Required Supplemental Information. Financial statements are required to include supplemental schedules listing all bonds and notes issued, outstanding or retired during the applicable accounting period, whether or not such bonds or notes are considered obligations of the Agency. (see Part 4 - Annual Report.)

General Municipal Law clearly requires the inclusion of the supplemental schedules in the scope of the audit. The engagement letter should be reviewed with the independent auditor to ensure that the audit will address all required elements of the report.

The auditor's report on financial statements must include an opinion on the required supplemental information.<sup>6</sup> The auditor should refer to the AICPA Statements on Accounting Standards for information on "in relation to" opinions.<sup>7</sup>

- B. Management Letter. A management letter to the IDA governing board is required. The management letter must include "nonreportable conditions" and "nonmaterial instances of noncompliance." The management letter may also include recommendations to help improve practices and procedures and any other suggestions relating to the organization and operation of the IDA.

## AUDITING STANDARDS FOR FINANCIAL AUDITS

This section describes the auditing standards that apply to financial audits. Officials obtaining audits need to be aware of the standards the auditor is required to follow and the audit reports required under the standards.

### Sources of Auditing Standards

An audit is made up of various tests and procedures designed to meet the objectives of the audit. Auditing standards define those objectives and provide measures of quality that can be used to judge the effectiveness of the tests and procedures used to meet them.

There are three sources of auditing standards and requirements:

- Generally Accepted Auditing Standards (GAAS);
- Generally Accepted Government Auditing Standards (GAGAS);
- Single Audit Act Requirements.

GAAS. Standards for traditional financial audits are known as Generally Accepted Auditing Standards (GAAS) and are issued by the American Institute of Certified Public Accountants (AICPA) through the Institute's Auditing Standards Board. The Institute also provides guidance

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<sup>6</sup> General Municipal Law §859

<sup>7</sup> Codification of Statements on Auditing Standards, AU §551.12

as needed on the proper application of GAAS through the issuance of Statements on Auditing Standards.

GAGAS. Supplemental standards for financial audits of governments, as well as standards for public-sector performance auditing, have been established by the Government Accountability Office (GAO) in its publication Government Auditing Standards (revised 2003), commonly referred to as the “yellow book.” By specific reference in the yellow book, GAGAS include GAAS and provide supplemental standards for financial, as well as performance audits of governments.

Single Audit Act Requirements. The Federal Single Audit Act and OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, set forth standards for obtaining consistency and uniformity among Federal agencies for the audit of States, local governments, and non-profit organizations expending Federal awards. These requirements include both GAAS and GAGAS and more.

### **Standards Required for IDA Audits**

Under State legislation, GAGAS should be met. If an IDA is required to have a single audit, Single Audit Act and OMB Circular A-133 requirements must also be met.

### **AUDITOR’S REPORTS**

There are three commonly encountered auditor’s reports that an IDA can expect to receive:

- the auditor’s report on the fair presentation of the financial statements;
- the auditor’s report on compliance and internal controls over financial reporting based on an audit of the financial statements;
- the auditor’s report on compliance and internal controls over compliance applicable to each major Federal award program.

In addition, this package must also include a Management Letter.

If the IDA is subject to the Single Audit Act, then the reporting requirements and filing requirements of OMB Circular A-133 must be followed. The following is a summary of these requirements:

- The auditor must state an opinion as to whether the Schedule of Expenditures of Federal Awards is fairly presented, in all material respects, in relation to the financial statements taken as a whole.
- The auditor must issue a report on internal controls with respect to the financial statements and major programs.

- The auditor must report on the IDAs compliance with laws, regulations, and provisions of contracts or grant provisions, which could have a material effect on Federal programs, and is to contain an opinion with respect to the material effect on each major program. The report should refer to the Schedule of Findings and Questioned Costs when applicable.
- The auditor should prepare a Schedule of Findings and Questioned Costs, in compliance with OMB Circular A-133.
- The IDA should prepare a Corrective Action Plan in accordance with the guidance of OMB Circular A-133. The Corrective Action Plan must address each audit finding included in the current year auditor's report.
- The IDA should prepare a summary schedule of prior audit findings in accordance with OMB Circular A-133. The Summary Schedule of Prior Audit Findings must report the status of all audit findings included in the prior audit's Schedule of Findings and Questioned Costs relative to Federal awards, and in the prior audit's Summary Schedule of Prior Audit Findings.

### **Benefit of Responding to Audits**

Audits and audit findings should be used positively. Audit findings and recommendations present officials with opportunities to take positive action and document efforts taken to improve operations. Officials may want to use the expertise of their auditors in preparing their audit response. Auditors should be able to suggest actions necessary and give constructive advice. Such advice should be considered when preparing the written response. When governing boards promptly focus on findings and recommendations contained in audit reports and put into writing their responses to those reports, findings and recommendations can be addressed quickly and the value of an audit as an effective management tool can be greatly enhanced.

### **Audit Responses Can Begin During Audit**

Responses to many audit recommendations can begin as the audit takes place. Many auditors use briefing meetings during the course of an audit to communicate their preliminary findings. This exchange of information benefits both the auditor and management and allows management to start or fully implement responses to findings while the audit is still in progress.

### **Contents and Organization of Written Response**

Many feel the best way to organize the written response to an audit report is to present the audit findings and recommendations in the sequence presented in the report, along with one of the following responses:

- that the IDA agrees with the finding/recommendation, and then setting forth what has been done or will be done to address it;
- that the IDA agrees with the finding/recommendation, but they are not going to address it and then explain the reasons why; or
- that the IDA disagrees with the finding/recommendation, and explain why.

The Office of the State Comptroller prescribes this format for responses, and that the responses address each finding and recommendation of the current audit and unresolved findings and recommendations of prior audits related to the audit scope of the current audit.

## **AUDIT COMPLETION, FILING AND RESPONSE**

This section summarizes where to file reports and the statutes related to audit completion, filing and responses.

A complete package of audit reports, including the management letter, the IDAs audit response and SAS 90 report must be sent to the:

- Commissioner of the State Department of Economic Development;
- Office of the State Comptroller;
- Governing board of the municipality for whose benefit the IDA was created; and
- If the audit is a single audit, the audit report package should also be sent to the designated Federal clearinghouse and made available for public inspection.

Provisions in the General Municipal Law outline the requirements for completing, filing and responding to audits.

**General Municipal Law** requires the following:

- **Section 859(1)(b).** Within 90 days of the fiscal year end, the IDA completes financial statements and has them audited by a CPA.
- **Section 859(1)(c).** Within 30 days of completion, the IDA transmits copy of the audited financial statements to the:
  - Commissioner of the State Department of Economic Development,
  - Office of the State Comptroller, and
  - Governing board of the municipality for whose benefit the IDA was created.
- **Section 35(2).** Within ten days of filing the audit report with the clerk of the IDA, the clerk must publish notice that an audit has been filed and that a written response may be prepared. The notice which the clerk must publish should be in substantially the following form:

“Notice is hereby given that the fiscal affairs of the \_\_\_\_\_ for the period beginning on \_\_\_\_\_ and ending on \_\_\_\_\_ have been examined by an independent certified public accountant and that the reports and management letters prepared in conjunction with the audit have been filed in my office where they are available as a public record for inspection by all interested persons. Pursuant to section 35 of the General Municipal Law, the (name of governing board) is authorized to prepare of a written response to the audit and file such response in my office as a public record for inspection by all interested persons not later than (last date on which response may be filed - 90 days after presentation of report to the board).”

A written response prepared pursuant to General Municipal Law section 35(4) should include, with respect to each finding and recommendation, a statement of correction action taken or proposed to be taken, or if corrective action is not taken or proposed, an explanation of the reasons therefor.

- **Section 35(4).** Within ten days of receiving the audit report, the IDA governing board or an IDA official must file a copy with the IDA clerk and send a copy to the State Comptroller. If the audit report is not received by the governing board, the IDA official receiving the report must send one to the board within three days.
- **Section 35(4).** Within 90 days after the presentation of the audit report to the governing board, the board may prepare a written response and file it with the IDA clerk and the State Comptroller. *(NOTE: The State Comptroller strongly recommends that an audit response be prepared for IDA audits.)*

# **INDUSTRIAL DEVELOPMENT AGENCIES**

## **PART 4**

### **ANNUAL REPORT**

The financial related books and records of an IDA must be maintained in such form as prescribed by the New York State Comptroller.<sup>8</sup> Additionally, as explained in Part 3, each IDA is required to prepare an annual financial report within 90 days following the close of its fiscal year in such form as may be prescribed by the State Comptroller's Office.<sup>9</sup> The financial statement must be audited by a CPA in accordance with Government Auditing Standards established by the Government Accountability Office (GAO). Within 30 days, copies of the financial statements and the audit must be filed with the Commissioner of the State Department of Economic Development, the State Comptroller's Office, and the governing board of the municipality for whose benefit the IDA was created. The law provides the financial statements should include all the information required for annual financial reports of municipalities, as well as supplemental schedules listing:

- straight-lease transactions;
- all bonds and notes issued, outstanding, or retired during the applicable period;
- the name of each project financed with proceeds of each issue;
- the name and address of each owner of each project;
- the amount of tax exemptions authorized for each project;
- the purpose for which each bond or note was issued, date of issue, interest rate, maturity date, federal tax status;
- payments in lieu of taxes; and
- an estimate of the number of jobs created and retained by each project and other information the Comptroller deems necessary.

General Municipal Law provides for the examination of IDAs by the State Comptroller for such periods as the Comptroller should deem necessary.<sup>10</sup> GML authorizes an IDA to respond to any report of examination performed by the State Comptroller's Office, or a report of an external audit performed by a CPA or any management letter prepared in conjunction with such an external audit.<sup>11</sup>

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<sup>8</sup> General Municipal Law §§36 and 859

<sup>9</sup> General Municipal Law §§31 and 859

<sup>10</sup> General Municipal Law §§33 and 34

<sup>11</sup> General Municipal Law §35

## LEGAL REQUIREMENTS

IDAs are required to submit annual financial reports to the Office of the State Comptroller, the Commissioner of the State Department of Economic Development and the governing board of the municipality for whose benefit the IDA was created. In addition to complying with accounting and reporting requirements, governmental units must, through their financial reporting, be able to demonstrate compliance with all applicable statutes and regulations.

Annually, the Office of the State Comptroller will furnish each IDA with forms that facilitate the submission of all information required in the annual report. The forms will include the following sections:

- Financial Section which includes a Balance Sheet; a Statement of Revenues, Expenses and Changes in Net Assets; and a Statement of Cash Flows.
- Debt Section including a Statement of Indebtedness and a Maturity Schedule for all bonds and notes issued, outstanding, or retired during the applicable period.
- Supplemental Section listing the name of each project; the name and address of the owner of each project; the amount of tax exemptions granted for each project; the amount of payments in lieu of taxes; an estimate of the number of jobs created and retained by each project; and other information the Comptroller deems necessary.

Statutory provisions require that the financial statement include supplemental schedules listing required information<sup>12</sup>. The supplemental schedules and instructions for their completion are illustrated on the following pages. There are currently two versions of the supplemental schedule available. The original supplemental schedule is included with the annual report (see pages 24 - 32). In addition, a new supplemental schedule was created as an alternative schedule (see page 33). This new schedule captures all of the necessary information for each project on one page and may be used as a replacement for the original supplemental schedule. Although the alternative schedule is not mandatory, the single page format for each project may be easier to manage. The IDA must complete one or the other and should use the supplemental schedule that benefits them the most.

## OTHER REPORTS

General Municipal Law requires the governing board of the sponsoring municipality to file a certificate with the Secretary of State, including the date the Agency was established; the name of the Agency; the names of the members and their terms of office; and facts establishing the need for the establishment of an Agency. The General Municipal Law requires the Secretary of State to annually prepare a list of those sponsoring municipalities which failed to file a certificate providing information related to the establishment of their IDAs and transmit that list to the State Comptroller and the Commissioner of the State Department of Economic Development. The Commissioner of the State Department of Economic Development must also annually prepare and submit to the New York State Comptroller a list of IDAs which have dissolved or cease to exist.<sup>13</sup>

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<sup>12</sup> General Municipal Law §859

<sup>13</sup> General Municipal Law §856

The Commissioner of the State Department of Economic Development is required to annually prepare a report summarizing, among other things, the significant trends in IDA operations and financing. The Commissioner must submit this report to the Governor, the Speaker of the Assembly, the Majority Leader of the Senate, and the State Comptroller's Office on or before September 1 of each year. In addition, the State Comptroller must include the data relating to IDAs in the annual statistical report to the State Legislature.

Businesses claiming sales tax exemptions on IDA projects are required to file annual statements (Form ST-340) with the New York State Department of Taxation and Finance on all sales tax exemptions claimed.

## **INSTRUCTIONS FOR COMPLETING THE SCHEDULE OF SUPPLEMENTAL INFORMATION FOR INDUSTRIAL DEVELOPMENT AGENCIES**

The Schedule of Supplemental Information is required to be completed for each project begun in 1990 and thereafter for which debt was issued, outstanding, or retired during the fiscal year or any straight-lease agreement which was entered into since 1990 and remains outstanding.

In a **bond/note** form of financing, the IDA issues bonds/notes to support a business venture. The developer (project operator) makes payments to retire these obligations, pursuant to a contractual arrangement—usually a lease purchase agreement. Generally, property involved in a project is legally titled to the IDA until the bonds are retired. Once the financial obligations are liquidated, the lease usually includes a provision for the developer to purchase the property for a nominal fee. IDA bonds are backed only by a pledge of Agency revenues, including the revenues from the lease, sales or other fees collected from projects.

In a **straight-lease agreement**, the IDA takes title to the property or equipment and, as in a bond agreement, provides property and sales tax exemptions. Financing, if any, is obtained by the developer. Because of costs associated with taxable bonds, or because of a favorable case position, some businesses may find better means to finance their development, while the tax exemptions can provide a significant and long-term incentive.

An entry should be provided for each field. An entry such as “0” is acceptable as long as it is accurate. An entry such as “n/a” is not acceptable and should not be recorded in any field. If all of the required project information is not available (e.g., number of current full-time equivalent (FTE)), and a field must be left blank, a written explanation as to why the information is not being reported and the steps taken to obtain the information must be provided. IDAs are responsible for obtaining all required information including that related to job creation and current FTE employees.

**Project Code.** The project coding structure began in 1998 and therefore, a project code must be established and reported for all projects started in 1998 and thereafter. This code should also be used when reporting project activity to other state agencies or departments.

**Name of Project, Project Owner and Address.** Complete each field. This information should be current and reflect any changes since the project was undertaken.

**Project Purpose Code.** Each project must be categorized by purpose as specified in federal guidelines (standard industrial classification guidelines). See page 22 for codes and definitions.

**Total Project Amount.** This figure should reflect the cost of the entire project.

**Benefited Project Amount.** This is the total project amount less any project costs that will not be affected by IDA benefits. For example, items to subtract include project costs that are not sales taxable (e.g., services such as legal, architectural, engineering) or costs that do not result in an increase in the real property tax benefit.

**Bond or Note Amount.** This should reflect the original principal amount of bonds or notes issued.

**Federal Tax Status.** Indicate “1” for taxable or “2” for tax-exempt.

**Not-for-Profit Organization.** Indicate status of project occupant, by checking “yes” or “no” as appropriate.

**New Tax Revenues If No Exemptions Granted.** This refers to the amount of tax revenues a project would generate if the project did not receive any tax exemptions. Take Total Exemptions and subtract Total PILOTS to arrive at this figure.

**Tax Exemptions.** This refers to the total dollar amount of exemptions and may include real property tax, mortgage recording tax and sales tax exemptions received during the year for which the report is being completed. For real property tax exemptions, indicate the total amount of taxes for which the project would have been liable if the IDA was not involved. This figure is calculated by multiplying the assessed value by the tax rate for each taxing entity (e.g., county, town, school.) Do not deduct amounts paid pursuant to any payment in lieu of taxes (PILOT) agreements. Real property tax exemptions must be shown for all projects including those to which PILOTS are made.

The sum of individual entries for county, local and school property tax exemptions, mortgage recording tax exemptions, and state and local sales tax exemptions must equal the dollar amount entered in the “Total Exemptions” box.

*Example:* Property A has an assessed value of \$1,000,000. Without taking into consideration any IDA involvement, the property would normally be subject to various local tax rates for each \$1,000 of assessed value. For example: \$2 for county taxes (\$2,000), \$0.75 for town taxes (\$750) and \$18 for school district taxes (\$18,000). In this scenario, Project A received no sales tax exemptions and no mortgage recording tax exemptions. Therefore, the amount that the IDA must report for Project A “Total Exemptions” is \$20,750 (the sum of each local exemption).

**Total Exemptions Net of RPTL section 485-b Exemptions.** This is the amount of real property tax exemptions the project received as a result of IDA status. Deduct from the IDA exemption the amount of any real property tax exemptions the project would have received under 485-b.

**Payments In Lieu Of Taxes (PILOTS).** Some IDA agreements require the project operator to make a PILOT to one or more of the local taxing jurisdictions. Each of these payments is to be reported in the appropriate boxes as provided. Under PILOT code, indicate “1” (if PILOT provisions apply to all local units) or “2” (if PILOT provisions apply only to selected local units). The sum of the individual entries for county PILOT, local PILOT and school PILOT should equal the dollar amount entered in the “Total PILOTS” box.

*Example:* Using the scenario above, if Project A is subject to a 50% PILOT for each of the taxing entities, the following would apply: the PILOT payment would equal \$1,000 for the county, \$375 for the town, and \$9,000 for the school district. Therefore, the amount that the IDA must report for Project A “Total PILOTS” is \$10,375.

**Full Time Equivalent (FTE) Jobs Created and Retained.** This information is obtained from the businesses benefited by IDA involvement. The initial agreement between the IDA and the business

should include a requirement for the project operator to make this information available to the IDAs. There are several important points to remember when completing this section. First, the numbers reported in these fields can be estimated. Second, the figures reported the first year for the first three categories (“# of FTE Employees at Project Location Before IDA Status,” “Original Estimate of Jobs to be Created” and “Original Estimate of Jobs to be Retained”) should not change in subsequent annual reports. Third, the category “# of Current FTE Employees” refers to *project related* FTEs only and the category “# of FTE Retained During Fiscal Year” refers only to those jobs retained as a result of IDA status in the *current* fiscal year. This can never be larger than the original estimate of jobs to be retained. Fourth, when determining number of jobs retained, only include those jobs that were retained as part of the project’s *original* intent. Finally, any construction jobs that are created as a result of the project should not be included in the “original estimate of jobs to be created” as they are not considered permanent long-term jobs. Here are some examples:

**Project A** (project purpose is to **create** 100 jobs). In this case, the “Original Estimate of Jobs to be Created” will be 100 throughout the life of the project. The entries for “Original Estimate of Jobs to be Retained” and “# of FTE Jobs Retained During Fiscal Year” will always be “0” because the original intent of the project was to create, not retain jobs. Depending on how the project progresses, the only number that would vary from year to year is “# of Current FTE Employees” and “# of FTE Jobs Created During Fiscal Year,” but these numbers must only reflect project-related FTEs.

**Project B** (project purpose is to **retain** 200 jobs). In this case, the “Original Estimate of Jobs to be Retained” will be 200 throughout the life of the project. There should always be a “0” in “Original Estimate of Jobs to be Created.” Even though the purpose of the project was only to retain jobs, if the project results in the creation of new jobs, they should be reported in “# of FTE Jobs Created During Fiscal Year.”

**Project C** (purpose is to **retain** 100 jobs **and create** 50 jobs; prior to IDA involvement, project operator had 200 FTEs). Over the life of the project, “# of FTE Employees at Project Location Before IDA Status” is 200, “Original Estimate of Jobs to be Created” is 50 and “Original Estimate of Jobs to be Retained” is 100. The tables below illustrate how job statistics should be reported:

**Year 1:** Project C starts and retains the 100 jobs it intended to retain. No new jobs are created yet.

# of FTE Employees at Project Location Before IDA Status	Original Estimate of Jobs to be Created	Original Estimate of Jobs to be Retained	# of Current FTE Employees	# of FTE Jobs Created During Fiscal Year	# of FTE Jobs Retained During Fiscal Year	# of FTE Construction Jobs Created During Fiscal Year
200	50	100	200	0	100	0

**Year 2:** Project C operator adds 20 of the 50 jobs to be created, and continues to retain the original 100 jobs that were to be retained.

# of FTE Employees at Project Location Before IDA Status	Original Estimate of Jobs to be Created	Original Estimate of Jobs to be Retained	# of Current FTE Employees	# of FTE Jobs Created During Fiscal Year	# of FTE Jobs Retained During Fiscal Year	# of FTE Construction Jobs Created During Fiscal Year
200	50	100	220	20	100	0

**Year 3:** Project C operator adds another 25 jobs, but retains only 90 of the original 100 jobs that were to be retained.

# of FTE Employees at Project Location Before IDA Status	Original Estimate of Jobs to be Created	Original Estimate of Jobs to be Retained	# of Current FTE Employees	# of FTE Jobs Created During Fiscal Year	# of FTE Jobs Retained During Fiscal Year	# of FTE Construction Jobs Created During Fiscal Year
200	50	100	235	25	90	0

**Year 4:** Project C operator adds another 15 jobs (thus exceeding the 50 jobs to be created when the project began) and continues to retain 90 of the 100 original jobs to be retained.

# of FTE Employees at Project Location Before IDA Status	Original Estimate of Jobs to be Created	Original Estimate of Jobs to be Retained	# of Current FTE Employees	# of FTE Jobs Created During Fiscal Year	# of FTE Jobs Retained During Fiscal Year	# of FTE Construction Jobs Created During Fiscal Year
200	50	100	250	15	90	0

## PROJECT PURPOSE: CODES AND DEFINITIONS

These definitions are derived from the Standard Industrial Classification Manual and are for illustrative purposes only and do not constitute an opinion as to whether any particular project is authorized under Article 18-A of GML.

**Services (1).** This category may include establishments primarily engaged in producing a wide variety of services for individuals, business and government establishments and other organizations. Hotels and other lodging places; recreational services; health, legal, engineering, and other professional services; educational institutions; membership organizations; and other miscellaneous services are included.

**Construction (2).** This category may include establishments primarily engaged in construction. Three broad types of construction activity are covered: (1) building construction by general contractors or by operative builders; (2) heavy construction other than building by general contractors and special trade contractors; and (3) construction activity by other special trade contractors.

**Agriculture, Forestry and Fishing (3).** This category may include establishments primarily engaged in agricultural production, forestry, commercial fishing, hunting and trapping, and related services.

**Wholesale Trade (4).** This category may include establishments or places of business primarily engaged in selling merchandise to retailers; to industrial, commercial, institutional, farm, construction contractors, or professional business users; or to other wholesalers; or establishments acting as agents or brokers in buying merchandise for or selling merchandise to such persons or companies.

**Retail Trade (5).** This category may include establishments engaged in selling merchandise for personal or household consumption and rendering services incidental to the sale of the goods. In general, retail establishments are classified by business type according to the principal lines of commodities sold (e.g. groceries, hardware, etc.), or trade designation (e.g. drug store, cigar store, etc.). Some of the important characteristics of retail trade establishments are: the establishment is usually a place of business and is engaged in activities to attract the general public to purchase its goods; the establishment buys or receives merchandise and sells; the establishment may process its products, but such processing is incidental or subordinate to selling; the establishment is considered as retail in the trade; and the establishment sells to customers for personal or household use.

**Finance, Insurance and Real Estate (6).** This category may include establishments operating primarily in the fields of finance, insurance and real estate. Finance includes depository institutions, non-depository credit institutions, holding (but not predominantly operating) companies, other investment companies, brokers and dealers in securities and commodity contracts, and security and commodity exchanges. Insurance covers carriers of all types of insurance, and insurance agents and brokers. Real estate includes owners, lessors, lessees, buyers, sellers, agents, and developers of real estate.

**Transportation, Communication, Electric, Gas and Sanitary Services (7).** This category may include establishments providing, to the general public or to other business enterprises, passenger and freight transportation, communications services, electricity, gas, steam, water or sanitary services.

**Other Categories (8).** This category may include water and sewage facilities; docks, wharves and public transit; solid waste and resource recovery; local furnishing of electric energy or gas; pollution control; or civic facilities (facilities owned or occupied by a nonprofit organization).

**Manufacturing (9).** This category may include establishments engaged in the mechanical or chemical transformation of materials or substances into new products. These establishments are usually described as plants, factories, or mills and characteristically use power drive machines and materials handling equipment. Establishments engaged in assembling component parts of manufactured products are also considered manufacturing if the new product is neither a structure nor other fixed improvement. Also included is the blending of materials, such as lubricating oils, plastic resins, or liquors.

## STATEMENT OF INDEBTEDNESS

List Separately by Date of Issue	EDP Code	Month and Year	Interest Rate at Issuance	Interest Rate if Variable, if applicable range	Outstanding Beginning of Fiscal Year	Issued During Fiscal Year*	Paid During Fiscal Year*	Outstanding End of Fiscal Year
Capital Notes:	2P1865							
Other Debt (specify):								
Bond Anticipation Notes:	-----							
	-----							
	-----							
Total Bond Anticipation Notes	2P1866	-----	-----	-----				
BANS Redeemed from Bond Proceeds	2P1888	-----	-----	-----		-----		-----
Bonds (List by Purpose)	-----							
	-----							
	-----							
Total Bonds	2P1867	-----	-----	-----				
Authority Loans	2P1869							
Total of all Indebtedness	-----	-----	-----	-----				

Callable features of bond issues and any reserve funds available to pay debt (include also in the Notes to Financial Statements)  
 \*On new issues, insert new issue date. On renewal, insert latest renewal date. Insert 4 digits (e.g. April 2005 would be 04/05)

**SCHEDULE OF SUPPLEMENTAL INFORMATION  
BONDS/NOTES**

No.	Project Code	Project Purpose Codes					Federal Tax Status		
		Name of Project, Project Owner and Address	Project Purpose Code	Total Project Amount	Benefited Project Amount	Bond/Note Amount	Federal Tax Status	Not for Profit	New if N
		1. Services	4. Wholesale Trade	7. Transportation, Communication, Electric, Gas, and Sanitary Services	1. Taxable				
		2. Construction	5. Retail Trade	8. Other (specify)	2. Tax Exempt				
		3. Agriculture, Forestry and Fishing	6. Finance, Insurance and Real Estate	9. Manufacturing					
1.									
2.									
3.									
4.									
5.									
6.									
7.									

SCHEDULE OF SUPPLEMENTAL INFORMATION  
BONDS/NOTES

TAX EXEMPTIONS

No.	Sales Tax Exemptions		Real Property Tax Exemptions			Mortgage Recording Tax Exemptions	Total Exemptions	Total Exemptions Net of 485-b Exemptions
	State	Local	County	Local	School			
1.								
2.								
3.								
4.								
5.								
6.								
7.								

**SCHEDULE OF SUPPLEMENTAL INFORMATION  
BONDS/NOTES**

**PAYMENTS IN LIEU OF TAXES (PILOTS)**

\*For appropriate Code, indicate 1 or 2:

**1 =PILOTS made to all eligible local government participants**

**2 =PILOTS made to selected local government participants**

<b>No.</b>	<b>Project Code</b>	<b>County</b>	<b>Local</b>	<b>School</b>	<b>Total PILOTS</b>
1.					
2.					
3.					
4.					
5.					
6.					
7.					

**FULL TIME EQUIVALENT (FTE) JOBS CREATED AND RETAINED  
BONDS/NOTES**

No.	# of FTE Employees at Project Location Before IDA Status	Original Estimate of Jobs to be Created	Original Estimate of Jobs to be Retained	# of Current FTE Employees	# of FTE Jobs Created During Fiscal Year	# of FTE Jobs Retained During Fiscal Year
1.						
2.						
3.						
4.						
5.						
6.						
7.						

**SCHEDULE OF SUPPLEMENTAL INFORMATION  
STRAIGHT LEASE**

		<b>Project Purpose Codes</b>						Total Exemptions less total PI
		1. Services	4. Wholesale Trade	7. Transportation, Communication, Electric, Gas, and Sanitary Services				
		2. Construction	5. Retail Trade	8. Other (specify)				
		3. Agriculture, Forestry and Fishing	6. Finance, Insurance and Real Estate	9. Manufacturing	New Tax Revenues If No Exemptions Granted			
No.	Project Code	Name of Project, Project Owner and Address	Project Purpose Code	Total Amount of Lease	Not for Profit	Method of Financial Assist by Project, Other than Tax Claimed by Proj (Identify amount an		
1.								
2.								
3.								
4.								
5.								
6.								
7.								

SCHEDULE OF SUPPLEMENTAL INFORMATION  
STRAIGHT LEASE

TAX EXEMPTIONS

No.	<u>Sales Tax Exemptions</u>		<u>Real Property Tax Exemptions</u>			Mortgage Recording Tax Exemptions	Total Exemptions	Total Exemptions Net of RPTL se Exemptions
	State	Local	County	Local	School			
1.								
2.								
3.								
4.								
5.								
6.								
7.								

**SCHEDULE OF SUPPLEMENTAL INFORMATION  
STRAIGHT LEASE**

**PAYMENTS IN LIEU OF TAXES (PILOTS)**

\*For appropriate Code, indicate 1 or 2:

**1** =PILOTS made to all eligible local government participants

**2** =PILOTS made to selected local government participants

<b>No.</b>	<b>Project Code</b>	<b>County</b>	<b>Local</b>	<b>School</b>	<b>Total PILOTS</b>
1.					
2.					
3.					
4.					
5.					
6.					
7.					

**FULL TIME EQUIVALENT (FTE) JOBS CREATED AND RETAINED  
STRAIGHT LEASE**

No.	# of FTE Employees at Project Location Before IDA Status	Original Estimate of Jobs to be Created	Original Estimate of Jobs to be Retained	# of Current FTE Employees	# of FTE Jobs Created During Fiscal Year	# of FTE Jobs Retained During Fiscal Year
1.						
2.						
3.						
4.						
5.						
6.						
7.						

Project Code \_\_\_\_\_

Please Specify: Bond Project  Lease Project

**Alternative Schedule of Supplemental Information (Bonds/Notes or Straight Lease)**

Name of Project: \_\_\_\_\_

Project Owner and Address: \_\_\_\_\_

Project Purpose (see instructions): \_\_\_\_\_

Federal Tax Status: Taxable \_\_\_\_\_ Tax Exempt \_\_\_\_\_ Total Project/Lease Amount \$ \_\_\_\_\_ Straight Lease End Date: \_\_\_\_\_

Benefited Project Amt \$ \_\_\_\_\_ Bond/Note Amount \$ \_\_\_\_\_

Please check box if applicable:

Non-profit? Y  N  New tax revenues if no exemptions granted \$ \_\_\_\_\_

Not all data is reported. Letter of explanation attached.

Sales Tax	Real Property Tax	Mortgage Recording Tax	Total Exemptions	Total Exemptions Net of RPTL Sec 485-b Exemptions
State: \$ _____	County: \$ _____	\$ _____	\$ _____	\$ _____
Local: \$ _____	Local (sum of city/town/village): \$ _____			
	School: \$ _____			

County	Local (sum of city/town/village)	School	Total PILOTS	Code (see instructions)
\$ _____	\$ _____	\$ _____	\$ _____	

**Full-Time Equivalent (FTE) Jobs Created and Retained**

# of FTE Employees at Project Location Before IDA Status	Original Estimate of Jobs to be Created	Original Estimate of Jobs to be Retained	# of Current FTE Employees	# of FTE Jobs Created During Fiscal Year	# of FTE Jobs Retained During Fiscal Year	# of FTE Construction Jobs Created During Fiscal Year

**Straight Lease:** Identify method of financial assistance utilized by project, other than tax exemptions claimed by project. Identify by amount and type:

## INDUSTRIAL DEVELOPMENT AGENCIES

### Bonds and Notes Related to Project

Type of Debt:	Bond(s) <input type="checkbox"/> Note(s) <input type="checkbox"/>	Bond(s) <input type="checkbox"/> Note(s) <input type="checkbox"/>	Bond(s) <input type="checkbox"/> Note(s) <input type="checkbox"/>	Bond(s) <input type="checkbox"/> Note(s) <input type="checkbox"/>	Total
Date of Issue:					
Interest Rate:					
• At Issuance					
• If variable, applicable range					
Outstanding Beginning of Fiscal Year:					
Issued During Fiscal Year:					
Paid During Fiscal Year:					
Outstanding End of Fiscal Year:					
Final Maturity Date:					Final maturity date of last outstanding bond:

Bonds and notes reported above do not need to be reported on the Statement of Indebtedness.

## COMMON REPORTING PROBLEMS IN SUPPLEMENTAL INFORMATION

### 1. Missing projects

**Problem:** IDA does not provide the current project information each year.

Project information is required each year, unless bonds or notes have been paid off or straight lease has ended. Review the “Project Status Request” sheet and indicate which of the projects meet these criteria. Failure to report data for each required project might result in our determination that the report is not substantially complete.

### 2. Project codes

**Problem:** New projects are being reported without using a project code.

A code must be established the first year a project is reported. Review the project code assignment instructions included and establish a code for any new project being reported in the Supplemental Schedule.

### 3. Unreported data

**Problem:** Required fields are frequently left blank.

Provide an entry for each field. An entry such as “0” is acceptable as long as it is accurate. An entry such as “n/a” is not acceptable and should not be recorded in any field. If some of the required project information is unavailable, (e.g. number of current full-time equivalent), and a field must be left blank, a written explanation as to why the information is not being reported and the steps taken to obtain the information must be provided. IDAs are responsible for obtaining all required information including information related to job creation and current FTE employees.

### 4. Reporting exemptions

**Problem:** Incorrect reporting of exemptions.

Tax exemptions refer to the total dollar amount of exemptions received during the year for which the report is being completed. Exemptions come in three categories: real property tax exemptions, mortgage recording tax exemptions and sales tax exemptions. Most errors occur in the reporting of property tax exemptions. For real property tax exemptions, please indicate the total amount of taxes that the project would have been subject to *without* IDA involvement. This figure is calculated by multiplying the assessed value by the tax rate for each taxing entity (e.g. county, town, school). Each figure should be reported in the corresponding box on the supplemental schedule.

**Problem:** Tax exemption subtotals do not equal the figure reported in “Total Exemptions.”

The sum of individual entries for county, local and school property tax exemptions, mortgage recording tax exemptions, and state and local sales tax exemptions and must equal the dollar amount entered in the “Total Exemptions” box.

**Example:** Project A property has an assessed value of \$1,000,000. Without taking into consideration any IDA involvement, the property would normally be subject to various local tax rates for each \$1,000 of assessed value. For example: \$2 for county taxes (\$2,000), \$0.75 for town taxes (\$750) and \$18 for school district taxes (\$18,000). In this scenario, Project A received no sales tax exemptions and no mortgage recording tax exemptions. Therefore, the amount that the IDA must report for Project A “Total Exemptions” is \$20,750 (the sum of each local exemption).

## 5. Payments in lieu of taxes (PILOTS)

**Problem:** Subtotals do not equal sum.

As part of an IDA agreement, project operators may agree to make payments in lieu of taxes (PILOTS). The individual entries for county PILOT, local PILOT and school PILOT should equal the dollar amount entered in the “Total PILOTS” box.

**Example:** Using the scenario above, if Project A is subject to a 50% PILOT for each of the taxing entities, the following would apply: the PILOT payment would equal \$1,000 for the county, \$375 for the town, and \$9,000 for the school district. Therefore, the amount that the IDA must report for Project A “Total PILOTS” is \$10,375.

## 6. Miscalculation of “new tax revenue if no exemptions granted”

**Problem:** Incorrect reporting of new tax revenue. This figure should be equal to “Total Exemptions” minus “Total PILOTS.”

**Example:** Using the original example, Project A would report \$10,375 for “new tax revenue if no exemptions granted.”

## 7. Job statistics

**Problem:** Data on job creation and job retention is not reported, is only partially reported, or is reported incorrectly.

The categorization of jobs that must be reported is described in statute. However, many IDAs interpret these categories differently, and there is a great deal of confusion related to this section. Accordingly, the State Comptroller has developed more detailed instructional guidelines to address different project scenarios (see pages 18-21).

# **INDUSTRIAL DEVELOPMENT AGENCIES**

## **PART 5**

### **UNIFORM SYSTEM OF ACCOUNTS**

The Uniform System of Accounts (USA) for IDAs is prescribed by the State Comptroller pursuant to General Municipal Law. The USAs purpose is to facilitate the recording and reporting of financial information for the Agencies.

GAAP provide that governmental units that conduct business and quasi-business activities should observe commercial accounting principles (except in those areas where specific guidance has been provided by GASB). The purpose and activities of IDAs meet these criteria. However, unlike a private business, the primary purpose of an IDA is not to maximize its return on invested capital, but to provide a service to the public at a reasonable cost. Consequently, the accounting system must provide relevant information as to the actual cost of the services provided.

A classification of accounts is the systematic arrangement of accounts based upon a definite scheme. The purpose in classifying accounts is to provide for recording financial information in such form that comparisons may be made with similar data for other periods and other Agencies. The classification also serves as the basis for accounting, budget preparation and reporting. Furthermore, it is used for administrative control purposes, accountability to the general public and the compilation of financial statistics.

The coding of accounts described in this manual serves to identify revenue accounts by source and expense accounts by function and object.

Revenues are coded as a four digit number. If desired, these codes may be expanded to provide for greater detail. However, for reporting purposes only the four digit number will be used.

Expense codes consist of two groups of digits. The first four digits identify the functional unit. The second division consists of one digit which identifies the object. The term function refers to the primary classification and description of expenses as to purpose. The term object refers to the secondary classification and description of expenses. The basic objects are:

- .1 Personal Services
- .3 Depreciation Expense
- .4 Contractual Expense
- .7 Interest on Debt
- .8 Employee Benefits

This section includes a cross-reference between the Uniform System of Accounts and the Annual Financial Report required to be filed with the Office of the State Comptroller.

In addition, a reference to General Ledger Account Codes, Revenue Account Codes, Expense Account Codes, and definitions for each is also provided. This is followed by a sample of journal entries that are grouped together by the following topics:

- Accounts Receivable and Revenue;
- Expenses and Accrued Liabilities;
- Construction and Other Capital Outlay;
- Customers' Deposits;
- Restricted Revolving Funds;
- Obligations; and
- Closing Entries.

## **CROSSWALK BETWEEN THE ANNUAL FINANCIAL REPORT AND THE UNIFORM SYSTEM OF ACCOUNTS**

The following is a comparison of account codes used in the Annual Financial Report or Annual Update Document and the account codes listed in the Uniform System of Accounts (USA) for IDAs. The sum of certain account codes from the Uniform System of Accounts are grouped together and reported under one account code in the Annual Financial Report.

<u>Description</u>	<u>Code in Annual Financial Report</u>	<u>Code in USA</u>
 <b><u>Assets</u></b>		
Cash	100S	200-229
Investments	105S	450-479
Other Receivables (Net)	115S	250-390
State and Federal Aid Receivables	120S	400-419
Due from Other Governments	130S	420-444
Inventories	135S	445-449
Prepaid Expenses	140S	480-485
Restricted Assets	145S	230-249
Fixed Assets (Net)	150S	100-119
 <b><u>Liabilities</u></b>		
Accounts Payable	200S	600
Accrued Liabilities	205S	601-604, 651
Retained Percentages	210S	605
Notes Payable	215S	617-626
Other Liabilities	220S	615, 690

<u>Description</u>	<u>Code in Annual Financial Report</u>	<u>Codes from USA</u>
Due to Other Governments	230S	631-650, 652-675
Bond and Long Term Liabilities	240S	627-629,689
<b><u>Net Assets</u></b>		
Net Assets	405S	920-924
<b><u>Revenues</u></b>		
Departmental Income/ Charges for Service	515S	1200-2399
Use of Money and Property	525S	2400-2499
Sale of Property and Compensation for Loss	530S	2650-2699
State Aid	545S	3000-3999
Federal Aid	550S	4000-4887, 4889-4999
<b><u>Expenses</u></b>		
Economic Assistance & Opportunity	625.1S or 625.4S	1000-1999, 6000-6999
Economic Assistance – Employee Benefits	625.8S	9000-9099
Debt Interest	650.7S	9700-9799
Depreciation	603.4S	6460.3

## ANNUAL FINANCIAL REPORT ACCOUNT CODES

In reports to the New York State Comptroller, these codes will be preceded by the letters “ED” for State processing purposes.

<b>Number</b>	<b>Account Title</b>
	ASSETS
101	Land
102	Buildings
103	Improvements Other Than Buildings
104	Machinery and Equipment
105	Construction Work in Progress
106	Infrastructure
107	Other Capital Assets
112	Accumulated Depreciation, Buildings
113	Accumulated Depreciation, Improvements Other Than Buildings
114	Accumulated Depreciation, Machinery and Equipment
116	Accumulated Depreciation, Infrastructure
117	Accumulated Depreciation, Other Capital Assets
200	Cash
201	Cash in Time Deposits*
210	Petty Cash
223	Cash with Fiscal Agent**
230	Restricted Cash
235	Cash, Customers’ Deposits
380	Accounts Receivable
381	Accrued Interest Receivable
389	Allowance for Receivables (Credit)
392	Loans Receivable
440	Due from Other Governments
450	Investment in Securities*
451	Investment in Repurchase Agreements*
452	Investment in Securities, Special Reserves*
453	Investment in Repurchase Agreements, Special Reserves*
454	Leases Receivable
455	Securities and Mortgages
457	Mortgages Receivable
480	Prepaid Expenses
481	Discount on Bonds**

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\* In order to safeguard industrial development funds and to reduce risk, all repurchase agreements and other investments should be made in accordance with the New York State Comptroller’s guidelines.

\*\* Use this account only when debt is debt of the IDA. Do not use if the IDA is only the financing conduit between banks and businesses, and the IDA is not responsible for debt.

## LIABILITIES

600	Accounts Payable
601	Accrued Liabilities
605	Retained Percentages, Contracts Payable
615	Customers' Deposits
617	Mortgages Payable**
618	Notes Payable**
628	Bonds Payable**
629	Bond Interest and Matured Bonds Payable**
631	Due to Other Governments
651	Accrued Interest Payable**
652	Premium on Bonds**
689	Other Long-Term Debt (Specify)
690	Overpayments and Clearing Account

## NET ASSETS

921	Net Assets – Restricted for Capital Projects
922	Net Assets – Restricted for Debt
923	Net Assets – Restricted for other purposes
924	Net Assets – Unrestricted (deficit)

## REVENUE ACCOUNTS

2116	Fees (Specify)
2401	Interest and Earnings
2405	Interest on Mortgages and Leases
2410	Rental of Real Property
2414	Rental of Equipment
2655	Minor Sales (Specify)
2675	Gain on Sale of Assets
2680	Insurance Recoveries
2690	Other Compensation for Loss
2701	Refund of Prior Year Expenses
2705	Gifts and Donations
2706	Grants from Local Governments
2770	Other Unclassified Revenues (Specify)
3788	State Development Grants (Specify)
4788	Federal Development Grants (Specify)

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\*\* Use this account only when debt is debt of the IDA. Do not use if the IDA is only the financing conduit between banks and businesses, and the IDA is not responsible for debt.

## EXPENSE ACCOUNTS

1710.4	Self-Insurance
1910.4	Special Items: Unallocated Insurance
1930.4	Special Items: Judgments and Claims
1955.4	Payment in Lieu of Taxes
1988.4	Provision for Uncollectible Receivables
1995.4	Loss on Sale of Assets
6460	Administration
6462.4	Grants for Local Economic Development
9000-9099	Employee Benefits
9700.7	Term Bonds, Interest
9710.7	Serial Bonds, Interest
9785.7	Installment Purchase Debt, Interest
9789.7	Other, Interest (e.g. Mortgages)

## EXPLANATION OF ACCOUNTS

### GENERAL LEDGER ACCOUNTS

#### 101 LAND

The cost of land acquired should be recorded in this account. Include the expense of acquisition, the cost of demolishing buildings or structures, and other costs related to the land.

- Debit the cost of land purchased or the appraised value of land otherwise acquired. Include the cost of clearing land for construction and other incidental costs.
- Credit the book value upon disposition.

#### 102 BUILDINGS

The cost of buildings should be recorded in this account. Additions and improvements to existing buildings should also be recorded, but repairs which restore the original condition should not be included.

The cost of the heating plant and other fixtures permanently attached to the structure should be included in this account.

- Debit the cost of buildings constructed, purchased, or the appraised value of buildings otherwise acquired.
- Debit the cost of additions or other capitalized improvements. (Repairs will be charged to expense.)
- Credit the book value upon disposition.

#### 103 IMPROVEMENTS OTHER THAN BUILDINGS

The cost of capitalized improvements, other than buildings, acquired or constructed, will be recorded in this account.

- Debit the cost of improvements.
- Credit the book value upon disposition.

#### 104 MACHINERY AND EQUIPMENT

- Debit the cost of equipment including trade-in allowances.
- Credit the book value upon disposition.

105 CONSTRUCTION WORK IN PROGRESS

This account is used to record the amount expended to the close of a fiscal period on an uncompleted building or other capital construction project which will eventually be recorded in other accounts.

- Debit expenses incurred during a fiscal year on a building or other project not completed at the close of the period.
- Credit with amounts transferred to an appropriate asset account upon completion of the project (Debit 102 or 103).

106 INFRASTRUCTURE

This account should reflect the costs of long-lived capital assets that normally are statutory in nature, and can be preserved for a significantly greater number of years than most capital assets. (Examples include roads, bridges, water and sewer systems.)

107 OTHER CAPITAL ASSETS

This account should reflect the costs of assets not listed above. (Examples could include works of art, historical treasures, and other intangible assets (including computer software) at their historical costs or fair market value at the date of donation.

112 ACCUMULATED DEPRECIATION – BUILDINGS

113 ACCUMULATED DEPRECIATION - IMPROVEMENTS OTHER THAN BUILDINGS

114 ACCUMULATED DEPRECIATION - MACHINERY AND EQUIPMENT

The details of depreciation charges should be recorded on appropriately established individual asset records.

- Credit amounts charged as a depreciation expense (Debit 522 - Expenses).
- Debit upon disposition of the related asset.

116 ACCUMULATED DEPRECIATION – INFRASTRUCTURE

117 ACCUMULATED DEPRECIATION - OTHER CAPITAL ASSETS

These accounts are used to report the accumulation of periodic credits to reflect the appropriation of the estimated life of capital assets.

## 200 CASH

Segregation of cash in separate bank accounts is generally not required.

- Debit cash receipts not required to be debited to other cash accounts.
- Credit cash disbursements.

## 201 CASH IN TIME DEPOSITS

- Debit cash deposited in time open accounts or certificates of deposit.
- Debit interest earned and remaining on deposit in time deposits (Credit 980 -Revenues).
- Credit liquidation of time deposits (Debit 200 - Cash).

## 210 PETTY CASH

Subsidiary accounts are required to identify each petty cash fund.

- Debit to establish or increase a petty cash fund.
- Credit to reduce or abolish funds.

## 223 CASH WITH FISCAL AGENT

The balance in this account represents amounts held by the fiscal agent for payment of principal and interest on outstanding IDA obligations. The balance should agree with the balance in 629 - Bond Interest and Matured Bonds Payable, and should be periodically reconciled with the bank account.

- Debit payments to paying agents for bond principal and interest (Credit 629 - Bond Interest and Matured Bonds Payable).
- Credit upon notification of payment to bondholders by the fiscal agent.

## 230 RESTRICTED CASH

This account is used to record cash transactions of special reserve funds or restricted revolving loan funds.

An analysis or a subsidiary account should be maintained to segregate the cash balance of each special reserve fund or restricted revolving loan fund.

- Debit cash receipts of reserve funds.

- Debit interest earned (Credit 980 - Revenues.)
- Credit purchase price of special reserve investments.
- Credit disbursements for authorized purposes.

235 CASH, CUSTOMERS' DEPOSITS

- Debit deposits received from customers.
- Debit interest earned on customers' deposits.
- Credit refunds of customers' deposits.

380 ACCOUNTS RECEIVABLE

This account records amounts owing on an open account from private persons or organizations (but not amounts due from governments) for goods or services furnished.

A subsidiary ledger account for each debtor should be maintained.

This account should be reviewed monthly to determine if any charges are overdue and what action should be taken to enforce payment.

- Debit billings to individuals and/or private corporations.
- Credit collections.
- Credit cancellations or downward adjustments.

381 ACCRUED INTEREST RECEIVABLE

This account is provided for accrued interest included in the purchase price of bonds or other securities acquired between interest dates.

The balance represents interest due but not received on securities purchased. Subsidiary detail will be maintained sufficient to identify each item of accrued interest with the related securities.

- Debit interest accrued on investments.
- Debit accrued interest paid upon purchase of investments.
- Credit interest received.
- Credit upon receipt of the first interest earnings on the securities purchased.

389 ALLOWANCE FOR RECEIVABLES (CREDIT ACCOUNT)

This account (credit balance) is provided to record an estimate of accounts receivable which will never be collected.

- Credit receivables estimated to be uncollectible (Debit 522 - Expenses)
- Debit cancellations or amounts deemed to be uncollectible (Credit 380 - Accounts Receivable).

392 LOANS RECEIVABLE

- Debit when a loan is made.
- Credit when a loan is repaid.

440 DUE FROM OTHER GOVERNMENTS

The balance will represent the amount due from other governments. Subsidiary accounts should be maintained.

- Debit amounts due from other governments for grants and/or for reimbursements of the cost of services.
- Credit receipts from other governments in payment of claims.

450 INVESTMENT IN SECURITIES

This account will be used to record investments in securities other than certificates of deposit, special time deposits, and repurchase agreements.

- Debit purchase price of securities, including commissions.
- Credit purchase price upon sale, liquidation, or maturity of the securities. Any excess over the purchase price will be credited to Revenue account 980 - 2401 Interest and Earnings.

451 INVESTMENT IN REPURCHASE AGREEMENTS

This account will be used to record investments utilizing repurchase agreements.

- Debit purchase price of securities.
- Credit purchase price upon resale. The excess over the purchase price will be credited to Revenue account 980 - 2401 Interest and Earnings.

452 INVESTMENT IN SECURITIES, SPECIAL RESERVES

This account will be used to record investments of restricted moneys in securities other than certificates of deposit, special time deposits, and repurchase agreements.

- Debit purchase price of securities, including commissions.
- Credit purchase price upon sale, liquidation, or maturity of the securities. Any excess over the purchase price will be credited to Revenue account 980 - R2401 Interest and Earnings.

453 INVESTMENT IN REPURCHASE AGREEMENTS, SPECIAL RESERVES

This account will be used to record investment of restricted moneys utilizing repurchase agreements.

- Debit purchase price of securities.
- Credit purchase price upon resale. The excess over the purchase price will be credited to Revenue account 980 - R2401 Interest and Earnings.

454 LEASES RECEIVABLE

- Debit with total amount of capital leases taken by the IDA (Credit 101 – Land, 102 – Buildings, 103 - Improvements Other Than Buildings, 104 - Machinery and Equipment).
- Credit with receipt of principal on leases. (Interest will be credited to 980 - Revenues).

455 SECURITIES AND MORTGAGES

- Debit securities received as bid deposits and guarantees. Record at market value.
- Credit book value of securities released.

457 MORTGAGES RECEIVABLE

- Debit total amount of mortgages taken by the IDA (Credit 101 – Land, 102 – Buildings, 103 - Improvements Other Than Buildings).
- Credit amounts received as payment on mortgages.

480 PREPAID EXPENSES

- Debit payments made for items or services which will benefit future periods (e.g. insurance, rent).
- Credit as expenses are incurred.

481 DISCOUNT ON BONDS

This account will be amortized over the life of the bonds.

- Debit amount of discount on bonds issued.
- Credit amount amortized (Debit 522 - Expenses).

600 ACCOUNTS PAYABLE

- Credit claims, vouchers, judgments, court orders or other instruments of expenditures due to persons or firms for materials received or services performed (Debit 522 - Expenses).
- Debit amounts paid or canceled.

601 ACCRUED LIABILITIES

This account will be used at the close of the fiscal year to accrue the liability for payroll expenses chargeable to the current fiscal year, but which are not due and payable until the following fiscal year. Expenses for which vouchers or bills have been received should be credited to 600 - Accounts Payable, or 631 - Due to Other Governments, according to the character of the vendor (e.g. commercial or other government.)

- Credit accrued (prorated amount chargeable to the current year) payrolls at the end of the fiscal year.
- Credit employer's share of employees' benefits chargeable to the current year.
- Debit in the following year with amounts actually paid.
- Debit liquidation of unneeded balances (Credit 980 - Revenues; 2701 - Refund of Prior Year Expenses).

605 RETAINED PERCENTAGES, CONTRACTS PAYABLE

The balance of this account represents amounts withheld from contractors' payments pending completion of projects owned by the IDA.

If a contractor withdraws retained percentages by depositing securities with or to the credit of the IDA, the market value of which equals the amount withdrawn, the value of the securities will be reflected in 455 - Securities and Mortgages.

- Credit amounts withheld from contract payments.
- Debit upon release of retainage to contractors.

615 CUSTOMERS' DEPOSITS

The balance of this account represents the total of deposits. Subsidiary records will be required for each depositor.

- Credit security deposits (Debit 235 - Cash, Customers' Deposits.)
- Credit interest on customers' deposits.
- Debit deposits returned, including interest earned (Credit 235 - Cash, Customers' Deposits).
- Debit deposits applied to settle delinquent accounts.

617 MORTGAGES PAYABLE

618 NOTES PAYABLE

- Credit the respective account with the total amount of mortgages and notes issued.
- Debit the respective account with redemption of debt principal.

628 BONDS PAYABLE

- Credit the amount of serial bonds or statutory installment bonds issued.
- Debit payments for redemption of matured bonds or partial payment on statutory installment bonds.

629 BOND INTEREST AND MATURED BONDS PAYABLE

- Credit transfers to a paying agent for payment of principal and interest on matured bonds.
- Debit payments by the paying agent, as evidenced by canceled bonds and notes or certification from the paying agent.

631 DUE TO OTHER GOVERNMENTS

This account is provided to record a liability to other units of government.

A subsidiary record will be maintained to show the liability to each unit of government.

- Credit amounts due to other units of government.
- Debit liquidation of liabilities.

651 ACCRUED INTEREST PAYABLE

- Credit accrued interest received at the time of sale of obligations.
- Credit to accrue interest at the end of the fiscal period.
- Debit with interest paid.

652 PREMIUM ON BONDS

This account will be amortized over the life of the bonds.

- Credit amount of premium received upon sale of bonds (Debit 200 - Cash).
- Debit amount amortized (Credit 200 - Cash).

689 OTHER LONG-TERM DEBT (SPECIFY)

A capital lease (of more than one year) is an example of “Other Long-Term Debt.”

- Credit other long-term debt.
- Debit when other long-term debt is redeemed.

- 921 NET ASSETS – RESTRICTED FOR CAPITAL PROJECTS
- 922 NET ASSETS – RESTRICTED FOR DEBT
- 923 NET ASSETS – RESTRICTED FOR OTHER PURPOSES
- 924 NET ASSETS – UNRESTRICTED (DEFICIT)

In proprietary funds, the difference between assets and liabilities is reported as net assets, not fund balance or equity. Net assets should be reported as restricted when constraints placed on net assets are either externally imposed by creditors or imposed by law. Unrestricted net assets consist of net assets that are not invested in capital assets or restricted.

## REVENUE ACCOUNTS

### 2116 FEES (SPECIFY)

Record bond service fees and application fees.

### 2401 INTEREST AND EARNINGS

Record interest earned on deposits and investments.

### 2405 INTEREST ON MORTGAGES AND LEASES

Record interest earned on mortgages and leases.

### 2410 RENTAL OF REAL PROPERTY

Record rentals of real property.

### 2414 RENTAL OF EQUIPMENT

Record rentals of equipment.

### 2655 MINOR SALES (SPECIFY)

Record income from minor sales.

### 2675 GAIN ON SALE OF ASSETS

Record profit upon disposition of assets.

### 2680 INSURANCE RECOVERIES

Record amounts from insurance carriers for losses or damages to insured assets.

### 2690 OTHER COMPENSATION FOR LOSS

Record receipts for damages to property from other than insurance carriers.

### 2701 REFUND OF PRIOR YEARS EXPENSES

Record refunds of expenses charged in prior years. Refunds of current year expenses will be credited to the expense account charged in the current year.

2705 GIFTS AND DONATIONS

Record gifts and donations.

2706 GRANTS FROM LOCAL GOVERNMENTS

Record operating grants received from local governments.

2770 OTHER UNCLASSIFIED REVENUES (SPECIFY)

Record revenues from local sources for which a specific code has not been provided. Explain each amount recorded.

3788 STATE DEVELOPMENT GRANTS (SPECIFY)

Record state grants received for operating purposes. Do not record grants received for acquisition or construction of capital assets.

4788 FEDERAL DEVELOPMENT GRANTS (SPECIFY)

Record federal grants received for operating purposes. Do not record grants received for acquisition or construction of capital assets.

### EXPENSE ACCOUNTS

1710.4 SELF-INSURANCE

Record expenses associated with self-insuring a local government.

1910.4 SPECIAL ITEMS: UNALLOCATED INSURANCE

1930.4 SPECIAL ITEMS: JUDGMENTS AND CLAIMS

Record expenses for general government support not directly attributable to a particular function.

1955.4 PAYMENT IN LIEU OF TAXES

Record here payments made to local governments pursuant to a payment in lieu of taxes agreement on property owned by the IDA. Use 631 - Due to Other Governments - if only acting as a pass-through agent for private businesses.

1988.4 PROVISION FOR UNCOLLECTIBLE RECEIVABLES

Charge amounts provided for estimated uncollectible receivables.

## 1995.4 LOSS ON SALE OF ASSETS

Charge the excess of book value over amounts received on sale of assets.

## 6460 ADMINISTRATION

Expenses for other than interest, grants and payments in lieu of taxes will be classified as follows:

6460.1 Personal Services. Record here salaries and wages of employees and officials. Include payments for vacation and sick leave.

6460.3 Depreciation. Record here the portion of the cost of the expiration in the service life of a fixed asset which is charged as an expense during a particular accounting period.

6460.4 Contractual Expenses. Record here contractual services such as travel expense, freight, rent, repairs, supplies and materials, consultants, and expenses not provided for under other accounts.

6460.8 Employee Benefits. Record here the Agency's share of social security, retirement, and various types of insurance for the employees' benefit.

## 6462.4 GRANTS FOR LOCAL ECONOMIC DEVELOPMENT

Record here payments made for local economic development.

## 9000 - 9099 EMPLOYEE BENEFITS

Expenditures paid on behalf of employees.

## 9700.7 - 9790.7 DEBT SERVICE

Interest expense will be charged to these accounts as follows:

- 9700.7 Term Bonds, Interest
- 9710.7 Serial Bonds, Interest
- 9785.7 Installment Purchase Debt, Interest
- 9789.7 Other, Interest (e.g. Mortgages)

## JOURNAL ENTRIES

### ACCOUNTS RECEIVABLE AND REVENUE

**1(G). To record revenues earned:**

		<u>Subsidiary Account</u>	<u>Debit</u>	<u>Credit</u>
380	Accounts Receivable		\$10,000	
	John Smith, Inc.	\$5,000		
	Tom Brown, Inc.	5,000		
980	Revenues			\$10,000
	2410 Rental of Real Property	\$10,000		

**2(G). To establish an allowance for estimated uncollectible accounts:**

		<u>Subsidiary Account</u>	<u>Debit</u>	<u>Credit</u>
522	Expenses		\$1,000	
	1988.4 Provision for Uncollectible Receivables	\$1,000		
	389 Allowance for Receivables			\$1,000

**3(R). To record collection of portion of accounts receivable:**

		<u>Subsidiary Account</u>	<u>Debit</u>	<u>Credit</u>
200	Cash		\$2,500	
	380 Accounts Receivable			\$2,500
	John Smith, Inc.	\$2,500		

**4(G). To record writing-off of uncollectible accounts:**

		<u>Subsidiary Account</u>	<u>Debit</u>	<u>Credit</u>
389	Allowance for Receivables		\$1,000	
	380 Accounts Receivable			\$1,000
	John Smith, Inc.	\$1,000		

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*NOTE: Entries that are recorded in the general journal are indicated by (G); in the cash receipts journal by (R); and in the cash disbursement journal by (D).*

**5(R). To record other revenues (rental of real property):**

		<u>Subsidiary Account</u>	<u>Debit</u>	<u>Credit</u>
200	Cash		\$1,500	
	980	Revenues		\$1,500
		2410 Rental of Real Property	\$1,500	

**EXPENSES AND ACCRUED LIABILITIES**

**6(G). To record operating expenses:**

		<u>Subsidiary Account</u>	<u>Debit</u>	<u>Credit</u>
522	Expenses		\$10,000	
	1955.4	Payment in Lieu of Taxes*	\$2,500	
	6460.4	Administration - Contractual Expense	2,500	
	6462.4	Grants for Local Economic Development	2,500	
	9710.7	Serial Bonds, Interest	2,500	
	600	Accounts Payable		\$10,000

*\*Represents payment on property owned by the IDA. Use "631 - Due to Other Governments" if the IDA is a pass-through agent for private businesses.*

**7(G). To record annual depreciation charges:**

		<u>Subsidiary Account</u>	<u>Debit</u>	<u>Credit</u>
522	Expenses		\$4,000	
	6460.3	Administration - Depreciation	\$4,000	
	112	Accumulated Depreciation – Buildings		\$2,000
	113	Accumulated Depreciation – Improvements Other Than Buildings		1,000
	114	Accumulated Depreciation – Machinery and Equipment		1,000

**8(D) or (G). To record prepaid expenses:**

		<u>Subsidiary Account</u>	<u>Debit</u>	<u>Credit</u>
480	Prepaid Expenses		\$2,500	
	200	Cash		\$2,500

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*NOTE: Entries that are recorded in the general journal are indicated by (G); in the cash receipts journal by (R); and in the cash disbursement journal by (D).*

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If originally charged to expenses, the journal entry will be:

	<u>Subsidiary Account</u>	<u>Debit</u>	<u>Credit</u>
480	Prepaid Expenses	\$2,500	
522	Expenses		\$2,500

**9(G). To transfer prepaid expenses of the preceding year to expenses of the current year: (See prior journal entry for establishing prepaid expenses.)**

	<u>Subsidiary Account</u>	<u>Debit</u>	<u>Credit</u>
522	Expenses	\$2,500	
480	Prepaid Expenses		\$2,500

**10(G). To record accrual of interest on serial bonds as of the end of the year:**

	<u>Subsidiary Account</u>	<u>Debit</u>	<u>Credit</u>
522	Expenses	\$1,000	
9710.7	Serial Bonds, Interest	\$1,000	
651	Accrued Interest Payable		\$1,000

**11(D). To record payment of principal and interest on bonds:**

	<u>Subsidiary Account</u>	<u>Debit</u>	<u>Credit</u>
522	Expenses	\$2,000	
9710.7	Serial Bonds, Interest	\$2,000	
628	Bonds Payable	5,000	
651	Accrued Interest Payable	1,000	
200	Cash		\$8,000

**12(G). To record moneys on deposit with fiscal agent for debt service:**

	<u>Subsidiary Account</u>	<u>Debit</u>	<u>Credit</u>
223	Cash with Fiscal Agent	\$8,000	
629	Bond Interest and Matured Bonds Payable		\$8,000

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*NOTE: Entries that are recorded in the general journal are indicated by (G); in the cash receipts journal by (R); and in the cash disbursement journal by (D).*

**13(G). To record amounts paid by the fiscal agent:**

		<u>Subsidiary Account</u>	<u>Debit</u>	<u>Credit</u>
629	Bond Interest and Matured Bonds Payable		\$5,000	
223	Cash with Fiscal Agent			\$5,000

**14(G). To accrue fringe benefits, payroll, etc., and other items at the end of the fiscal year (Subsidiary accounts omitted):**

		<u>Subsidiary Account</u>	<u>Debit</u>	<u>Credit</u>
522	Expenses		\$2,000	
601	Accrued Liabilities			\$2,000

**CONSTRUCTION AND OTHER CAPITAL OUTLAY**

**15(R). To record issuance of bonds:**

		<u>Subsidiary Account</u>	<u>Debit</u>	<u>Credit</u>
200	Cash		\$205,000	
628	Bonds Payable			\$205,000

**16(D). To record payment to a contractor and withholding of retained percentage:**

		<u>Subsidiary Account</u>	<u>Debit</u>	<u>Credit</u>
105	Construction Work in Progress		\$100,000	
200	Cash			\$90,000
605	Retained Percentage - Contracts Payable			10,000

*NOTE: Memorandum records must be maintained for the total authorized for the project and the amount of each contract awarded.*

**17(G). To record completion of projects and transfer to asset accounts:**

		<u>Subsidiary Account</u>	<u>Debit</u>	<u>Credit</u>
102	Buildings		\$75,000	
103	Improvements Other Than Buildings		25,000	
105	Construction Work in Progress			\$100,000

*NOTE: Entries that are recorded in the general journal are indicated by (G); in the cash receipts journal by (R); and in the cash disbursement journal by (D).*

**18(D). To record the acquisition of equipment from current funds, trade in of obsolete equipment, and gain on disposition:**

	<u>Subsidiary Account</u>	<u>Debit</u>	<u>Credit</u>
104	Machinery and Equipment	\$25,000	
114	Accumulated Depreciation, Machinery and Equipment	18,000	
	104 Machinery and Equipment		\$20,000
	200 Cash		20,000
	980 Revenues		3,000
	2675 Gain on Sale of Assets	\$3,000	

*NOTE: If there were a loss on the transactions, it would be charged to account 1995.4.*

**CUSTOMERS' DEPOSITS**

**19(R). To record receipt of deposits:**

	<u>Subsidiary Account</u>	<u>Debit</u>	<u>Credit</u>
235	Cash, Customers' Deposits	\$1,000	
	615 Customers' Deposits		\$1,000

**20(D). To record refund of customers' deposits:**

	<u>Subsidiary Account</u>	<u>Debit</u>	<u>Credit</u>
615	Customers' Deposits	\$500	
	235 Cash, Customers' Deposits		\$500

**21(R). To record interest earned on customers' deposits:**

	<u>Subsidiary Account</u>	<u>Debit</u>	<u>Credit</u>
235	Cash, Customers' Deposits	\$100	
	615 Customers' Deposits		\$100

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*NOTE: Entries that are recorded in the general journal are indicated by (G); in the cash receipts journal by (R); and in the cash disbursement journal by (D).*

**RESTRICTED REVOLVING FUNDS**

**22(G). To record a Federal or State grant to be used to make loans from a revolving fund:**

		<u>Subsidiary Account</u>	<u>Debit</u>	<u>Credit</u>
200	Cash		\$25,000	
	980 Revenues			\$25,000
	2770 Other Unclassified Revenues- Revolving Fund Grant	\$25,000		

**23(G). To establish a revolving fund:**

		<u>Subsidiary Account</u>	<u>Debit</u>	<u>Credit</u>
924	Net Assets – Unrestricted		\$25,000	
	889 Miscellaneous Reserves			\$25,000
	Revolving Fund	\$25,000		

**24(D). To restrict revolving fund cash:**

		<u>Subsidiary Account</u>	<u>Debit</u>	<u>Credit</u>
230	Restricted Cash		\$25,000	
	200 Cash			\$25,000

**25(D). To record investment of revolving fund cash:**

		<u>Subsidiary Account</u>	<u>Debit</u>	<u>Credit</u>
452	Investments in Securities, Special Reserves		\$25,000	
	230 Restricted Cash			\$25,000

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*NOTE: Entries that are recorded in the general journal are indicated by (G); in the cash receipts journal by (R); and in the cash disbursement journal by (D).*

**26(R). To record earnings on revolving fund investments:**

	<u>Subsidiary Account</u>	<u>Debit</u>	<u>Credit</u>
230	Restricted Cash	\$1,500	
	980 Revenues		\$1,500
	R2401 Interest and Earnings	\$1,500	

**27(D). To record disbursement of revolving fund money for a loan:**

	<u>Subsidiary Account</u>	<u>Debit</u>	<u>Credit</u>
392	Loans Receivable	\$10,000	
	230 Restricted Cash		\$10,000

**OBLIGATIONS**

**28(R). To record sale of bonds at a discount: (e.g., bonds to be issued for \$100,000, to mature equally over 10 years, interest at 5 percent, bonds sold at a discount totaling \$1,000). Journal entries 28 to 33 should be reviewed together.**

	<u>Subsidiary Account</u>	<u>Debit</u>	<u>Credit</u>
200	Cash	\$99,000	
481	Discount on Bonds	1,000	
	628 Bonds Payable		\$100,000

*NOTE: If the IDA is merely acting as the financing conduit, no journal entry will be made to record the sale of bonds, construction payments, or debt service; entries will only be made to record IDA fees.*

**29(D). To record payment of construction project contracts:**

	<u>Subsidiary Account</u>	<u>Debit</u>	<u>Credit</u>
105	Construction Work in Progress	\$99,000	
	200 Cash		\$99,000

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*NOTE: Entries that are recorded in the general journal are indicated by (G); in the cash receipts journal by (R); and in the cash disbursement journal by (D).*

**30(G). To close a construction project:**

	<u>Subsidiary Account</u>	<u>Debit</u>	<u>Credit</u>
102	Buildings	\$75,000	
104	Machinery and Equipment	24,000	
	105 Construction Work in Progress		\$99,000

**31(G). To set up mortgage receivable or capital lease:**

	<u>Subsidiary Account</u>	<u>Debit</u>	<u>Credit</u>
454	Leases Receivable <u>OR</u>		
457	Mortgages Receivable	\$99,000	
	Art Jones	\$99,000	
	102 Buildings		\$75,000
	104 Machinery and Equipment		24,000

**32(R). To record receipts on a capital lease or mortgage agreement:**

	<u>Subsidiary Account</u>	<u>Debit</u>	<u>Credit</u>
200	Cash	\$15,000	
	454 Leases Receivable <u>OR</u>		
	457 Mortgages Receivable		\$9,900
	Art Jones	\$9,900	
	980 Revenues		5,100
	2405 Interest on Mortgages and Leases	5,100	

**33(D). To record payment of bonds and interest:**

	<u>Subsidiary Account</u>	<u>Debit</u>	<u>Credit</u>
522	Expenses	\$5,100	
	9710.7 Serial Bonds, Interest	\$5,100	
628	Bonds Payable	10,000	
	200 Cash		\$15,000
	481 Discount on Bonds		100

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*NOTE: Entries that are recorded in the general journal are indicated by (G); in the cash receipts journal by (R); and in the cash disbursement journal by (D).*

**34(R). To record sale of bonds at a premium: (e.g. Bonds will be issued for \$100,000, to mature equally over 10 years, interest at 5 percent, bonds sold at a premium of \$1,000 and accrued interest of \$500.) Journal entries 34 to 39 should be reviewed together.**

	<u>Subsidiary Account</u>	<u>Debit</u>	<u>Credit</u>
200	Cash	\$101,500	
	628 Bonds Payable		\$100,000
	651 Accrued Interest Payable		500
	652 Premium on Bonds		1,000

*NOTE: If the IDA is merely acting as the financing conduit, no journal entries will be made to record sale of bonds, construction costs, or debt service; entries will only be made to record IDA fees.*

**35(D). To record payment of construction project contracts:**

	<u>Subsidiary Account</u>	<u>Debit</u>	<u>Credit</u>
105	Construction Work in Progress	\$99,000	
	200 Cash		\$99,000

**36(G). To close a construction project:**

	<u>Subsidiary Account</u>	<u>Debit</u>	<u>Credit</u>
102	Buildings	\$99,000	
	105 Construction Work in Progress		\$99,000

**37(G). To set up receivable:**

	<u>Subsidiary Account</u>	<u>Debit</u>	<u>Credit</u>
454	Leases Receivable <u>OR</u>		
457	Mortgages Receivable	\$99,000	
	102 Buildings		\$75,000
	104 Machinery and Equipment		24,000

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*NOTE: Entries that are recorded in the general journal are indicated by (G); in the cash receipts journal by (R); and in the cash disbursement journal by (D).*

**38(R). To record an amount received from a business pursuant to a lease or mortgage agreement:**

	<u>Subsidiary Account</u>	<u>Debit</u>	<u>Credit</u>
200	Cash	\$13,400	
	454 Leases Receivable <u>OR</u>		
	457 Mortgages Receivable		\$9,900
	980 Revenues		3,500
	2405 Interest on Mortgages and Leases	\$3,500	

**39(D). To record payment of bonds and interest:**

	<u>Subsidiary Account</u>	<u>Debit</u>	<u>Credit</u>
522	Expenses	\$4,400	
	9710.7 Serial Bonds, Interest	\$4,400	
628	Bonds Payable	10,000	
651	Accrued Interest Payable	500	
652	Premium on Bonds	100	
	200 Cash		\$15,000

**CLOSING ENTRIES**

**40(G). To close revenue and expense accounts at year end:**

	<u>Subsidiary Account</u>	<u>Debit</u>	<u>Credit</u>
980	Revenues	\$300,000	
	522 Expenses		\$275,000
	924 Net Assets - Unrestricted		25,000

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*NOTE: Entries that are recorded in the general journal are indicated by (G); in the cash receipts journal by (R); and in the cash disbursement journal by (D).*

## **APPENDIX: REFERENCES**

### **OSC PUBLICATIONS FOR LOCAL GOVERNMENT OFFICIALS**

The following publications are issued by our office. Most of our publications are available online. Please visit our website at [www.osc.state.ny/localgov/muni/](http://www.osc.state.ny/localgov/muni/) to download available publications, or to obtain further information. These publications may also be requested by calling (518) 474-6975:

#### **ACCOUNTING**

- Accounting & Reporting Manual for Cities, Villages, Counties and Towns (formerly known as the “Uniform System of Accounts”)
- Accounting Procedures for Probation Departments
- Accounting Procedures for County Sheriffs
- Accounting Procedures for County Clerks
- Introduction to Governmental Accounting
- Accounting Principles and Procedures

#### **LOCAL GOVERNMENT MANAGEMENT GUIDES (LGMG)** (See page 71 for Additional Information)

- Financial Condition Analysis
- Internal Controls
- Reserves
- Strategic Planning
- Fiscal Oversight Responsibilities
- Capital Assets
- Multi-Year Capital Plans
- Intermunicipal Cooperation

#### **MANAGEMENT TOPICS BY POSITION**

- Information for Town Officials
- Financial Information for Town Highway Superintendents
- Information for Fire District Officials
- Handbook for Town and Village Justices and Court Clerks

## **STATISTICAL PUBLICATIONS**

- Comptroller's Annual Report on Local Governments
- Financial Data For Local Governments
- Overlapping Real Property Taxes

## **RESEARCH REPORTS**

- Intermunicipal Cooperation and Consolidation
- SMART Growth in New York State

## **LEGAL TOPICS**

**The following publications may be requested from the Division of Legal Services by calling (518) 474-6007:**

- How to Apply for Exclusion of Sewer Debt from Municipal Debt Limits
- How to Apply for Exclusion of Self-Liquidating Debt
- Legal Requirements and Administrative Procedures for Approval of County Districts
- Part 85 Applications for Permission to Establish or to Extend Town or County Improvement Districts and to Authorize Town Sewer, Drainage, and Water Improvements
- Legal Requirements and Administrative Procedures for Approval of Town Special Improvement Districts and Sewer and Water Improvements
- Legal Requirements and Administrative Procedures for Approval of Fire, Fire Alarm and Fire Protection Districts
- Application Forms for Certain Towns Within the Adirondack Park
- Competitive Bidding Under General Municipal Law §103

# TOPICAL GUIDANCE

## Local Government Management Guide

Chapters	New Titles	Replaces the “Financial Management Guide”
1	Annual Budgets	Sections 1.0 to 1.1
2	Books, Records and Reports	New
3	Cash Management	Section 2
4	Capital Assets*	Section 3.2
5	Reserves*	Section 6.1
6	Significant Revenue Sources:	
	- Real Property Taxes	Section 3.0
	- User Charges	New
	- Sales and Use Taxes	Section 7.1
7	Purchasing	Sections 8.3 and 1.2
8	Claims Processing	Sections 8.1 and 8.4
9	Payroll	Sections 8.2
10	Debt Management	Section 5
11	Financial Condition Analysis*	New
12	Multi-Year Capital Plans*	Section 1.2
13	Fiscal Oversight Responsibilities*	Sections 4 and 7.2
14	Internal Controls*	Section 11
15	Inter-Municipal Cooperation*	New
16	Strategic Planning*	New
17	Performance Measurement	New

**\*Sections Completed**

**The new Local Government Management Guide is being written to update and expand the Financial Management Guide. As chapters are completed, they will be noted on this page.**

**For guidance on topic areas not yet completed, please refer to the Financial Management Guide.**



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Division of Local Government and School Accountability  
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