STATE OF NEW YORK

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For Fiscal Year Ended
March 31, 2004

Prepared by the Office of the State Comptroller

Alan G. Hevesi

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State Comptroller

ALAN G. HEVESI
COMPTROLLER

110 STATE STREET
ALBANY, NEW YORK 12236

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

August 6, 2004

To the Citizens, Governor and Members of the Legislature of the State of New York:

I am pleased to present New York State's Comprehensive Annual Financial Report for the year ending March 31, 2004. This report includes financial statements and supplementary information presenting a broad view of the State's financial position and operations, including its major public authorities.

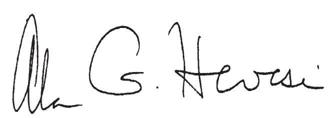
During the past year, New York's economy finally began to grow after more than two years of decline. While this is welcome news, there are still concerns both for our economy and our financial performance. Even after the recent recovery, the State's economy has not yet regained the number of jobs we had in 2000 as the economy reached its peak, and New York's gains continue to lag behind the rest of the country. Although the economy is expected to continue growing, rising inflationary concern caused the Federal Reserve to raise interest rates by 25 basis points at its June 2004 meeting, the first increase in three years, and future interest rate increases will affect growth in the months ahead.

The State's financial performance, though improved, also reflects cause for concern. Because the State used the proceeds of tobacco bonds to pay operating expenses, the General Fund was able to report an operating surplus of $3 billion. But the State's net assets, an overall measure of financial health using the accrual basis of accounting, showed a drop of $3.7 billion, and the State's outstanding debt grew by nearly 20% to $47 billion.

Most of this debt was issued through public authorities, without voter approval. With the finances of our State so dependent on public authorities, I will continue to use the resources and powers of my Office to press for transparency and integrity in their operations.

The State's enormous debt load and structural deficit are fundamental issues that affect New York State's future. Serious reform is needed to address the inability to enact a State budget, as well as the State's methods for financing the State's public schools. With budget negotiations that stretched into the summer, New York State missed the opportunity to responsibly plan for its future.

Signed,



Alan G. Hevesi

FINANCIAL OVERVIEW

This report has been prepared by the Office of the State Comptroller, as required by Chapter 405, Laws of 1981, in accordance with generally accepted accounting principles (GAAP) for governments as promulgated by the Governmental Accounting Standards Board. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, included within this Comprehensive Annual Financial Report rests with the Office of the State Comptroller.

The basic financial statements contained in this report have been audited by KPMG, LLP. Their audit was conducted in accordance with generally accepted governmental auditing standards (GAGAS) and their auditor report precedes the basic financial statements. An independent audit provides reasonable assurance that the State's basic financial statements for the year ended March 31, 2004 are free of material misstatement. Independent audit procedures include examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall basic financial statement presentation. The independent auditor believed that their audit provided a reasonable basis for rendering an unqualified opinions that the State's basic financial statements for the fiscal year ended March 31, 2004, are fairly presented in conformity with GAAP.

The basic financial statements include a narrative introduction, overview, and analysis that is required by GAAP as supplementary information and referred to as Management's Discussion and Analysis (MD&A). This Financial Overview is intended to complement the MD&A and should be read in conjunction with it. The State's MD&A can be found immediately following the independent auditor's report.

Profile of New York State

New York State was one of the original 13 states, ratifying the United States Constitution and entering the Union on July 26, 1788. The State has a land area of 49,576 square miles and the largest park system (home of the Adirondack Park) in the nation. Geographically, New York State is divided into 62 counties (five of which are boroughs of New York City). Within these counties are 62 cities (including New York City), 932 towns, 554 villages and 702 school districts. The State's major economic sectors are comprised of the industrial-commercial, service, and agricultural sectors.

New York's government is comprised of three branches—executive, legislative and judicial. The executive branch includes the Executive (including 20 State departments), the Department of Audit and Control, and the Department of Law each of which are headed respectively by the Governor, Comptroller and Attorney General. With the exception of the departments of Audit and Control and Law, which report to their respective elected officials, the departments of the State report to the Governor. The legislative branch is comprised of a two-house Legislature which includes the Senate with 62 senators and the Assembly with 150 members. Members of the Legislature are elected to a two-year term.

The Chief Judge of the Court of Appeals, which is the highest court of the State, heads the judicial branch. The Governor with the advice and consent of the Senate appoints the Chief Judge and six Associate Judges to 14-year terms. In New York State the courts of original jurisdiction, or trial courts, hear cases in the first instance and the appellate courts hear appeals from the decisions of other courts.

Economic Condition and Outlook

The national economy improved as 2003 progressed, and by mid-2004 the economic expansion was on firmer footing. The strengthening of the national economy has been beneficial for New York State. On a seasonally adjusted basis, State employment began to grow again during the summer of 2003. The recovery in the New York City economy has contributed to the State's economic improvement, and job growth has continued to be steady on Long Island and in the Hudson Valley during the first five months of 2004.

Improvement on Wall Street has been a major factor in the recovery of both the City and State economies. The decline in the financial markets ended in 2003, as the Standard & Poor's 500 Stock Index advanced 20.2% for the year, although in the first five months of 2004 the gain has slowed to 2%. Incomes in New York State are responding to the recovery in the financial markets and the higher Wall Street profits and bonuses.

The Reporting Entity and Its Services

The funds and entities included in this Comprehensive Annual Financial Report are those for which the State is accountable, based on criteria for defining the financial reporting entity prescribed by the Governmental Accounting Standards Board. The criteria include legal standing, fiscal dependency and financial accountability. Based on these criteria the various funds and entities shown in this report are considered as part of the reporting entity (see Notes 1 and 13 of the Notes to the Basic Financial Statements).

The State provides a range of governmental services in such areas as education, social services, health and environment, criminal justice, transportation, mental hygiene, and housing, among others, and also administers the New York State and Local Retirement System.

Component Units

Component units are discretely presented and reported as Public Benefit Corporations (Corporations), which include Public Authorities, and are legally separate entities that are not operating departments of the State. Corporations have been established for a variety of purposes such as economic development, capital construction, financing, and public transportation. The powers of the Corporations generally are vested in their governing boards. The Governor, with the approval of the State Senate, appoints a majority of the members of the Board of most major Corporations and either the Governor or the Board selects the chairperson and chief operating officer. Corporations are not subject to the State constitutional restrictions on the incurrence of debt which apply to the State and may issue bonds and notes within legislatively authorized amounts.

Corporations submit annual reports to the Governor, the Legislature and the State Comptroller on their operations and finances accompanied by an independent auditor's report. Corporations are generally supported by revenues derived from their activities, although in recent years the State has provided financial assistance, in some cases of a recurring nature, to certain Corporations for operating and other expenses, and in fulfillment of its commitments on moral obligation indebtedness. The Corporations have been presented in the accompanying financial statements as component units of the State. The amounts presented in this report were derived from the Corporations' most recent audited financial statements. At year-end these entities reflected net assets of $30.7 billion. For further information refer to Note 13 of the Notes to the Basic Financial Statements.

Budgetary and Other Control Systems

The State Constitution requires the Governor to submit a cash basis balanced Executive Budget that contains a complete plan of expenditures for the ensuing fiscal year and identifies the anticipated revenues sufficient to meet the proposed expenditures. Included in the proposed budget are provisions for spending authority for unanticipated revenues or unforeseen emergencies in accordance with statutory requirements. The Executive Budget also includes both cash basis and GAAP basis financial plans for the ensuing fiscal year as well as a three year financial projection for governmental funds and a three year capital plan. The accounting policies used in developing the GAAP basis financial plans are generally consistent with those used in preparing the annual GAAP financial statements. Generally, the financial plans are updated quarterly. The Legislature enacts appropriation bills and revenue measures embodying those parts of the Executive Budget it has approved. Expenditures are controlled at the major object (e.g., personal service, grants to local governments) level within each program/project of each State agency in accordance with the underlying approved appropriation bills.

In developing the State's accounting system, consideration was given to the adequacy of internal controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of control should not exceed the benefits derived. The State's internal accounting controls are periodically tested to ensure adherence to internal control policies and procedures.

In 1987 the Legislature passed the New York State Governmental Accountability, Audit and Internal Control Act, which commits the State to enhancing existing systems of internal controls in all State governmental entities. As a result, there is now a requirement for managers in all branches and components of government to maintain comprehensive internal control systems and to regularly evaluate the effectiveness and adequacy of these systems by internal reviews and external audits. Finally, the legislation promotes accountability by assuring that all external audits are made available to the public.

Cash Management

Cash deposits into the State Treasury are controlled jointly by the State Comptroller and the Commissioner of Taxation and Finance. Cash is managed in pooled investment funds to maximize interest earnings. Investments are made in accordance with the State Finance Law. Cash is primarily invested in repurchase agreements involving United States Treasury obligations and remaining funds are invested in United States Treasury bills and commercial paper. For the fiscal year ended March 31, 2004, the average daily balance of pooled investment funds was $5.2 billion with an average yield of 1.082% and total investment income of $56 million. Cash deposits not held in the State Treasury and controlled by various other State officials are generally held in interest bearing accounts.

Risk Management

The State does not insure its buildings or their contents against theft, fire or other risks and does not insure its automobiles against the possibility of bodily injury and property damage. However, the State does have fidelity insurance on State employees. Workers' compensation coverage is provided on a self-insurance basis.

State and Local Retirement System

The State and Local Retirement System, covering most non-teaching State employees and local government employees outside of New York City, reported combined net assets available for retirement benefits of $120.8 billion as compared to the previous year-end amount of $97.4 billion. For further information refer to Note 12 of the Notes to the Basic Financial Statements.

General Governmental Results

An operating surplus of $3.0 billion is reported in the General Fund for fiscal year 2003-04. As a result, the General Fund now has an accumulated deficit of $281 million. The State completed its fiscal year ended March 31, 2004 with a combined Governmental Funds operating surplus of $3.2 billion as compared to a combined Governmental Funds operating deficit in the preceding fiscal year of $4.3 billion. The combined 2003-04 operating surplus of $3.2 billion included operating surpluses in the General Fund of $3.0 billion and Other Governmental Funds of $198 million. For further information refer to the MD&A which immediately follows the independent auditors' report.

The State's financial position as shown in its Governmental Funds Balance Sheet as of March 31, 2004 includes a fund balance of $6.2 billion represented by liabilities of $19.7 billion and by assets available to liquidate such liabilities of $25.9 billion. The Governmental Funds fund balance includes a $281 million accumulated General Fund deficit.

Report Layout

The Comprehensive Annual Financial Report is presented in three sections: Introductory, Financial, and Statistical. The Introductory Section includes the Comptroller's transmittal letter, this Financial Overview, the State's organization chart, and a list of principal officials. The Financial Section includes the MD&A, basic financial statements and the combining statements and schedules, as well as the independent auditors' report on the financial statements and schedules. The Statistical Section includes fiscal, social, and demographic information about the State.

Certificate of Achievement

The Office of the State Comptroller was honored for the fifteenth consecutive year to receive the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association for the State's 2003 Comprehensive Annual Financial Report. This prestigious award represents the highest form of recognition in the area of governmental financial reporting and reflects a commitment to clearly communicate the State's financial results and position to the taxpayers through public disclosure.

Acknowledgements

This report could not have been prepared without the cooperation of all State agencies, the Legislature, and the Judiciary. I especially appreciate the professionalism and dedication demonstrated by my staff in the preparation of this report.

Certificate of Achievement for Excellence in Financial Reporting

Presented to

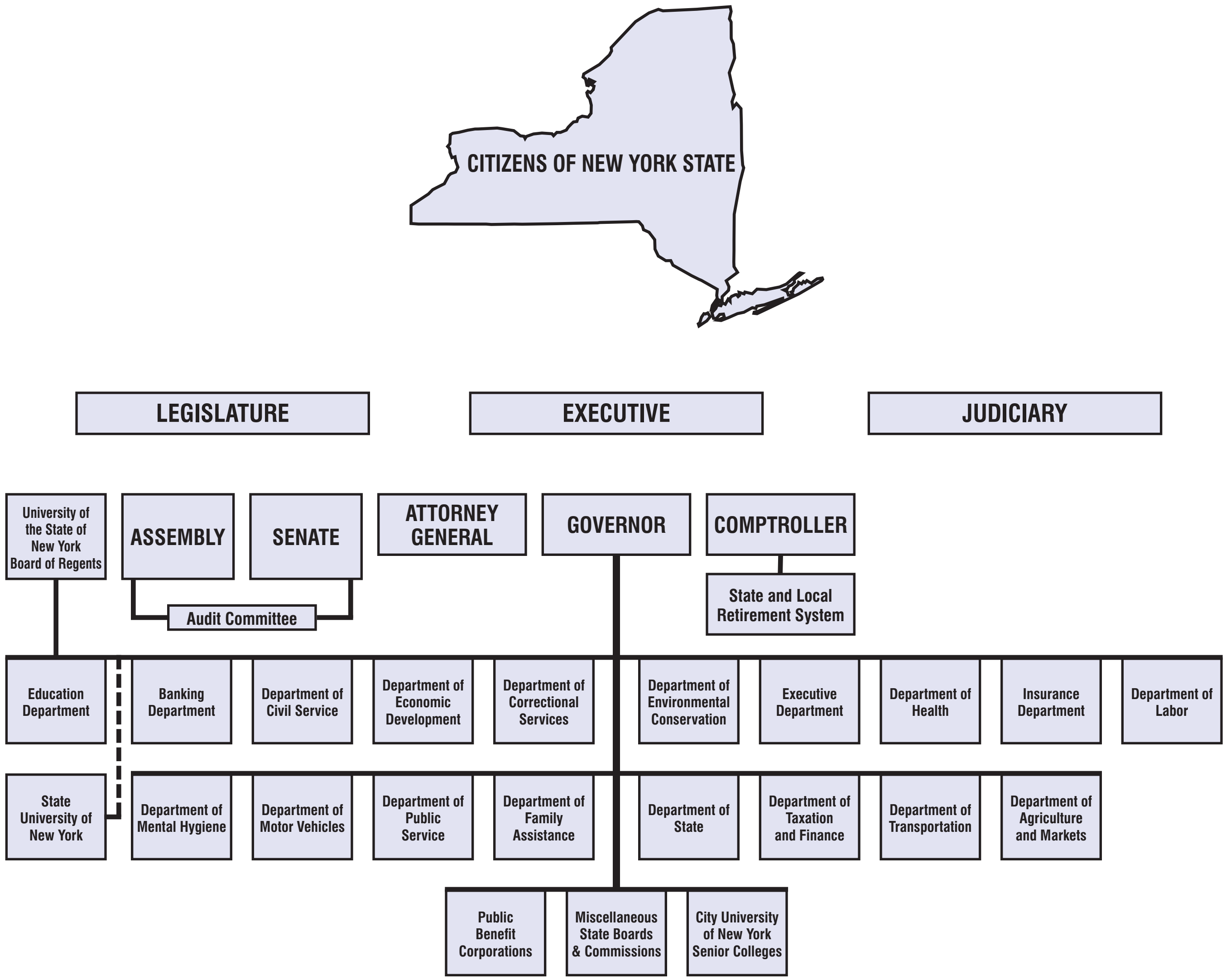
State of New York

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
March 31, 2003

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director



STATE OF NEW YORK
Selected State Officials

Executive

George E. Pataki, Governor • **Mary O. Donohue,** Lieutenant Governor • **Alan G. Hevesi,** State Comptroller
Eliot Spitzer, Attorney General

Judicial

Judith S. Kaye, Chief Judge Court of Appeals of New York

Legislative

Joseph L. Bruno, Temporary President of the Senate • **Sheldon Silver,** Speaker of the Assembly
David A. Paterson, Senate Minority Leader • **Charles H. Nesbitt,** Assembly Minority Leader

STATE OF NEW YORK

EXCELSIOR

COMPTROLLER

Financial Section

KPMG LLP
515 Broadway
Albany, NY 12207

Independent Auditors' Report

To the Audit Committee of the New York State Legislature

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of New York (the "State"), as of and for the year ended March 31, 2004, which collectively comprise the State's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these basic financial statements based on our audit. We did not audit the financial statements of certain discretely presented component units identified in Note 13, the State and Local Retirement System, the Tuition Savings Program or the Port Authority of New York and New Jersey. Those certain discretely presented component units represent 64% of the total assets and 75% of the total revenues of the aggregate discretely presented component units, the State and Local Retirement System and the Tuition Savings Program represents 89% of the total assets and 55% of the total revenues (including additions) of the aggregate remaining fund information, and the Port Authority of New York and New Jersey represents 100% of the information disclosed in Note 14 of the basic financial statements. Those financial statements were audited by other auditors whose reports thereon have been furnished to us and, our opinions, insofar as they relate to the amounts and disclosures included for those component units, the State and Local Retirement System, and the Port Authority of New York and New Jersey, are based solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Lottery major Enterprise Fund, the Tuition Savings Program and certain discretely presented component units identified in Note 13, were not audited in accordance with *Government Auditing Standards,* issued by the Comptroller General of the United States. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe our audit and the reports of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of New York as of March 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and required supplementary information, listed in the accompanying table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We and the other auditors have applied certain limited procedures, which consisted primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of New York's basic financial statements. The introductory section, other supplementary information section, and statistical section, listed in the accompanying table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The other supplementary information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of the other auditors, are fairly stated in all material respects in relation to the basic financial statements. The introductory section and statistical section have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 19, 2004 on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

KPMG LLP

July 19, 2004

STATE OF NEW YORK

EXCELSIOR

COMPTROLLER

MANAGEMENT'S DISCUSSION AND ANALYSIS

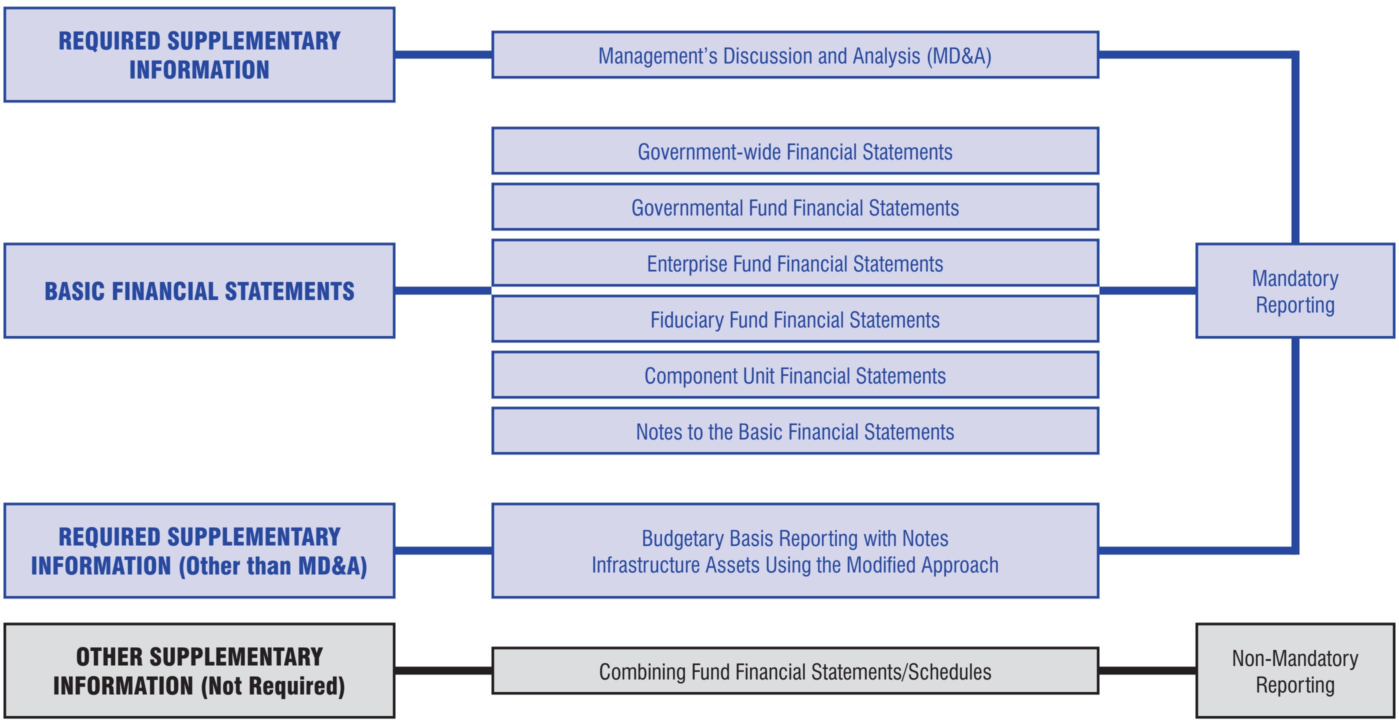
The management discussion and analysis (MD&A) provides a narrative overview and analysis of the financial activities of the State of New York for the fiscal year ended March 31, 2004. The MD&A is intended to serve as an introduction to the State's basic financial statements, which have the following components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The MD&A is designed to (a) assist the reader in focusing on significant financial matters, (b) provide an overview of the State's financial activities, (c) identify any material changes from the original budget, and (d) highlight individual fund matters. The following presentation is by necessity highly summarized, and in order to gain a thorough understanding of the State's financial condition, the following financial statements, notes and required supplementary information should be reviewed in their entirety.

FINANCIAL HIGHLIGHTS

- New York State reported net assets of $41.2 billion, comprised of $116.5 billion in total assets offset by $75.3 billion in total liabilities.
- The State's net assets decreased by $3.7 billion as a result of this year's operations. The net assets for governmental activities decreased by $3.3 billion (7.8%) and net assets of business-type activities decreased by $412 million (16.5%) (Table 2).
- The State's governmental activities had total revenues of $92.5 billion which were exceeded by total expenses of $94.6 billion, excluding transfers to business-type activities of $1.2 billion (Table 2).
- The total cost of all the State's programs, which includes $15.6 billion in business-type activities, was $110.2 billion (Table 2).
- The General Fund reported an operating surplus this year of $3.0 billion which decreased the accumulated deficit to $281 million.
- The Tobacco Settlement Financing Corporation, on behalf of the State, issued tobacco bonds of $4.8 billion, including premiums, debt service reserve funds and other costs of issuance in order to finance General Fund expenditures of $4.2 billion.
- Total debt outstanding at year-end was $46.9 billion, comprised of $38.9 billion in governmental activities and $8.0 billion in business-type activities (Table 5).
- The State Legislature has not enacted a complete annual budget for fiscal year 2004-05, which began on April 1, 2004. However, it has enacted the 2004-05 debt service bill for the entire year and interim appropriations to cover the ongoing cost of State government operations.
- In June 2003, the Court of Appeals ruled that the State's financing system for New York City public schools is unconstitutional and directed the State to submit a remedy to the Court by July 30, 2004. The State is facing a potential court imposed change to its secondary education aid funding system if it does not comply by July 30.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and supplementary information. The Statement of Net Assets and the Statement of Activities (on pages 31 and 32, respectively) provide information about the activities of the State as a whole and present a longer-term view of the State's finances. Fund financial statements start on page 34. For governmental activities, these statements show how services were financed in the short term as well as how much may remain for future spending. Fund financial statements also report the State's operations in more detail than the government-wide statements by providing information about the State's most significant funds. The remaining statements provide financial information about activities for which the State acts solely as a trustee for the benefit of those outside the government and public benefit corporations for which the State is accountable. The layout and relationship of financial statements and supplementary information is visually illustrated as follows:



Reporting the State as a Whole

The Statement of Net Assets and the Statement of Activities

The analysis of the State, as a whole, begins on page 22. One of the most important questions asked about the State's finances is, "Is the State, as a whole, better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the State as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash was received or paid.

These two statements report the State's net assets and changes to them. You can think of the State's net assets—the difference between assets and liabilities—as one way to measure the State's financial health, or financial position. Over time, increases or decreases in the State's net assets are one indicator of whether its financial health is improving or deteriorating. You may need to consider other non-financial factors, such as changes in the State's tax structure, population, employment, and the condition of the State's roads, bridges and buildings, in order to assess the overall health of the State.

In the Statement of Net Assets and the Statement of Activities, operations of the State are divided into three kinds of activities:

- ***Governmental activities***—Most of the State's basic services are reported here, including education, public health, public welfare, public safety, transportation, environment and recreation, support and regulate business, general government, and interest on long-term debt. Federal grants, personal income taxes, consumption and use taxes, business and other taxes, lottery revenues, and bond proceeds finance most of these activities.

- ***Business-type activities***—The State charges a fee to customers to help it cover all or part of the cost of certain services it provides. The State's Lottery Fund, Unemployment Insurance Benefit Fund, the State University of New York and the City University of New York—senior colleges are reported here.
- ***Component units***—The State includes 41 separate legal entities in its report, as disclosed in Notes 1 and 13 of the notes to the basic financial statements. Although legally separate, these "component units" are important because the State is financially accountable for them and is affected by their financial well-being. In addition, the State blends two other component units in the governmental activities because they provide services exclusively to the State.

Reporting the State's Most Significant Funds

Fund Financial Statements

Financial statements prepared at the fund level provide additional detail about the State's financial position and activities. By definition, funds are accounting entities with a self-balancing set of accounts created for the purpose of carrying on specific activities or achieving specific goals. Information presented in the fund financial statements differs from the information presented in the government-wide statements because the perspective and basis of accounting used to prepare the fund financial statements is different than the perspective and basis of accounting used to prepare the government-wide statements. The State's governmental and proprietary fund types use different perspectives and accounting bases. The funds presented in the fund financial statements are categorized as either major or nonmajor funds as required by Generally Accepted Accounting Principles (GAAP). The State uses three fund types for operations—governmental, proprietary and fiduciary. The analysis of the State's major funds begins on page 24. The fund financial statements begin on page 34 and provide detailed information about the most significant funds, not the State as a whole.

- ***Governmental Funds***—Most of the State's basic services and expenditures are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. Governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. Assets and liabilities, except those covered by Governmental Accounting Standards Board Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*, that do not impact current financial resources within twelve months after fiscal year-end are not recognized in the governmental funds statements. Capital assets and long-term liabilities are examples of assets and liabilities that aren't recognized in the governmental funds statements. The governmental funds statements provide a detailed short-term view of the State's general government operations and the basic services it provides. Governmental funds information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the State's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and Statement of Activities) and governmental funds is presented in the reconciliations following the fund financial statements.
- ***Proprietary Funds***—These funds are utilized when the State charges customers to recover its costs of providing services. Proprietary funds report on business-type activities, which include enterprise type funds and internal service type funds. The State has no internal service type funds and, therefore, has only one Proprietary Fund type—Enterprise. The State's Enterprise Funds are the same as the business-type activities reported in the government-wide statements. Proprietary funds statements are prepared using the economic resources measurement focus and the accrual basis of accounting. In addition to a statement of net assets and a statement of revenues, expenses and changes in fund net assets, Proprietary funds are also required to report a statement of cash flows (page 40).

Reporting the State's Fiduciary Responsibilities

The State is the trustee, or fiduciary, for its employees' pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. All the State's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets on pages 42 and 43, respectively. We exclude these activities from the State's government-wide financial statements because the State cannot use these assets to finance its operations. The State is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Component Units of the State

The State has created numerous public benefit corporations—two of which provide services exclusively to the State government itself (the Local Government Assistance Corporation (LGAC) and the Tobacco Settlement Financing Corporation (TSFC)) and the rest of which also provide services directly to citizens. The financial position and activities of the LGAC and the TSFC have been blended within the Statement of Net Assets and Statement of Activities in the governmental activities column and in the governmental funds. The financial position and activities of the public benefit corporations that provide services directly to citizens have been presented in the Statement of Net Assets and Statement of Activities under the component units' column and also in more detail in the component units Combining Statement of Net Assets and component units Combining Statement of Activities. These component units have been discretely presented in the State's financial statements because their nature and significance to the State cause them to have an effect on the fiscal condition of the State and the State has been determined to be accountable for them.

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

Governmental entities are required by GAAP to report on their net asset condition. The statement of net assets presents the value of all of New York State's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of changes in a government's financial position. The State reported net assets of $41.2 billion, which was comprised of $60.5 billion in capital assets reported net of related debt, $4.3 billion in restricted net assets offset by an unrestricted net assets deficit of $23.6 billion.

Net assets reported for governmental activities decreased by $3.3 billion from a year ago, decreasing from $42.4 billion to $39.1 billion. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements—was a deficit of $24.0 billion at March 31, 2004. The following table (Table 1) was derived from the current and prior year government-wide *Statement of Net Assets.*

Table 1
Net Assets as of March 31, 2004
(Amounts in millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
Assets:						
Non-capital assets:						
Cash and investments	$ 9,701	$ 7,833	$ 6,117	$ 5,652	$ 15,818	$ 13,485
Receivables, net	13,845	12,771	3,127	3,488	16,972	16,259
Other	681	846	177	201	858	1,047
Total non-capital assets	**24,227**	**21,450**	**9,421**	**9,341**	**33,648**	**30,791**
Capital assets	76,651	76,237	6,201	5,695	82,852	81,932
Total assets	**100,878**	**97,687**	**15,622**	**15,036**	**116,500**	**112,723**
Liabilities:						
Liabilities due within one year	19,546	19,403	3,718	3,212	23,264	22,615
Liabilities due in more than one year	42,246	35,888	9,816	9,324	52,062	45,212
Total liabilities	**61,792**	**55,291**	**13,534**	**12,536**	**75,326**	**67,827**
Net assets (deficit):						
Invested in capital assets, net of related debt	60,441	60,823	23	(520)	60,464	60,303
Restricted	2,694	2,419	1,596	2,151	4,290	4,570
Unrestricted (deficit)	(24,049)	(20,846)	469	869	(23,580)	(19,977)
Total net assets	**$ 39,086**	**$ 42,396**	**$ 2,088**	**$ 2,500**	**$ 41,174**	**$ 44,896**

The deficit in unrestricted governmental net assets arose primarily because of the issuance of debt for purposes not resulting in a capital asset related to governmental activities. Such outstanding debt included securitizing the State's future tobacco settlement receipts ($4.8 billion), local aid payments for school education aid that were financed on a long-term basis by the Local Government Assistance Corporation ($4.6 billion), local highway and bridge projects ($2.7 billion), local mass transit projects ($2.4 billion), and a wide variety of grants and other expenditures not resulting in governmental capital assets ($6.5 billion). This deficit in unrestricted net assets of governmental activities can be expected to continue for as long as the State continues to have obligations outstanding for purposes other than the acquisition of governmental capital assets.

Net assets for business-type activities decreased by 16.5%, $2.1 billion in 2004 compared to $2.5 billion in 2003. The decrease in net assets for business-type activities was caused primarily by unemployment benefit payments exceeding employer contributions and other revenues for the Unemployment Insurance Fund ($287 million) and CUNY Senior College operating expenses exceeding operating revenues and State support ($143 million). As of June 30, 2003, $8.0 billion in debt had been issued and was outstanding to finance capital assets of the State's colleges and universities.

The following table (Table 2) was derived from the current and prior year government-wide *Statement of Activities*.

Table 2
Changes in Net Assets for the Fiscal Year Ended March 31, 2004
(Amounts in millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
Revenues:						
Program revenues:						
Charges for services	$ 6,993	$ 5,879	$ 8,373	$ 7,969	$ 15,366	$ 13,848
Operating grants and contributions	36,526	34,383	5,389	5,551	41,915	39,934
Capital grants and contributions	1,047	1,158	242	342	1,289	1,500
General revenues:						
Taxes	43,706	39,612	—	—	43,706	39,612
Other	4,260	4,018	342	579	4,602	4,597
Total revenues	**92,532**	**85,050**	**14,346**	**14,441**	**106,878**	**99,491**
Expenses:						
Education	22,845	21,215	—	—	22,845	21,215
Public health	38,013	35,427	—	—	38,013	35,427
Public welfare	11,642	11,230	—	—	11,642	11,230
Public safety	5,961	4,948	—	—	5,961	4,948
Transportation	4,740	6,043	—	—	4,740	6,043
Other	11,401	9,709	—	—	11,401	9,709
Lottery	—	—	3,993	3,717	3,993	3,717
Unemployment insurance	—	—	3,877	4,590	3,877	4,590
State University of New York	—	—	5,732	5,484	5,732	5,484
City University of New York	—	—	1,953	1,852	1,953	1,852
Total expenses	**94,602**	**88,572**	**15,555**	**15,643**	**110,157**	**104,215**
Decrease in net assets before transfers	**(2,070)**	**(3,522)**	**(1,209)**	**(1,202)**	**(3,279)**	**(4,724)**
Transfers	**(1,240)**	**(1,761)**	**797**	**1,015**	**(443)**	**(746)**
Changes in net assets	**(3,310)**	**(5,283)**	**(412)**	**(187)**	**(3,722)**	**(5,470)**
Net assets, beginning of year	**42,396**	**47,679**	**2,500**	**2,687**	**44,896**	**50,366**
Net assets, end of year	**$ 39,086**	**$ 42,396**	**$ 2,088**	**$ 2,500**	**$ 41,174**	**$ 44,896**

Governmental Activities

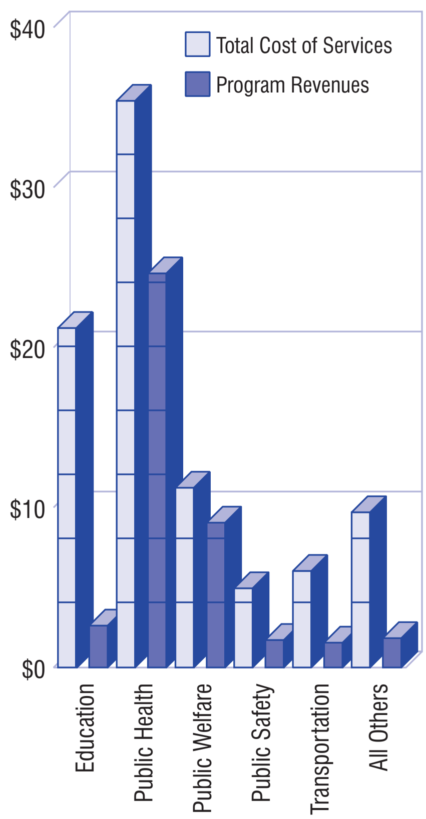
The State's total expenses for governmental activities of $94.6 billion exceeded its total revenues of $92.5 billion by $2.1 billion (Table 2). However, as shown in the Statement of Activities on page 32, the amount that taxpayers ultimately financed for activities through State taxes and other State revenue was $48.0 billion, education aid transfers from the State Lottery was $1.9 billion, grants and contributions was $37.5 billion, and revenues derived by those who directly benefited from the programs was $7.0 billion. Overall, the State's governmental program revenues, including intergovernmental aid, fees for services and capital grants were $44.5 billion in 2004. The State paid for the remaining "public benefit" portion of governmental activities with $43.7 billion in taxes and $4.3 billion in other revenues including investment earnings.

Table 3 presents the cost of State support for each of the State's five largest programs: education, public health, public welfare, public safety, and transportation, as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial obligation that was placed upon the State's taxpayers by each of these functions.

Table 3
Governmental Activities for the Year Ended March 31, 2004
(Amounts in millions)

	2004			2003
	Total Cost of Services	Program Revenue	Net Cost of Services	Net Cost of Services
Education	$ 22,845	$ 3,259	$ 19,586	$ 18,587
Public health	38,013	26,505	11,508	10,791
Public welfare	11,642	8,321	3,321	2,184
Public safety	5,961	2,170	3,791	3,221
Transportation	4,740	1,620	3,120	4,489
All others	11,401	2,691	8,710	7,880
Totals	**$ 94,602**	**$ 44,566**	**$ 50,036**	**$ 47,152**

PROGRAM COSTS VS. PROGRAM REVENUE
(AMOUNTS IN MILLIONS)



Business-type Activities

The cost of all business-type activities this year was $15.6 billion (Table 2). As shown in the Statement of Activities on page 32, the amount that taxpayers ultimately financed for activities reported as transfers was $797 million because some activity costs were paid by: those directly benefiting from the programs ($8.4 billion), grants and contributions ($5.6 billion) and other miscellaneous revenue ($342 million).

THE STATE'S FUNDS

The State uses fund accounting to ensure and demonstrate compliance with legal and finance related requirements. As the State completed the year, its governmental funds (as presented in the balance sheet on page 34) reported a combined fund balance of $6.2 billion. Included in this year's total change in fund balance is an operating surplus of $3.0 billion in the State's General Fund. The General Fund operating surplus is attributable to several factors including the sale of tobacco bonds which provided resources of $4.2 billion, an increase of $1.3 billion in personal income tax revenue, a $1.0 billion increase in consumption and use tax revenue, a $645 million increase in Federal grants and a $504 million increase in miscellaneous revenues, offset by a $206 million decline in business and other taxes. Much of the increase in tax revenues is related to improvement in the national economy and tax increases enacted for personal income and sales taxes. The improvement in the national economy favorably affected the State's economy in the form of job growth and increased spending by business. The increase in General Fund revenues was offset by a $2.5 billion increase in expenditures. Local assistance expenditures increased by $2.2 billion due primarily to increased spending for medical assistance and income maintenance programs. State operations increased $300 million due primarily to increased employer pension costs.

The State ended the 2003-04 fiscal year with a General Fund accumulated deficit of $281 million. The reduction of the deficit primarily reflects the restoration of reserves as a result of the improving State economy and the sale of tobacco bonds from which the General Fund received a $4.2 billion benefit.

The Enterprise Funds provide the same type of information found in the government-wide financial statements, but in more detail. The increase/decrease in net assets of the Enterprise Funds has already been discussed in the preceding discussion of business-type activities.

General Fund Budgetary Highlights

The financial plan, which uses the cash basis of accounting, was updated quarterly throughout the year as required by the State Finance Law. The quarterly updates reflected revisions to the original financial plan based on actual operating results to date and an updated analysis of underlying economic, revenue and spending trends.

The original financial plan reported that the annual budget approved by the Legislature created a potential imbalance of $900 million in the General Fund before any possible positive impacts from new Federal aid or a fiscal management plan. Approximately $1.1 billion in temporary Federal aid eliminated the initial projected $900 million imbalance. New York's share of the national aid package consisted of a revenue sharing grant of $645 million and a temporary 2.95% increase in the Federal Medical Assistance Percentage (FMAP) that produced $506 million in General Fund savings. The grant increased General Fund receipts, while the higher matching rate lowered Medicaid spending in the General Fund. The final financial plan (issued on February 12, 2004) projected a General Fund operating surplus of $199 million, an increase of $284 million over the original financial plan that included the Fiscal Management Plan/Federal Aid ($912 million).

The General Fund experienced a net operating surplus of $261 million from the original financial plan. The increase reflects the net impact of several program changes, including personal income tax collections over initial projections and savings achieved through management actions offset by increased local assistance spending on entitlement programs. The number of people receiving Medicaid and welfare benefits during the year exceeded initial projections, increasing financial plan costs for local assistance programs. Tax receipts grew from the original financial plan after adjusting for the impact of additional deposits into the tax refund reserve account of $736 million due mainly to the receipt of $400 million in tobacco securitization proceeds originally expected in 2004-05. The deposit of money into the Tax Refund Reserve account reduces receipts in the current fiscal year and increases them in the subsequent year. A decline in departmental operations spending resulted primarily from the hiring freeze imposed on state agencies and management actions ($150 million). In addition, transfers from other funds in the final financial plan increased from the original financial plan reflecting both higher tax collections as well as lower debt service costs on general obligation bonds ($207 million).

The State's General Fund GAAP operating surplus of $3.0 billion reported on page 36 differs from the General Fund's budgetary basis operating surplus of $261 million reported in the reconciliation found under Budgetary Basis Reporting on page 84. This variation results from differences in basis of accounting, entity and perspective differences between budgetary reporting versus those established as GAAP and followed in preparation of this financial statement.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of 2004, the State has $82.9 billion invested in a broad range of capital assets, including equipment, buildings, construction in progress, land preparation, and infrastructure which includes primarily roads and bridges (Table 4). This amount represents a net increase (including additions and deductions) of $920 million, over last year.

Table 4
Capital Assets at Year-End

(Net of depreciation, amounts in millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
Land and land improvements	$ 3,342	$ 3,221	$ 411	$ 405	$ 3,753	$ 3,626
Land preparation	2,734	2,667	—	—	2,734	2,667
Buildings	4,557	4,498	3,458	3,285	8,015	7,783
Equipment and library books	274	271	564	483	838	754
Construction in progress	2,789	2,819	1,605	1,365	4,394	4,184
Infrastructure	62,955	62,761	155	151	63,110	62,912
Artwork and historical treasures	—	—	8	6	8	6
Totals	**$ 76,651**	**$ 76,237**	**$ 6,201**	**$ 5,695**	**$ 82,852**	**$ 81,932**

The State owned roads and bridges that are maintained by the Department of Transportation are being reported using the modified approach. As allowed by the reporting provisions in Governmental Accounting Standards Board Statement No. 34 infrastructure assets that meet prescribed criteria do not have to be depreciated but must be maintained at levels defined by State policy. The State is responsible for maintaining more than 42,466 lane miles of highway and 7,798 bridges. Capital spending for highway and bridge maintenance and preservation projects was approximately $1.1 billion in 2004. Refer to Required Supplementary Information (RSI) for additional information regarding infrastructure assets using the modified approach.

The State's fiscal year 2005 capital budget calls for it to spend another $6.7 billion for capital projects, of which $3.5 billion is for transportation projects. To pay for these capital projects the State plans to use $207 million in general obligation bond proceeds, $3.5 billion in other financing arrangements with public authorities, $1.8 billion in Federal funds, and $1.1 billion in funds on hand or received during the year. More detailed information about the State's capitalization policy for capital assets is presented in Note 1 of the notes to the basic financial statements.

Debt Administration

The State has obtained long-term financing in the form of voter-approved General Obligation debt (voter approved debt) and other obligations for which voter approval is not needed and has not otherwise been sought (non-voter approved debt). Non-voter approved long-term financing at March 31, 2004 includes debt obligations the State pays pursuant to contractual obligations it entered into with the issuer. Such obligations include certain bonds issued through state public authorities, certificates of participation, and capital leases obtained through vendors. The State administers its long-term financing needs as a single portfolio of state-supported debt that includes general obligation bonds and other obligations of both its governmental activities and business-type activities. Most of the debt reported under business-type activities, all of which was issued for capital assets used in those activities, is supported by payments from resources generated by the State's Governmental Activities—thus it is not expected to be repaid from resources generated by business-type activities. The State Finance Law allows the bonded portion of this single combined debt portfolio, which includes debt reported in both governmental and business-type activities combined, to include debt instruments which result in a variable rate exposure in an amount that does not exceed 15% of total outstanding State-supported debt, and interest rate exchange agreements (swaps) that do not exceed 15% of total outstanding State-supported debt. At March 31, 2004 the State had $1.9 billion in State-supported variable rate bonds outstanding and $5.5 billion in variable rate bonds outstanding that are subject to swap agreements resulting in effective fixed rates, subject to certain risks as discussed in Note 7 of the financial statements. In addition, the State had $2.4 billion in convertible bonds that, at various dates in the future, can remain in a fixed rate mode, at new fixed rates to be established at future mandatory tender dates, or convert to a variable rate. At March 31, 2004, variable rate bonds, net of those subject to the fixed rate swaps, were equal to 4.7% of the State-supported bonded debt portfolio. Total swap agreements of $5.5 billion were equal to 13.5% of the total bonded portfolio

At March 31, 2004 the State had $46.9 billion in bonds, notes, and other financing agreements outstanding compared with $39.3 billion last year, an increase of $7.6 billion as shown in Table 5. For certain of the debts reported on Table 5, all bond premiums and accumulated accretion on capital appreciation bonds are not considered state-supported debt under the State Finance Law.

Table 5
Outstanding Debt
(Amounts in millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2004	2003	2004	2003	2004	2003
General obligation bonds (voter approved)	$ 3,825	$ 3,998	$ —	$ —	$ 3,825	$ 3,998
Other financing arrangements (non-voter approved)	35,084	27,880	8,025	7,444	43,109	35,324
Totals	**$ 38,909**	**$ 31,878**	**$ 8,025**	**$ 7,444**	**$ 46,934**	**$ 39,322**
Reconciliation to State-supported debt defined by the State Finance Law						
Tobacco Settlement Financing Corporation bonds	$ 4,551	$ —	$ —	$ —	$ 4,551	$ —
MBBA Special Purpose School Aid bonds	510	—	—	—	510	—
Capital Lease Obligations	176	181	63	47	239	228
Unamortized Bond Premiums	916	348	—	—	916	348
Accumulated Accretion on Capital Appreciation bonds	341	309	—	—	341	309
State-supported debt as defined by the State Finance Law	32,415	31,040	7,962	7,397	40,377	38,437
Totals	**$ 38,909**	**$ 31,878**	**$ 8,025**	**$ 7,444**	**$ 46,934**	**$ 39,322**

During the twelve-month period reported, the State issued $15.4 billion in bonds, of which $6.7 billion were for refunding and $8.7 billion were for new borrowing. See Note 15 for State debt issued subsequent to reporting period.

Table 6
New Debt Issued During Prior 12 Month Period
(Amounts in millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2004	**2003**	**2004**	**2003**	**2004**	**2003**
Voter approved debt:						
General obligation:						
New issues	$ 139	$ 244	$ —	$ —	$ 139	$ 244
Refunding issues	363	—	—	—	363	—
Total voter approved debt	502	244	—	—	502	244
Non-voter approved debt:						
Other financing arrangements:						
New issues	7,791	3,075	765	511	8,556	3,586
Refunding issues	3,982	6,358	2,376	—	6,358	6,358
Total non-voter approved debt	11,773	9,433	3,141	511	14,914	9,944
Totals	**$ 12,275**	**$ 9,677**	**$ 3,141**	**$ 511**	**$ 15,416**	**$ 10,188**

The State's assigned general obligation bond ratings are as follows: A2 by Moody's Investor Services, AA- by Fitch Investor Services, and AA by Standard & Poor's Investor Services. The State Constitution, with exceptions for emergencies, limits the amount of general obligation bonds that can be issued to that amount approved by the voters for a single work or purpose in a general election. Currently, the State has $1.0 billion in authorized but unissued bond capacity that can be used to issue bonds for specifically approved purposes. The State may issue short-term debt without voter approval in anticipation of the receipt of taxes and revenues or proceeds from duly authorized but not issued general obligation bonds.

The State Finance Law, through the Debt Reform Act of 2000 (the Act), also imposes phased-in caps on new State-supported debt issued and related debt service costs. The Act also limits the use of debt to capital works and purposes, and establishes a maximum length of term for repayment of 30 years. The Act applies to all State-supported debt but does not require that the capital works or projects be limited to State owned projects. Debt issued prior to the Act and State-related debt issued by the public authorities, including the Tobacco Revenue Bonds issued to finance a portion of last year's budgetary deficit, are not subject to the Act.

During 2001 the State enacted legislation providing for the issuance of State Personal Income Tax Revenue Bonds (PIT) to be issued by several State Public Benefit Corporations. The legislation provides that 25% of personal income tax receipts, excluding refunds owed to taxpayers and deposits to Other Governmental Funds (School Tax Assistance Relief Fund), be deposited to the Other Governmental Funds for the purpose of making debt service payments on these bonds with excess amounts returned to the General Fund. The first PIT bonds were issued in May 2002 and approximately $3.3 billion were outstanding as of March 31, 2004.

ECONOMIC FACTORS AFFECTING THE STATE

The national economy improved as 2003 progressed, and by mid-2004 the economic expansion was on firmer footing. Growth in the Gross Domestic Product (GDP) rose from 2.2% in 2002 to an average of 3.1% in 2003. Economic growth surged in the third quarter of 2003, expanding at a rate of 8.2%, followed by gains of 4.1% in the fourth quarter of 2003 and 3.9% in the first quarter of 2004. Although consumer spending has risen somewhat, it has been a surge in business spending, beginning in the summer of 2003, which has significantly contributed to the improvement in the national economy. Though employment continued to decline in the early phases of the recovery, it has begun to grow again with the rise in business spending. The average annual rate of job losses slowed from 1.1% in 2002 to 0.3% in 2003, and in the first five months of 2004 employment increased 0.5% compared to the same period in 2003. Overall, the national economy has added over 1.4 million jobs since the summer of 2003. With the expansion underway, the Federal Reserve became less concerned with the possibilities of deflation and the need to stimulate growth and instead shifted its attention toward dealing with renewed signs of inflation and how to make the expansion more sustainable. After holding interest rates at record lows over the last few years, the Federal Reserve made the first of an expected series of gradual interest rate increases at the end of June 2004.

The strengthening of the national economy has been beneficial for New York State and its export-oriented economy. On a seasonally adjusted basis, State employment began to grow again during the summer of 2003. The recovery in the New York City economy has contributed to the State's improvement, and job growth has continued to be steady on Long Island and in the Hudson Valley during the first five months of 2004. Several major upstate metropolitan areas have experienced some recovery, although job losses continue in areas such as Buffalo and Elmira.

The pace of the State's recent recovery has been relatively better than that of some other states. In the wake of the recession, the terrorist attacks, and the financial market downturn, New York State's employment performance deteriorated, falling to a rank of 42nd in the nation in 2002. During 2003, though average annual State employment declined by 0.7%, the State's ranking rose to 37th in the nation. With employment up 0.3% in the first five months of 2004, the State's rank remains at 37th.

Improvement on Wall Street has been a major factor in the recovery of both the New York City and the State economies. The decline in the financial markets ended in 2003, as the Standard & Poor's 500 Stock Index advanced 20.2% for the year, although in the first five months of 2004 the gain has slowed to 2%. Securities industry job growth has not yet resumed, but the rate of decline has slowed. By contrast, securities industry profits rebounded sharply, rising from $6.8 billion in 2002 to $16.8 billion in 2003—the second-highest level on record. As a result, year-end securities industry bonuses rose by almost 25% in 2003, after falling by about 33% in 2002 and more than 34% in 2001. Profits have remained strong in the first quarter of 2004, totaling $5.1 billion—an increase of 45% compared to the level one year earlier.

Incomes in New York State are responding to the recovery in the financial markets and the higher Wall Street profits and bonuses. Personal income growth in New York State rose from 0.8% in 2002 to 2.6% in 2003, and to 5.5% in the first quarter of 2004 compared to the same period one year earlier. Nationally, personal income rose by 2.3% in 2002, 3.3% in 2003, and 5.2% in the first quarter of 2004. Compared to other states, income growth in New York State has rebounded faster than employment growth. New York's personal income gain ranked 23rd among the states in the first quarter of 2004, up from 46th in both 2002 and 2003.

CONTACTING THE STATE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the State's finances and to show the State's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the State Comptroller's Office of Public Information at 110 State Street, 15th Floor, Albany, New York 12236 or visit our website at www.osc.state.ny.us.

Basic Financial Statements

STATE OF NEW YORK COMPTROLLER

EXCELSIOR

Statement of Net Assets

March 31, 2004
(Amounts in millions)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS:				
Cash and investments	$ 9,701	$ 6,117	$ 15,818	$ 29,854
Receivables, net of allowances for uncollectibles:				
Taxes	6,898	—	6,898	—
Due from Federal government	5,142	1	5,143	—
Loans, leases and notes	—	—	—	29,584
Other	1,774	2,738	4,512	2,667
Internal balances	31	388	419	—
Other assets	681	177	858	3,772
Intangible assets	—	—	—	3,309
Capital assets:				
Land, infrastructure and construction in progress	71,693	2,021	73,714	6,050
Buildings, equipment, land improvements and infrastructure, net of depreciation	4,958	4,180	9,138	38,216
Total assets	**100,878**	**15,622**	**116,500**	**113,452**
LIABILITIES:				
Tax refunds payable	5,403	—	5,403	—
Accounts payable	899	356	1,255	979
Accrued liabilities	6,643	666	7,309	12,650
Due to Federal government	—	1,299	1,299	—
Payable to local governments	3,598	—	3,598	—
Interest payable	512	350	862	—
Pension contributions payable	60	—	60	91
Deferred revenues	259	270	529	913
Long-term liabilities:				
Due within one year	2,172	777	2,949	2,809
Due in more than one year:				
Tax refunds payable	579	—	579	—
Accrued liabilities	4,705	930	5,635	407
Payable to local governments	342	—	342	—
Lottery prizes payable	—	1,173	1,173	—
Pension contributions payable	136	—	136	59
Obligations under lease/purchase and other financing arrangements	33,708	7,713	41,421	—
Deferred loss on refunding	(717)	—	(717)	(17)
Notes payable	—	—	—	845
Bonds payable	3,493	—	3,493	56,632
Other long-term liabilities	—	—	—	7,431
Total liabilities	**61,792**	**13,534**	**75,326**	**82,799**
NET ASSETS:				
Invested in capital assets, net of related debt	60,441	23	60,464	18,116
Restricted for:				
Unemployment benefits	—	372	372	—
Debt service	2,454	—	2,454	2,651
Other specified purposes	240	1,224	1,464	7,105
Unrestricted (deficit)	(24,049)	469	(23,580)	2,781
Total net assets	**$ 39,086**	**$ 2,088**	**$ 41,174**	**$ 30,653**

See accompanying notes to the basic financial statements.

Statement of Activities

For the Year Ended March 31, 2004
(Amounts in millions)

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Primary Government:				
Governmental activities:				
Education	$ 22,845	$ 158	$ 3,101	$ —
Public health	38,013	3,305	23,145	55
Public welfare	11,642	708	7,613	—
Public safety	5,961	158	2,009	3
Transportation	4,740	318	313	989
Environment and recreation	1,259	321	217	—
Support and regulate business	1,250	398	8	—
General government	7,041	1,627	120	—
Interest on long-term debt	1,851	—	—	—
Total governmental activities	**94,602**	**6,993**	**36,526**	**1,047**
Business-type activities:				
Lottery	3,993	5,848	—	—
Unemployment insurance	3,877	—	3,590	—
State University of New York	5,732	2,152	1,242	138
City University of New York	1,953	373	557	104
Total business-type activities	**15,555**	**8,373**	**5,389**	**242**
Total primary government	**$ 110,157**	**$ 15,366**	**$ 41,915**	**$ 1,289**
Total component units	**$ 22,035**	**$ 12,528**	**$ 2,246**	**$ 2,181**

General revenues:
Taxes:
Personal income
Consumption and use
Business
Other
Grants and contributions not restricted to specific programs
Investment earnings
Miscellaneous
Payments from the primary government
Total general revenues
Transfers
Total general revenues and transfers
Change in net assets
Net assets—beginning of year
Net assets—end of year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Assets

Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
$ (19,586)	$ —	$ (19,586)	$ —
(11,508)	—	(11,508)	—
(3,321)	—	(3,321)	—
(3,791)	—	(3,791)	—
(3,120)	—	(3,120)	—
(721)	—	(721)	—
(844)	—	(844)	—
(5,294)	—	(5,294)	—
(1,851)	—	(1,851)	—
(50,036)	**—**	**(50,036)**	**—**
—	1,855	1,855	—
—	(287)	(287)	—
—	(2,200)	(2,200)	—
—	(919)	(919)	—
—	**(1,551)**	**(1,551)**	**—**
(50,036)	**(1,551)**	**(51,587)**	**—**
			(5,080)
25,129	—	25,129	—
12,528	—	12,528	—
4,832	—	4,832	—
1,217	—	1,217	—
645	—	645	759
444	169	613	1,110
3,171	173	3,344	1,585
—	—	—	2,656
47,966	**342**	**48,308**	**6,110**
(1,240)	797	(443)	—
46,726	**1,139**	**47,865**	**6,110**
(3,310)	**(412)**	**(3,722)**	**1,030**
42,396	**2,500**	**44,896**	**29,623**
$ 39,086	**$ 2,088**	**$ 41,174**	**$ 30,653**

Balance Sheet

GOVERNMENTAL FUNDS

March 31, 2004
(Amounts in millions)

	Major Funds: General	Major Funds: Federal Special Revenue	Other Governmental Funds	Eliminations	Total
ASSETS:					
Cash and investments	$ 2,682	$ 331	$ 6,688	$ —	$ 9,701
Receivables, net of allowances for uncollectibles:					
Taxes	5,167	—	1,731	—	6,898
Due from Federal government	—	4,860	282	—	5,142
Other	354	—	958	—	1,312
Due from other funds	1,675	316	613	(116)	2,488
Other assets	215	17	84	—	316
Total assets	**$ 10,093**	**$ 5,524**	**$ 10,356**	**$ (116)**	**$ 25,857**
LIABILITIES:					
Tax refunds payable	$ 4,201	$ —	$ 1,202	$ —	$ 5,403
Accounts payable	425	41	433	—	899
Accrued liabilities	2,283	3,104	664	—	6,051
Payable to local governments	2,262	1,256	80	—	3,598
Due to other funds	785	635	1,283	(116)	2,587
Pension contributions payable	60	—	—	—	60
Deferred revenues	358	488	216	—	1,062
Total liabilities	**10,374**	**5,524**	**3,878**	**(116)**	**19,660**
FUND BALANCES (DEFICIT):					
Reserved for:					
Encumbrances	659	700	5,105	—	6,464
Debt service	—	—	2,454	—	2,454
Tax stabilization	794	—	—	—	794
Other specified purposes	329	—	792	—	1,121
Unreserved:					
General	(2,063)	—	—	—	(2,063)
Federal special revenue	—	(700)	—	—	(700)
Special revenue	—	—	2,260	—	2,260
Debt service	—	—	447	—	447
Capital projects	—	—	(4,580)	—	(4,580)
Total fund balances (deficit)	**(281)**	**—**	**6,478**	**—**	**6,197**
Total liabilities and fund balances (deficit)	**$ 10,093**	**$ 5,524**	**$ 10,356**	**$ (116)**	**$ 25,857**

See accompanying notes to the basic financial statements.

Reconciliation of the Balance Sheet

GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

March 31, 2004
(Amounts in millions)

Total fund balances—governmental funds	**$**	**6,197**
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		76,651
Some of the State's revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds		803
Deferred charges related to bond issuance costs		365
Some liabilities (listed below) are not due and payable in the current period and therefore are not reported in the funds:		
Interest payable		(512)
Long-term liabilities due within one year		(2,172)
Tax refunds payable		(579)
Accrued liabilities		(4,705)
Payable to local governments		(342)
Pension contributions payable		(136)
Lease/purchase and other financing arrangements		(33,708)
Deferred loss on refunding		717
Bonds payable		(3,493)
Total net assets—governmental activities	**$**	**39,086**

See accompanying notes to the basic financial statements.

Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)

GOVERNMENTAL FUNDS

Year Ended March 31, 2004

(Amounts in millions)

	Major Funds				
	General	Federal Special Revenue	Other Governmental Funds	Eliminations	Total
REVENUES:					
Taxes:					
Personal income	$ 16,337	$ —	$ 8,813	$ —	$ 25,150
Consumption and use	7,869	—	4,683	—	12,552
Business	3,294	—	1,585	—	4,879
Other	691	—	519	—	1,210
Federal grants	645	36,118	1,478	—	38,241
Public health/patient fees	—	—	3,439	—	3,439
Tobacco settlement	—	—	317	—	317
Miscellaneous	3,653	139	2,939	(446)	6,285
Total revenues	**32,489**	**36,257**	**23,773**	**(446)**	**92,073**
EXPENDITURES:					
Local assistance grants:					
Social services	10,495	24,910	3,211	—	38,616
Education	15,426	3,012	4,885	—	23,323
Mental hygiene	1,105	186	93	—	1,384
General purpose	869	—	—	—	869
Health and environment	1,690	917	788	—	3,395
Transportation	480	25	1,932	—	2,437
Criminal justice	201	304	14	—	519
Miscellaneous	423	1,825	460	—	2,708
Departmental operations:					
Personal service	7,009	544	232	—	7,785
Non-personal service	2,620	668	2,462	(410)	5,340
Pension contribution	437	30	8	—	475
Other fringe benefits	2,631	147	50	(36)	2,792
Capital construction	—	—	3,608	—	3,608
Debt service, including payments on financing arrangements	—	—	3,440	—	3,440
Total expenditures	**43,386**	**32,568**	**21,183**	**(446)**	**96,691**
Excess (deficiency) of revenues over expenditures	**(10,897)**	**3,689**	**2,590**	**—**	**(4,618)**
OTHER FINANCING SOURCES (USES):					
Transfers from other funds	17,934	—	8,413	(23,719)	2,628
Transfers to other funds	(4,904)	(3,689)	(18,308)	23,719	(3,182)
General obligation bonds issued, including premiums	—	—	147	—	147
Financing arrangements/advance refundings issued	906	—	11,799	—	12,705
Payments on advance refundings	—	—	(4,443)	—	(4,443)
Net other financing sources (uses)	**13,936**	**(3,689)**	**(2,392)**	**—**	**7,855**
Net change in fund balances	**3,039**	**—**	**198**	**—**	**3,237**
Fund balances (deficit) at April 1, 2003	**(3,320)**	**—**	**6,280**	**—**	**2,960**
Fund balances (deficit) at March 31, 2004	**$ (281)**	**$ —**	**$ 6,478**	**$ —**	**$ 6,197**

See accompanying notes to the basic financial statements.

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances

GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended March 31, 2004

(Amounts in millions)

Net change in (deficit) fund balances—total governmental funds		**$ 3,237**
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in governmental funds and the sale of capital assets are recorded as revenues in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Depreciation expense, net of asset disposal	$ (271)	
Disposal of assets	(1,724)	
Purchase of assets	2,409	
		414
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This amount is the net effect of proceeds and repayments:		
Repayment of principal	$ 1,602	
Long-term debt proceeds	(12,852)	
Payments to refunding agent	4,443	
		(6,807)
Decrease in revenues in the statement of activities that do not reduce current financial resources and are not reported in the funds		(78)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Local assistance grants	$ 389	
Departmental operations	(465)	
		(76)
Change in net assets of governmental activities		**$ (3,310)**

See accompanying notes to the basic financial statements.

Statement of Net Assets

ENTERPRISE FUNDS

March 31, 2004
(Amounts in millions)

	Lottery	Unemployment Insurance Benefit	June 30, 2003 SUNY	June 30, 2003 CUNY	Total
ASSETS:					
Current assets:					
Cash and cash equivalents	$ 273	$ 81	$ 683	$ 270	$ 1,307
Investments	213	—	180	40	433
Deposits with trustees	—	—	—	146	146
Receivables, net of allowance for uncollectibles:					
Due from Federal government	—	1	—	—	1
Other	343	1,651	512	108	2,614
Due from other funds	—	—	453	35	488
Other assets	8	—	40	26	74
Total current assets	**837**	**1,733**	**1,868**	**625**	**5,063**
Noncurrent assets:					
Restricted cash and cash equivalents	—	—	13	—	13
Long-term investments	1,366	—	816	113	2,295
Deposits with trustees	—	—	1,288	635	1,923
Receivables, net of allowance for uncollectibles:					
Other	—	—	116	8	124
Due from other funds	—	—	81	—	81
Capital assets:					
Land, construction in progress and artwork	—	—	1,023	998	2,021
Buildings and equipment, net of depreciation	—	—	2,870	1,310	4,180
Other assets	5	—	66	32	103
Total noncurrent assets	**1,371**	**—**	**6,273**	**3,096**	**10,740**
Total assets	**2,208**	**1,733**	**8,141**	**3,721**	**15,803**
LIABILITIES:					
Current liabilities:					
Accounts payable	33	—	224	99	356
Accrued liabilities	220	62	451	181	914
Due to Federal government	—	1,299	—	—	1,299
Lottery prizes payable	217	—	—	—	217
Due to other funds	181	—	—	—	181
Interest payable	—	—	281	69	350
Deferred revenues	10	—	174	86	270
Obligations under lease/purchase and other financing arrangements	1	—	164	147	312
Total current liabilities	**662**	**1,361**	**1,294**	**582**	**3,899**
Noncurrent liabilities:					
Accrued liabilities	5	—	864	61	930
Lottery prizes payable	1,173	—	—	—	1,173
Obligations under lease/purchase and other financing arrangements	3	—	4,829	2,881	7,713
Total noncurrent liabilities	**1,181**	**—**	**5,693**	**2,942**	**9,816**
Total liabilities	**1,843**	**1,361**	**6,987**	**3,524**	**13,715**
NET ASSETS:					
Invested in capital assets, net of related debt	—	—	240	(217)	23
Restricted for:					
Nonexpendable purposes	—	—	173	27	200
Expendable purposes	—	—	556	326	882
Unemployment benefits	—	372	—	—	372
Future prizes	142	—	—	—	142
Unrestricted	223	—	185	61	469
Total net assets	**$ 365**	**$ 372**	**$ 1,154**	**$ 197**	**$ 2,088**

See accompanying notes to the basic financial statements.

Statement of Revenues, Expenses and Changes in Fund Net Assets

ENTERPRISE FUNDS

For the Year Ended March 31, 2004

(Amounts in millions)

	Lottery	Unemployment Insurance Benefit	June 30, 2003 SUNY	June 30, 2003 CUNY	Total
OPERATING REVENUES:					
Ticket sales	$ 5,848	$ —	$ —	$ —	$ 5,848
Employer contributions	—	3,590	—	—	3,590
Tuition and fees, net	—	—	653	359	1,012
Government grants and contracts	—	—	997	430	1,427
Private grants and contracts	—	—	226	107	333
Hospitals and clinics	—	—	1,004	—	1,004
Auxiliary enterprises	—	—	495	14	509
Other	—	—	86	45	131
Total operating revenues	**5,848**	**3,590**	**3,461**	**955**	**13,854**
OPERATING EXPENSES:					
Benefits paid	—	3,877	—	—	3,877
Prizes	3,306	—	—	—	3,306
Commissions and fees	417	—	—	—	417
Educational and general	—	—	3,575	1,623	5,198
Hospitals and clinics	—	—	1,185	—	1,185
Auxiliary enterprises	—	—	497	11	508
Instant game ticket costs	32	—	—	—	32
Depreciation and amortization	—	—	229	89	318
Other	138	—	18	—	156
Total operating expenses	**3,893**	**3,877**	**5,504**	**1,723**	**14,997**
Operating income (loss)	**1,955**	**(287)**	**(2,043)**	**(768)**	**(1,143)**
NONOPERATING REVENUES (EXPENSES):					
Investment earnings	83	—	65	21	169
Other income	1	—	2	—	3
Private gifts, grants, contracts	—	—	31	4	35
Federal and City appropriations	—	—	19	20	39
Net realized and unrealized gains	—	—	(3)	7	4
Plant and equipment write-off	—	—	(7)	—	(7)
Interest expense	(100)	—	(218)	(142)	(460)
Other expense	—	—	—	(95)	(95)
Total nonoperating revenues (expenses)	**(16)**	**—**	**(111)**	**(185)**	**(312)**
Income (loss) before other revenues and transfers	**1,939**	**(287)**	**(2,154)**	**(953)**	**(1,455)**
State transfers	—	—	2,079	625	2,704
Education aid transfer	(1,907)	—	—	—	(1,907)
Capital appropriations	—	—	22	104	126
Capital gifts and grants	—	—	116	—	116
Additions to permanent endowments	—	—	4	—	4
Increase (decrease) in net assets	**32**	**(287)**	**67**	**(224)**	**(412)**
Net assets—beginning of year	**333**	**659**	**1,087**	**421**	**2,500**
Net assets—end of year	**$ 365**	**$ 372**	**$ 1,154**	**$ 197**	**$ 2,088**

See accompanying notes to the basic financial statements.

Statement of Cash Flows

ENTERPRISE FUNDS

For the Year Ended March 31, 2004
(Amounts in millions)

	Lottery	Unemployment Insurance Benefit	June 30, 2003 SUNY	June 30, 2003 CUNY	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from:					
Contributions	$ —	$ 5,215	$ —	$ —	$ 5,215
Ticket sales	5,827	—	—	—	5,827
Tuition and fees	—	—	662	343	1,005
Government grants and contracts	—	—	1,084	549	1,633
Private grants and contracts	—	—	227	—	227
Hospitals and clinics	—	—	1,179	—	1,179
Auxiliary enterprises	—	—	491	14	505
Other	—	—	93	42	135
Payments for:					
Claims	—	(5,584)	—	—	(5,584)
Prizes	(3,457)	—	—	—	(3,457)
Commissions and fees	(481)	—	—	—	(481)
Operating expenses	(101)	—	(4,559)	(1,517)	(6,177)
Other	—	—	(91)	(124)	(215)
Net cash provided (used) by operating activities	**1,788**	**(369)**	**(914)**	**(693)**	**(188)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfer to education	(1,835)	—	—	—	(1,835)
Temporary loan from Federal government	—	2,078	—	—	2,078
Repayment of temporary loan from Federal government	—	(1,638)	—	—	(1,638)
Government transfers	—	—	1,461	739	2,200
Other, net	—	—	49	(90)	(41)
Net cash provided (used) by noncapital financing activities	**(1,835)**	**440**	**1,510**	**649**	**764**
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:					
Proceeds from capital debt	—	—	477	1,462	1,939
Capital appropriations	—	—	34	104	138
Purchase of capital assets	—	—	(88)	(286)	(374)
Payments to contractors	—	—	(353)	—	(353)
Principal payments on capital leases	—	—	(183)	(1,200)	(1,383)
Interest payments on capital leases	—	—	(231)	(76)	(307)
Other, net	—	—	(122)	47	(75)
Net cash provided (used) by capital financing activities	**—**	**—**	**(466)**	**51**	**(415)**

(Continued)

Statement of Cash Flows (cont'd)

ENTERPRISE FUNDS

For the Year Ended March 31, 2004
(Amounts in millions)

	Lottery	Unemployment Insurance Benefit	June 30, 2003 SUNY	June 30, 2003 CUNY	Total
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest, dividends and realized gains on investments	2	—	43	42	87
Proceeds from sales and maturities of investments	226	—	4,163	270	4,659
Purchases of investments	(39)	—	(4,192)	(261)	(4,492)
Other cash payments and receipts, net	—	—	—	8	8
Net cash provided by investing activities	**189**	**—**	**14**	**59**	**262**
Net increase in cash and cash equivalents	**142**	**71**	**144**	**66**	**423**
Cash and cash equivalents, beginning of year	131	10	552	204	897
Cash and cash equivalents, end of year	**$ 273**	**$ 81**	**$ 696**	**$ 270**	**$ 1,320**
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	$ 1,955	$ (287)	$ (2,043)	$ (768)	$ (1,143)
Adjustments to reconcile operating income to net cash provided (used) by nonoperating and noncash activities:					
Depreciation and amortization	—	—	229	89	318
Nonoperating and noncash items	—	(440)	645	—	205
Change in assets and liabilities:					
Receivables, net	(18)	(47)	142	(9)	68
Other assets	—	—	—	7	7
Lottery prizes payable	(175)	—	—	—	(175)
Unclaimed and future prizes	8	—	—	—	8
Accrued liabilities	19	—	67	(19)	67
Deferred revenues	(1)	—	46	7	52
Other payables	—	405	—	—	405
Net cash provided (used) by operating activities	**$ 1,788**	**$ (369)**	**$ (914)**	**$ (693)**	**$ (188)**

See accompanying notes to the basic financial statements.

Statement of Fiduciary Net Assets

FIDUCIARY FUNDS

March 31, 2004
(Amounts in millions)

	Pension Trust	Private-Purpose Trusts	Agency
ASSETS:			
Cash and investments	$ —	$ 2,570	$ 4,304
Retirement system investments	119,245	—	—
Receivables, net of allowances for uncollectibles	2,078	109	600
Due from other funds	—	358	233
Other assets	15,118	—	178
Total assets	**136,441**	**3,037**	**$ 5,315**
LIABILITIES:			
Accounts payable	—	—	$ 53
Accrued liabilities	15,642	766	2,163
Payable to local governments	—	—	2,637
Due to other funds	—	—	462
Total liabilities	**15,642**	**766**	**$ 5,315**
NET ASSETS:			
Held in trust for pension benefits and other purposes	**$ 120,799**	**$ 2,271**	

See accompanying notes to the basic financial statements.

Statement of Changes in Fiduciary Net Assets

FIDUCIARY FUNDS

Year Ended March 31, 2004
(Amounts in millions)

	Pension Trust	Private-Purpose Trusts
Additions:		
Investment earnings:		
Investment income	$ 1,475	$ 1
Dividend income	1,019	9
Securities lending income	122	—
Other income	687	—
Escheated property	—	820
Net change in fair value on investments	24,280	46
Total investment earnings	**27,583**	**876**
Less:		
Securities lending expenses	(103)	—
Investment expenses	(145)	(1)
Net investment gain	**27,335**	**875**
Contributions:		
College savings	—	838
Employers	1,286	—
Employees	222	—
Interest on accounts	20	—
Other	57	—
Total contributions	**1,585**	**838**
Total additions	**28,920**	**1,713**
Deductions:		
College aid redemptions	—	54
Benefits paid:		
Retirement allowances	5,190	—
Death benefits	157	—
Contributions refunded and other benefits	77	—
Administrative expenses	70	—
Claims paid	—	140
Miscellaneous	—	1
Net transfers to General Fund	—	680
Total deductions	**5,494**	**875**
Net increase	**23,426**	**838**
Net assets held in trust for pension benefits and other purposes at April 1, 2003	**97,373**	**1,433**
Net assets held in trust for pension benefits and other purposes at March 31, 2004	**$ 120,799**	**$ 2,271**

See accompanying notes to the basic financial statements.

Combining Statement of Net Assets

DISCRETELY PRESENTED COMPONENT UNITS

March 31, 2004
(Amounts in millions)

	Major Component Units				
	Power Authority	Thruway Authority	Metropolitan Transportation Authority	Dormitory Authority	Long Island Power Authority
ASSETS:					
Cash and investments	$ 1,811	$ 285	$ 5,661	$ 6,028	$ 418
Receivables, net of allowances for uncollectibles:					
Loans, leases, and notes	315	—	—	26,649	155
Other	211	63	3,083	755	261
Other assets	515	31	1,730	—	1,209
Intangible assets	—	—	—	—	3,305
Capital assets:					
Land and buildings, net of depreciation	2,573	3,881	26,535	20	3,361
Construction in progress	617	269	5,020	—	30
Total assets	**6,042**	**4,529**	**42,029**	**33,452**	**8,739**
LIABILITIES:					
Accounts payable	—	—	675	274	—
Accrued liabilities	361	92	1,237	824	436
Pension contributions payable	—	—	44	—	—
Deferred revenues	—	30	207	66	—
Notes payable	224	—	—	—	100
Bonds payable	58	691	214	1,099	186
Current portion of other long-term liabilities	—	—	7	—	80
Due in more than one year:					
Accrued liabilities	—	—	—	261	21
Pension contributions payable	—	—	59	—	—
Deferred revenues	423	—	—	—	—
Notes payable	612	—	—	—	—
Bonds payable	1,653	1,009	17,713	30,073	6,836
Deferred gain/loss from refunding debt	—	—	—	—	—
Other long-term liabilities	955	19	4,360	117	1,068
Total liabilities	**4,286**	**1,841**	**24,516**	**32,714**	**8,727**
NET ASSETS:					
Invested in capital assets, net of related debt	1,523	2,503	13,671	20	(566)
Restricted for:					
Debt service	—	80	2,130	—	—
Other specified purposes	172	62	1,712	646	—
Unrestricted (deficits)	61	43	—	72	578
Total net assets	**$ 1,756**	**$ 2,688**	**$ 17,513**	**$ 738**	**$ 12**

See accompanying notes to the basic financial statements.

Major Component Units

	Urban Development Corporation	State Insurance Fund	SONY Mortgage Agency	Environmental Facilities Corporation	Non-Major Component Units	Eliminations	Total
	$ 1,373	$ 8,762	$ 1,897	$ 3,225	$ 3,205	$ (2,811)	$ 29,854
	5,544	—	2,873	5,651	5,680	(17,283)	29,584
	11	236	31	110	373	(2,467)	2,667
	111	19	32	—	145	(20)	3,772
	—	—	—	—	4	—	3,309
	42	—	—	1	1,803	—	38,216
	—	—	—	—	114	—	6,050
	7,081	**9,017**	**4,833**	**8,987**	**11,324**	**(22,581)**	**113,452**
	—	—	—	—	30	—	979
	278	8,279	180	249	745	(31)	12,650
	—	—	—	—	47	—	91
	1	393	—	—	216	—	913
	4	—	—	—	30	—	358
	253	—	81	225	299	(755)	2,351
	—	—	—	—	13	—	100
	—	—	—	—	157	(32)	407
	—	—	—	—	—	—	59
	9	—	—	—	70	—	502
	15	—	—	—	233	(15)	845
	5,785	—	3,217	4,952	7,396	(22,002)	56,632
	—	—	(5)	—	(12)	—	(17)
	333	—	—	—	130	(53)	6,929
	6,678	**8,672**	**3,473**	**5,426**	**9,354**	**(22,888)**	**82,799**
	42	—	—	—	923	—	18,116
	—	—	—	—	438	3	2,651
	350	—	—	3,547	616	—	7,105
	11	345	1,360	14	(7)	304	2,781
	$ 403	**$ 345**	**$ 1,360**	**$ 3,561**	**$ 1,970**	**$ 307**	**$ 30,653**

Combining Statement of Activities

DISCRETELY PRESENTED COMPONENT UNITS

For the Year Ended March 31, 2004

(Amounts in millions)

	Major Component Units				
	Power Authority	Thruway Authority	Metropolitan Transportation Authority	Dormitory Authority	Long Island Power Authority
Expenses:					
Program operations	$ 2,030	$ 335	$ 6,396	$ 298	$ 2,069
Interest on long-term debt	72	64	780	1,378	291
Other interest	5	—	—	—	27
Depreciation and amortization	159	186	1,235	2	231
Other expenses	15	—	—	1	—
Total expenses	**2,281**	**585**	**8,411**	**1,679**	**2,618**
Program revenues:					
Charges for services	2,292	442	4,333	1,357	2,584
Operating grants and contributions	—	13	125	—	—
Capital grants and contributions	—	58	1,423	—	—
Investment earnings	—	—	—	63	—
Miscellaneous	—	16	190	78	44
Total program revenues	**2,292**	**529**	**6,071**	**1,498**	**2,628**
Net program revenues (expenses)	**11**	**(56)**	**(2,340)**	**(181)**	**10**
General revenues:					
Payments from primary government	—	—	1,783	—	—
Non-State grants and contributions not restricted to specific programs	—	—	668	—	—
Unrestricted investment income	47	1	—	1	10
Miscellaneous	15	—	540	—	3
Total general revenues	**62**	**1**	**2,991**	**1**	**13**
Change in net assets	**73**	**(55)**	**651**	**(180)**	**23**
Net assets (deficits)—beginning of year	**1,683**	**2,743**	**16,862**	**918**	**(11)**
Net assets—end of year	**$ 1,756**	**$ 2,688**	**$ 17,513**	**$ 738**	**$ 12**

See accompanying notes to the basic financial statements.

Major Component Units

Urban Development Corporation	State Insurance Fund	SONY Mortgage Agency	Environmental Facilities Corporation	Non-Major Component Units	Eliminations	Total
$ 1,199	$ 1,753	$ 99	$ 139	$ 3,293	$ (5)	$ 17,606
322	—	201	242	239	(1,229)	2,360
—	—	—	—	18	—	50
—	1	3	—	112	—	1,929
28	—	—	—	47	(1)	90
1,549	**1,754**	**303**	**381**	**3,709**	**(1,235)**	**22,035**
57	1,443	210	13	884	(1,087)	12,528
866	—	—	5	1,361	(124)	2,246
—	—	—	209	491	—	2,181
20	677	38	122	31	—	951
40	48	17	244	177	—	854
983	**2,168**	**265**	**593**	**2,944**	**(1,211)**	**18,760**
(566)	**414**	**(38)**	**212**	**(765)**	**24**	**(3,275)**
560	—	—	10	326	(23)	2,656
—	—	—	—	91	—	759
6	—	—	—	94	—	159
—	55	102	—	16	—	731
566	**55**	**102**	**10**	**527**	**(23)**	**4,305**
—	**469**	**64**	**222**	**(238)**	**1**	**1,030**
403	**(124)**	**1,296**	**3,339**	**2,208**	**306**	**29,623**
$ 403	**$ 345**	**$ 1,360**	**$ 3,561**	**$ 1,970**	**$ 307**	**$ 30,653**

STATE OF NEW YORK
COMPTROLLER

EXCELSIOR

NOTES TO THE BASIC FINANCIAL STATEMENTS

March 31, 2004

Note 1 Summary of Significant Accounting Policies

The accompanying basic financial statements of the State of New York (State) have been prepared in conformity with generally accepted accounting principles (GAAP) for governments. Such principles are prescribed by the Governmental Accounting Standards Board (GASB), which is the standard-setting body for establishing governmental accounting and financial reporting principles in the United States of America.

The basic financial statements have been prepared primarily from accounts maintained by the State Comptroller. Additional data has been derived from reports prescribed by the State Comptroller and prepared by State departments, agencies, public benefit corporations and other entities based on independent or subsidiary accounting systems maintained by them.

a. Reporting Entity

The basic financial statements include all funds of the primary government, which is the State, as well as the component units and other organizational entities determined to be included in the State's financial reporting entity.

The decision to include a potential component unit in the State's reporting entity is based on several criteria, including legal standing, fiscal dependency, and financial accountability. Based on the application of these criteria, the following is a brief review of certain entities included in the State's reporting entity.

Blended Component Units

The New York Local Government Assistance Corporation (Corporation) was created by Chapter 220 of the Laws of 1990. The Corporation is administered by three directors consisting of the State Comptroller and the Director of the Division of the Budget, serving ex-officio, and one director appointed by the Governor. The Corporation was created to issue long-term debt on behalf of the State to finance certain local assistance aid payments plus amounts necessary to fund a capital reserve fund and other issuance costs. The Corporation is legally separate but provides services exclusively to the State and therefore is reported as part of the primary government as a blended component unit.

The Tobacco Settlement Financing Corporation (TSFC) was created by Part D3 of Chapter 62 of the Laws of 2003. TSFC was created as a subsidiary of the State of New York Municipal Bond Bank Agency (Agency). The directors of the Agency are members of TSFC. TSFC is governed by a seven member board: the Chairman of the Agency, the Secretary of State, the Director of the Budget, three directors appointed by the Governor and the State Comptroller or his appointee. TSFC was created to issue long-term debt on behalf of the State to finance State operations plus amounts necessary to fund a capital reserve fund and other issuance costs. TSFC is legally separate but provides services exclusively to the State and therefore is reported as part of the primary government as a blended component unit.

Discretely Presented Component Units

Public Benefit Corporations (Corporations) listed in Note 13 were established by State statute with full corporate powers. The Governor, with the approval of the State Senate, appoints most members of the board of directors of most Corporations and either the Governor or the board of directors selects the chairman and chief operating officer. Corporations generally submit annual reports to the Governor, the Legislature, and the State Comptroller on their operations and finances accompanied by an independent auditors' report thereon. Corporations also submit to the Governor and the Legislature annual budget information on operations and capital construction. The State Comptroller is empowered to conduct financial and management audits of the Corporations. Financial assistance was provided in the fiscal year ended March 31, 2004 to certain Corporations and such assistance is expected to be required in future years. Accordingly, the fiscal condition of the State is related to the fiscal stability of the Corporations. Since the Corporations are legally separate organizations for which the Governor and Legislature are financially accountable, they are discretely presented as component units of the State.

Related Organizations and Joint Ventures

The State's officials are also responsible for appointing the members of the boards of various related organizations, but the State's accountability for these organizations does not extend beyond making the appointments (e.g. the Nassau County Interim Finance Authority). As discussed in more detail in Note 14 the State participates in several joint ventures. The State does not include the financial activities of these organizations in its financial statements.

b. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity within governmental and business-type activities has been eliminated from these statements. However, balances due and resource flows between governmental and business-type activities have not been eliminated. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Certain indirect costs have been allocated and are reported as direct program expenses of individual functions/programs. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or segment, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Taxes and other items not included as program revenues are reported as general revenues, as required.

Separate financial statements are provided for Governmental Funds, Enterprise Funds, and Fiduciary Funds, even though the latter are excluded from the government-wide financial statements. Major individual Governmental Funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

c. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting, as are the Enterprise Funds, Component Units and the Fiduciary Funds financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Taxes are recognized as revenues in the year in which they are earned. Grants, entitlements, and donations are recognized as revenue as soon as all eligibility requirements have been met.

Governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or within 12 months of the end of the current fiscal period. Tax revenues are recorded by the State as taxpayers earn income (personal income, general business and other taxes), as sales are made (consumption and use taxes) and as the taxable event occurs (miscellaneous taxes), net of estimated overpayments (refunds). Receivables not expected to be collected within the next 12 months are offset by deferred revenues. Expenditures and related liabilities are recorded in the accounting period the liability is incurred to the extent it is expected to be paid within the next 12 months with the exception of items covered by GASB Interpretation 6 (GASBI 6), *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. GASBI 6 modified the recognition criteria of certain expenditures and liabilities. GASBI 6 requires that expenditures and liabilities such as debt service, compensated absences, and claims and judgments be recorded in the governmental fund statements only when they mature or become due for payment within the period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. Nonexchange grants and subsidies such as local assistance grants and public benefit corporation subsidies are recognized as expenditures when all requirements of the grant and or subsidy have been satisfied.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and Enterprise Fund financial statements to the extent that those standards do not conflict with or contradict guidance of the GASB. The State also has the option of following private-sector guidance issued after November 30, 1989 for its business-type activities, Enterprise Funds and component units. As allowed by GASB 20, the State has elected only to follow those Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board (APB) Opinions, and Accounting Research Bulletins (ARB), issued prior to December 1, 1989. However, the Power Authority of the State of New York and the Long Island Power Authority have elected to continue to apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements. In addition, the State Insurance Fund prepares financial statements in conformity with accounting practices prescribed or permitted by the Insurance Department of the State of New York (Insurance Department). The Insurance Department recognizes only New York Statutory Accounting Practices for determining and reporting the financial condition and results of operations of an insurance company and for determining its solvency under New York State Insurance Law.

The State reports the following major and other governmental funds:

General Fund—is the primary operating fund of the State and is used to account for all financial transactions not required to be accounted for in another fund.

Federal Special Revenue Fund—accounts for federal grants received by the State that are earmarked for specific programs. In order to comply with federal accounting and reporting requirements, certain federal grants are accounted for in a number of accounts that are combined and reported as the Federal Special Revenue Fund. Accounts that are combined include the Federal USDA-Food and Nutrition Services Account, the Federal Health and Human Services Account, the Federal Education Account, the Federal HHS Block Grant Account, the Federal Operating Grants Account, the Unemployment Insurance Administration Account, the Unemployment Insurance Occupational Training Account and the Federal Employment and Training Grants Account.

Other Governmental Funds—is a summarization of all the non-major governmental funds.

The governmental fund financial statements include a reconciliation between the fund statements and the government-wide statements. Differences that make a reconciliation necessary include the differing measurement focuses and basis of accounting between the statements. The Statement of Activities reflects the net costs of each major function of State operations. The presentation differs from the presentation of expenditures in the Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds which closely matches the State's budgetary (financial plan) presentation.

The State reports the following major Enterprise Funds:

Lottery Fund—accounts for lottery revenues that are earmarked for education assistance to local school districts, administrative costs of the Division of the Lottery, and payment of lottery prizes.

Unemployment Insurance Benefit Fund—accounts for employer unemployment contributions utilized for the payment of unemployment compensation benefits.

SUNY Fund—accounts for the operation of the State University of New York (SUNY). Information reported in this fund is obtained from the audited financial statements prepared by SUNY for the fiscal year ended June 30, 2003.

CUNY Fund—accounts for the operation of the City University of New York (CUNY) senior colleges. Information reported in this fund is obtained from the audited financial statements prepared by CUNY for the fiscal year ended June 30, 2003.

Enterprise Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with an Enterprise fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs. The fiduciary fund types of the State consist of the following:

Pension Trust Fund—accounts for the activities of the State and Local Retirement System, which accumulates resources for pension benefit payments to qualified public employees.

Private-Purpose Trust Funds—are used to account for resources legally held in trust as escheat property and resources held in trust to facilitate savings for higher education expenses, pursuant to the New York State tuition savings program. There is no requirement that any portion of these resources be preserved as capital.

Agency Funds—report those resources held by the State in a purely custodial capacity (assets equal liabilities).

Additionally, the State includes discretely presented component units:

Component Units—Public Benefit Corporations—Public Benefit Corporation (PBC) financial statements are prepared using the economic resources measurement focus and are accounted for on the accrual basis of accounting.

d. Cash and Investments

Cash balances of funds held in the State Treasury are commingled in a general checking account and several special purpose bank accounts. The available cash balance in the general checking account beyond immediate need is pooled for short-term investment purposes. The balances pooled are limited to legally stipulated investments, which are reported at cost, including accrued interest, which approximates fair value. Non-interest bearing compensating balances of $2.1 billion are included in cash and investments at March 31, 2004. At various times during the year, compensating balances could be substantially higher. Cash balances not held in the State Treasury and controlled by various State officials are generally deposited in interest-bearing accounts or other legally stipulated investments. Additional information about the State's cash and investments is provided in Note 2.

Generally, for purposes of reporting cash flows, cash includes cash and cash equivalents. Cash equivalents are composed of liquid assets with maturities of 90 days or less. The Enterprise Funds Statement of Cash Flows uses the direct method of reporting cash flows. All investments with a maturity of more than a year are recorded on the Statement of Net Assets and the balance sheet at fair value and all investment income, including changes in the fair value of investments, is reported as revenue. Investments of the short-term investment pool have a maturity of one year or less and are recorded at cost. Fair values were determined using market values at March 31, 2004.

e. Receivables

Receivables are stated net of estimated allowances for uncollectible amounts, which are determined, based upon past collection experience and current economic conditions. Due from Federal government represents amounts owed to the State to reimburse it for expenditures incurred pursuant to federally funded programs. Other receivables represent amounts owed to the State, including lottery revenues, student loans, tobacco settlements, and patient fees of SUNY and Health Department hospitals and various Mental Hygiene facilities. Additional information about receivables is provided in Note 4.

f. Internal Balances

All outstanding balances between funds at the end of the fiscal year are referred to as "due to/from other funds" on the governmental fund financial statements. Generally, the effect of interfund activity within the governmental funds has been removed. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." For the most part the remaining difference is a result of different year-ends for SUNY and CUNY.

g. Other Assets

Other assets in Governmental activities include payments for costs applicable to future accounting periods, and other types of assets not reported on other lines. Inventories reported by the Governmental Funds are recorded as expenditures when they are purchased. Inventories reported by the Enterprise Funds are valued at cost using the first-in/first-out (FIFO) method.

h. Capital Assets

Capital assets are reported in the government-wide Statement of Net Assets and further disclosed in Note 5. Capital assets include (1) land in urban centers, rural areas and forest preserves; (2) land improvements; (3) land preparation-roads; (4) buildings which house State offices, correctional facilities, hospitals and educational facilities; (5) equipment used in construction work, hospitals, offices, etc.; (6) construction in progress; and (7) infrastructure assets such as roads and bridges. Capital assets are reported at historical cost or estimated historical cost and donated capital assets are valued at their estimated fair market value at the date of donation.

Equipment that has a cost in excess of $40 thousand at the date of acquisition and has an expected useful life of two or more years is capitalized. All initial building costs and building improvements and land and land improvements in excess of $100 thousand are capitalized. Infrastructure assets in excess of $1 million are also capitalized. Software is not capitalized. The State chose the option in GASB 34 of not recording non-major infrastructure assets at transition except for DOT infrastructure assets. Therefore, non-DOT infrastructure assets acquired prior to April 1, 2002 were deemed to be non-major relative to total infrastructure and are not reported. However, prospective reporting of non-DOT depreciable infrastructure acquired during the fiscal year is included in the capital asset balances for 2003-2004.

The costs of normal repairs and maintenance that do not add to the value or extend lives of assets materially are not capitalized, but are shown as expenses in the year incurred. Expenses relating to roads and bridges that add to the capacity and efficiency of the road and bridge networks are not expensed but are capitalized. All maintenance and preservation costs relating to roads and bridges will be expensed and not capitalized. Buildings, land improvements and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

Assets	Governmental Activities (Years)	Business-type Activities (Years)
Buildings and building improvements	12-60	3-50
Equipment and vehicles	4-30	3-50
Land improvements	12-30	3-50

Land preparation reflects the costs of preparing the land for the construction of roads. Since land preparation has an indefinite life, associated costs are not depreciated.

The State has elected to use the modified approach for reporting and accounting for its highways and bridges reported by the DOT. The modified approach requires the State to commit to preserving and maintaining these infrastructure assets at levels established by the DOT. No depreciation expense is reported for these assets and no amounts are capitalized in connection with improvements that lengthen the lives of such assets, unless the improvements also increase their service potential. The DOT maintains an inventory of these assets and performs periodic condition assessments to ensure that the predetermined condition level is maintained. Refer to the Required Supplementary Information (RSI) for additional information regarding infrastructure using the modified approach.

Capital asset reporting does not include historic artifacts, artwork and collections that are maintained by various state agencies, the State Archives, State Museum and State Library. These items are protected and preserved, held for public exhibition and educational purposes and the proceeds from the sale of items are used to acquire new items for the collection.

Capital assets in business-type activities and Enterprise Funds are from SUNY and CUNY. These capital assets are stated at cost, or in the case of gifts, fair value at the date of receipt. SUNY capitalizes building renovations and additions costing over $100 thousand and equipment items with a unit cost of more than $5 thousand. CUNY capitalizes renovations and improvements that significantly increase the value or extends the useful lives of the structures and equipment with a cost of more than $5 thousand and useful lives of two or more years. SUNY and CUNY report artwork, historical treasures and library books with a unit cost of more than $5 thousand. SUNY and CUNY capital assets, with the exception of land, construction in progress and works of art and historical treasures, are depreciated on a straight-line basis over their estimated useful lives ranging from 5 to 50 years.

i. Long-Term Obligations

In the government-wide financial statements and Enterprise Funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities Statement of Net Assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the bonds outstanding method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

j. Compensated Absences

The estimated vacation leave liability for State employees at March 31, 2004 is $746 million and represents an increase of $87 million over the prior year. State employees accrue vacation leave based primarily on the number of years employed up to a maximum rate of 25 days a year, but may accumulate no more than a maximum of 40 days.

SUNY employees accrue vacation leave based primarily on the number of years employed up to a maximum rate of 21 days per year and may accumulate no more than a maximum of 40 days. CUNY employees accrue vacation leave based upon the number of years employed, with the maximum accumulation generally ranging from 45 to 50 days. The liability for vacation leave approximated $177 million and $53 million for SUNY and CUNY, respectively, at June 30, 2003.

State, SUNY, and CUNY employees earn sick leave credits that are considered termination payments. Sick leave credits earned by State and SUNY employees may be used to pay the employees' share of post-retirement health insurance premiums. CUNY employees may receive payments of up to 50% of the value of their accumulated sick leave as of the date of retirement from CUNY. The sick leave liability for State employees is $1.207 billion and represents an increase of $202 million from the prior year. SUNY and CUNY reported a liability of $383 million and $31 million, respectively, for sick leave credits in accrued liabilities.

k. Lease Accounting

The construction of certain State office buildings, campus facilities, and other public facilities has been financed through bonds and notes issued by public benefit corporations pursuant to lease/purchase agreements with the State (see Note 7).

These lease/purchase contracts are capital leases for which the State's rental payments over the duration of the agreements constitute long-term liabilities. The amount included in obligations under lease/purchase and other financing arrangements consists of total future principal payments and equals the outstanding balance of the related bonds and notes. Reporting relative to capitalized interest is also not included for leased capital assets.

l. State Lottery

The State Lottery is accounted for within an Enterprise Fund. The revenues, administrative costs, aid to education and expenses for amounts allocated to prizes are reported in an Enterprise Fund. Uncollected ticket sales at March 31, 2004 are accrued. Prize monies to meet long-term prize payments are invested in United States government-backed obligations that are recorded at fair value. Lottery prize liabilities are recorded at a discounted value equivalent to the related investments. At March 31, 2004, the prize liabilities of approximately $2.1 billion were reported at a discounted value of approximately $1.4 billion (at interest rates ranging from .96% to 13.55%).

m. Net Assets

Net assets should be reported as restricted when constraints placed on net asset use are either:

a. Externally imposed by creditors (such as debt covenants), grantors, contributors, laws or regulation of other governments.
b. Imposed by law through constitutional provisions or enabling legislation.

Enabling legislation authorizes the government to assess, levy, charge, or otherwise mandate payment of resources (from resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.

Unemployment Benefits
Net assets restricted for the payment of unemployment benefits.

Debt Service
Net assets restricted for the payment of future debt service payments from various capital reserve funds.

Other Specified Purposes
Net assets restricted for the funding of various mass transportation projects, environmental remediation projects, payment of future lottery prizes, and various other legally restricted funds.

Unrestricted Net Asset (Deficit)
Unrestricted net asset (deficit) is the amount by which liabilities exceed the total assets of the State less net assets invested in capital assets net of related debt and those restricted net assets described above.

n. Reservations of Fund Balance

Reserved fund balances indicate that portion of fund balance that is not available for appropriation or is legally segregated for specific future use.

Encumbrances
Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed in the Governmental Funds. The cost of construction contract commitments generally is recorded as an encumbrance of Other Governmental Funds and is presented as a reserve for encumbrances. These committed amounts generally will become liabilities in future periods as the construction work is performed by the contractors. Encumbrances outstanding at year-end are reported as reservations of fund balances since they do not constitute expenditures or liabilities.

Debt Service
Fund balance reserved for debt service represents various capital reserve assets available to finance future debt service payments in accordance with the underlying bond indentures.

Tax Stabilization
Pursuant to law, receipts in excess of disbursements of the General Fund (Local Assistance and State Purposes Accounts) not otherwise appropriated are required to be transferred to the Tax Stabilization Reserve Account at the end of each fiscal year. These amounts may be borrowed by these two accounts temporarily and repaid within the same fiscal year. They may also be borrowed to cover an operating deficit at year-end. Generally, these loans must be repaid within six years in no less than three equal annual installments.

Other Specified Purposes
The amount of fund balance reserved for other specified purposes represents the net amount of appropriated loans receivable, and other reserves of the General Fund.

o. Post-Retirement Benefits

In addition to providing pension benefits, the State is statutorily required to provide health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the State's employees may become eligible for these benefits if they reach normal retirement age while working for the State. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the State and the retired employee. The State recognizes the cost of providing health insurance by recording its share of insurance premiums ($710 million for 111,177 retirees and their dependents) as an expenditure in the General Fund in the year paid. Additionally, the survivor's benefit program provides for a death benefit to be paid by the State to a retiree's designated beneficiary. During the year, approximately $9.7 million was paid on behalf of 3,256 retirees and recorded as an expenditure in the General Fund.

p. Deficit Fund Balances

As of March 31, 2004, fund deficits were reported in the following Capital Projects Funds: the Dedicated Highway and Bridge Trust Fund ($53 million), the Housing Program Fund ($103 million), and the Department of Transportation Engineering Services Fund ($98 million). The deficits related to the Capital Projects Funds are the result of differences in cash flow timing relating to the reimbursement of capital project costs and contractual commitments from bond proceeds and are routinely resolved during subsequent fiscal years.

q. Estimates

The preparation of the basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements. Estimates also affect the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

r. New Accounting Changes and Guidance

The State adopted a new accounting standard issued by the GASB and followed the guidance provided by Technical Bulletin No. 2004-1 during the fiscal year ended March 31, 2004:

> GASBS No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries,* establishes accounting and financial reporting standards for impairment of capital assets and insurance recoveries. In accordance with this standard, a capital asset is considered impaired if there is a significant and unexpected decline in service utility. Adoption of this standard did not identify any impaired capital assets.

GASB Technical Bulletin No. 2004-1, *Tobacco Settlement Recognition and Financial Entity Issues*, clarifies guidance for component unit determination for tobacco settlement authorities (TSAs) and for recognition of transactions resulting from the issuance of debt by TSAs that will be repaid by all or a portion of the settling governments' future tobacco settlement payments.

Note 2 Cash and Investments

Custodians are authorized by various statutes to deposit funds in checking accounts or interest-bearing accounts including certificates of deposit. Legally authorized investments vary by fund but generally include: Obligations of or guaranteed by the United States, obligations of New York State and its political subdivisions, repurchase agreements, corporate bonds and commercial paper. Information on cash and investments of the State and Local Retirement System is presented in Note 12.

Cash

The State maintains approximately 3,000 bank accounts for various purposes at locations throughout the State. Bank deposits may be under the joint custody of the State Comptroller and the Commissioner of Taxation and Finance or under the sole custody of a specified State official. Both the State Comptroller and the Commissioner of Taxation and Finance are also sole custodians of certain accounts. Cash balances not required for immediate use are invested either through a short-term investment pool (STIP) administered by the State Comptroller or by the fund custodian.

For demand accounts, checking accounts, or certificates of deposits, the State requires that its depository banks pledge collateral or provide a surety bond based on actual and average daily available bank balances. All securities pledged as collateral are held by the State's fiscal agent in the name of the State and are valued on a monthly basis. Surety bonds will be accepted only from AAA rated insurance companies. The use of average daily available balances to determine collateral requirements may result in the available balances being under-collateralized at various times during the fiscal year. The State's cash management policy is to invest all major revenues as soon as the monies are available within the banking system which limits under-collateralization. The State's deposits with financial institutions were fully collateralized (carrying amount of account balance was $2.1 billion and the average available bank balance was $808 million; the total amount of Certificates of Deposits on deposit was $2.5 billion, while total securities held by the State's fiscal agent was $3.4 billion and a surety bond in the amount of $138 million was used as collateral) at fiscal year-end, except for accounts with a total book balance of $182 million, and bank balance of $225 million. The bank balance of $225 million was uninsured and uncollateralized or collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the State's name.

Investments

The State holds investments both for its own benefit and as an agent for other parties. Major investment programs conducted for the direct benefit of the State include STIP, which is used for the temporary investment of funds not required for immediate payments, and sole custody funds administered by the Department of Taxation and Finance.

The following table presents the carrying amount and fair value of investments by type and categorizes the carrying amounts as follows: Category 1 are those which are insured or registered, or held by the State or its agent in the State's name. Category 2 are those which are uninsured and unregistered, with securities held by the counter-party's trust department or agent in the State's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty, or by its trust department or agent but not in the State's name (amounts in millions):

	Category			Reported	Fair
	1	2	3	Amount	Value
Government securities	$ 3,786	$ 411	$ 2,075	$ 6,272	$ 6,499
Repurchase agreements	174	519	203	896	896
Commercial paper	3,714	—	450	4,164	4,165
Corporate bonds/notes	18	—	28	46	46
Other	608	113	961	1,682	1,682
Total	**$ 8,300**	**$ 1,043**	**$ 3,717**	**13,060**	**13,288**
Investments not subject to categorization:					
Mutual funds				2,243	2,243
Total investments				**$ 15,303**	**$ 15,531**

Disclosures relating to risk and type of investment as presented above report positions held as of March 31, 2004. See Note 12 for disclosures relating to credit risks for investments of the State and Local Retirement System.

Also included in the accompanying basic financial statements are securities which either were not acquired for investment purposes or cannot be classified or categorized. Employers seeking self-insurer status for workers' compensation purposes may deposit securities specified by Section 235 of the New York State Banking Law with the chairman of the Workers' Compensation Board. The State holds these securities (carrying amount $59 million, which approximates fair value) only as an agent for the employers. Securities, which are unclaimed at financial institutions, are transferred periodically to the State and are held temporarily by the State until they can be liquidated. The securities or proceeds can be claimed by the owners under established procedures. These securities had a carrying amount and fair value of $296 million at March 31, 2004. The State holds cash and securities deposited by contractors in lieu of retainage on contract payments (carrying amount and fair value of $95 million). SUNY has investments for endowment and similar funds of approximately $720 million (Category 1) comprised of mutual funds, equities and non-equities of $86 million, $369 million and $265 million, respectively. CUNY has investments in mutual funds and amounts held by the Dormitory Authority of $13 million and $17 million, respectively. In addition, CUNY lends certain securities to broker-dealers and other entities under a contractual agreement with its custodian. In exchange for the securities loaned, CUNY receives collateral, which has an underlying fair value in amounts not less than 102% of securities lent. The custodian may invest the cash collateral in U.S. Government securities or repurchase agreements, which are fully collateralized by U.S. Government securities, high grade corporate obligations, high grade asset-backed securities or domestic money market instruments (carrying amount and fair value of $16 million) (Category 3). CUNY cannot pledge or sell any of the collateral received unless the borrower defaults. At June 30, 2003, CUNY had no credit risk resulting from securities lending transactions.

Note 3 Taxes Receivable and Tax Refunds Payable

Taxes Receivable

Taxes receivable represent amounts owed by taxpayers for the 2003 calendar year and the first quarter of the 2004 calendar year, including assessments for underpayments, penalties and interest. Taxes receivable are accrued when they become both measurable and available based on actual collections or estimates of amounts to be collected during the next 12 months.

Personal income tax (PIT) revenues are reported as income is earned by the taxpayers. The primary components of the PIT receivable are the estimated and withholding payments that relate to the first quarter of the 2004 calendar year, payments with final returns which relate to the 2003 calendar year, and assessments which relate to prior tax periods.

Consumption and use tax revenues are reported in the fiscal period when the sale is made. The principal component of this receivable is sales tax receivables which include sales tax due through March 31, 2004 and assessments which relate to prior tax periods.

General business tax revenues are reported as businesses earn income. General business tax receivables are comprised of estimated tax payments, payments remitted with final returns, and assessments.

Other taxes receivable are comprised of estate and gift taxes, real property gains taxes, real estate transfer taxes, and assessments.

Taxes receivable at March 31, 2004 for the governmental funds, which are expected to be collected by March 31, 2005, totaled $6.7 billion. Taxes receivable expected to be collected after March 31, 2005 totaled $247 million. The following table summarizes taxes receivable by major tax type for the governmental funds (amounts in millions):

	General	Other Governmental Funds	Total Governmental Funds
Personal income	$ 4,092	$ 1,364	$ 5,456
Consumption and use	612	296	908
Business	154	51	205
Other	412	51	463
Subtotal	**5,270**	**1,762**	**7,032**
Allowance for uncollectibles	(103)	(31)	(134)
Total	**$ 5,167**	**$ 1,731**	**$ 6,898**

Tax Refunds Payable

Tax refunds payable primarily represent amounts owed to taxpayers because of overpayments of their 2003 calendar year and first quarter 2004 calendar year tax liabilities. Tax refunds payable, which reduce respective tax revenues, are accrued to the extent they are measurable based on payments and estimates. The amount of PIT refunds payable is comprised of estimates of overpayments of the first calendar quarter (2004) tax liability and payments of 2003 calendar and prior year refunds. The remaining portion of tax refunds payable is comprised of payments made subsequent to the end of the fiscal year and estimates of a remaining refund liability.

Tax refunds payable at March 31, 2004 are summarized as follows (amounts in millions):

	Current			
	General	Other Governmental Funds	Total Governmental Activities	Due in More Than One Year
Personal income	$ 3,169	$ 1,056	$ 4,225	$ 272
Consumption and use	50	30	80	161
Business	951	116	1,067	133
Other	31	—	31	13
Total	**$ 4,201**	**$ 1,202**	**$ 5,403**	**$ 579**

Note 4 Other Receivables

Other receivables at March 31, 2004 are summarized as follows (amounts in millions):

	General	Other Governmental Funds	Total
Governmental funds:			
Other receivables:			
Public health/patient fees	$ —	$ 588	$ 588
Tobacco settlement	—	182	182
State of New York Mortgage Agency	225	—	225
Other	144	486	630
Subtotal	**369**	**1,256**	**1,625**
Allowance for uncollectibles	(15)	(298)	(313)
Total other receivables	**$ 354**	**$ 958**	**$ 1,312**

	Lottery	Unemployment Insurance Benefit	SUNY	CUNY	Total
Other receivables:					
Ticket sales, net	$ 344	$ —	$ —	$ —	$ 344
Public health/patient fees	—	—	283	—	283
Student loans	—	—	151	23	174
Contributions	—	2,300	—	—	2,300
Benefit overpayments	—	173	—	—	173
State agencies/municipalities	—	31	—	—	31
Other	—	4	289	99	392
Subtotal	**344**	**2,508**	**723**	**122**	**3,697**
Allowance for uncollectibles	(1)	(857)	(95)	(6)	(959)
Total other receivables	**$ 343**	**$ 1,651**	**$ 628**	**$ 116**	**$ 2,738**

Other receivables, in the tables above, include monies advanced in the form of loans from the Governmental Funds to finance local government or public benefit corporations' operations and to finance construction or debt service of public benefit corporations or local governments. The appropriation bills authorizing these loans provide that the advanced amounts will be repaid pursuant to repayment agreements. The loans are reported net of estimated uncollectible amounts and as a reservation of fund balance (other specified purposes). Other receivables reported in the governmental funds that are expected to be collected after March 31, 2005 totaled $165 million.

Pursuant to section 2429-b(2) of the Public Authorities Law, the State of New York Mortgage Agency has certified that there is an excess balance of $225 million in the Mortgage Insurance Fund at March 31, 2004. As required by law, this amount will be remitted to the State's General Fund.

Note 5 Capital Assets

Capital asset activity for the year ended March 31, 2004 was as follows (amounts in millions):

	Balance April 1, 2003	Additions	Retirements	Balance March 31, 2004
Governmental activities:				
Depreciable assets:				
Buildings and building improvements	$ 8,197	$ 456	$ 155	$ 8,498
Land improvements	325	24	1	348
Infrastructure	12	10	—	22
Equipment	642	58	40	660
Total depreciable assets	**9,176**	**548**	**196**	**9,528**
Less accumulated depreciation:				
Buildings and building improvements	(3,699)	(266)	(24)	(3,941)
Land improvements	(229)	(13)	—	(242)
Infrastructure	—	(1)	—	(1)
Equipment	(371)	(43)	(28)	(386)
Total accumulated depreciation	**(4,299)**	**(323)**	**(52)**	**(4,570)**
Total depreciable assets, net	**4,877**	**225**	**144**	**4,958**
Non-depreciable assets:				
Land	3,125	118	7	3,236
Land preparation	2,667	67	—	2,734
Construction in progress (buildings).	892	465	809	548
Construction in progress (roads and bridges)	1,927	780	466	2,241
Infrastructure (roads and bridges)	62,749	431	246	62,934
Total non-depreciable assets	**71,360**	**1,861**	**1,528**	**71,693**
Governmental activities, capital assets, net	**$ 76,237**	**$ 2,086**	**$ 1,672**	**$ 76,651**

	Balance July 1, 2002	Additions	Retirements	Balance June 30, 2003
Business-type activities:				
State University of New York:				
Depreciable assets:				
Infrastructure and land improvements	$ 420	$ 16	$ 2	$ 434
Buildings	4,229	247	16	4,460
Equipment, library books, artwork	1,546	197	63	1,680
Total depreciable assets	**6,195**	**460**	**81**	**6,574**
Less accumulated depreciation:				
Infrastructure & land improvements	(269)	(12)	(2)	(279)
Buildings	(2,168)	(100)	(11)	(2,257)
Equipment and library books	(1,112)	(112)	(56)	(1,168)
Total accumulated depreciation	**(3,549)**	**(224)**	**(69)**	**(3,704)**
Total depreciable assets, net	**2,646**	**236**	**12**	**2,870**
Non-depreciable assets:				
Land	194	14	—	208
Construction in progress	711	307	203	815
Total non-depreciable assets	**905**	**321**	**203**	**1,023**
SUNY capital assets, net	**$ 3,551**	**$ 557**	**$ 215**	**$ 3,893**

	Balance July 1, 2002	Additions	Retirements	Balance June 30, 2003
City University of New York:				
Depreciable assets:				
Buildings and building improvements	$ 2,119	$ 89	$ 2	$ 2,206
Land improvements	49	—	—	49
Equipment	289	31	20	300
Infrastructure	2	1	—	3
Total depreciable assets	**2,459**	**121**	**22**	**2,558**
Less accumulated depreciation:				
Buildings and building improvements	(895)	(60)	(4)	(951)
Land improvements	(44)	(2)	—	(46)
Equipment	(240)	(26)	(18)	(248)
Infrastructure	(2)	(1)	—	(3)
Total accumulated depreciation	**(1,181)**	**(89)**	**(22)**	**(1,248)**
Total depreciable assets, net	**1,278**	**32**	**—**	**1,310**
Non-depreciable assets:				
Land	206	—	6	200
Construction in progress	654	192	56	790
Artwork and historical treasures	6	2	—	8
Total non-depreciable assets	**866**	**194**	**62**	**998**
CUNY capital assets, net	**2,144**	**226**	**62**	**2,308**
Business-type activities, capital assets, net	**$ 5,695**	**$ 783**	**$ 277**	**$ 6,201**

For year ended March 31, 2004, depreciation expense was charged to the following governmental functions (amounts in millions):

	Governmental Activities
Allocation of depreciation:	
Education	$ 3
Public health	117
Public welfare	8
Public safety	118
Transportation	25
Environment and recreation	10
Support and regulate business	1
General government	41
Total depreciation expense	**$ 323**

For year ended June 30, 2003, depreciation expense was charged to the following business-type functions (amounts in millions):

	Business-type Activities
Allocation of depreciation:	
SUNY	$ 224
CUNY	89
Total depreciation expense	**$ 313**

Note 6 Bonds Payable

General obligation bonds are backed by the full faith and credit of the State and must be repaid in equal annual installments beginning not more than one year after issuance of such bonds. Changes for the year in bonds payable were as follows (amounts in millions):

Purpose	Outstanding April 1, 2003	Issued*	Redeemed	Outstanding March 31, 2004
Accelerated capacity and transportation improvements of the nineties	$ 1,172	$ 10	$ 107	$ 1,075
Clean water/clear air	920	78	54	944
Environmental quality:				
Land acquisition	130	1	12	119
Solid waste management	668	25	33	660
Environmental quality protection:				
Air	31	15	2	44
Land and wetlands	88	10	4	94
Water	226	—	16	210
Higher education	2	—	1	1
Housing:				
Low income	138	—	20	118
Middle income	72	—	4	68
Urban renewal	1	—	1	—
Outdoor recreation development	1	—	—	1
Pure waters	180	—	21	159
Rail preservation	56	—	7	49
Transportation capital facilities:				
Mass transportation	117	—	22	95
Aviation	63	—	8	55
Energy conservation through improved transportation	57	—	10	47
Rebuild New York—transportation infrastructure renewal:				
Highways, parkways, bridges	9	—	2	7
Ports, canals, waterways	4	—	1	3
Rapid transit, rail, aviation	61	—	7	54
Total	**$ 3,996**	**$ 139**	**$ 332**	**$ 3,803**

**Includes only new issuances.*

Debt service expenditures related to the above general obligation bonds during the year were $509 million. The total amount of general obligation bonds authorized but not issued at March 31, 2004 was $1.011 billion. At March 31, 2004 approximately $436 million of bonds defeased by refunding transactions in prior years remain outstanding.

Debt service requirements for general obligation bonds in future years, which are financed by transfers from the General Fund to the other governmental funds (Debt Service Funds), are as follows (amounts in millions):

Fiscal Year	Principal	Interest	Total
2005	$ 330	$ 152	$ 482
2006	329	136	465
2007	333	121	454
2008	329	106	435
2009	315	91	406
2010-2014	1,281	279	1,560
2015-2019	621	88	709
2020-2024	167	24	191
2025-2029	69	9	78
2030-2034	29	2	31
Total	**$ 3,803**	**$ 1,008**	**$ 4,811**

Debt service requirements on approximately $535 million in general obligation variable rate bonds is calculated using the variable rates in effect as of March 31, 2004. Debt service requirements for fixed rate issues were calculated based upon actual rates ranging from 1% to 12%. Debt service requirements on $209 million of general obligation variable rate bonds in commercial paper mode is calculated at the rate most recently remarketed at March 31, 2004.

During the fiscal year ended March 31, 2004, $363 million in general obligation refundings (Series 2003C and 2003F) were issued. The issues refunded $345 million in existing debt with a cash flow savings of $20 million and present value savings of $12 million, as identified in the table below.

Issue Description	Refunding Amount	Refunded Amount	Cash Flow Gain	Present Value Gain
State of New York, General Obligation (GO) Bonds Series 2003C GO Refunding	$ 252	$ 243	$ 14	$ 8
State of New York, General Obligation (GO) Bonds Series 2003F GO Refunding	111	102	6	4
Total	**$ 363**	**$ 345**	**$ 20**	**$ 12**

Note 7 Obligations Under Lease/Purchase and Other Financing Arrangements

Governmental Activity Debt

The State has entered into contractual financing arrangements with certain public benefit corporations and other entities for various capital assets. Under these agreements, construction costs are initially paid by the State from appropriations (reported as capital construction expenditures in the Governmental Funds). These appropriations are then repaid to the State from the proceeds of bonds issued by the public benefit corporations or other entities (reported as proceeds from financing arrangements in the Governmental Funds). The State becomes the tenant of the facility under a lease/purchase agreement which provides for the payment of rentals sufficient to cover the related bond debt service and for the passage of title to the State after the bonds have been repaid.

The State has also entered into contractual obligation financing arrangements (also referred to as "service contract bonds") with certain public benefit corporations. The terms of these arrangements require the State to fund the debt service requirements of the specific debt issued by these entities.

In 2003 the State enacted legislation creating the Tobacco Settlement Financing Corporation (TSFC) to finance a portion of its future revenues expected to be received under the 1998 Master Settlement Agreement (MSA) with the settling cigarette manufacturers. The future MSA revenues are to compensate the State for all claims for past, present, and future health care costs originating from health care expenses incurred by the State from the effects of cigarette smoking by its citizens. In accordance with the legislation, TSFC issued $4.6 billion in bonds to finance a payment of $4.2 billion to the State's General Fund to enable it to finance a portion of the budget deficits occurring in fiscal years ending March 31, 2003 through March 31, 2005, establish $449 million in debt service reserves, and to provide $129 million to finance a portion of the first debt service payments due on TSFC bonds. In accordance with the legislation all future revenues from the 1998 Master Settlement Agreement will be used to repay the debt until it is fully retired, after which all funds of TSFC will revert to the State. The State has coveted to make additional payments for TSFC debt service, subject to annual appropriation, from other sources if the future revenues prove insufficient to meet TSFC debt service requirements of the State.

In 2001 the State enacted legislation providing for the issuance of State Personal Income Tax Revenue Bonds to be issued by several State Public Benefit Corporations. The legislation provides that 25% of personal income tax receipts, excluding refunds owed to taxpayers and deposits to the Other Governmental Funds (School Tax Assistance Relief Fund), be deposited to Other Governmental Funds (Revenue Bond Tax Fund which is a subfund of the General Obligation Debt Service Fund). These deposits are used to make debt service payments on State Personal Income Tax Revenue Bonds with excess amounts returned to the General Fund. In the event that the State Legislature fails to appropriate amounts required to make debt service payments on the State Personal Income Tax Revenue Bonds or if required payments have not been made when due, the legislation requires that deposits continue to be made to the Revenue Bond Tax Fund until amounts on deposit equal the greater of 25% of personal income tax receipts or $6 billion. Amounts in excess of that needed for current debt service are subsequently transferred to the General Fund. The first PIT bonds were issued on May 9, 2002 and approximately $3.3 billion were outstanding as of March 31, 2004.

In past years certain payments due to the State's local government units in the first quarter of the State's fiscal year exceeded available State funds. To meet these payments in the past, the State issued short-term tax and revenue anticipation notes called the annual Spring Borrowing. The New York Local Government Assistance Corporation (Corporation) was established in 1990 to issue up to $4.7 billion in long-term debt to finance certain local assistance aid payments plus amounts necessary to fund a capital reserve fund and other issuance costs. Issuance of the entire $4.7 billion bond authorization as of March 31, 1996 eliminated the need for the State's annual Spring Borrowing. Pursuant to the legislation establishing the Corporation, the State deposits an amount equal to a 1% rate of taxation of the total State sales and use tax collected into Other Governmental Funds (Local Government Assistance Tax Fund) to make payments to the Corporation for debt service on its bonds and other expenses of the corporation. Amounts in excess of the Corporation's needs are subsequently transferred to the General Fund. Payments to the Corporation are subject to annual appropriations by the Legislature. The Corporation's bondholders do not have a lien on monies deposited in the Local Government Assistance Tax Fund. Under current State statute, any issuance of bonds by the Corporation in the future will be for refunding purposes only. The Corporation filed a complaint in New York State Supreme Court in August 2003 seeking a court determination that the statute requiring a certification and possible payment by the Corporation to the City of New York or its assignee of $170 million over a 30 year period ending June 30, 2034 was invalid. Ultimately, the New York State Court of Appeals found the statute to be valid but that it does require an annual appropriation to make any payments. The court further found that any annual payment could not interfere with the Corporation bondholders' rights.

The State enacted legislation authorizing the New York State Thruway Authority to issue up to $10.25 billion in bonds for state highway and bridge projects which are secured and funded by a dedication of portions of the State's petroleum business tax (43%), motor fuel tax (29%), highway use tax (14%), and motor vehicle registration fees (14%).

In prior years, the State entered into various arrangements for the refinancing and purchase of equipment and real property through the issuance of certificates of participation. These certificates are issued through trustees and the State is responsible to the trustees for interest and principal payments made by the trustees to the certificate holders. The State maintains custody and use of the equipment and real property. However, title is held by the trustees as security for the certificate holders until such time as the certificates are fully paid. The liability from the issuance of these certificates and the related capital construction expenditures are accounted for in essentially the same manner as lease/purchase agreements.

Changes in lease/purchase and other financing arrangements for the year were as follows (amounts in millions):

Issuer	Outstanding April 1, 2003	Issued	Redeemed	Outstanding March 31, 2004
Public Benefit Corporations (PBCs):				
Dormitory Authority	$ 5,443	$ 2,115	$ 2,050	$ 5,508
Environmental Facilities Corporation	409	139	55	493
Energy Research & Development Authority	55	—	12	43
Housing Finance Agency	1,175	614	522	1,267
Local Government Assistance Corporation	4,576	223	230	4,569
Municipal Bond Bank Agency	—	511	1	510
Metropolitan Transportation Authority	2,395	—	—	2,395
Tobacco Settlement Financing Corporation	—	4,551	—	4,551
Triborough Bridge & Tunnel Authority	292	—	24	268
Thruway Authority	7,408	2,440	1,322	8,526
Urban Development Corporation	5,229	1,180	876	5,533
Total PBCs	**26,982**	**11,773**	**5,092**	**33,663**
Certificates of Participation	62	—	52	10
Total	**$ 27,044**	**$ 11,773**	**$ 5,144**	**$ 33,673**

Debt service expenditures for the aforementioned obligations during the year were $2.9 billion. These expenditures were financed primarily by the revenues reported in the governmental funds.

Certain of the underlying bond indentures require the maintenance of various reserves. Such amounts were $1.3 billion at March 31, 2004 and are reported as cash of the appropriate Other Governmental Funds with a corresponding reservation of fund balance.

Following is a summary of the future minimum rental payments for lease/purchase and contractual obligation financing arrangements including interest at rates ranging from 1.4% to 9.9% (amounts in millions):

Fiscal Year	Principal	Interest	Net Swap Amount	Total
2005	$ 1,342	$ 1,513	$ 114	$ 2,969
2006	1,462	1,523	117	3,102
2007	1,472	1,480	117	3,069
2008	1,552	1,433	117	3,102
2009	1,516	1,367	117	3,000
2010-2014	8,462	5,211	571	14,244
2015-2019	8,355	3,018	453	11,826
2020-2024	6,837	1,169	194	8,200
2025-2029	1,931	354	45	2,330
2030-2034	734	64	2	800
Total	**$ 33,663**	**$ 17,132**	**$ 1,847**	**$ 52,642**

Future debt service is calculated using rates in effect at March 31, 2004 for variable rate bonds. The net Swap payment amounts were calculated by subtracting the future variable rate interest payment subject to Swap agreements from the synthetic fixed rate amount intended to be achieved by the swap agreements.

The actual future amounts of future interest to be paid is affected by changes in variable interest rates. The actual amounts of future net swap payments is also affected by change in a published index—The London Interbank Offer Rate (LIBOR), which is another floating rate.

Debt service requirements for Certificates of Participation, which are financed by transfers from the General Fund to the Other Governmental Funds (Debt Service Fund), including interest at rates ranging from 3.9% to 7.75%, are as follows (amounts in millions):

Fiscal Year	Principal	Interest	Total
2005	$ 7	$ 1	$ 8
2006	2	—	2
2007	1	—	1
Total	**$ 10**	**$ 1**	**$ 11**

The State is also committed under numerous capital leases covering EDP and telecommunications equipment. Debt service expenditures for these obligations during the year were $25 million. Included with these capital leases are several real property capital leases which will require principal payments in the amount of $176 million and interest payments in the amount of $115 million throughout the lives of the leases. Following is a summary of the principal and interest payments, some of which are financed by transfers from the General Fund to the Other Governmental Funds (Debt Service Fund), for the remaining lease periods of these capital leases (amounts in millions):

Fiscal Year	Principal	Interest	Total
2005	$ 12	$ 10	$ 22
2006	12	9	21
2007	12	8	20
2008	11	8	19
2009	6	7	13
2010-2014	25	31	56
2015-2019	32	23	55
2020-2024	33	14	47
2025-2029	33	5	38
Total	**$ 176**	**$ 115**	**$ 291**

During the fiscal year ended March 31, 2004, the State, acting through its public authorities, refunded $3.937 billion in existing fixed rate bonds related to lease/purchase and other financing arrangements by issuing refunding bonds in a par amount of $3.982 billion at a $91 million premium and releasing a net amount of $275 million from reserves and debt service accounts. The result will produce an estimated gain of $336 million in future cash flow with an estimated present value gain of $282 million. The deferred loss was $303 million of which $301 million will be amortized into interest expense in future years. The impact of the refunding issues is presented in the following table (amounts in millions):

Issue Description	Refunding Amount	Refunded Amount	Cash Flow Gain (Loss)	Present Value Gain (Loss)
NYS Dormitory Authority Mental Health Facilities Revenue Bond Series 2003	$ 1,022	$ 946	$ 116	$ 107
NYS Dormitory Authority Mental Health Facilities Revenue Bond Series 2003 E2-F2C	586	605	57	51
Dormitory Authority of the State of New York State Education Department Series 2003	26	25	2	2
Dormitory Authority of the State of New York CUNY Community College State Shares Series 2003	127	111	(4)	(10)
Dormitory Authority of the State of New York Department of Health Series 2003	42	41	2	2
NYS Environmental Facilities Corporation, State Park Infrastructure Series 2003 A	10	10	1	—
NYS Housing Finance Agency Score 2003 Series E, F, G, H, I, J	265	265	(3)	(3)
NYS Housing Finance Agency Score 2003 Series K, L, M	238	232	46	33
New York Local Government Assistance Corporation Series 2004 A	223	205	40	34
NYS Thruway Authority Local Highway & Bridge Service Contracts Series 2003 A, B, & C	754	814	30	19
NYS Urban Development Corporation Correctional and Youth Facilities Series 2003 A & B	689	683	49	47
Total	**$ 3,982**	**$ 3,937**	**$ 336**	**$ 282**

Included in the refunding issues outlined in the above table, the State, acting through its public authorities, issued a total of $3.3 billion par amount of new variable rate bonds which are subject to fixed rate interest rate exchange agreements to advance refund existing fixed rate debt service. Because a significant portion of the refundings was accomplished using variable rate debt and interest rate exchange agreements, actual future cash flow savings and present value savings may be either more or less due to changes in variable rates and interest rate indices. At March 31, 2004 market conditions required the State to make net interest rate exchange payments that exceeded amounts anticipated in the calculation of cash flow savings and present value savings above.

In prior years, the State refunded certain of its obligations under lease/purchase and other financing arrangements. At March 31, 2004, approximately $4.6 billion of such obligations were outstanding. The assets and liabilities related to these obligations are not reported in the accompanying basic financial statements.

Business-type Activity Debt

The State has issued bonds for the State University of New York and the City University of New York Senior Colleges (the Universities) educational facilities through the Dormitory Authority. Such debt totaling $7.3 billion is funded by payments from the State's General Fund. The remainder of the debts of the Universities ($737 million) is funded from student fees and other operating aid paid by the State.

The following represents June 30, 2003 year-end principal balances for SUNY and CUNY lease/purchase and other financing arrangements (amounts in millions):

	Outstanding July 1, 2002	Issued	Redeemed	Outstanding June 30, 2003
Dormitory Authority:				
SUNY Educational Facilities	$ 4,212	$ 1,339	$ 1,182	$ 4,369
SUNY Dormitory Facilities	426	155	21	560
CUNY Education Facilities	2,665	1,601	1,216	3,050
Unamortized discount	(45)	(131)	(32)	(144)
Total Dormitory Authority	**7,258**	**2,964**	**2,387**	**7,835**
SUNY Capital Lease Commitments	42	42	25	59
SUNY Certificates of Participation	8	—	3	5
CUNY Capital Lease Commitments	5	—	1	4
CUNY Certificates of Participation	131	—	13	118
Total (See Note 8)	**$ 7,444**	**$ 3,006**	**$ 2,429**	**$ 8,021**

The following is a summary of future minimum debt service payments on the bonds issued by the Dormitory Authority for the Universities including interest rates ranging from 1.5% to 10% (amounts in millions):

Fiscal Year Ending June 30	SUNY		CUNY		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2004	$ 146	$ 284	$ 141	$ 137	$ 287	$ 421
2005	171	272	86	147	257	419
2006	177	268	114	138	291	406
2007	172	262	109	128	281	390
2008	172	262	153	121	325	383
2009-2013	1,066	1,079	691	488	1,757	1,567
2014-2018	1,361	554	732	297	2,093	851
2019-2023	823	283	543	149	1,366	432
2024-2028	590	124	367	59	957	183
2029-2033	251	23	114	8	365	31
Total	**$ 4,929**	**$ 3,411**	**$ 3,050**	**$ 1,672**	**$ 7,979**	**$ 5,083**

The following is a summary of future minimum debt service payments on Certificates of Participation and Capital Lease Commitments for the Universities (amounts in millions):

Fiscal Year Ending June 30	SUNY		CUNY		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2004	$ 17	$ 2	$ 15	$ 6	$ 32	$ 8
2005	14	2	15	5	29	7
2006	12	1	16	5	28	6
2007	9	1	17	4	26	5
2008	2	—	18	3	20	3
2009-2013	4	—	41	3	45	3
2014-2018	1	—	—	—	1	—
2019-2023	2	—	—	—	2	—
2024-2028	1	—	—	—	1	—
2029-2033	2	—	—	—	2	—
Total	**$ 64**	**$ 6**	**$ 122**	**$ 26**	**$ 186**	**$ 32**

The liabilities for lease/purchase debt, certificates of participation and capital leases are reported as obligations under lease/purchase and other financing arrangements in the Enterprise Funds.

Debt service expenditures for all of the aforementioned obligations during the year ended June 30, 2003 totaled $515 million.

During the fiscal year ended March 31, 2004, the Dormitory Authority, acting on behalf of SUNY, refunded $1.189 billion in existing fixed rate bonds related to lease/purchase and other financing arrangements by issuing refunding bonds with a par of $1.301 billion. The impact of the refunding issues is presented below (amounts in millions):

Issue Description	Refunding Amount	Refunded Amount	Cash Flow Gain	Present Value Gain
Value Gain Dormitory Authority, for the City University of New York Senior Colleges, various issues	$ 1,301	$ 1,189	$ 118	$ 148

The Dormitory Authority City University refunding identified above incorporates $960 million of new variable rate debt subject to interest rate exchange agreements. The savings presented are therefore estimated. Actual future cash flow savings and present value savings may be either more or less due to changes in variable rates and swap indexes. At March 31, 2004 market conditions required the Dormitory Authority to make net swap payments that exceeded amounts anticipated in the calculation of cash flow savings and present value savings above.

Operating Leases

The State is also committed under numerous operating leases covering real property and equipment. Rental expenditures reported for the year ended March 31, 2004 under such operating leases totaled $204 million and were financed primarily from the General Fund.

The following is a summary of future minimum rental commitments under real property and equipment leases with terms exceeding one year (amounts in millions):

Fiscal Year	Amount
2005	$ 205
2006	188
2007	163
2008	139
2009	138
2010-2014	287
2015-2019	79
2020-2024	32
2025-2029	26
2030-2034	1
Total	**$ 1,258**

Interest Rate Exchange Agreements (Swaps)

As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance during the two years ended March 31, 2004, the State acting through its public benefit corporations entered into interest rate swaps in connection with its issuance of $5.5 billion of variable-rate bonds. These bond and swap agreements were part of the refunding transactions occurring during November 2002 and February 2004. The intention of the swap agreements is to effectively change the State's interest rate on the bonds to an average fixed rate that would be lower than could be achieved on traditional fixed rate bonds. At March 31, 2004 the average intended fixed rate of the entire $5.5 billion swap portfolio was approximately 3.30% including support costs and bond insurance fees, as displayed in the following table (amounts in millions):

Issuer	Notional Amount	Origination Dates	Average Swap Rate	Final Maturity Dates	Fair Value
Dormitory Authority	$ 2,329	4/10/2003-1/8/2004	3.2%	2/15/2021-7/1/2031	$ (44)
Urban Development Corporation	1,000	11/21/2002	3.6%	1/1/2030	(46)
Housing Finance Agency	388	2/13/2003-8/28/2003	3.4%	9/15/2021-3/15/2026	(15)
Local Government Assistance Corporation	1,210	2/20/2023-2/26/2004	3.2%	4/1/2021-4/1/2024	(9)
Thruway Authority	531	10/21/2003-11/6/2003	3.3%	3/15/2021	(18)
Total	**$ 5,458**				**$ (132)**

The following table discloses the future minimum debt service on the portfolio of bonds subject to the swap agreements based upon interest rates in effect at March 31, 2004 on the entire portfolio of swaps. The future minimum debt service on all debt reported under governmental activities and business-type activities has been previously presented within this note. The amounts reported below should not be added thereto (amounts in millions):

Fiscal Year	Principal	Interest	Net Swap Amount	Total
2005	$ —	$ 54	$ 138	$ 192
2006	—	55	141	196
2007	5	55	141	201
2008	4	55	141	200
2009	4	55	141	200
2010-2014	374	269	690	1,333
2015-2019	2,171	216	557	2,944
2020-2024	1,983	97	258	2,338
2025-2029	819	25	70	914
2030-2034	98	1	4	103
Total	**$ 5,458**	**$ 882**	**$ 2,281**	**$ 8,621**

The bonds and the related swap agreements have final maturities occurring through July 31, 2031 and the swaps' total notional amount of $5.5 billion matches the $5.5 billion variable-rate bonds. Under the swap agreements, the State pays the counterparties a fixed payment at rates ranging from 2.86% to 3.66% and receives a variable payment computed as 65% of one month LIBOR. The bonds' variable-rate coupons are based upon rates determined by remarketing agents for bonds in the weekly interest rate mode and by auction rate agents for bonds in the auction rate mode.

Due to the fact that the variable rates the State pays on the notional amount of variable rate bonds exceeded 65% of LIBOR at March 31, 2004, the swaps have an estimated negative fair value equal to their termination cost at March 31, 2004 of $132 million. The swaps estimated negative fair value may be countered by a reduction in total interest payments required under the variable-rate bonds, creating a lower synthetic fixed interest rate. However, should interest rates change and the fair value of the swap becomes positive, the State would be exposed to credit risk in the amount of the fair value of the swap. The lowest ratings of all the counterparties were AA- by Fitch Ratings, AA- by Standard & Poor's, and Aa3 by Moody's Investors Service as of March 31, 2004.

The swap contracts require that each counterparty have credit ratings from at least one nationally recognized statistical rating agency that is within the two highest investment grade categories and ratings which are obtained from any other nationally recognized statistical rating agencies for such counterparty shall also be within the three highest investment grade categories, or the payment obligations of the counterparty shall be unconditionally guaranteed by an entity with such credit ratings. The swap agreements and Article 5-D of the State Finance Law also require that should the credit rating of a counterparty fall below the rating required, that the obligations of such counterparty shall be fully and continuously collateralized by direct obligations of, or obligations the principal and interest on which are guaranteed by, the United States of America, with a net market value of at least 102% of the net market value of the contract to the Issuer and such collateral shall be deposited with the Issuer or its agent.

The swap agreements expose the State to basis risk should the relationship between LIBOR and actual variable rate payments converge, changing the synthetic rate on the bonds. The effect of this difference in basis is indicated by the difference between the intended synthetic rate and the actual synthetic rate resulting from future market conditions.

The swap contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The schedule to the Master Agreement includes "additional termination events," providing that the swaps may be terminated if either the State's or a counterparty's credit quality rating falls below certain levels. The State or the counterparties may terminate the swap agreements if the other party fails to perform under the terms of the contract. If one or more of the swap agreements is terminated, the related variable-rate bonds would no longer be hedged and the State would no longer effectively be paying a synthetic fixed rate with respect to those bonds. Also, if at the time of termination the swap has a negative fair value, the State would incur a loss and would be required to settle with the other party at the swaps' fair value. If the swap has a positive fair value at the time of termination, the State would realize a gain that the other party would be required to pay. In either case the State would become subject to the variable interest rates that were previously hedged to fixed rates.

Note 8 Liabilities

Changes in Long-Term Liabilities

The following table summarizes changes in long-term liabilities for both governmental activities and business-type activities (amounts in millions):

CHANGES IN LONG-TERM LIABILITIES—GOVERNMENTAL ACTIVITIES

Description	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Tax refunds payable	**$ 500**	**$ 79**	**$ —**	**$ 579**	**$ —**
Accrued liabilities:					
Payroll and fringe benefits	$ 128	$ 84	$ 2	$ 210	53
Compensated absences	1,664	973	684	1,953	—
Medicaid	534	205	94	645	124
Health insurance	192	—	—	192	—
Litigation	958	—	187	771	90
Workers' compensation reserve	1,123	294	201	1,216	195
Miscellaneous	148	53	19	182	2
Total	**$ 4,747**	**$ 1,609**	**$ 1,187**	**$ 5,169**	**464**
Payable to local governments:					
Education aid—prior year adjustment	$ 560	$ 8	$ 462	$ 106	—
Handicapped pupil aid	68	75	—	143	—
Yonkers school settlement	120	—	55	65	—
Temporary and disability assistance programs	126	—	111	15	—
Miscellaneous	3	10	—	13	—
Total	**$ 877**	**$ 93**	**$ 628**	**$ 342**	**—**
Pension contributions payable	**$ 144**	**$ —**	**$ 8**	**$ 136**	**—**
General obligation bonds payable:					
General obligation bonds payable	$ 3,996	$ 484	$ 677	$ 3,803	330
Plus or minus deferred amounts:					
For unamortized premiums	2	22	2	22	2
Net amount	**3,998**	**506**	**679**	**3,825**	**332**
Deferred loss on refunding	—	(35)	—	(35)	—
Total	**$ 3,998**	**$ 471**	**$ 679**	**$ 3,790**	**332**
Other financing arrangements:					
Capital leases	$ 181	$ 10	$ 15	$ 176	12
Certificates of participation	62	—	52	10	7
Other financing arrangements	26,982	11,773	5,092	33,663	1,342
Plus deferred amounts:					
For unamortized premiums	346	555	7	894	15
For accreted discount on bonds	309	32	—	341	—
Net amount	**27,880**	**12,370**	**5,166**	**35,084**	**1,376**
Deferred loss on refunding	(383)	(303)	(4)	(682)	—
Total	**$ 27,497**	**$ 12,067**	**$ 5,162**	**$ 34,402**	**1,376**
Total due within one year					**$ 2,172**

CHANGES IN LONG-TERM LIABILITIES—BUSINESS-TYPE ACTIVITIES

Description	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Accrued liabilities:					
Compensated absences	$ 599	$ 127	$ 133	$ 593	$ 172
Litigation	90	68	34	124	43
Interfund loan	198	3	14	187	15
Miscellaneous	205	81	12	274	18
Total	**$ 1,092**	**$ 279**	**$ 193**	**$ 1,178**	**248**
Lottery prizes payable	**$ 1,465**	**$ 51**	**$ 126**	**$ 1,390**	**217**
Other financing arrangements:					
Lottery	$ —	$ 4	$ —	$ 4	1
SUNY*	4,688	1,536	1,231	4,993	164
CUNY*	2,801	1,601	1,230	3,172	147
Minus deferred amounts for unamortized discounts*	(45)	(131)	(32)	(144)	—
Total	**$ 7,444**	**$ 3,010**	**$ 2,429**	**$ 8,025**	**312**
Total due within one year					**$ 777**

*June 30, 2003

Litigation and workers' compensation reserve will be liquidated by the General Fund. Medicaid accrued liabilities will be liquidated by the General and Federal Special Revenue Funds. Payroll and related fringe benefits, compensated absences, health insurance and miscellaneous accrued liabilities will be liquidated by the General Fund, Federal Special Revenue Fund and Other Governmental Funds. All payable to local governments liabilities will be liquidated by the General Fund. Pension contributions payable will be liquidated by the General Fund, Federal Special Revenue Fund and Other Governmental Funds.

Accrued Liabilities—Governmental Funds

The following table summarizes accrued liabilities at March 31, 2004 for governmental funds (amounts in millions):

Description	General	Federal Special Revenue	Other Governmental Funds	Total
Payroll	$ 388	$ 31	$ 45	$ 464
Fringe benefits	118	11	16	145
Medicaid	1,684	3,053	—	4,737
Health programs	39	—	556	595
Miscellaneous	54	9	47	110
Total	**$ 2,283**	**$ 3,104**	**$ 664**	**$ 6,051**

Payable to Local Governments—Governmental Funds

The following table summarizes payable to local governments at March 31, 2004 for governmental funds (amounts in millions):

Description	General	Federal Special Revenue	Other Governmental Funds	Total
Education programs	$ 678	$ 34	$ —	$ 712
Temporary and disability assistance	596	716	—	1,312
Local health programs	438	72	14	524
Mental hygiene programs	85	4	1	90
Criminal justice programs	34	124	1	159
Children and family services programs	5	225	—	230
Local share of tax revenues	321	—	—	321
Yonkers school settlement	55	—	—	55
Miscellaneous	50	81	64	195
Total	**$ 2,262**	**$ 1,256**	**$ 80**	**$ 3,598**

Accrued Liabilities—Business-type activities

The following table summarizes accrued liabilities at March 31, 2004 for enterprise funds (amounts in millions):

Description	Lottery	Unemployment Insurance Benefit	SUNY	CUNY	Total
Payroll	$ —	$ —	$ 134	$ 17	$ 151
Fringe benefits	—	—	30	26	56
Compensated absences	5	—	504	84	593
Litigation	—	—	124	—	124
Interfund loan	—	—	187	—	187
Employer overpayments	—	50	—	—	50
Benefits due claimants	—	12	—	—	12
Unclaimed and future prizes	220	—	—	—	220
Miscellaneous	—	—	336	115	451
Total	**$ 225**	**$ 62**	**$ 1,315**	**$ 242**	**$ 1,844**

Note 9 Interfund Transactions and Other Transfers

Interfund Transfers

Interfund transfers for the year ended March 31, 2004 consisted of the following (amounts in millions):

	Transfers To Other Funds						
Transfers From Other Funds	General	Other Governmental	Elimination	Total Governmental Funds	SUNY	CUNY	Total
General	$ —	$ 2,269	$ —	$ 2,269	$ 1,962	$ 673	$ 4,904
Federal Special Revenue	793	2,695	—	3,488	201	—	3,689
Other Governmental	16,442	1,520	—	17,962	200	146	18,308
Elimination	—	—	(23,719)	(23,719)	—	—	(23,719)
Total Governmental Funds	17,235	6,484	(23,719)	—	2,363	819	3,182
Lottery	—	1,907	—	1,907	—	—	1,907
SUNY	14	22	—	36	—	—	36
Fiduciary	685	—	—	685	—	—	685
Total	**$ 17,934**	**$ 8,413**	**$ (23,719)**	**$ 2,628**	**$ 2,363**	**$ 819**	**$ 5,810**

Transfers constitute the transfer of resources from the fund that receives the resources to the fund that utilizes them. The significant transfers include transfers to the General Fund from Other Governmental Funds representing excess revenues not needed in those funds. Transfers to the General Fund from Other Governmental Funds include: mental health patient fees in excess of debt service and rental reserve requirements of $2.4 billion, excess sales tax receipts not needed for LGAC debt service requirements of $2.0 billion, excess funds not needed for debt service on revenue bonds backed by personal income tax revenues of $5.2 billion, tobacco incentive pool funds of $473 million and the bad debt and charity care funds of $758 million, and excess real property transfer tax receipts from clean water and clean air programs of $307 million. The transfers to the General Fund from Fiduciary Funds ($680 million) represented excess unclaimed funds not needed to pay claims. Transfers from the General Fund to Other Governmental Funds are made for State capital projects ($228 million), for State debt service payments ($1.5 billion), and to the Enterprise Funds as State support to SUNY and CUNY Funds ($3.1 billion). Transfers from the Federal Special Revenue Fund and Other Governmental Funds are comprised of the Federal share of Medicaid payments for a variety of purposes including transfers to the Mental Health Services Fund for recipients residing in State-operated mental health and retardation facilities ($2.3 billion). Transfers from the Lottery to Other Governmental Funds represent Lottery support for school aid payments ($1.9 billion). The eliminations of $23.7 billion represents transfers made between the Governmental Funds.

Transfers from the Governmental Funds to the SUNY and CUNY Funds are reported as transfer to other funds by the Governmental Funds and as State appropriations by the SUNY and CUNY Funds. As explained in Note 1, the amounts reported for the SUNY and CUNY Funds are derived from their annual financial statements for the fiscal year ended June 30,

2003. Therefore, because of the different fiscal year-end for the SUNY and CUNY Funds, total transfers to other funds exceed total transfers from other funds by $442 million.

Due From/To Other Funds

The following is a summary of due from other funds and due to other funds at March 31, 2004 (amounts in millions):

	Due From Other Funds								
Due To Other Funds	General	Federal Special Revenue	Other Governmental	Elimination	Total Governmental Funds	SUNY	CUNY	Fiduciary	Total
General	$ —	$ 7	$ 10	$ —	$ 17	$ 154	$ 23	$ 591	$ 785
Federal Special Revenue	209	—	420	—	629	4	2	—	635
Other Governmental	997	284	2	—	1,283	—	—	—	1,283
Elimination	—	—	—	(116)	(116)	—	—	—	(116)
Total Governmental Funds	1,206	291	432	(116)	1,813	158	25	591	2,587
Lottery	—	—	181	—	181	—	—	—	181
SUNY	7	25	—	—	32	—	—	—	32
Fiduciary	462	—	—	—	462	—	—	—	462
Total	**$ 1,675**	**$ 316**	**$ 613**	**$ (116)**	**$ 2,488**	**$ 158**	**$ 25**	**$ 591**	**$ 3,262**

The more significant balances due to/from other funds include $449 million due to the General Fund to cover cash overdrafts in the short-term investment pool. These temporary interfund loans include $31 million to the Federal Special Revenue Fund and $418 million to Other Governmental Funds.

As explained in Note 1, the amounts reported for SUNY and CUNY Funds are derived from their annual financial statements for fiscal year ended June 30, 2003. Therefore, because of the different fiscal year-end of the SUNY and CUNY Funds, the total amount reported as due from other funds exceeds the total amount reported as due to other funds by $419 million.

Note 10 Commitments and Contingencies

The State receives significant financial assistance from the Federal government in the form of grants and entitlements. Receipt of grants is generally conditioned upon compliance with terms and conditions of the grant agreements and applicable Federal regulations, including the expenditure of resources for eligible purposes. Substantially all Federal grants are subject to either the Federal Single Audit Act or to financial and compliance audits by grantor agencies of the Federal government or their designees. Disallowances by Federal program officials as a result of these audits may become liabilities of the State.

The Dormitory Authority of the State of New York has $941 million outstanding of Secured Hospital Revenue Bonds for financing mortgage loans to various hospitals in New York City. The hospitals are committed to pay the debt service, and reserves have been established to cover deficiencies incurred by the hospitals. However, if both of these funding sources are inadequate, the State may be called upon to pay the debt service. Any such payments would require authorization by the State Legislature.

The New York State Constitution provides that the State may guarantee repayment of certain borrowings of the Job Development Authority (JDA) to carry out designated projects. The State has never been called upon to make any direct payments pursuant to such guarantees. However, in 1996 the State entered into an agreement with JDA and the New York State Urban Development Corporation (UDC) whereby UDC will provide funding needed by JDA to meet its debt service obligations. For the fiscal year ended March 31, 2004, UDC provided $8 million to JDA. As of March 31, 2004, JDA had $79 million of State-guaranteed bonds outstanding (with an additional $671 million authorized but not issued).

In order to provide additional inducement to investors to purchase the obligations of certain public benefit corporations, the legislation creating these corporations authorizes the State to make up any deficiencies in their debt service reserve funds, subject to legislative appropriation (effectively, a "moral obligation" to back the corporations' credit). Such "moral obligation" does not constitute full faith and credit obligations of the State. As of March 31, 2004, approximately $376 million in moral obligation bonds were outstanding. During the year, the State was not called on to make any payments.

Health care providers have a right to appeal Medicaid reimbursement rates. Based on an analysis of appeals, a liability of $436 million has been recognized.

In 1977-78, the State required that reserve funds held by insurance companies that underwrite the State employee health insurance programs be paid to the General Fund. The State is liable to replenish these reserve funds if needed to pay insured benefits or if the contracts with the insurance companies are terminated. Accordingly, based on actuarial calculations, the State has recorded a liability of $192 million, which is reported as accrued liabilities due beyond one year in the Statement of Net Assets.

Generally, the State does not insure its buildings, contents or related risks and does not insure its State-owned automobiles for bodily injury and property damages, but the State does have fidelity insurance on State employees. A liability is estimated for unpaid automobile claims based on an analysis of property loss and claim settlement trends. Routine uninsured losses are recorded as expenditures in the General Fund as paid, while significant uninsured losses usually are the result of litigation that is discussed further in Note 11. Insured losses incurred by the State did not exceed coverage for any of the three preceding fiscal years. Litigation losses are estimated based on an assessment of pending cases conducted by the Office of the Attorney General.

Workers' compensation is provided with the State Insurance Fund acting as the State's administrator and claims processing agent. Under an agreement with the State Insurance Fund, the State pays only what is necessary to fund claims. Based on actuarial calculations, discounted at 4% as of March 31, 2004, the State is liable for unfunded claims and incurred but not reported claims totaling $1.216 billion which is reported in accrued liabilities in the Governmental Activities.

Changes in the State's liability relating to workers' compensation claims, litigation (see Note 11) and auto claims in fiscal years 2003 and 2004 were (amounts in millions):

Fiscal Year	Claim Liability Beginning of Year	Increase in Liability Estimate	Payments and Decreases in Liability Estimate	Claim Liability End of Year
2002-2003	$ 1,765	$ 575	$ 257	$ 2,083
2003-2004	$ 2,083	$ 404	$ 500	$ 1,987

The State Abandoned Property Law requires the deposit of certain defined and unclaimed assets into a State-managed Abandoned Property Fund (Private Purpose Trust Fund). The State Finance Law provides that whenever the cash balance of the Abandoned Property Fund (Fund) exceeds $750 thousand at fiscal year-end, the excess must be remitted to the General Fund where it is reported as operating transfers from other funds. However, during the year, in accordance with the statute, the Fund has had cash balances that exceeded $750 thousand in order to meet anticipated cash flow demands. At March 31, 2004, the Fund included $297 million of securities not yet liquidated and funds restricted by Federal requirements that were not subject to transfer to the General Fund. Net collections from inception (1942) to March 31, 2004 of approximately $6.7 billion, excluding interest, represent a contingent liability to the State since claims for refund may be filed by the owners of such property.

A liability and a corresponding reduction of revenue representing the probable amount of escheat property that will be reclaimed and paid to claimants is reported in the Fund. To the extent that assets in the Fund are less than the claimant liability, a receivable (due from other funds) is reported in that Fund and an equal liability (due to other funds) is reported in the General Fund. At March 31, 2004, the amount reported in the Fund for claimant liability is $740 million and the amount reported in the General Fund as due to the Fund is $358 million. Since receipts in the Fund are expected to be adequate to pay current claims, it is not expected that General Fund support for that purpose will be required. Claims paid from the Fund during the year totaled $140 million.

The State is liable for costs relating to the closure and post-closure of landfills totaling $13 million which is recorded in accrued liabilities. Closure and post-closure requirements are generally governed by Title 6, Part 360 of the New York Code of Rules and Regulations. Since most landfills are inactive, the liability reflects the total estimated closure and post-closure cost at year-end. Liability estimates are based on engineering studies or on estimates by agency officials that are updated annually. Additionally, there are numerous toxic waste sites throughout the State for which the State's liability for future clean up costs cannot be determined.

In 2003, Empire Blue Cross Blue Shield (EBCBS) converted from a not-for-profit health insurance provider to a for-profit corporation. In contemplation of the conversion the State passed legislation requiring 95% of the stock of the converted company to go to a newly established fund in the sole custody of the State Comptroller, known as the Public Asset Fund (Fund). The remaining 5% of the stock will go to a newly established charitable foundation whose board is controlled by the State. As part of the plan the State agreed to divest itself of all stock it receives from the conversion within 10 years with minimum divestiture at early dates. Pursuant to the agreement, the State also does not possess the voting rights to this stock. On November 6, 2002, pursuant to a motion filed by plaintiffs, the New York Supreme Court issued a temporary restraining order enjoining and restraining the transfer of the proceeds of the sale of common stock to the Fund or the Foundation, to the State or any of its agencies or instrumentalities. The court also ordered that such proceeds be deposited with the State Comptroller pending the outcome of this action. The court did not enjoin the company from completing the conversion or the initial offering. Proceeds of $426 million from the initial public offering are held in an escrow account and are reported as an Agency Fund. The State's Public Asset Fund would receive approximately $405 million, equal to 95% of the proceeds, in the event of a successful outcome to this litigation benefiting the State. In addition to the proceeds held in escrow, the State presently holds as an agent approximately 63 million unsold shares of the converted company. Any proceeds from the sale of those shares would be subject to the same restraining order. Each sale of shares held by the State constitutes a new public offering by the company. The public offering of the shares held by the State are also subject to contractual agreements with the company which provide for specified times and circumstances during which the company can refuse the State's demand to hold a public offering of the company's stock held by the State.

Note 11 Litigation

The State is a defendant in numerous legal proceedings pertaining to matters incidental to the performance of routine governmental operations. Such litigation includes, but is not limited to, claims asserted against the State arising from alleged torts, alleged breaches of contracts, condemnation proceedings, and other alleged violations of State and Federal laws.

Included in the State's outstanding litigation are a number of cases challenging the legality or the adequacy of a variety of significant social welfare programs primarily involving the State's Medicaid and mental health programs. Adverse judgments in these matters generally could result in injunctive relief coupled with prospective changes in patient care that could require substantial increased financing of the litigated programs in the future. Because of the prospective nature of these matters, no provision for this potential exposure has been made in the accompanying basic financial statements.

The Court of Appeals directed the State to put in place reforms to school financing and governance designed to redress the funding mechanism for school aid. Because the court did not specify the manner in which to implement these reforms and the State has not agreed to a solution, no provision for potential exposure is made in the accompanying basic financial statements.

Actions commenced by several Indian nations which include the St. Regis Mohawk Indian Nation, the Oneida Indian Nation, and the Cayuga Indian Nation, claim that significant amounts of land were unconstitutionally taken from the Indians in violation of various treaties and agreements during the eighteenth and nineteenth centuries. The claimants seek recovery of thousands of acres of land as well as compensatory and punitive damages.

In addition, the State is party to other claims and litigation that its legal counsel has advised are not probable of adverse court decisions. Although the amounts of potential losses, if any, are not presently determinable, it is the State's opinion that its ultimate liability in these cases is not expected to have a material adverse effect on the State's financial position.

With respect to pending and threatened litigation, the State has reported, in the governmental activities, liabilities of $771 million for awarded and anticipated unfavorable judgments.

Note 12 State and Local Retirement System

There are three systems within the State and Local Retirement System (System) for employees of the State and its localities (except employees of New York City and teachers, essentially all of whom are covered by separate pension plans). The System, known and reported collectively as the New York State and Local Retirement System, are the State and Local Employees' Retirement System (ERS), the New York State and Local Police and Fire Retirement System (PFRS), and the Public Employees' Group Life Insurance Plan (GLIP). GLIP provides death benefits in the form of life insurance. All net assets of the System are held in the Common Retirement Fund which was established to hold all net assets and changes in net plan assets allocated to the System. In these statements, GLIP amounts are apportioned and included in either ERS or PFRS.

The State Comptroller is sole trustee and administrative head of the System. The System is a cost sharing multiple-employer defined benefit pension plan. On March 31, 2004, there were 2,985 participating government employers. Employees of the State constituted about 37% and 16% of the members for the ERS and PFRS, respectively, during the 2003-2004 fiscal year.

The System provides retirement benefits as well as death and disability benefits. Benefits vest after five years of credited service. Retirement benefits are established by the New York State Retirement and Social Security Law and are dependent upon the point in time at which the employees last joined the System. Contributory and noncontributory requirements also depend upon the point in time at which an employee last joined the System. Most members of ERS who joined the System on or before July 26, 1976 are enrolled in a noncontributory plan. Most members of PFRS are not required to make employee contributions. Employees who last joined ERS subsequent to July 26, 1976 are enrolled in a contributory plan which requires a 3%

contribution of their salary. As a result of Article 19, of the Retirement and Social Security Law, eligible Tier 3 and Tier 4 employees, with a membership date after July 26, 1976, who have ten or more years of membership or credited service with a System, are not required to contribute. Less than 1% of other members are contributory. Members cannot be required to begin contributing or make increased contributions beyond what was required when membership began. Generally, members of the System may retire at age 55; however, members of Tiers 2, 3 and 4 will receive a reduced benefit if they retire before age 62 with less than 30 years of service. An employee with less than five years of service may withdraw and obtain a refund, including interest, of the accumulated employee contributions.

The System's financial statements are prepared using the accrual basis of accounting. Revenue is recognized when earned and liabilities are recognized when incurred. Employer contributions are recognized when billed. Investments are reported at fair value. Stocks traded on a national or international exchange are valued at market value at current exchange rates. Bonds are primarily reported at market values obtained from independent pricing services. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals made every three years or according to the fund agreement. Investments that do not have an established market are reported at estimated fair value. The System trades in foreign exchange contracts in the normal course of its investing activities in order to manage exposure to market risks. Such contracts, which are generally for a period of less than one year, are used to purchase and sell foreign currency at a guaranteed future price. These contracts are recorded at market value using foreign currency exchange rates.

Equity and fixed income investments owned directly by the Fund are held at the Fund's custodian in the name of the Comptroller of the State of New York in Trust for the Common Retirement Fund. Directly held investments include: short term and long term fixed income, and domestic and global equity separately managed accounts. The aforementioned investments have the lowest custodial risk. Equity investments held indirectly by the Fund via limited partnerships, commingled investment funds, joint ventures and other similar vehicles are held in custody by an organization contracted with by the general partner and/or the investment management firm responsible for the management of each investment organization. Title to real property is either held by a real estate holding company or a real estate investment fund. Ownership of mortgage assets is documented by the Fund's holding of original mortgage and note documents by the Office of the State Comptroller (OSC), Division of Pension Investment and Public Finance.

Interest Rate Risk, as of March 31, 2004, is calculated using the weighted-average maturity of the bond's cash flows or the "Macaulay Duration" by bond type. New York State Statutes and the System's investment policies require that corporate fixed income obligations must be investment grade at the time of their acquisition to limit credit risk. Concentration of credit risk is addressed in Section 177 of the New York State Retirement and Social Security Law which establishes limits for the various investments held by the Fund. Section 177 limits investments in any one organization. The System's investment policies also permit it to invest up to 15% of its assets in publicly traded international equity investments. The System's current position in international equity securities, invested directly and indirectly through commingled funds, is 13.3% of invested assets.

Section 177-D of the New York State Retirement and Social Security Law authorizes the System to enter into security loan agreements with broker/dealers and New York State or national banks. The System has designated its master custodian bank to manage a securities lending program. This program is subject to a written contract between the System and the Custodian who acts as Security Lending Agent for the System. The Custodian is authorized to lend securities within the borrower limits and guidelines established by the System. Types of collateral received from borrowers for securities loaned are cash and government securities. The Custodian is authorized to invest the cash collateral in short-term investments that are legal for the System. These include domestic corporate and bank notes, U.S. Treasuries, obligations of federal agencies, and repurchase agreements. All rights of ownership to government securities pledged as collateral remain with the borrower except in the event of default. The System has not experienced any losses resulting from the default of a borrower or lending agent during fiscal 2003-2004 or in the history of the program.

The Custodian lends domestic fixed income, domestic equity, and international equity securities to brokers/dealers approved by the System. Collateral for securities loaned equals 102% of fair market value for domestic securities and 105% for international securities. Investment guidelines provided to the Custodian by the System minimize the risk that the cash collateral could be invested in securities which may default. The Custodian acknowledges responsibility to reimburse the System for losses that might arise from managing the program in a manner inconsistent with the contract. The System manages its credit risk by recording investments at market value daily and maintaining the value of the collateral held by the System in excess of the value of the securities loaned. At March 31, 2004, the System had no credit risk resulting from securities lending transactions.

All security loans can be terminated on demand by either the System or borrower. The average term of the open security loans is one day while the overall average term to maturity of invested collateral for the System's open loans is 14 days. To provide sufficient liquidity, the policy of the System is to maintain a minimum of 10% of collateral in overnight investments.

FUNDING STATUS

Participating employers are required under the New York State Retirement and Social Security Law to contribute annually to the System.

The funding of the System is accomplished through member and employer contributions and the investment earnings on these contributions, according to the New York State Retirement and Social Security Law. The aggregate actuarial funding method is used by the System. Generally, participating employers that have adopted the same benefit plans contribute at the same rate of payroll. The total employer contribution rate as a percentage of salary includes rates for administrative expenses, GLIP, and supplemental benefits. GLIP is a one-year term insurance plan. Consequently, the GLIP rates are determined so as to pay for the current year's GLIP costs. Similarly, the administrative rates are determined so as to pay the current year's administrative expenses. Employers may make other contributions due to legislation, such as retirement incentives, the 17-year amortization, and deficiency payments (which an employer may incur when joining the System and are payable for up to 25 years). The average employer contribution rate, excluding the 17-year amortization, for ERS and PFRS for the fiscal year ended March 31, 2004 was approximately 5.9% and 5.8% of payroll, respectively.

Employers' contributions receivable are presented net of withdrawals, refunds, advance employer payments, and credits due employers. Incentive program costs receivable from the State as of March 31, 2004 totaled $196 million. In addition, receivable amounts from participating employers include $94 million for the incentive program and $76 million for new plan adoptions and past service cost.

Annual bills for employer contributions accrue interest at the actuarial rate applicable during the year. With regards to the receivables described above, for fiscal year ended March 31, 2004, the applicable interest rate was 8%. Interest on amounts amortized over a fixed number of years remains at the fixed rate in effect at the time the payment schedule was established. The State's contribution to the System for years ended March 31, 2004, 2003, and 2002 were $485 million, $146 million, and $92 million, respectively, which equaled 100%, 100%, and 92% of the required contributions for each respective year.

Changes to employer contribution requirements during fiscal year 2003-2004 as a result of the enactment of Chapter 49, Laws of 2003, were as follows:

Requires minimum contributions by employers of 4.5% of payroll every year, including years when the investment performance of the fund would make a lower contribution possible.

Changes the cycle of annual billing such that the contribution for a given fiscal year will be based on the value of the pension fund on the prior April 1st (e.g. billings due December of 2004 are based on the pension fund value as of April 1, 2003).

Eliminates the State's ability to delay payment of annual contribution effective in fiscal year 2004-2005.

Allows one-time financing of State fiscal year 2004-2005 pension costs by permitting local governments to bond, over five years, any required contribution in excess of 7% of estimated salaries or to amortize required contributions in excess of 7% over a five year period.

The following presentation displays the Statement of Plan Net Assets for the System as of March 31, 2004 (amounts in millions):

STATEMENT OF PLAN NET ASSETS
March 31, 2004
(Amounts in millions)

	Employees' Retirement System	Police & Fire Retirement System	Total
Assets:			
Investments:			
Short-term investments	$ 1,593	$ 286	$ 1,879
Government bonds	16,888	3,034	19,922
Corporate bonds	8,281	1,488	9,769
Domestic stocks	50,239	9,027	59,266
International stocks	13,233	2,378	15,611
Alternative investments	5,712	1,026	6,738
Real property owned	3,840	690	4,530
Mortgage loans	1,297	233	1,530
Total investments	**101,083**	**18,162**	**119,245**
Securities lending collateral, invested	12,584	2,261	14,845
Forward foreign exchange contracts	199	36	235
Receivables	1,889	189	2,078
Other assets	32	6	38
Total assets	**115,787**	**20,654**	**136,441**
Liabilities:			
Securities lending collateral, due to borrowers	12,584	2,261	14,845
Forward foreign exchange contracts	200	36	236
Investment purchases	178	32	210
Benefits payable	88	28	116
Other liabilities	210	25	235
Total liabilities	**13,260**	**2,382**	**15,642**
Net assets held in trust for pension benefits	**$ 102,527**	**$ 18,272**	**$ 120,799**

The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to the New York State and Local Retirement System, Office of the State Comptroller, 110 State Street, Albany, New York, 12236-0001.

EMPLOYER ACCOUNTING

The pension contribution expenditure of $475 million reported in the Governmental Funds includes pension costs related to employee services rendered during the year and retirement incentive programs. Pension contributions payable reported in the General Fund of $60 million is for accrued employer contributions and retirement incentive programs. In addition, $136 million of the retirement incentive programs are reported on the Statement of Net Assets as pension contributions payable due in more than one year.

Note 13 Component Units—Public Benefit Corporations

Component Units—Public Benefit Corporations (Corporations) (as defined in Note 1) are legally separate entities that are not operating departments of the State. The Corporations are managed independently, outside the appropriated budget process, and their powers generally are vested in a governing board. Corporations are established for a variety of purposes for the benefit of the State's citizenry such as economic development, financing and public transportation. They are not subject to State constitutional restrictions on the incurrence of debt, which apply to the State itself, and may issue bonds and notes within legislatively authorized amounts.

Corporations are generally supported by revenues derived from their activities, although the State has provided financial assistance, in some cases of a recurring nature, to certain corporations for operating and other expenses. Financial assistance in the form of appropriated loans, contributed capital or operating subsidies for certain corporations, principally the Roswell Park Cancer Institute, the Metropolitan Transportation Authority, and the Urban Development Corporation was provided in the fiscal year ended March 31, 2004 and such assistance is expected to be required in future years. Accordingly, the fiscal condition of the State is related to the fiscal stability of the Corporations.

The amounts presented in the accompanying basic financial statements for the Corporations include the following entities for the fiscal year indicated:

Entities Audited by KPMG LLP:	Fiscal Year-End
Battery Park City Authority	October 31, 2003*
Dormitory Authority of the State of New York	March 31, 2004*
Health Research, Inc.	March 31, 2004*
Long Island Power Authority	December 31, 2003*
New York State Higher Education Services Corporation	March 31, 2004*
New York State Thruway Authority	December 31, 2003*
Niagara Frontier Transportation Authority	March 31, 2004*

Entities Audited by Other Auditors:	Fiscal Year-End
Aggregate Trust Fund	December 31, 2003
Agriculture and New York State Horse Breeding Development Fund Corporation	December 31, 2003*
Capital District Transportation Authority	March 31, 2004*
Central New York Regional Transportation Authority	March 31, 2004*
Homeless Housing and Assistance Corporation	March 31, 2004*
Housing Trust Fund Corporation	March 31, 2004*
Hudson River-Black River Regulating District	June 30, 2003
Industrial Exhibit Authority	March 31, 2003
Metropolitan Transportation Authority	December 31, 2003*
MTA Excess Loss Trust Fund	December 31, 2003
Metro-North Commuter Railroad Company	December 31, 2003
The Long Island Rail Road Company	December 31, 2003
Triborough Bridge and Tunnel Authority	December 31, 2003
Metropolitan Suburban Bus Authority	December 31, 2003
New York City Transit Authority	December 31, 2003
Staten Island Rapid Transit Operating Authority	December 31, 2003
Municipal Bond Bank Agency	October 31, 2003*
Natural Heritage Trust.	March 31, 2004*
Nelson A. Rockefeller Empire State Plaza Performing Arts	March 31, 2004*
New York City Convention Center Operating Corporation	March 31, 2004*
New York State Affordable Housing Corporation	March 31, 2004*
New York State Bridge Authority	December 31, 2003*
New York State Energy Research and Development Authority	March 31, 2004*
New York State Environmental Facilities Corporation	March 31, 2004*
New York State Housing Finance Agency	October 31, 2003*
New York State Job Development Authority	March 31, 2004*

Entities Audited by Other Auditors:	Fiscal Year-End
New York State Olympic Regional Development Authority	March 31, 2004*
New York State Project Finance Agency	October 31, 2003*
New York State Theatre Institute	March 31, 2004*
New York State Thoroughbred Breeding and Development Fund Corporation	December 31, 2003*
New York State Thoroughbred Racing Capital Investment Fund	December 31, 2003*
Ogdensburg Bridge and Port Authority	March 31, 2004*
Port of Oswego Authority.	March 31, 2004*
Power Authority of the State of New York	December 31, 2003*
Research Foundation for Mental Hygiene, Inc	March 31, 2004*
Rochester-Genesee Regional Transportation Authority	March 31, 2004*
Roosevelt Island Operating Corporation	March 31, 2003*
Roswell Park Cancer Institute	March 31, 2004
State Insurance Fund	December 31, 2003
State of New York Mortgage Agency	October 31, 2003*
Urban Development Corporation	March 31, 2004*

**Audit conducted in accordance with* Government Auditing Standards *as promulgated by the Comptroller General of the United States.*

Financial Information

Substantially all of the financial data was derived from audited annual financial statements and summarized into the combining statement format in the basic financial statements. The Corporations follow the accrual basis of accounting. A few of the individual component units, primarily, the State Insurance Fund, do not fully conform to the accrual basis; however, the impact of these variances is not material to the Corporations in total. Nine of the forty-one discrete entities presented comprise 92% of the combined assets and 86% of the combined program revenues (before eliminations). The remaining portion of this note contains a brief description of the operations of the nine largest entities. A presentation of their accounts is included in the Combining Statement of Net Assets and Combining Statement of Activities. Additional information about each of the Corporations can be obtained by contacting the Corporations directly and requesting a copy of their annual financial reports.

Certain Corporations issue revenue bonds for independent third-party entities to provide funding for the projects of those third parties. These bonds are considered conduit debt and are secured by payments made by third party entities and in some cases certain other pledged funds. These bonds do not constitute a debt or pledge of the faith and credit of the Corporations or the State. The Dormitory Authority, the Environmental Facilities Corporation (EFC) and the Energy Research and Development Authority (ERDA) have issued conduit debt and have elected different, but permissible, methods of accounting for it under GAAP. The Dormitory Authority has elected to report conduit debt and related assets on its balance sheet. At March 31, 2004 the liability reported for such debt was approximately

$17.9 billion. At March 31, 2004 EFC's balance sheet did not include $283 million in bonds it issued for certain private companies and $493 million it issued for the State. ERDA has issued conduit debt for participating gas and electric companies and other third party entities, the principal of which totaled approximately $3.7 billion at March 31, 2004, which is not included on ERDA's balance sheet.

Power Authority

The Power Authority of the State of New York (Authority) was created in 1931 to help provide a continuous adequate supply of dependable electric power and energy to the people of the State. The Authority generates, transmits, and sells electric power and energy principally at wholesale to various customers including private and municipal utilities.

Two of the Authority's largest facilities are the Niagara Power Project at Lewiston and the St. Lawrence-Franklin D. Roosevelt Power Project at Massena. These hydroelectric facilities produced net power generation during calendar year 2003 of 12.1 billion kilowatt-hours and 6.1 billion kilowatt-hours, respectively.

The Authority completed the sale of its two nuclear facilities to Entergy Corporation on November 21, 2000 (the closing date). The Authority has retained limited contractual decommissioning responsibility for each plant. The Authority has also retained the liability to reimburse Entergy Corporation for the disposal of spent fuel generated prior to April 7, 1983. In connection with this sale, the Authority entered into an agreement to purchase capacity and energy from the nuclear plants from Entergy at prices approximating estimated future market prices for the period from closing through 2004. The individual financial statements of the Authority can be obtained by contacting them at *www.nypa.gov.*

Thruway Authority

The New York State Thruway Authority (Authority) was created as a public benefit corporation by the Legislature in 1950 with powers to construct, operate and maintain a Thruway system. In 1991, the Legislature empowered the Authority to issue Local Highway and Bridge Service Contract (LHB) Bonds to provide funds to municipalities throughout the State for qualifying capital expenditures under State programs. The Authority has also issued Cross Westchester Expressway Special Obligation Bonds to fund the Authority's March 1991 purchase of Interstate 287 from the State. In August 1992, the State legislature created the New York State Canal Corporation (NYSCC) as a subsidiary corporation of the Authority to accept jurisdiction and control over the State Canal System from the State. In 1993, the Legislature authorized the Authority to issue Highway and Bridge Trust Fund Bonds (HBTF) to reimburse the State for expenditures made by the State's Department of Transportation in connection with the State's multi-year Highway and Bridge Capital Program.

The financial position of and activities relating to the special bond programs (LHB and HBTF) are reported within the funds of the State rather than under the Public Benefit Corporations because these special bond programs are not separate legal entities but are considered funds of the State. Columns headed "Thruway Authority" reflect the operations of the Thruway system and the NYSCC. The individual financial statements of the Authority can be obtained by contacting them at *www.thruway.state.ny.us*.

Metropolitan Transportation Authority

The Metropolitan Transportation Authority (MTA) was created to continue, develop and improve public transportation and to develop and implement a unified public transportation policy in the New York metropolitan area. The accounts presented as the MTA are the combined accounts of the nine subsidiaries. The MTA operates the largest transit and commuter rail transportation system in North America and one of the largest in the world. The MTA is dependent upon the State for a portion of its revenues. During the MTA fiscal year ended December 31, 2003, the MTA reported $1.8 billion in payments from the State. A significant portion of that aid was in payments from the State's Mass Transportation Operating Assistance Fund, a Special Revenue Fund, which derives a major portion of its receipts from taxes imposed in the Metropolitan Transportation District for this purpose. The State also provides funding to pay the debt service on approximately $2.4 billion in bonds issued by MTA for its capital projects. The State has limited issuance of this debt to $165 million in annual debt service with a final maturity not to exceed July 1, 2031. Debt service on MTA State Service Contract debt has been fully utilized. The MTA is currently in the fifth of a series of capital improvement programs undertaken since 1982. Capital assets acquired prior to April 1982 for the New York City Transit Authority (NYCTA) were funded primarily by New York City through capital grants. New York City has title to a substantial portion of such assets and they are not included among the assets reported under MTA. In certain instances, title to real property used by the Triborough Bridge and Tunnel Authority (TBTA) may revert to New York City in the event TBTA determines it is not needed for corporate purposes. The federal government has a contingent equity interest in assets acquired by the MTA with federal funds, and upon disposal of such assets, the federal government may have a right to its share of the proceeds from the sale.

The September 11, 2001 terrorist attack on the World Trade Center in New York resulted in significant physical and structural damage to certain NYCTA lines and related facilities and stations, temporary closure of TBTA bridges and tunnels, safety and security expenditures in and around the World Trade Center, and temporary closure of Grand Central Terminal and Pennsylvania Station. In April 2004, the Authority settled its claims with its property insurance carriers for damage caused as a result of the September 11, 2001 terrorist attack. The global settlement in the amount of $398 million represents the settlement of claims for losses related to the physical damage of property, loss of revenues, increased operating expenses, and other expenses related to the clean up of its facilities caused by the attack The individual financial statements of the MTA can be obtained by contacting them at *www.mta.nyc.ny.us*.

Dormitory Authority

The Dormitory Authority (Authority) is a public benefit corporation established in 1944. The Authority's purpose is to finance, design, construct, purchase, reconstruct and/or rehabilitate buildings (projects) for use by educational and other not-for-profit institutions (institutions) located within the State, certain State agencies, local school districts, and cities and counties with respect to court facilities.

The Authority's outstanding bonds and notes of $31 billion consist mainly of debt issued for health care facilities ($9.4 billion), independent institutions ($5.3 billion), State University projects ($5.4 billion), City University projects ($3.5 billion) and New York State Agency projects ($4.7 billion). The remaining debt was issued for projects for municipal facilities and other non-profit organizations. The individual financial statements of the Authority can be obtained by contacting them at *www.dasny.org*.

Long Island Power Authority

The Long Island Power Authority (Authority) was established as a corporate municipal instrumentality of the State. On May 28, 1998, the LIPA Acquisition Corporation, a wholly-owned subsidiary of the Authority, was merged with and into the Long Island Lighting Company (LILCO) pursuant to an Agreement and Plan of Merger dated as of June 26, 1997. The Authority and its subsidiaries conduct the electric transmission and distribution business in Nassau and Suffolk counties which covers a service area of approximately 1,230 square miles and a population of approximately 2.75 million.

The Authority financed the cost of the merger and the refinancing of certain of the LILCO's outstanding debt by the issuance of $6.73 billion aggregate principal amount of Electric System General Revenue Bonds and Electric System Subordinated Revenue Bonds. In addition, the Authority assumed $1.19 billion of LILCO's General and Refunding Bonds which were defeased immediately upon the closing of the merger. The excess of the acquisition costs over the fair value of net assets acquired ($3.5 billion) has been reported as an "intangible asset," which is being amortized over a 35-year period. The individual financial statements of the Authority can be obtained by contacting them at *www.lipower.org*.

Urban Development Corporation

The New York State Urban Development Corporation (UDC) was established by legislative act in 1968 as a corporate governmental agency of the State. UDC now conducts business as the Empire State Development Corporation. UDC is engaged in three principal activities: special projects financed by revenue bonds, economic development projects, and real estate projects financed by general and corporate purpose bonds. A brief description of these activities follows:

UDC issues special project revenue bonds, the proceeds of which are primarily used to construct correctional facilities for the State, to refinance State office facilities or to construct technology facilities for universities located within the State, to finance construction and rehabilitation of youth facilities, and to construct or improve various sports facilities. Under the related agreements, UDC is reimbursed by the State in amounts sufficient to amortize the debt service on the bonds.

UDC's efforts in economic development projects are funded by State appropriations and are primarily directed at several activities involving civic, commercial, high technology, and industrial development within the State. UDC also provides financial assistance, including low cost project financing in the form of loans, loan guarantees and interest subsidy grants; planning and feasibility studies; and technical assistance in management, financing and design of a project. UDC was also appropriated $700 million by the United States Department of Housing and Urban Development to assist in the recovery and revitalization of lower Manhattan of which $564 million was disbursed through March 31, 2004.

In November of 2001, the Board of Directors authorized the creation of the Lower Manhattan Development Corporation (LMDC) as a subsidiary of UDC. The purpose of LMDC is to assist in the economic recovery of lower Manhattan. LMDC was appropriated $2.8 billion by the United States Department of Housing and Urban Development for economic recovery and revitalization of lower Manhattan. Approximately $526 million was disbursed through March 31, 2004.

Real estate projects financed by general and corporate purpose bonds are primarily in large-scale development of housing for low, moderate and middle-income persons and families, financing non-residential, commercial, civic and industrial properties and in development of new communities. Since the mid-1970's UDC activity in this area has been limited to the monitoring and loan servicing of existing projects. The financial statements of the UDC can be obtained by contacting them at *www.nylovesbiz.com*.

State Insurance Fund

The State Insurance Fund (Fund) is comprised of the Workers' Compensation Fund and the Disability Benefits Fund and is primarily engaged in providing workers' compensation and disability benefit insurance for employers in the State of New York.

During previous fiscal years, the Fund transferred approximately $1.3 billion to the State's General Fund and Other Governmental Funds. The statutes authorizing these transfers required that the State appropriate amounts annually for the potential repayment of the transfers. Such repayment is required only to maintain the solvency, as defined, of the Workers' Compensation Fund. The entire receivable and equity related to these transfers were eliminated from the presentation of the Fund, resulting in a fund balance of approximately $345 million.

The accounting principles followed by the Fund comprise a comprehensive basis of accounting other than accounting principles generally accepted in the United States (GAAP). A few of the major departures from GAAP are: the contingent receivable from the State of $1.3 billion would be discounted for collectibility and imputed interest; the Fund established a reserve for security fluctuations to provide for the difference between amortized cost and fair value where under GAAP no such reserve would be allowed. Bonds are generally carried at amortized cost. Under GAAP, bonds are classified into "held to maturity" and reported at amortized cost, "trading" and reported at fair value with unrealized gains and losses included in earnings, or "available for sale" and reported at fair value with unrealized gains and losses reported as a separate component of surplus. The net unrealized gains and losses from investments in common stock are reported in unassigned surplus and dividend income generally is reported when received. Under GAAP, common stocks are classified as either "trading" and reported at fair value with unrealized gains and losses included in earnings, or "available for sale" and reported at fair value with unrealized gains and losses reported as a separate component of surplus. Policy acquisition costs are expensed as incurred, whereas under GAAP they would be deferred and amortized to income on the same basis as premium income is recognized; certain assets designated as non-admitted assets (principally premiums in the course of collection over 90 days and office furniture and equipment) are charged directly against the surplus, where under GAAP they would be included in total assets less valuation allowances; and comprehensive income and its components are not presented in the Fund's financial statements. A more complete list of departures from GAAP are disclosed in the Fund's financial statements which may be obtained from *www.nysif.com*.

State of New York Mortgage Agency

The State of New York Mortgage Agency (Agency) makes mortgages available to first-time home buyers through its Forward Commitment Home Ownership Programs and provides mortgage insurance for qualifying real property loans through its Mortgage Insurance Program. To accomplish this purpose the Agency issues tax-exempt mortgage revenue bonds for direct issuance of forward commitments for new mortgage loans through participating financial institutions.

By statute all costs of providing mortgage insurance are recovered from a state mortgage recording tax surcharge, which is a dedicated tax revenue stream received directly by the Agency. The Agency provides certain financial guarantees that are not fully recognized in its financial statements. As of October 31, 2003, the Agency had issued guarantees of approximately $1.72 billion, of which a minimum of 20% has been provided as part of the fund balance, for potential claims. When an insured mortgage is in default, the insured amount is established as a liability reserve. The financial statements of the Agency can be obtained by contacting them at *www.nyhomes.org*.

Environmental Facilities Corporation

The New York State Environmental Facilities Corporation (EFC) is a public benefit corporation, formed pursuant to the New York Environmental Facilities Corporation Act that promotes environmental quality by providing low-cost capital and expert technical assistance to municipalities, state agencies and businesses for environmental projects throughout New York State. Its purpose is to help public and private entities comply with federal and state environmental requirements. EFC is governed by a board of directors which consists of seven members.

The services offered by EFC include providing low-cost capital for both water quality protection and water supply projects through the Clean Water and Drinking Water State Revolving Funds; assisting municipalities, businesses, and State agencies to understand and comply with environmental laws and regulations through the Technical Advisory Services Program including protecting the New York City Watershed and helping small businesses comply with air pollution standards; and providing low-cost capital and other financial assistance to New York businesses for environmental protection projects through the Industrial Finance and Financial Assistance to Business programs. The financial statements of the Agency can be obtained by contacting them at *www.nysefc.org*.

Eliminations

Eliminations are made primarily to avoid duplicate reporting. As explained in Note 7, the State services a significant portion of the bonds and notes payable of certain Corporations.

Note 14 Joint Ventures

A joint venture is an entity that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control, in which the participants retain an ongoing financial interest or an ongoing financial responsibility. The only material joint venture in which the State has a financial interest is the Port Authority of New York and New Jersey (Port Authority).

The Port Authority is a municipal corporate instrumentality of the States of New York and New Jersey created by compact between the two states in 1921 with the consent of the Congress of the United States. The Authority is authorized and directed to plan, develop, and operate terminals and other facilities of transportation and commerce, and to advance projects in the general fields of transportation, economic development, and world trade that contribute to promoting and protecting the commerce and economy of the port district, defined in the compact, which comprises an area of about 1,500 square miles in both states, centering about New York harbor.

The Governor of each state appoints six of the twelve members of the governing Board of Commissioners, subject to confirmation by the respective State Senate. Each Governor has from time to time exercised the statutory power to veto the actions of the commissioners from their state.

The commissioners serve six-year overlapping terms as public officials without compensation. They establish Port Authority policy, appoint an Executive Director to implement it, and appoint a General Counsel to act as legal advisor to the Board and to the Executive Director.

The compact envisions the Port Authority as being financially self-sustaining and, as such, it must obtain the funds necessary for the construction or acquisition of facilities upon the basis of its own credit. The Port Authority has neither the power to pledge the credit of either state or any municipality nor to levy taxes or assessments.

The liabilities of the Port Authority include $6.9 billion of consolidated bonds and notes. Consolidated bonds and notes are equally and ratably secured by a pledge of the net revenues of all existing facilities and any additional facilities which may be financed in whole or in part through the medium of consolidated bonds and notes.

The Port Authority's Comprehensive Annual Financial Report is available from the Public Affairs and Comptroller's Departments of the Port Authority of New York and New Jersey, 225 Park Avenue South, New York, NY 10003-1604, or the Port Authority website at *www.panynj.gov*.

With respect to the September 11, 2001 attacks, the Port Authority expensed $1.1 billion net book value of various assets consisting primarily of buildings, infrastructure and certain ancillary equipment that together comprise the components of the World Trade Center complex destroyed as a result of the September 11, 2001 terrorist attacks. In accordance with established accounting criteria, a receivable in an amount equal to such net book value has been recognized. In 2003, the Port Authority collected $68 million and applied it against the receivable.

Pursuant to an agreement with the Port Authority of New York and New Jersey, the State sold its lease rights in office space to the Port Authority in return for a series of payments to the State over a period of 30 years. A receivable for $432 million was previously reported in the General Fund at March 31, 2003. In March 2004, the State assigned this receivable to the Urban Development Corporation. As a result of this assignment, the receivable is not reported in the basic financial statements at March 31, 2004.

Consolidated financial statements of the Port Authority for the fiscal year ended December 31, 2003 disclosed the following (amounts in millions):

Financial Position

Total assets	$	18,879
Total liabilities		(12,077)
Net assets	**$**	**6,802**

Operating Results

Operating revenues	$	2,764
Operating expenses		(1,919)
Depreciation and amortization		(521)
Expenses related to September 11, 2001		664
Income from operations		**988**
Passenger facility charges		109
Financial income (expense), net		(278)
Contribution in aid of construction and grants		64
Net income	**$**	**883**

Changes in Net Assets

Balance at January 1, 2003	$	5,919
Net income		883
Balance at December 31, 2003	**$**	**6,802**

Note 15 Subsequent Events

The Statement of Net Assets presents bonds and other financing arrangements outstanding as of the statement date, which is March 31, 2004 except for Business-type Activities related to the SUNY and CUNY Enterprise Funds reported as of June 30, 2003. Subsequent to those dates, the following bonds and other financing arrangements were issued (amounts in millions):

BONDS AND OTHER FINANCING ARRANGEMENTS ISSUED SUBSEQUENT TO DATE OF THE STATEMENT OF NET ASSETS (Amounts in millions)

Issuer	Purpose	Date	Series	Par Amount
Dormitory Authority	SUNY Dormitory Facilities	12/9/2003	SUNY Dormitory Facilities, Series 2003A	$ 60
Dormitory Authority	SUNY Dormitory Facilities	12/9/2003	SUNY Dormitory Facilities, Series 2003B	$259
Dormitory Authority	SUNY Dormitory Facilities	12/9/2003	SUNY Dormitory Facilities, Series 2003C	$ 6
Dormitory Authority	SUNY Educational Facilities	3/25/2004	State PIT Bonds, Series 2004 A	$ 29
Dormitory Authority	SUNY Educational Facilities	3/25/2004	State PIT Bonds, Series 2004 B	$ 15
Dormitory Authority	Department of Heath, Refunding	4/6/2004	Department of Heath, Series 2004 (Sub Series 1)	$ 77
Dormitory Authority	Department of Heath, Refunding	4/6/2004	Department of Heath, Series 2004 (Sub Series 2)	$ 79

Required Supplementary Information

Budgetary Basis—Financial Plan and Actual—Combined Schedule of Cash Receipts and Disbursements

MAJOR FUNDS—GENERAL FUND AND FEDERAL SPECIAL REVENUE FUND

For the Year Ended March 31, 2004
(Amounts in millions) (Unaudited)

	General			
	Financial Plan Amounts		Actual (Budgetary Basis)	Favorable (Unfavorable) Variance with Final Budget
	Original	Final		
RECEIPTS:				
Taxes	$ 28,561	$ 27,838	$ 27,934	$ 96
Miscellaneous	5,569	5,970	5,917	(53)
Federal grants	—	645	654	9
Total receipts	**34,130**	**34,453**	**34,505**	**52**
DISBURSEMENTS:				
Local assistance grants	29,835	29,322	29,246	76
Departmental operations	7,205	7,055	7,094	(39)
General state charges	3,232	3,257	3,247	10
Debt service	—	—	—	—
Total disbursements	**40,272**	**39,634**	**39,587**	**47**
Excess (deficiency) of receipts over disbursements	**(6,142)**	**(5,181)**	**(5,082)**	**99**
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	7,610	7,817	7,822	5
Transfers to other funds	(2,465)	(2,437)	(2,479)	(42)
Net other financing sources (uses)	**5,145**	**5,380**	**5,343**	**(37)**
Fiscal Management Plan/Federal Aid	**912**	**—**	**—**	**—**
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	**$ (85)**	**$ 199**	**$ 261**	**$ 62**

See notes to required supplementary information.

Federal Special Revenue

Financial Plan Amounts: Original	Financial Plan Amounts: Final	Actual (Budgetary Basis)	Favorable (Unfavorable) Variance with Final Budget
$ —	$ —	$ —	$ —
209	117	140	23
31,806	34,920	35,119	199
32,015	**35,037**	**35,259**	**222**
27,782	30,251	30,022	229
1,238	1,266	1,388	(122)
160	166	171	(5)
—	—	6	(6)
29,180	**31,683**	**31,587**	**96**
2,835	**3,354**	**3,672**	**318**
—	—	—	—
(2,851)	(3,024)	(3,068)	(44)
(2,851)	**(3,024)**	**(3,068)**	**(44)**
—	**—**	**—**	**—**
$ (16)	**$ 330**	**$ 604**	**$ 274**

NOTES TO BUDGETARY BASIS REPORTING

Budgetary Basis Reporting

The State Constitution requires the Governor to submit annually an Executive Budget, which contains a complete plan for all funds of expenditures for the ensuing fiscal year as well as all monies and revenues estimated to be available. Bills containing all recommended appropriations or reappropriations and any proposed legislation necessary to provide monies and revenues sufficient to meet such proposed expenditures accompany the Executive Budget. Budgets are prepared and enacted for all funds. Included in the proposed appropriation bills is a provision for spending authority for unanticipated revenues or unforeseen emergencies in accordance with statutory requirements. The Executive Budget includes a cash basis financial plan that must be in balance, i.e., disbursements must not exceed available receipts.

The Legislature enacts appropriation bills and revenue measures embodying those parts of the Executive Budget it has approved or modified. The Legislature may also enact a supplemental appropriation bill and special appropriation bills. When the Legislature convenes in January, it may enact a deficiency appropriation bill that authorizes additional unforeseen expenditures for the then current fiscal year. The Legislature did not enact any supplemental appropriations during the year.

Once the appropriation and revenue bills become law, the cash basis and the GAAP basis financial plans are revised by the Governor to reflect the impact resulting from changes in appropriations and revenue bills. The cash basis financial plan, which serves as the basis for the administration of the State's finances during the fiscal year, authorizes spending at amounts less than or equal to the appropriations enacted by the Legislature. Accordingly, the cash basis financial plan is generally considered to be the State's "Budget." The Governor is required to provide a quarterly report to the Legislature showing a comparison of the actual year-to-date results with the latest revised plans providing an explanation of any major deviations and any significant changes to the financial plans.

The State's central accounting system includes controls over disbursements to ensure that the maximum spending authority is not exceeded during the life of the appropriation. Disbursements are controlled at the major object level within each program/project of each State agency in accordance with the underlying approved appropriation bills. Compliance with the level of legal control is reported in a separate document entitled, *"Appropriation/Segregation Accounts."* This document reports both disbursements and encumbrances, which reserve a portion of the applicable appropriation, thereby ensuring that the appropriations are not exceeded. Encumbrances are not considered a disbursement in the financial plan or an expenditure in the basic financial statements. Appropriations do not lapse at fiscal year-end. Generally, appropriations lapse on September 15, following the end of the fiscal year, except for state operations appropriations which lapse on June 30. Disbursements related to prior year appropriations and made during the lapse period are included in the subsequent fiscal year financial plan. Many appropriations enacted are not intended to be used, although required by law. These types of appropriations will generally cause total appropriation authorizations to exceed cash basis financial plan disbursement amounts. Actual disbursements for certain line items exceeded financial plan as reported in the Budgetary Basis—Financial Plan and Actual but did not exceed total appropriations for those line items. Most Capital Projects appropriations and many State operations appropriations are reappropriated each year by the Legislature and therefore the lives of such appropriations may be many years. If the budget is not enacted by April 1, the legislature enacts special emergency appropriations to continue State operations, as was done from April to May 2003.

The following presents a reconciliation of the budgetary cash basis operating results as shown in the preceding Budgetary Basis—Financial Plan and Actual Combining Schedule of Cash Receipts and Disbursements (Schedule) with the GAAP-basis operating results reported in the Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)—Governmental Funds (Statement) (amounts in millions):

	General	Federal Special Revenue
Receipts and other financing sources over disbursements and other financing uses per schedule	$ 261	$ 604
Entity differences:		
Receipts and other financing sources over disbursements and other financing uses for funds and accounts not included in the cash basis financial plan	264	—
Perspective differences:		
Receipts and other financing sources over disbursements and other financing uses for funds treated as Special Revenue Funds in the financial plan and part of the General Fund for GAAP reporting	178	—
Temporary interfund cash loans	796	(308)
Basis of accounting differences:		
Revenue accrual adjustments	224	(607)
Expenditure accrual adjustments	1,316	311
Net Change in Fund Balances	**$ 3,039**	**$ —**

The entity differences relate to the inclusion of certain funds considered to be Proprietary Funds for purposes of the cash basis financial plan. In addition, the inclusion of the personal income tax refund reserve accounts that are not included in the Governmental Funds cash basis financial plan, contribute to the entity difference.

Perspective differences relate to variations in the presentation of the cash basis financial plan fund structure versus GAAP fund structure. A perspective difference for temporary interfund loans occurs when a fund temporarily overdraws its share of the pooled investment funds. These temporary loans are covered by the General Fund's share of the pool. A perspective difference relating to the Infrastructure Trust Fund and Earmarked Revenue Accounts occurs because these funds are included in the Special Revenue Funds cash basis financial plan while the GAAP-basis presentation includes them in the General Fund.

INFRASTRUCTURE ASSETS USING THE MODIFIED APPROACH

In accordance with Generally Accepted Accounting Principles, the State has adopted an alternative method to recording depreciation expense for the State's network of roads and bridges maintained by the Department of Transportation. Under this method, referred to as the modified approach, the State will not report depreciation expense for roads and bridges but will capitalize all costs that add to the capacity and efficiency of State owned roads and bridges. Generally all maintenance and preservation costs will be expensed and not capitalized.

In order to adopt the modified approach, the State is required to meet the following criteria:

1. Maintain an asset management system that includes a current inventory of eligible infrastructure assets.
2. Conduct condition assessments of eligible assets and summarize the results using a measurement scale.
3. Estimate each year the annual amount necessary to maintain and preserve the eligible assets at the condition level established and disclosed by the State.
4. Document that the assets are being preserved approximately at, or above, the established condition level.

Roads

The Department of Transportation maintains the Pavement Management System (PMS) which supports a construction program that preserves the State's investment in its roads. The PMS contains locational, operational and historical condition data. The PMS is used to determine the appropriate program for improving the asset condition and to determine future funding levels necessary to meet condition goals. The overall goal is for the State to provide a management system for the State's infrastructure assets in order to provide long-term benefits to the State's citizens.

The State annually conducts an assessment of the pavement condition of the State's road network. Trained technicians rate the condition of the pavement based on surface condition and dominant distress (e.g. cracking, faulting) using a scale of A1 (very poor) to A10 (excellent) based on the prevalence of a surface-related pavement distress. A pavement condition rating (PCR) is assigned to each surface section. The State currently has 42,466 lane miles of roads.

It is the State's intention to maintain the roads at an average PCR between 6.7 and 7.2.

Bridges

The State Department of Transportation maintains the Bridge Management System (BMS) which supports a construction program that preserves the State's investment in its bridges. The BMS is used in planning construction programs and estimating construction costs. The overall goal is for the State to provide a management system for the State's infrastructure assets in order to provide long-term benefits to the State's citizens.

The State conducts biannual inspections of all bridges in the state. The State uses a numerical inspection condition rating scale ranging from 1 (minimum) to 7 (maximum). During each general inspection, various components or elements of each bridge span are rated by the inspector as to extent of deterioration as well as the component's ability to function structurally relative to when it was newly designed and constructed. The element rating values are combined using a weighted average formula to compute an overall bridge condition rating value of each bridge. A rating of 6 to 7 is excellent, which indicates that no repairs are necessary. A rating of 3 to 5 is fair to good, which indicates that minor repairs are required. A rating of 1 to 2 is deficient, which indicates major repairs or replacement are necessary. The State has approximately 7,700 bridges.

It is the State's intention to maintain the bridges at an average condition rating level between 5.3 and 5.6

Comparison of Estimated-to-Actual Maintenance/Preservation Costs

Preservation of the roads and bridges is accomplished through construction programs managed by the PMS and BMS. The following presents the State's estimate of costs necessary to preserve and maintain the network of roads and bridges at, or above, the established condition level, compared to the actual costs incurred during the fiscal year 2003-2004 (amounts in millions):

Estimated	$1,001
Actual	$1,096

Pavement and Bridge Condition Summary as of December 31, 2003

Pavements Average Surface Rating	Bridges Average Condition Rating
6.86	5.45

Other Supplementary Information

STATE OF NEW YORK

EXCELSIOR

COMPTROLLER

General Fund

The General Fund is the most significant of the State's funds. Most tax revenues and certain miscellaneous revenues are recorded in the General Fund.

The General Fund is divided into several accounts. Expenditures in the form of aid to local governments for their general purposes (e.g., State-local revenue sharing) and to school districts and municipalities for certain specific purposes (e.g., education and social services) are made from the Local Assistance account. These payments, often based on specific legislated formulas, are nevertheless limited under the State Constitution to appropriations in force. Expenditures from the Local Assistance account normally comprise approximately 60% of General Fund expenditures.

The expenditures of operating the departments of the Executive Branch, the Legislature and the Judiciary, as well as expenditures for general state charges such as contributions to employee retirement systems, are paid primarily from the State Purposes account and normally comprise approximately 40% of the General Fund expenditures.

Combining Schedule of Balance Sheet Accounts

GENERAL FUND

March 31, 2004
(Amounts in millions)

	Local Assistance	State Purposes	Tax Stabilization Reserve	Contingency Reserve	Community Projects
ASSETS:					
Cash and investments	$ 102	$ 566	$ 794	$ 21	$ 262
Receivables, net of allowance for uncollectibles:					
Taxes	—	5,167	—	—	—
Other	11	248	—	—	—
Due from other funds	229	1,378	—	—	—
Other assets	110	102	—	—	—
Total assets	**$ 452**	**$ 7,461**	**$ 794**	**$ 21**	**$ 262**
LIABILITIES:					
Tax refunds payable	$ —	$ 4,201	$ —	$ —	$ —
Accounts payable	—	345	—	—	—
Accrued liabilities	1,685	528	—	—	—
Payable to local governments	1,881	321	—	—	16
Due to other funds	180	547	—	—	—
Pension contributions payable	—	60	—	—	—
Deferred revenues	1	213	—	—	—
Total liabilities	**3,747**	**6,215**	**—**	**—**	**16**
FUND BALANCES (DEFICITS):					
Reserved for:					
Encumbrances	209	156	—	—	46
Tax stabilization	—	—	794	—	—
Other specified purposes	102	1	—	21	200
Unreserved	(3,606)	1,089	—	—	—
Total fund balances (deficits)	**(3,295)**	**1,246**	**794**	**21**	**246**
Total liabilities and fund balances (deficits)	**$ 452**	**$ 7,461**	**$ 794**	**$ 21**	**$ 262**

See independent auditors' report.

Fringe Benefit Escrow	Earmarked Revenue	Miscellaneous	Eliminations	Totals 2004	Totals 2003
$ —	$ 903	$ 34	$ —	**$ 2,682**	$ 1,183
—	—	—	—	**5,167**	4,251
1	88	6	—	**354**	511
261	19	32	(244)	**1,675**	2,036
—	2	1	—	**215**	445
$ 262	**$ 1,012**	**$ 73**	**$ (244)**	**$ 10,093**	**$ 8,426**
$ —	$ —	$ —	$ —	**$ 4,201**	$ 3,657
—	52	28	—	**425**	307
—	59	11	—	**2,283**	2,214
—	44	—	—	**2,262**	3,560
1	208	93	(244)	**785**	1,212
—	—	—	—	**60**	68
—	143	1	—	**358**	728
1	**506**	**133**	**(244)**	**10,374**	**11,746**
—	182	66	—	**659**	467
—	—	—	—	**794**	710
—	—	5	—	**329**	39
261	324	(131)	—	**(2,063)**	(4,536)
261	**506**	**(60)**	**—**	**(281)**	**(3,320)**
$ 262	**$ 1,012**	**$ 73**	**$ (244)**	**$ 10,093**	**$ 8,426**

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance (Deficits) Accounts

GENERAL FUND

Year Ended March 31, 2004
(Amounts in millions)

	Local Assistance	State Purposes	Tax Stabilization Reserve	Contingency Reserve	Community Projects
REVENUES:					
Taxes:					
Personal income	$ —	$ 16,337	$ —	$ —	$ —
Consumption and use	—	7,869	—	—	—
Business	—	3,294	—	—	—
Other	—	691	—	—	—
Federal grants	—	645	—	—	—
Miscellaneous	2	1,295	—	—	—
Total revenues	**2**	**30,131**	**—**	**—**	**—**
EXPENDITURES:					
Local assistance grants:					
Social services	9,302	—	—	—	12
Education	15,404	—	—	—	12
Mental hygiene	1,080	—	—	—	3
General purpose	869	—	—	—	—
Health and environment	554	—	—	—	10
Transportation	479	—	—	—	1
Criminal justice	172	—	—	—	7
Miscellaneous	343	—	—	—	48
Departmental operations:					
Personal service	—	4,535	—	—	—
Non-personal service	—	1,744	—	—	—
Pension contribution	—	437	—	—	—
Other fringe benefits	—	1,994	—	—	—
Total expenditures	**28,203**	**8,710**	**—**	**—**	**93**
Excess (deficiency) of revenues over expenditures	**(28,201)**	**21,421**	**—**	**—**	**(93)**
OTHER FINANCING SOURCES (USES):					
Transfers from other funds	29,627	9,175	84	—	270
Transfers to other funds	(1,009)	(29,374)	—	—	—
Proceeds from financing arrangements	906	—	—	—	—
Net other financing sources (uses)	**29,524**	**(20,199)**	**84**	**—**	**270**
Net change in fund balances	**1,323**	**1,222**	**84**	**—**	**177**
Fund balances (deficits) at April 1, 2003	**(4,618)**	**24**	**710**	**21**	**69**
Fund balances (deficits) at March 31, 2004	**$ (3,295)**	**$ 1,246**	**$ 794**	**$ 21**	**$ 246**

See independent auditors' report.

Fringe Benefit Escrow	Earmarked Revenue	Miscellaneous	Eliminations	Totals 2004	Totals 2003
$ —	$ —	$ —	$ —	$ 16,337	$ 15,036
—	—	—	—	7,869	6,874
—	—	—	—	3,294	3,448
—	—	—	—	691	743
—	—	—	—	645	—
706	1,790	590	(730)	3,653	3,149
706	**1,790**	**590**	**(730)**	**32,489**	**29,250**
—	1,181	—	—	10,495	9,297
—	10	—	—	15,426	14,632
—	22	—	—	1,105	1,077
—	—	—	—	869	847
—	1,126	—	—	1,690	1,515
—	—	—	—	480	481
—	22	—	—	201	214
—	32	—	—	423	447
—	2,360	114	—	7,009	7,234
57	912	416	(509)	2,620	2,583
—	—	—	—	437	139
630	188	40	(221)	2,631	2,444
687	**5,853**	**570**	**(730)**	**43,386**	**40,910**
19	**(4,063)**	**20**	**—**	**(10,897)**	**(11,660)**
—	4,519	95	(25,836)	17,934	11,980
—	(305)	(52)	25,836	(4,904)	(4,805)
—	—	—	—	906	264
—	**4,214**	**43**	**—**	**13,936**	**7,439**
19	**151**	**63**	**—**	**3,039**	**(4,221)**
242	**355**	**(123)**	**—**	**(3,320)**	**901**
$ 261	**$ 506**	**$ (60)**	**$ —**	**$ (281)**	**$ (3,320)**

STATE OF NEW YORK
EXCELSIOR
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Federal
Special Revenue Fund

The Federal Special Revenue Fund is a major fund that accounts for most federal revenues and expenditures.

The Federal Special Revenue Fund is divided into several accounts. The Fund accounts for federal grants received by the State that are earmarked for specific programs. The need to satisfy federal accounting and reporting requirements dictate that federal grants be accounted for in a number of separate accounts. These accounts include the Federal USDA—Food and Nutrition Services Account, the Federal Health and Human Services Account, the Federal Education Account, the Federal DHHS Block Grant Account, the Federal Operating Grants Account, the Unemployment Insurance Administration Account, the Federal Unemployment Insurance Occupational Training Account, and the Federal Employment and Training Grants Account.

Combining Schedule of Balance Sheet Accounts

FEDERAL SPECIAL REVENUE FUND

March 31, 2004
(Amounts in millions)

	Federal USDA-FNS	Federal DHHS	Federal Education	Federal DHHS Block Grant	Federal Operating Grants
ASSETS:					
Cash and investments	$ —	$ —	$ —	$ —	$ 306
Receivables, net of allowance for uncollectibles:					
Due from Federal government	68	4,412	45	23	276
Due from other funds	—	306	5	—	2
Other assets	9	2	2	1	2
Total assets	**$ 77**	**$ 4,720**	**$ 52**	**$ 24**	**$ 586**
LIABILITIES:					
Accounts payable	$ 1	$ 17	$ 2	$ 2	$ 12
Accrued liabilities	1	3,064	12	2	9
Payable to local governments	57	1,000	19	8	172
Due to other funds	10	251	19	12	317
Deferred revenues	8	388	—	—	76
Total liabilities	77	4,720	52	24	586
FUND BALANCES:					
Reserved for encumbrances	11	469	44	26	98
Unreserved	(11)	(469)	(44)	(26)	(98)
Total fund balances	—	—	—	—	—
Total liabilities and fund balance	**$ 77**	**$ 4,720**	**$ 52**	**$ 24**	**$ 586**

See independent auditors' report.

Unemployment Insurance Administration	Unemployment Insurance Occupational Training	Federal Employment and Training Grants	Totals 2004	Totals 2003
$ 19	$ 6	$ —	**$ 331**	$ 36
26	—	10	**4,860**	5,475
3	—	—	**316**	274
1	—	—	**17**	16
$ 49	**$ 6**	**$ 10**	**$ 5,524**	**$ 5,801**
$ 4	$ —	$ 3	**$ 41**	$ 58
16	—	—	**3,104**	2,678
—	—	—	**1,256**	1,558
19	—	7	**635**	1,054
10	6	—	**488**	453
49	**6**	**10**	**5,524**	**5,801**
31	—	21	**700**	496
(31)	—	(21)	**(700)**	(496)
—	**—**	**—**	**—**	**—**
$ 49	**$ 6**	**$ 10**	**$ 5,524**	**$ 5,801**

Combining Schedule of Revenues, Expenditures and Changes in Fund Balance Accounts

FEDERAL SPECIAL REVENUE FUND

Year Ended March 31, 2004

(Amounts in millions)

	Federal USDA-FNS	Federal DHHS	Federal Education	Federal DHHS Block Grant	Federal Operating Grants
REVENUES:					
Federal grants	$ 3,155	$ 26,889	$ 2,482	$ 662	$ 2,244
Miscellaneous	99	—	—	—	—
Total revenues	**3,254**	**26,889**	**2,482**	**662**	**2,244**
EXPENDITURES:					
Local assistance grants:					
Social services	2,044	22,550	—	311	5
Education	606	80	2,312	—	12
Mental hygiene	—	18	9	146	13
Health and environment	521	347	—	49	—
Transportation	—	3	—	—	22
Criminal justice	—	4	—	—	300
Miscellaneous	1	124	—	86	1,304
Departmental operations:					
Personal service	16	140	66	32	117
Non-personal service	27	242	57	27	134
Pension contribution	1	9	4	1	5
Other fringe benefits	5	44	18	7	23
Total expenditures	**3,221**	**23,561**	**2,466**	**659**	**1,935**
Excess of revenues over expenditures	**33**	**3,328**	**16**	**3**	**309**
OTHER FINANCING SOURCES (USES):					
Transfers from other funds	—	—	—	—	—
Transfers to other funds	(33)	(3,328)	(16)	(3)	(309)
Net other financing sources (uses)	**(33)**	**(3,328)**	**(16)**	**(3)**	**(309)**
Net change in fund balances	**—**	**—**	**—**	**—**	**—**
Fund balances at April 1, 2003	**—**	**—**	**—**	**—**	**—**
Fund balances at March 31, 2004	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**

See independent auditors' report.

Unemployment Insurance Administration	Unemployment Insurance Occupational Training	Federal Employment and Training Grants	Totals 2004	Totals 2003
$ 270	$ 61	$ 355	**$ 36,118**	$ 33,699
40	—	—	**139**	137
310	**61**	**355**	**36,257**	**33,836**
—	—	—	**24,910**	23,978
—	—	2	**3,012**	2,429
—	—	—	**186**	166
—	—	—	**917**	880
—	—	—	**25**	26
—	—	—	**304**	72
—	—	310	**1,825**	1,615
165	—	8	**544**	610
91	61	29	**668**	622
9	—	1	**30**	30
45	—	5	**147**	168
310	**61**	**355**	**32,568**	**30,596**
—	**—**	**—**	**3,689**	**3,240**
—	—	—	**—**	7
—	—	—	**(3,689)**	(3,249)
—	**—**	**—**	**(3,689)**	**(3,242)**
—	**—**	**—**	**—**	**(2)**
—	**—**	**—**	**—**	**2**
$ —	**$ —**	**$ —**	**$ —**	**$ —**

STATE OF NEW YORK

EXCELSIOR

COMPTROLLER

Other Governmental Funds

Combining Balance Sheet

OTHER GOVERNMENTAL FUNDS

March 31, 2004
(Amounts in millions)

	Special Revenue	Debt Service	Capital Projects	Totals 2004	Totals 2003
ASSETS:					
Cash and investments	$ 1,985	$ 2,930	$ 1,773	**$ 6,688**	$ 6,614
Receivables, net of allowance for uncollectibles:					
Taxes	100	1,561	70	**1,731**	1,385
Due from Federal government	—	—	282	**282**	336
Other	755	138	65	**958**	957
Due from other funds	484	122	7	**613**	327
Other assets	5	70	9	**84**	230
Total assets	**$ 3,329**	**$ 4,821**	**$ 2,206**	**$ 10,356**	**$ 9,849**
LIABILITIES:					
Tax refunds payable	$ 120	$ 1,071	$ 11	**$ 1,202**	$ 1,051
Accounts payable	15	3	415	**433**	628
Accrued liabilities	598	4	62	**664**	130
Payable to local governments	25	—	55	**80**	439
Due to other funds	40	747	496	**1,283**	1,161
Deferred revenues	79	95	42	**216**	160
Total liabilities	**877**	**1,920**	**1,081**	**3,878**	**3,569**
FUND BALANCES:					
Reserved for:					
Encumbrances	188	—	4,917	**5,105**	4,802
Debt service	—	2,454	—	**2,454**	2,278
Other specified purposes	4	—	788	**792**	35
Unreserved	2,260	447	(4,580)	**(1,873)**	(835)
Total fund balances	**2,452**	**2,901**	**1,125**	**6,478**	**6,280**
Total liabilities and fund balance	**$ 3,329**	**$ 4,821**	**$ 2,206**	**$ 10,356**	**$ 9,849**

See independent auditors' report.

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

OTHER GOVERNMENTAL FUNDS

Year Ended March 31, 2004

(Amounts in millions)

	Special Revenue	Debt Service	Capital Projects	Totals 2004	Totals 2003
REVENUES:					
Taxes:					
Personal income	$ 2,819	$ 5,994	$ —	$ 8,813	$ 6,931
Consumption and use	1,206	2,411	1,066	4,683	4,534
Business	1,001	—	584	1,585	1,601
Other	—	407	112	519	469
Federal grants	—	—	1,478	1,478	1,613
Public health/patient fees	2,887	552	—	3,439	3,325
Tobacco settlement	317	—	—	317	745
Miscellaneous	2,542	147	250	2,939	2,752
Total revenues	**10,772**	**9,511**	**3,490**	**23,773**	**21,970**
EXPENDITURES:					
Local assistance grants:					
Social services	3,210	—	1	3,211	2,945
Education	4,843	—	42	4,885	4,221
Mental hygiene	59	—	34	93	88
Health and environment	474	—	314	788	657
Transportation	1,590	—	342	1,932	2,863
Criminal justice	7	—	7	14	14
Miscellaneous	89	—	371	460	426
Departmental operations:					
Personal service	232	—	—	232	192
Non-personal service	2,354	108	—	2,462	2,208
Pension contribution	8	—	—	8	8
Other fringe benefits	50	—	—	50	44
Capital construction	—	—	3,608	3,608	3,362
Debt service, including payments on financing arrangements	—	3,440	—	3,440	2,970
Total expenditures	**12,916**	**3,548**	**4,719**	**21,183**	**19,998**
Excess (deficiency) of revenues over expenditures	**(2,144)**	**5,963**	**(1,229)**	**2,590**	**1,972**
OTHER FINANCING SOURCES (USES):					
Transfers from other funds	2,777	5,403	233	8,413	6,890
Transfers to other funds	(6,056)	(11,206)	(1,046)	(18,308)	(12,222)
General obligation bonds issued	—	—	147	147	246
Financing arrangements/advance refundings issued	4,845	4,456	2,498	11,799	9,514
Payments on advance refundings	—	(4,443)	—	(4,443)	(6,481)
Net other financing sources (uses)	**1,566**	**(5,790)**	**1,832**	**(2,392)**	**(2,053)**
Net change in fund balances	**(578)**	**173**	**603**	**198**	**(81)**
Fund balances at April 1, 2003	**3,030**	**2,728**	**522**	**6,280**	**6,361**
Fund balances at March 31, 2004	**$ 2,452**	**$ 2,901**	**$ 1,125**	**$ 6,478**	**$ 6,280**

See independent auditors' report.

Combining Schedule of Cash Receipts and Disbursements Budgetary Basis—Financial Plan and Actual

OTHER GOVERNMENTAL FUNDS

Year Ended March 31, 2004

(Amounts in millions)

	Special Revenue			Debt Service		
	Financial Plan	Actual	Favorable (Unfavorable) Variance	Financial Plan	Actual	Favorable (Unfavorable) Variance
RECEIPTS:						
Taxes	$ 4,458	$ 4,442	$ (16)	$ 8,079	$ 8,122	$ 43
Miscellaneous	10,280	10,379	99	694	810	116
Federal grants	1	—	(1)	—	—	—
Total receipts	**14,739**	**14,821**	**82**	**8,773**	**8,932**	**159**
DISBURSEMENTS:						
Local assistance grants	11,430	11,346	84	—	—	—
Departmental operations	6,722	6,480	242	9	9	—
General state charges	420	429	(9)	—	—	—
Debt service	—	—	—	3,353	3,351	2
Capital projects	5	2	3	—	—	—
Total disbursements	**18,577**	**18,257**	**320**	**3,362**	**3,360**	**2**
Excess (deficiency) of receipts over disbursements	**(3,838)**	**(3,436)**	**402**	**5,411**	**5,572**	**161**
OTHER FINANCING SOURCES (USES):						
Bond and note proceeds, net	—	—	—	—	—	—
Transfers from other funds	3,996	4,188	192	4,881	4,794	(87)
Transfers to other funds	(214)	(212)	2	(10,280)	(10,350)	(70)
Net other financing sources (uses)	**3,782**	**3,976**	**194**	**(5,399)**	**(5,556)**	**(157)**
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	**$ (56)**	**$ 540**	**$ 596**	**$ 12**	**$ 16**	**$ 4**

See independent auditors' report.

Capital Projects

Financial Plan	Actual	Favorable (Unfavorable) Variance
$ 1,752	$ 1,756	$ 4
2,690	2,168	(522)
1,621	1,548	(73)
6,063	**5,472**	**(591)**
1,438	781	657
—	—	—
—	—	—
—	—	—
3,610	3,755	(145)
5,048	**4,536**	**512**
1,015	**936**	**(79)**
248	139	(109)
266	254	(12)
(1,087)	(1,028)	59
(573)	**(635)**	**(62)**
$ 442	**$ 301**	**$ (141)**

STATE OF NEW YORK

EXCELSIOR

COMPTROLLER

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

School Tax Relief Fund (STAR)—to reimburse school districts for the property tax exemptions for homeowners.

Indigent Care Fund—to account for bad debt and charity pool hospital assessments that are earmarked for medical assistance.

Dedicated Mass Transportation Trust Fund—to account for monies that are earmarked for mass transportation purposes.

Conservation Fund—to account for hunting and fishing license fees and related fines and penalties that are dedicated to fish and wildlife programs.

Environmental Protection and Oil Spill Compensation Fund—to account for license fees and penalties that are earmarked for oil spill clean-up costs and claims for damages.

Mass Transportation Operating Assistance Fund—to account for business and consumption and use taxes that are dedicated for public mass transportation projects.

Tobacco Control and Insurance Initiatives Fund—to account for tobacco settlement funds and certain cigarette tax revenues for the purpose of funding various health care and tobacco control initiatives.

Hospital Bad Debt & Charity Care Funds—to account for assessments from health facilities earmarked for indigent care, various health projects and services.

Miscellaneous—to account for various fees, fines, user charges and other miscellaneous revenues that are earmarked for specific State programs.

Combining Balance Sheet

OTHER GOVERNMENTAL FUNDS—SPECIAL REVENUE FUNDS

March 31, 2004
(Amounts in millions)

	School Tax Relief (STAR)	Indigent Care	Dedicated Mass Transportation Trust	Conservation	Environmental Protection and Oil Spill Compensation
ASSETS:					
Cash and investments	$ —	$ 75	$ 66	$ 23	$ 18
Receivables, net of allowance for uncollectibles:					
Taxes	—	—	17	—	—
Other	—	—	—	—	—
Due from other funds	—	—	—	1	—
Other assets	—	—	—	—	—
Total assets	**$ —**	**$ 75**	**$ 83**	**$ 24**	**$ 18**
LIABILITIES:					
Tax refunds payable	$ —	$ —	$ 4	$ —	$ —
Accounts payable	—	—	2	1	4
Accrued liabilities	—	—	—	2	1
Payable to local governments	—	—	5	—	—
Due to other funds	—	—	—	3	1
Deferred revenues	—	—	—	—	—
Total liabilities	**—**	**—**	**11**	**6**	**6**
FUND BALANCES:					
Reserved for:					
Encumbrances	—	—	72	1	4
Other specified purposes	—	—	—	—	—
Unreserved	—	75	—	17	8
Total fund balances	**—**	**75**	**72**	**18**	**12**
Total liabilities and fund balance	**$ —**	**$ 75**	**$ 83**	**$ 24**	**$ 18**

See independent auditors' report.

Mass Transportation Operating Assistance	Tobacco Control and Insurance Initiatives	Hospital Bad Debt and Charity Care	Miscellaneous	Eliminations	Totals 2004	Totals 2003
$ 90	$ 36	$ 537	$ 1,140	$ —	**$ 1,985**	$ 2,682
40	43	—	—	—	**100**	93
—	182	384	189	—	**755**	774
—	297	200	186	(200)	**484**	119
—	—	—	5	—	**5**	188
$ 130	**$ 558**	**$ 1,121**	**$ 1,520**	**$ (200)**	**$ 3,329**	**$ 3,856**
$ 111	$ 5	$ —	$ —	$ —	**$ 120**	$ 106
—	—	—	8	—	**15**	16
—	—	556	39	—	**598**	582
—	—	—	20	—	**25**	25
5	—	—	231	(200)	**40**	35
—	—	48	31	—	**79**	62
116	**5**	**604**	**329**	**(200)**	**877**	**826**
1	—	—	110	—	**188**	110
—	—	—	4	—	**4**	3
13	553	517	1,077	—	**2,260**	2,917
14	**553**	**517**	**1,191**	**—**	**2,452**	**3,030**
$ 130	**$ 558**	**$ 1,121**	**$ 1,520**	**$ (200)**	**$ 3,329**	**$ 3,856**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

OTHER GOVERNMENTAL FUNDS—SPECIAL REVENUE FUNDS

Year Ended March 31, 2004

(Amounts in millions)

	School Tax Relief (STAR)	Indigent Care	Dedicated Mass Transportation Trust	Conservation	Environmental Protection and Oil Spill Compensation
REVENUES:					
Taxes:					
Personal income	$ 2,819	$ —	$ —	$ —	$ —
Consumption and use	—	—	211	—	—
Business	—	—	342	—	—
Public health/patient fees	—	—	—	—	—
Tobacco settlement	—	—	—	—	—
Miscellaneous	—	1	1	45	55
Total revenues	**2,819**	**1**	**554**	**45**	**55**
EXPENDITURES:					
Local assistance grants:					
Social services	—	976	—	—	—
Education	2,999	—	—	—	—
Mental hygiene	—	—	—	—	—
Health and environment	—	—	—	—	—
Transportation	—	—	533	—	—
Criminal justice	—	—	—	—	—
Miscellaneous	—	—	—	—	—
Departmental operations:					
Personal service	—	—	—	23	8
Non-personal service	—	—	2	10	22
Pension contribution	—	—	—	1	—
Other fringe benefits	—	—	—	7	3
Total expenditures	**2,999**	**976**	**535**	**41**	**33**
Excess (deficiency) of revenues over expenditures	**(180)**	**(975)**	**19**	**4**	**22**
OTHER FINANCING SOURCES (USES):					
Transfers from other funds	—	953	—	—	—
Transfers to other funds	—	—	—	(2)	(17)
Proceeds from financing arrangements	—	—	—	—	—
Net other financing sources (uses)	**—**	**953**	**—**	**(2)**	**(17)**
Net change in fund balances	**(180)**	**(22)**	**19**	**2**	**5**
Fund balances at April 1, 2003	**180**	**97**	**53**	**16**	**7**
Fund balances at March 31, 2004	**$ —**	**$ 75**	**$ 72**	**$ 18**	**$ 12**

See independent auditors' report.

Mass Transportation Operating Assistance	Tobacco Control and Insurance Initiatives	Hospital Bad Debt and Charity Care	Miscellaneous	Eliminations	Totals	
					2004	2003
$ —	$ —	$ —	$ —	$ —	$ 2,819	$ 2,664
401	594	—	—	—	1,206	1,184
659	—	—	—	—	1,001	1,038
—	—	2,887	—	—	2,887	2,651
—	317	—	—	—	317	745
4	3	8	2,425	—	2,542	2,434
1,064	**914**	**2,895**	**2,425**	**—**	**10,772**	**10,716**
—	—	781	1,453	—	3,210	2,939
—	—	—	1,844	—	4,843	4,167
—	—	—	59	—	59	53
—	359	—	115	—	474	349
1,056	—	—	1	—	1,590	1,717
—	—	—	7	—	7	4
—	—	—	89	—	89	99
3	—	—	198	—	232	192
1	66	—	2,253	—	2,354	2,020
—	—	—	7	—	8	8
3	—	—	37	—	50	44
1,063	**425**	**781**	**6,063**	**—**	**12,916**	**11,592**
1	**489**	**2,114**	**(3,638)**	**—**	**(2,144)**	**(876)**
4	1,353	297	3,712	(3,542)	2,777	1,978
—	(6,961)	(2,570)	(48)	3,542	(6,056)	(1,331)
—	4,845	—	—	—	4,845	—
4	**(763)**	**(2,273)**	**3,664**	**—**	**1,566**	**647**
5	**(274)**	**(159)**	**26**	**—**	**(578)**	**(229)**
9	**827**	**676**	**1,165**	**—**	**3,030**	**3,259**
$ 14	**$ 553**	**$ 517**	**$ 1,191**	**$ —**	**$ 2,452**	**$ 3,030**

Combining Schedule of Cash Receipts and Disbursements Budgetary Basis—Financial Plan and Actual

OTHER GOVERNMENTAL FUNDS—SPECIAL REVENUE FUNDS

Year Ended March 31, 2004
(Amounts in millions)

	School Tax Relief			Mass Transportation Operating Assistance		
	Financial Plan	Actual	Favorable (Unfavorable) Variance	Financial Plan	Actual	Favorable (Unfavorable) Variance
RECEIPTS:						
Taxes	$ 2,835	$ 2,819	$ (16)	$ 1,089	$ 1,072	$ (17)
Miscellaneous	—	—	—	—	4	4
Federal grants	—	—	—	—	—	—
Total receipts	**2,835**	**2,819**	**(16)**	**1,089**	**1,076**	**(13)**
DISBURSEMENTS:						
Local assistance grants	2,835	2,819	16	1,061	1,056	5
Departmental operations	—	—	—	4	3	1
General state charges	—	—	—	1	1	—
Capital projects	—	—	—	—	—	—
Total disbursements	**2,835**	**2,819**	**16**	**1,066**	**1,060**	**6**
Deficiency of receipts over disbursements	**—**	**—**	**—**	**23**	**16**	**(7)**
OTHER FINANCING SOURCES (USES):						
Transfers from other funds	—	—	—	—	4	4
Transfers to other funds	—	—	—	—	—	—
Net other financing sources (uses)	**—**	**—**	**—**	**—**	**4**	**4**
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	**$ —**	**$ —**	**$ —**	**$ 23**	**$ 20**	**$ (3)**

See independent auditors' report.

	State Special Revenue Account			Other		
	Financial Plan	Actual	Favorable (Unfavorable) Variance	Financial Plan	Actual	Favorable (Unfavorable) Variance
	$ —	$ —	$ —	$ 534	$ 551	$ 17
	3,026	3,010	(16)	7,254	7,365	111
	—	—	—	1	—	(1)
	3,026	**3,010**	**(16)**	**7,789**	**7,916**	**127**
	2,403	2,398	5	5,131	5,073	58
	3,592	3,413	179	3,126	3,064	62
	216	200	16	203	228	(25)
	—	—	—	5	2	3
	6,211	**6,011**	**200**	**8,465**	**8,367**	**98**
	(3,185)	**(3,001)**	**184**	**(676)**	**(451)**	**225**
	3,345	3,351	6	863	883	20
	(322)	(173)	149	(104)	(89)	15
	3,023	**3,178**	**155**	**759**	**794**	**35**
	$ (162)	**$ 177**	**$ 339**	**$ 83**	**$ 343**	**$ 260**

(Continued)

Combining Schedule of Cash Receipts and Disbursements Budgetary Basis—Financial Plan and Actual (cont'd)

OTHER GOVERNMENTAL FUNDS—SPECIAL REVENUE FUNDS

Year Ended March 31, 2004
(Amounts in millions)

	Eliminations		Total		
	Financial Plan	Actual	Financial Plan	Actual	Favorable (Unfavorable) Variance
RECEIPTS:					
Taxes	$ —	$ —	$ 4,458	$ 4,442	$ (16)
Miscellaneous	—	—	10,280	10,379	99
Federal grants	—	—	1	—	(1)
Total receipts	**—**	**—**	**14,739**	**14,821**	**82**
DISBURSEMENTS:					
Local assistance grants	—	—	11,430	11,346	84
Departmental operations	—	—	6,722	6,480	242
General state charges	—	—	420	429	(9)
Capital projects	—	—	5	2	3
Total disbursements	**—**	**—**	**18,577**	**18,257**	**320**
Deficiency of receipts over disbursements	**—**	**—**	**(3,838)**	**(3,436)**	**402**
OTHER FINANCING SOURCES (USES):					
Transfers from other funds	(212)	(50)	3,996	4,188	192
Transfers to other funds	212	50	(214)	(212)	2
Net other financing sources (uses)	**—**	**—**	**3,782**	**3,976**	**194**
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	**$ —**	**$ —**	**$ (56)**	**$ 540**	**$ 596**

See independent auditors' report.

Debt Service Funds

Debt Service Funds are used to account for the accumulation of resources for and the payment of principal and interest on general long-term obligations and payments on certain lease/purchase or other contractual obligations.

Mental Health Services Fund—to account for the payment of debt service in conjunction with agreements for financing mental hygiene facilities.

General Obligation Debt Service Fund—to account for the payment of principal and interest on the State's general obligation debt and the payments on certain lease/purchase or other contractual obligations.

State Housing Debt Fund—to account for the repayment of State advances made to local governments and certain public authorities that are earmarked for paying the principal and interest on State Housing bonds.

Department of Health Income Fund—to account for the payment of debt service in conjunction with agreements with the Dormitory Authority for financing health facilities.

Clean Water/Clean Air—to account for taxes earmarked for reimbursing the General Debt Service Fund for the payment of debt service on the Clean Water/Clean Air bonds.

Local Government Assistance Tax Fund—to account for revenues that are earmarked for payment to the New York Local Government Assistance Corporation for debt service.

Miscellaneous—to account for other miscellaneous debt service reserves.

Combining Balance Sheet

OTHER GOVERNMENTAL FUNDS—DEBT SERVICE FUNDS

March 31, 2004
(Amounts in millions)

	Mental Health Services	General Obligation Debt Service	State Housing Debt	Department of Health Income	Clean Water/ Clean Air
ASSETS:					
Cash and investments	$ 61	$ 2,336	$ —	$ 55	$ —
Receivables, net of allowance for uncollectibles:					
Taxes	—	1,354	—	—	51
Other	64	1	51	22	—
Due from other funds	117	—	—	5	—
Other assets	—	70	—	—	—
Total assets	**$ 242**	**$ 3,761**	**$ 51**	**$ 82**	**$ 51**
LIABILITIES:					
Tax refunds payable	$ —	$ 1,057	$ —	$ —	$ —
Accounts payable	—	—	—	—	—
Accrued liabilities	—	4	—	—	—
Payable to local governments	—	—	—	—	—
Due to other funds	—	620	—	—	—
Deferred revenues	7	44	28	—	—
Total liabilities	**7**	**1,725**	**28**	**—**	**—**
FUND BALANCES:					
Reserved for debt service	33	1,943	—	24	—
Unreserved	202	93	23	58	51
Total fund balances	**235**	**2,036**	**23**	**82**	**51**
Total liabilities and fund balances	**$ 242**	**$ 3,761**	**$ 51**	**$ 82**	**$ 51**

See independent auditors' report.

Local Government Assistance Tax	Miscellaneous	Totals 2004	Totals 2003
$ 478	$ —	$ 2,930	$ 2,366
156	—	1,561	1,227
—	—	138	121
—	—	122	200
—	—	70	33
$ 634	**$ —**	**$ 4,821**	**$ 3,947**
$ 14	$ —	$ 1,071	$ 929
3	—	3	7
—	—	4	4
—	—	—	52
127	—	747	155
16	—	95	72
160	**—**	**1,920**	**1,219**
454	—	2,454	2,278
20	—	447	450
474	**—**	**2,901**	**2,728**
$ 634	**$ —**	**$ 4,821**	**$ 3,947**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficit)

OTHER GOVERNMENTAL FUNDS—DEBT SERVICE FUNDS

Year Ended March 31, 2004
(Amounts in millions)

	Mental Health Services	General Obligation Debt Service	State Housing Debt	Department of Health Income	Clean Water/ Clean Air
REVENUES:					
Taxes:					
Personal income	$ —	$ 5,994	$ —	$ —	$ —
Consumption and use	—	—	—	—	—
Other	—	—	—	—	407
Patient fees	327	—	—	225	—
Miscellaneous	15	38	24	6	—
Total revenues	**342**	**6,032**	**24**	**231**	**407**
EXPENDITURES:					
Non-personal service	43	56	—	—	—
Debt service, including payments on financing arrangements	333	2,849	33	32	—
Total expenditures	**376**	**2,905**	**33**	**32**	**—**
Excess of revenues over expenditures	**(34)**	**3,127**	**(9)**	**199**	**407**
OTHER FINANCING SOURCES (USES):					
Transfers from other funds	2,238	3,240	—	32	—
Transfers to other funds	(2,465)	(6,057)	(7)	(229)	(388)
Financing arrangements/advance refundings issued	1,599	2,571	—	45	—
Payments on advance refundings	(1,599)	(2,571)	—	(45)	—
Net other financing sources (uses)	**(227)**	**(2,817)**	**(7)**	**(197)**	**(388)**
Net change in fund balances	**(261)**	**310**	**(16)**	**2**	**19**
Fund balances at April 1, 2003	**496**	**1,726**	**39**	**80**	**32**
Fund balances at March 31, 2004	**$ 235**	**$ 2,036**	**$ 23**	**$ 82**	**$ 51**

See independent auditors' report.

Local Government Assistance Tax	Miscellaneous	Eliminations	Totals 2004	Totals 2003
$ —	$ —	$ —	**$ 5,994**	$ 4,267
2,411	—	—	**2,411**	2,346
—	—	—	**407**	357
—	—	—	**552**	674
11	53	—	**147**	182
2,422	**53**	**—**	**9,511**	**7,826**
9	—	—	**108**	188
189	4	—	**3,440**	2,970
198	**4**	**—**	**3,548**	**3,158**
2,224	**49**	**—**	**5,963**	**4,668**
—	—	(107)	**5,403**	4,664
(2,098)	(69)	107	**(11,206)**	(9,680)
224	17	—	**4,456**	6,586
(211)	(17)	—	**(4,443)**	(6,481)
(2,085)	**(69)**	**—**	**(5,790)**	**(4,911)**
139	**(20)**	**—**	**173**	**(243)**
335	**20**	**—**	**2,728**	**2,971**
$ 474	**$ —**	**$ —**	**$ 2,901**	**$ 2,728**

Combining Schedule of Cash Receipts and Disbursements Budgetary Basis—Financial Plan and Actual

OTHER GOVERNMENTAL FUNDS—DEBT SERVICE FUNDS

Year Ended March 31, 2004

(Amounts in millions)

	Mental Health Services			General Obligation Debt Service		
	Financial Plan	Actual	Favorable (Unfavorable) Variance	Financial Plan	Actual	Favorable (Unfavorable) Variance
RECEIPTS:						
Taxes	$ —	$ —	$ —	$ 5,443	$ 5,457	$ 14
Miscellaneous	232	322	90	—	—	—
Total receipts	**232**	**322**	**90**	**5,443**	**5,457**	**14**
DISBURSEMENTS:						
Departmental operations	—	—	—	4	5	(1)
Debt service	166	165	1	2,743	2,746	(3)
Total disbursements	**166**	**165**	**1**	**2,747**	**2,751**	**(4)**
Excess of receipts over disbursements	**66**	**157**	**91**	**2,696**	**2,706**	**10**
OTHER FINANCING SOURCES (USES):						
Transfers from other funds	2,405	2,313	(92)	2,532	2,538	6
Transfers to other funds	(2,471)	(2,464)	7	(5,228)	(5,244)	(16)
Net other financing sources (uses)	**(66)**	**(151)**	**(85)**	**(2,696)**	**(2,706)**	**(10)**
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	**$ —**	**$ 6**	**$ 6**	**$ —**	**$ —**	**$ —**

See independent auditors' report.

Local Government Assistance Tax			Other		
Financial Plan	Actual	Favorable (Unfavorable) Variance	Financial Plan	Actual	Favorable (Unfavorable) Variance
$ 2,257	$ 2,267	$ 10	$ 379	$ 398	$ 19
1	—	(1)	461	488	27
2,258	**2,267**	**9**	**840**	**886**	**46**
5	4	1	—	—	—
296	292	4	148	148	—
301	**296**	**5**	**148**	**148**	**—**
1,957	**1,971**	**14**	**692**	**738**	**46**
—	—	—	35	34	(1)
(1,957)	(1,971)	(14)	(715)	(762)	(47)
(1,957)	**(1,971)**	**(14)**	**(680)**	**(728)**	**(48)**
$ —	**$ —**	**$ —**	**$ 12**	**$ 10**	**$ (2)**

(Continued)

Combining Schedule of Cash Receipts and Disbursements Budgetary Basis—Financial Plan and Actual (cont'd)

OTHER GOVERNMENTAL FUNDS—DEBT SERVICE FUNDS

Year Ended March 31, 2004

(Amounts in millions)

	Eliminations		Total		
	Financial Plan	Actual	Financial Plan	Actual	Favorable (Unfavorable) Variance
RECEIPTS:					
Taxes	$ —	$ —	$ 8,079	$ 8,122	$ 43
Miscellaneous	—	—	694	810	116
Total receipts	**—**	**—**	**8,773**	**8,932**	**159**
DISBURSEMENTS:					
Departmental operations	—	—	9	9	—
Debt service	—	—	3,353	3,351	2
Total disbursements	**—**	**—**	**3,362**	**3,360**	**2**
Excess of receipts over disbursements	**—**	**—**	**5,411**	**5,572**	**161**
OTHER FINANCING SOURCES (USES):					
Transfers from other funds	(91)	(91)	4,881	4,794	(87)
Transfers to other funds	91	91	(10,280)	(10,350)	(70)
Net other financing sources (uses)	**—**	**—**	**(5,399)**	**(5,556)**	**(157)**
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	**$ —**	**$ —**	**$ 12**	**$ 16**	**$ 4**

See independent auditors' report.

Capital Projects Funds

Capital Projects Funds are used to account for the financial resources used for the acquisition or construction of major state-owned capital facilities and for capital assistance grants to local governments and public authorities.

State Capital Projects Fund—to account for the construction or acquisition of state capital assets and the payments to local governments and public authorities for capital assistance financed primarily by transfers from the General Fund, bond funds and proceeds from various financial arrangements.

Dedicated Highway and Bridge Trust Fund—to account for taxes and fees that are earmarked for financing state, county, town, and village highway, parkway, bridge, aviation or port facility capital projects.

Environmental Protection Fund—to account for dedicated revenues that will be used to assist local government, not-for-profit corporations, and fund State initiatives to protect the environment and protect open space.

Bond Funds—to account for the proceeds of bonds issued for capital purposes. A separate bond fund is established to account for the bond proceeds of each bond issue authorized by public referendum, including the Energy Conservation Through Improved Transportation Bond Fund, the Pure Waters Bond Fund, the Transportation Capital Facilities Bond Fund, the Environmental Quality Protection Bond Fund, the Rail Preservation and Development Bond Fund, the Transportation Infrastructure Renewal Bond Fund, the Environmental Quality Bond Act Fund, the Accelerated Capacity and Transportation Improvements Bond Fund and the Clean Water/Clean Air Bond Fund.

Federal Capital Projects Fund—to account for capital projects financed from federal grants.

Housing Program Fund—to account for the Low Income Housing Trust Fund Program and the Affordable Home Ownership Development program that are financed by the New York State Housing Finance Agency.

Department of Transportation Engineering Services Fund—to account for costs of providing engineering services for capital projects administered by the Department of Transportation.

Mental Hygiene Facilities Capital Improvement Fund—to account for mental hygiene capital projects.

Correctional Facilities Capital Improvement Fund—to account for correctional facility capital projects financed by the Urban Development Corporation.

Miscellaneous—to account for various capital projects financed from the sale of land or other resources, gifts, grants or other miscellaneous revenue sources earmarked for capital purposes or from transfers from the New York State Infrastructure Trust Account.

Combining Balance Sheet

OTHER GOVERNMENTAL FUNDS—CAPITAL PROJECTS FUNDS

March 31, 2004
(Amounts in millions)

	State Capital Projects	Dedicated Highway & Bridge Trust	Environmental Protection	Transportation Capital Facilities Bond	Environmental Quality Protection Bond	Transportation Infrastructure Renewal Bond	Environmental Quality Bond
ASSETS:							
Cash and investments	$ 1,038	$ 155	$ 106	$ 4	$ 13	$ 12	$ 1
Receivables, net of allowance for uncollectibles:							
Taxes	—	70	—	—	—	—	—
Due from Federal government	—	—	—	—	—	—	—
Other	61	2	2	—	—	—	—
Due from other funds	1	5	—	—	—	—	—
Other assets	1	—	—	—	—	—	—
Total assets	**$ 1,101**	**$ 232**	**$ 108**	**$ 4**	**$ 13**	**$ 12**	**$ 1**
LIABILITIES:							
Tax refunds payable	$ —	$ 11	$ —	$ —	$ —	$ —	$ —
Accounts payable	183	97	8	—	—	—	—
Accrued liabilities	—	55	—	—	—	—	—
Payable to local governments	3	6	2	—	—	—	—
Due to other funds	17	113	—	—	—	—	—
Deferred revenues	22	3	1	—	—	—	—
Total liabilities	**225**	**285**	**11**	**—**	**—**	**—**	**—**
FUND BALANCES (DEFICITS):							
Reserved for:							
Encumbrances	688	1,205	125	—	—	—	—
Other specified purposes	44	2	—	—	—	—	—
Unreserved	144	(1,260)	(28)	4	13	12	1
Total fund balances (deficits)	**876**	**(53)**	**97**	**4**	**13**	**12**	**1**
Total liabilities and fund balances (deficits)	**$ 1,101**	**$ 232**	**$ 108**	**$ 4**	**$ 13**	**$ 12**	**$ 1**

See independent auditors' report.

Accelerated Capacity and Transportation Improvements Bond	Federal Capital Projects	Clean Water/ Clean Air Bond	Housing Program	DOT Engineering Services	Mental Hygiene Facilities Capital Improvement	Correctional Facilities Capital Improvement	Miscellaneous	Totals	
								2004	2003
$ —	$ —	$ 33	$ —	$ —	$ 110	$ 122	$ 179	**$ 1,773**	$ 1,566
—	—	—	—	—	—	—	—	**70**	65
—	282	—	—	—	—	—	—	**282**	336
—	—	—	—	—	—	—	—	**65**	62
—	—	—	—	1	—	—	—	**7**	8
—	—	—	—	7	—	—	1	**9**	9
$ —	**$ 282**	**$ 33**	**$ —**	**$ 8**	**$ 110**	**$ 122**	**$ 180**	**$ 2,206**	**$ 2,046**
$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	**$ 11**	$ 16
—	72	—	—	17	13	23	2	**415**	416
—	1	—	—	—	—	—	6	**62**	42
—	44	—	—	—	—	—	—	**55**	53
—	149	—	103	89	1	12	12	**496**	971
—	16	—	—	—	—	—	—	**42**	26
—	**282**	**—**	**103**	**106**	**14**	**35**	**20**	**1,081**	**1,524**
—	2,513	—	4	190	64	111	17	**4,917**	4,692
—	—	—	—	—	—	—	742	**788**	32
—	(2,513)	33	(107)	(288)	32	(24)	(599)	**(4,580)**	(4,202)
—	**—**	**33**	**(103)**	**(98)**	**96**	**87**	**160**	**1,125**	**522**
$ —	**$ 282**	**$ 33**	**$ —**	**$ 8**	**$ 110**	**$ 122**	**$ 180**	**$ 2,206**	**$ 2,046**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits)

OTHER GOVERNMENTAL FUNDS—CAPITAL PROJECTS FUNDS

Year Ended March 31, 2004

(Amounts in millions)

	State Capital Projects	Dedicated Highway & Bridge Trust	Environmental Protection	Transportation Capital Facilities Bond	Environmental Quality Protection Bond	Transportation Infrastructure Renewal Bond	Environmental Quality Bond
REVENUES:							
Taxes:							
Consumption and use	$ —	$ 1,066	$ —	$ —	$ —	$ —	$ —
Business	—	584	—	—	—	—	—
Other	—	—	112	—	—	—	—
Federal grants	—	—	—	—	—	—	—
Miscellaneous	55	67	7	—	—	—	—
Total revenues	**55**	**1,717**	**119**	**—**	**—**	**—**	**—**
EXPENDITURES:							
Local assistance grants:							
Social services	1	—	—	—	—	—	—
Education	42	—	—	—	—	—	—
Mental hygiene	19	—	—	—	—	—	—
Health and environment	76	—	19	—	—	—	—
Transportation	4	61	—	—	—	—	—
Criminal justice	—	—	—	—	—	—	—
Miscellaneous	290	—	6	—	—	—	—
Capital construction	464	1,735	102	—	—	—	—
Total expenditures	**896**	**1,796**	**127**	**—**	**—**	**—**	**—**
Excess (deficiency) of revenues over expenditures	**(841)**	**(79)**	**(8)**	**—**	**—**	**—**	**—**
OTHER FINANCING SOURCES (USES):							
Transfers from other funds	443	137	—	—	—	—	—
Transfers to other funds	(21)	(1,044)	(76)	(1)	(23)	(2)	(38)
General obligation bonds issued	—	—	—	—	31	—	24
Financing arrangements issued	474	1,436	69	—	—	—	—
Net other financing sources (uses)	**896**	**529**	**(7)**	**(1)**	**8**	**(2)**	**(14)**
Net change in fund balances	**55**	**450**	**(15)**	**(1)**	**8**	**(2)**	**(14)**
Fund balances (deficits) at April 1, 2003	**821**	**(503)**	**112**	**5**	**5**	**14**	**15**
Fund balances (deficits) at March 31, 2004	**$ 876**	**$ (53)**	**$ 97**	**$ 4**	**$ 13**	**$ 12**	**$ 1**

See independent auditors' report.

Accelerated Capacity and Transportation Improvements Bond	Federal Capital Projects	Clean Water/ Clean Air Bond	Housing Program	DOT Engineering Services	Mental Hygiene Facilities Capital Improvement	Correctional Facilities Capital Improvement	Miscellaneous	Eliminations	Totals 2004	Totals 2003
$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	**$ 1,066**	$ 1,004
—	—	—	—	—	—	—	—	—	**584**	563
—	—	—	—	—	—	—	—	—	**112**	112
—	1,478	—	—	—	—	—	—	—	**1,478**	1,613
—	1	—	72	—	2	—	46	—	**250**	136
—	**1,479**	**—**	**72**	**—**	**2**	**—**	**46**	**—**	**3,490**	**3,428**
—	—	—	—	—	—	—	—	—	**1**	6
—	—	—	—	—	—	—	—	—	**42**	54
—	—	—	—	—	15	—	—	—	**34**	35
—	219	—	—	—	—	—	—	—	**314**	308
—	277	—	—	—	—	—	—	—	**342**	1,146
—	—	—	2	—	—	5	—	—	**7**	10
—	—	—	75	—	—	—	—	—	**371**	327
—	768	7	24	128	134	202	44	—	**3,608**	3,362
—	**1,264**	**7**	**101**	**128**	**149**	**207**	**44**	**—**	**4,719**	**5,248**
—	**215**	**(7)**	**(29)**	**(128)**	**(147)**	**(207)**	**2**	**—**	**(1,229)**	**(1,820)**
—	—	(142)	1	197	1	—	143	(547)	**233**	248
(7)	(225)	—	—	—	—	—	(156)	547	**(1,046)**	(1,211)
—	—	90	—	—	—	—	2	—	**147**	246
—	—	—	2	—	184	196	137	—	**2,498**	2,928
(7)	**(225)**	**(52)**	**3**	**197**	**185**	**196**	**126**	**—**	**1,832**	**2,211**
(7)	**(10)**	**(59)**	**(26)**	**69**	**38**	**(11)**	**128**	**—**	**603**	**391**
7	**10**	**92**	**(77)**	**(167)**	**58**	**98**	**32**	**—**	**522**	**131**
$ —	**$ —**	**$ 33**	**$ (103)**	**$ (98)**	**$ 96**	**$ 87**	**$ 160**	**$ —**	**$ 1,125**	**$ 522**

Combining Schedule of Cash Receipts and Disbursements Budgetary Basis—Financial Plan and Actual

OTHER GOVERNMENTAL FUNDS—CAPITAL PROJECTS FUNDS

Year Ended March 31, 2004
(Amounts in millions)

	State Capital Projects			Dedicated Highway and Bridge Trust		
	Financial Plan	Actual	Favorable (Unfavorable) Variance	Financial Plan	Actual	Favorable (Unfavorable) Variance
RECEIPTS:						
Taxes	$ —	$ —	$ —	$ 1,574	$ 1,644	$ 70
Miscellaneous	903	394	(509)	918	1,325	407
Federal grants	—	—	—	—	—	—
Total receipts	**903**	**394**	**(509)**	**2,492**	**2,969**	**477**
DISBURSEMENTS:						
Local assistance grants	791	145	646	—	45	(45)
Capital projects	546	689	(143)	1,226	1,646	(420)
Total disbursements	**1,337**	**834**	**503**	**1,226**	**1,691**	**(465)**
Excess (deficiency) of receipts over disbursements	**(434)**	**(440)**	**(6)**	**1,266**	**1,278**	**12**
OTHER FINANCING SOURCES (USES):						
Bond and note proceeds, net	—	—	—	—	—	—
Transfers from other funds	441	442	1	—	137	(137)
Transfers to other funds	(7)	(2)	5	(1,236)	(1,044)	(192)
Net other financing sources (uses)	**434**	**440**	**6**	**(1,236)**	**(907)**	**(329)**
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	**$ —**	**$ —**	**$ —**	**$ 30**	**$ 371**	**$ (317)**

See independent auditors' report.

Federal Capital Projects			Department of Transportation Engineering Services		
Financial Plan	Actual	Favorable (Unfavorable) Variance	Financial Plan	Actual	Favorable (Unfavorable) Variance
$ —	$ —	$ —	$ —	$ —	$ —
—	5	5	—	—	—
1,482	1,548	66	—	—	—
1,482	**1,553**	**71**	**—**	**—**	**—**
217	491	(274)	—	—	—
1,034	759	275	222	184	38
1,251	**1,250**	**1**	**222**	**184**	**38**
231	**303**	**72**	**(222)**	**(184)**	**38**
—	—	—	—	—	—
—	—	—	—	197	197
(231)	(225)	6	—	—	—
(231)	**(225)**	**6**	**—**	**197**	**197**
$ —	**$ 78**	**$ 78**	**$ (222)**	**$ 13**	**$ 235**

(Continued)

Combining Schedule of Cash Receipts and Disbursements Budgetary Basis—Financial Plan and Actual (cont'd)

OTHER GOVERNMENTAL FUNDS—CAPITAL PROJECTS FUNDS

Year Ended March 31, 2004
(Amounts in millions)

	Other			Eliminations	
	Financial Plan	Actual	Favorable (Unfavorable) Variance	Financial Plan	Actual
RECEIPTS:					
Taxes	$ 178	$ 112	$ (66)	$ —	$ —
Miscellaneous	869	444	(425)	—	—
Federal grants	139	—	(139)	—	—
Total receipts	**1,186**	**556**	**(630)**	**—**	**—**
DISBURSEMENTS:					
Local assistance grants	430	100	330	—	—
Capital projects	582	477	105	—	—
Total disbursements	**1,012**	**577**	**435**	**—**	**—**
Excess (deficiency) of receipts over disbursements	**174**	**(21)**	**(195)**	**—**	**—**
OTHER FINANCING SOURCES (USES):					
Bond and note proceeds, net	248	139	(109)	—	—
Transfers from other funds	438	117	(321)	(613)	(639)
Transfers to other funds	(226)	(396)	(170)	613	639
Net other financing sources (uses)	**460**	**(140)**	**(600)**	**—**	**—**
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	**$ 634**	**$ (161)**	**$ (795)**	**$ —**	**$ —**

See independent auditors' report.

Total		
Financial Plan	Actual	Favorable (Unfavorable) Variance
$ 1,752	$ 1,756	$ 4
2,690	2,168	(522)
1,621	1,548	(73)
6,063	**5,472**	**(591)**
1,438	781	657
3,610	3,755	(145)
5,048	**4,536**	**512**
1,015	**936**	**(79)**
248	139	(109)
266	254	(12)
(1,087)	(1,028)	59
(573)	**(635)**	**(62)**
$ 442	**$ 301**	**$ (141)**

STATE OF NEW YORK
COMPTROLLER
EXCELSIOR

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the State in a fiduciary capacity or as agent for individuals, private organizations or other governments and include Private Purpose Trust Funds, the State and Local Retirement system Fund and Agency Funds.

Private Purpose Trust Funds:

Agriculture and Milk Producer's Security Funds—to provide security to agriculture and milk producers against loss of revenues.

Abandoned Property Fund—accounts for assets from banks, utilities, investment companies, and insurance companies representing inactive accounts that are required by law to be turned over to the State. The Comptroller is custodian of this account. Assets are returned to the proper owner upon approval of a claim and excess funds are transferred to the General Fund.

Tuition Savings Program Fund—accounts for contributions made by individuals and families for college savings. The withdrawals from the Fund are used to pay college costs at any eligible public and private college and university in New York State.

Agency Funds:

Employee Benefit and Payroll Related Funds—accounts for various employee benefit programs, such as the New York State employee health insurance programs, for the disposition of various payroll related deductions, such as for social security contributions.

MMIS Statewide Escrow Fund—accounts for the transfer from other funds of the federal, State, and local shares of Medicaid program expenditures to a paying agent for ultimate payment to health care providers.

Other Agency Funds—account for various escrow, revenue collection and agency accounts for which the State acts in an agent's capacity until proper disposition of the assets can be made. This includes accounting for advances from the State for paying CUNY operating costs.

Combining Statement of Fiduciary Net Assets

PRIVATE PURPOSE TRUSTS

March 31, 2004
(Amounts in millions)

	Agriculture Producer's Security	Milk Producer's Security	Abandoned Property	Tuition Savings Program	Totals	
					2004	2003
ASSETS:						
Cash and investments	$ 4	$ 5	$ 297	$ 2,264	**$ 2,570**	$ 1,519
Receivables, net of allowance for uncollectibles	—	—	85	24	**109**	90
Due from other funds	—	—	358	—	**358**	441
Total assets	**4**	**5**	**740**	**2,288**	**3,037**	**2,050**
LIABILITIES:						
Accrued liabilities	—	—	740	26	**766**	617
Total liabilities	**—**	**—**	**740**	**26**	**766**	**617**
NET ASSETS:						
Reserved for other specified purposes	4	5	—	2,262	**2,271**	1,433
Total net assets	**$ 4**	**$ 5**	**$ —**	**$ 2,262**	**$ 2,271**	**$ 1,433**

See independent auditors' report.

Combining Statement of Changes in Fiduciary Net Assets

PRIVATE PURPOSE TRUSTS

March 31, 2004
(Amounts in millions)

	Agriculture Producer's Security	Milk Producer's Security	Abandoned Property	Tuition Savings Program	Totals 2004	Totals 2003
Additions:						
Investment income	$ —	$ —	$ —	$ 1	**$ 1**	$ 18
Dividend income	—	—	—	9	**9**	25
Escheated property	—	—	820	—	**820**	430
Net change in fair value on investments	—	—	—	46	**46**	13
Total investment and other income	**—**	**—**	**820**	**56**	**876**	**486**
Less:						
Net realized loss on investments	—	—	—	—	**—**	(150)
Investment expenses	—	—	—	(1)	**(1)**	(5)
Net investment and other income	**—**	**—**	**820**	**55**	**875**	**331**
Contributions:						
College savings	—	—	—	838	**838**	685
Total contributions	**—**	**—**	**—**	**838**	**838**	**685**
Total additions	**—**	**—**	**820**	**893**	**1,713**	**1,016**
Deductions:						
College aid redemptions	—	—	—	54	**54**	78
Claims paid	—	—	140	—	**140**	68
Miscellaneous	—	1	—	—	**1**	—
Net transfers to General Fund	—	—	680	—	**680**	362
Total deductions	**—**	**1**	**820**	**54**	**875**	**508**
Net increase (decrease)	**—**	**(1)**	**—**	**839**	**838**	**508**
Net assets held in trust at April 1, 2003	**4**	**6**	**—**	**1,423**	**1,433**	**925**
Net assets held in trust at March 31, 2004	**$ 4**	**$ 5**	**$ —**	**$ 2,262**	**$ 2,271**	**$ 1,433**

See independent auditors' report.

Combining Statement of Fiduciary Net Assets

AGENCY FUNDS

March 31, 2004
(Amounts in millions)

	School Capital Facilities Financing Reserve	Employees Health Insurance	Social Security Contribution	NYS Employee Payroll Withholding	Employees Dental Insurance
ASSETS:					
Cash and investments	$ 41	$ 107	$ 30	$ 52	$ 4
Receivables, net of allowance for uncollectibles	—	25	—	—	—
Due from other funds	2	8	—	—	2
Other assets	—	178	—	—	—
Total assets	**$ 43**	**$ 318**	**$ 30**	**$ 52**	**$ 6**
LIABILITIES:					
Accounts payable	$ —	$ 6	$ —	$ —	$ 2
Accrued liabilities	43	132	30	52	4
Payable to local governments	—	178	—	—	—
Due to other funds	—	2	—	—	—
Total liabilities	**$ 43**	**$ 318**	**$ 30**	**$ 52**	**$ 6**

See independent auditors' report.

Management Confidential Group Insurance	CUNY Senior College Operating	MMIS Statewide Escrow	Sole Custody	Miscellaneous	Totals 2004	Totals 2003
$ 1	$ 30	$ 237	$ 3,296	$ 506	**$ 4,304**	$ 4,355
—	—	—	3	572	**600**	77
—	9	168	9	35	**233**	206
—	—	—	—	—	**178**	141
$ 1	**$ 39**	**$ 405**	**$ 3,308**	**$ 1,113**	**$ 5,315**	**$ 4,779**
$ —	$ 38	$ —	$ —	$ 7	**$ 53**	$ 34
1	—	403	974	524	**2,163**	2,050
—	—	1	2,334	124	**2,637**	2,628
—	1	1	—	458	**462**	67
$ 1	**$ 39**	**$ 405**	**$ 3,308**	**$ 1,113**	**$ 5,315**	**$ 4,779**

Combining Statement of Changes in Assets and Liabilities

AGENCY FUNDS

March 31, 2004
(Amounts in millions)

	Balance April 1, 2003	Additions	Deductions	Balance March 31, 2004
School Capital Facilities Financing Reserve				
ASSETS:				
Cash and investments	$ 40	$ 25	$ 24	**$ 41**
Due from other funds	—	5	3	**2**
Total assets	**$ 40**	**$ 30**	**$ 27**	**$ 43**
LIABILITIES:				
Accounts payable	$ —	$ 35	$ 35	**$ —**
Accrued liabilities	40	41	38	**43**
Total liabilities	**$ 40**	**$ 76**	**$ 73**	**$ 43**
Employees Health Insurance				
ASSETS:				
Cash and investments	$ 191	$ 4,240	$ 4,324	**$ 107**
Receivables, net of allowance for uncollectibles	13	24	12	**25**
Due from other funds	1	164	157	**8**
Other assets	141	178	141	**178**
Total assets	**$ 346**	**$ 4,606**	**$ 4,634**	**$ 318**
LIABILITIES:				
Accounts payable	$ —	$ 4,221	$ 4,215	**$ 6**
Accrued liabilities	205	5,122	5,195	**132**
Payable to local governments	141	178	141	**178**
Due to other funds	—	156	154	**2**
Total liabilities	**$ 346**	**$ 9,677**	**$ 9,705**	**$ 318**
Social Security Contribution				
ASSETS:				
Cash and investments	$ 18	$ 855	$ 843	**$ 30**
Total assets	**$ 18**	**$ 855**	**$ 843**	**$ 30**
LIABILITIES:				
Accounts payable	$ 1	$ 840	$ 841	**$ —**
Accrued liabilities	17	837	824	**30**
Total liabilities	**$ 18**	**$ 1,677**	**$ 1,665**	**$ 30**

(Continued)

Combining Statement of Changes in Assets and Liabilities (cont'd)

AGENCY FUNDS

March 31, 2004
(Amounts in millions)

	Balance April 1, 2003	Additions	Deductions	Balance March 31, 2004
NYS Employee Payroll Withholding				
ASSETS:				
Cash and investments	$ 10	$ 3,163	$ 3,121	**$ 52**
Due from other funds	—	3	3	**—**
Total assets	**$ 10**	**$ 3,166**	**$ 3,124**	**$ 52**
LIABILITIES:				
Accounts payable	$ 10	$ 2,527	$ 2,537	**$ —**
Accrued liabilities	—	3,016	2,964	**52**
Due to other funds	—	31	31	**—**
Total liabilities	**$ 10**	**$ 5,574**	**$ 5,532**	**$ 52**
Employees Dental Insurance				
ASSETS:				
Cash and investments	$ 6	$ 66	$ 68	**$ 4**
Due from other funds	—	8	6	**2**
Total assets	**$ 6**	**$ 74**	**$ 74**	**$ 6**
LIABILITIES:				
Accounts payable	$ —	$ 70	$ 68	**$ 2**
Accrued liabilities	6	62	64	**4**
Total liabilities	**$ 6**	**$ 132**	**$ 132**	**$ 6**
Management Confidential Group Insurance				
ASSETS:				
Cash and investments	$ 1	$ 8	$ 8	**$ 1**
Total assets	**$ 1**	**$ 8**	**$ 8**	**$ 1**
LIABILITIES:				
Accounts payable	$ —	$ 7	$ 7	**$ —**
Accrued liabilities	1	8	8	**1**
Total liabilities	**$ 1**	**$ 15**	**$ 15**	**$ 1**

(Continued)

Combining Statement of Changes in Assets and Liabilities (cont'd)

AGENCY FUNDS

March 31, 2004

(Amounts in millions)

	Balance April 1, 2003	Additions	Deductions	Balance March 31, 2004
CUNY Senior College Operating				
ASSETS:				
Cash and investments	$ 32	$ 1,199	$ 1,201	**$ 30**
Due from other funds	2	197	190	**9**
Total assets	**$ 34**	**$ 1,396**	**$ 1,391**	**$ 39**
LIABILITIES:				
Accounts payable	$ 16	$ 1,173	$ 1,151	**$ 38**
Accrued liabilities	9	1,539	1,548	**—**
Due to other funds	9	117	125	**1**
Total liabilities	**$ 34**	**$ 2,829**	**$ 2,824**	**$ 39**
MMIS Statewide Escrow				
ASSETS:				
Cash and investments	$ 259	$ 123,298	$ 123,320	**$ 237**
Due from other funds	161	694	687	**168**
Total assets	**$ 420**	**$ 123,992**	**$ 124,007**	**$ 405**
LIABILITIES:				
Accounts payable	$ —	$ 32,330	$ 32,330	**$ —**
Accrued liabilities	414	304,034	304,045	**403**
Payable to local governments	6	2,240	2,245	**1**
Due to other funds	—	121	120	**1**
Total liabilities	**$ 420**	**$ 338,725**	**$ 338,740**	**$ 405**
Sole Custody				
ASSETS:				
Cash and investments	$ 3,371	$ 3,730	$ 3,805	**$ 3,296**
Receivables, net of allowance for uncollectibles	4	3	4	**3**
Due from other funds	8	9	8	**9**
Total assets	**$ 3,383**	**$ 3,742**	**$ 3,817**	**$ 3,308**
LIABILITIES:				
Accrued liabilities	$ 914	$ 1,400	$ 1,340	**$ 974**
Payable to local governments	2,469	2,334	2,469	**2,334**
Total liabilities	**$ 3,383**	**$ 3,734**	**$ 3,809**	**$ 3,308**

(Continued)

Combining Statement of Changes in Assets and Liabilities (cont'd)

AGENCY FUNDS

March 31, 2004
(Amounts in millions)

	Balance April 1, 2003	Additions	Deductions	Balance March 31, 2004
Miscellaneous				
ASSETS:				
Cash and investments	$ 427	$ 2,612	$ 2,533	**$ 506**
Receivables, net of allowance for uncollectibles	58	572	58	**572**
Due from other funds	31	662	658	**35**
Total assets	**$ 516**	**$ 3,846**	**$ 3,249**	**$ 1,113**
LIABILITIES:				
Accounts payable	$ 6	$ 767	$ 766	**$ 7**
Accrued liabilities	441	5,762	5,679	**524**
Payable to local governments	10	212	98	**124**
Due to other funds	59	935	536	**458**
Total liabilities	**$ 516**	**$ 7,676**	**$ 7,079**	**$ 1,113**
Total Assets and Liabilities—All Agency Funds				
ASSETS:				
Cash and investments	$ 4,355	$ 139,196	$ 139,247	**$ 4,304**
Receivables, net of allowance for uncollectibles	75	599	74	**600**
Due from other funds	203	1,742	1,712	**233**
Other assets	141	178	141	**178**
Total assets	**$ 4,774**	**$ 141,715**	**$ 141,174**	**$ 5,315**
LIABILITIES:				
Accounts payable	$ 33	$ 41,970	$ 41,950	**$ 53**
Accrued liabilities	2,047	321,821	321,705	**2,163**
Payable to local governments	2,626	4,964	4,953	**2,637**
Due to other funds	68	1,360	966	**462**
Total liabilities	**$ 4,774**	**$ 370,115**	**$ 369,574**	**$ 5,315**

See independent auditors' report.

STATE OF NEW YORK COMPTROLLER

EXCELSIOR

Statistical Section

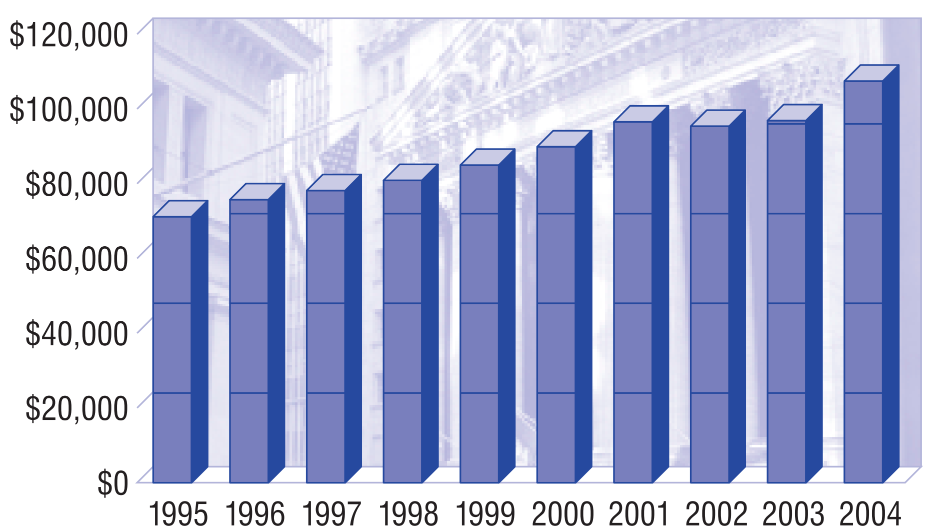
Schedule of Revenues, Expenditures and Other Financing Sources (Uses)

ALL GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(Amounts in millions)

	1994-95	1995-96	1996-97
REVENUES:			
Taxes	$ 32,994	$ 33,507	$ 35,000
Miscellaneous revenues	5,997	6,942	8,084
Federal grants	21,481	22,272	22,329
Total revenues	**60,472**	**62,721**	**65,413**
EXPENDITURES:			
Grants to local governments	42,551	43,219	43,463
Operations of state departments and agencies	13,082	13,221	14,055
Debt service	2,132	2,334	2,387
Capital projects	3,122	3,004	2,773
Total expenditures	**60,887**	**61,778**	**62,678**
Excess (deficiency) revenues over expenditures	**(415)**	**943**	**2,735**
OTHER FINANCING SOURCES (USES):			
Bond proceeds	325	188	439
Proceeds from financing arrangements	2,352	3,326	3,446
Transfers from other funds	8,051	9,588	8,912
Transfers to other funds	(11,495)	(12,865)	(12,193)
Payments on advance refundings	(609)	(747)	(1,279)
Net other financing sources (uses)	**(1,376)**	**(510)**	**(675)**
Excess (deficiency) of operating revenues and other financing sources over (under) expenditures and other financing uses	**$ (1,791)**	**$ 433**	**$ 2,060**

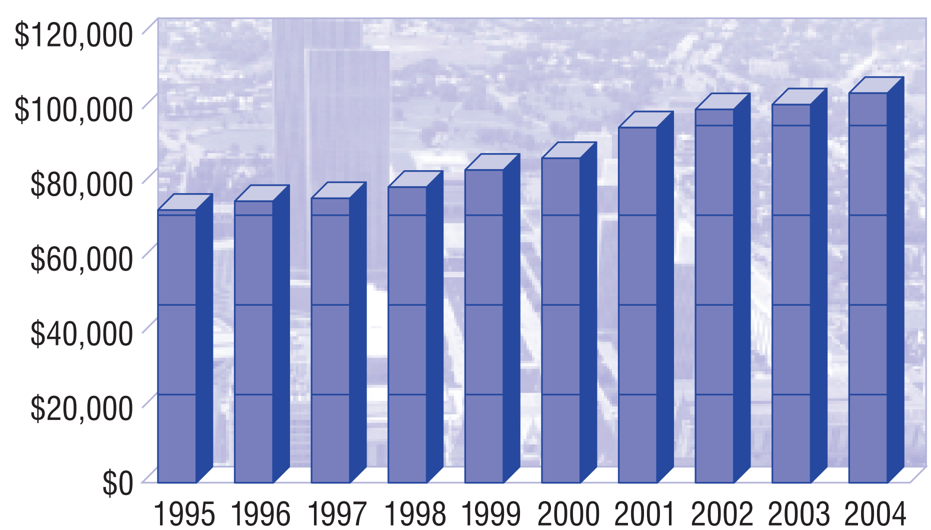
Source: Office of the State Comptroller

REVENUES & OTHER FINANCING SOURCES
(AMOUNTS IN MILLIONS)



1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
$ 36,374	$ 38,985	$ 41,888	$ 45,153	$ 41,676	$ 39,636	$ 43,791
7,698	7,700	10,014	10,866	11,368	9,751	10,041
23,268	24,133	25,367	26,722	29,942	35,312	38,241
67,340	**70,818**	**77,269**	**82,741**	**82,986**	**84,699**	**92,073**
44,667	47,548	51,386	56,093	60,761	68,890	73,251
13,730	13,929	14,426	15,881	16,909	15,925	16,392
2,728	2,889	3,317	3,679	3,392	2,970	3,440
2,983	3,393	3,442	3,448	3,397	3,362	3,608
64,108	**67,759**	**72,571**	**79,101**	**84,459**	**91,147**	**96,691**
3,232	**3,059**	**4,698**	**3,640**	**(1,473)**	**(6,448)**	**(4,618)**
485	358	349	264	211	246	147
3,354	3,875	2,010	2,398	1,537	9,778	12,705
9,773	9,972	10,294	11,152	10,751	2,238	2,628
(13,223)	(13,964)	(14,221)	(15,636)	(15,473)	(3,637)	(3,182)
(1,821)	(1,977)	(100)	(370)	—	(6,481)	(4,443)
(1,432)	**(1,736)**	**(1,668)**	**(2,192)**	**(2,974)**	**2,144**	**7,855**
$ 1,800	**$ 1,323**	**$ 3,030**	**$ 1,448**	**$ (4,447)**	**$ (4,304)**	**$ 3,237**

EXPENDITURES & OTHER FINANCING USES
(AMOUNTS IN MILLIONS)



Schedule of Collections of Principal State Taxes

LAST TEN FISCAL YEARS

(Amounts in millions)

Fiscal Year	Personal Income	Sales and Use	Motor Fuel	Corporate Franchise	Cigarette	Corporate & Utility	Other Miscellaneous	Total Taxes Collected By Year
1994-95	$ 17,589	$ 6,789	$ 485	$ 2,198	$ 727	$ 1,705	$ 4,420	$ 33,913
1995-96	16,998	6,954	502	2,002	693	1,756	4,623	33,528
1996-97	16,371	7,261	472	2,306	667	1,789	4,573	33,439
1997-98	17,759	7,562	492	2,343	676	1,745	4,814	35,391
1998-99	20,662	7,912	502	2,262	667	1,728	4,848	38,581
1999-2000	21,533	8,532	519	2,168	643	1,692	4,642	39,729
2000-2001	26,892	8,732	510	2,631	528	1,009	4,306	44,608
2001-2002	27,414	8,540	489	1,702	532	1,218	4,420	44,315
2002-2003	23,698	8,796	544	1,612	447	1,091	4,488	40,676
2003-2004	24,050	9,907	516	1,700	419	882	4,780	42,254

Source: Office of the State Comptroller & State Division of the Budget

Schedule of State-Related Debt Per Capita

LAST TEN FISCAL YEARS

Fiscal Year	General Obligation Debt	State Guaranteed Authority Debt	Lease/Purchase and Contractual Obligation Debt	Moral Obligation Debt	Certificates Of Participation	Local Government Assistance Corporation	Total Debt
1994-95	$ 277	$ 20	$ 914	$ 386	$ 30	$ 262	$ 1,889
1995-96	262	17	1,051	355	27	290	2,002
1996-97	260	15	1,164	180	28	288	1,935
1997-98	258	14	1,259	76	26	284	1,917
1998-99	255	10	1,360	35	30	282	1,972
1999-2000	248	7	1,435	33	28	268	2,019
2000-2001	229	6	1,418	29	24	249	1,955
2001-2002	218	6	1,442	27	17	243	1,953
2002-2003	209	4	1,551	23	13	239	2,039
2003-2004	198	4	1,932	20	10	238	2,402

Source: Office of the State Comptroller

Schedule of Ratio of Annual Debt Service Expenditures for General Obligation Debt to Total General Governmental Expenditures

LAST TEN FISCAL YEARS
(Amounts in millions)

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
1995	$ 467	$ 312	$ 779	$ 60,887	1.28%
1996	483	281	764	61,778	1.24%
1997	475	265	740	62,678	1.18%
1998	481	258	739	64,108	1.15%
1999	487	252	739	67,759	1.09%
2000	478	240	718	72,571	0.99%
2001	451	226	677	79,101	0.86%
2002	415	209	624	84,459	0.74%
2003	390	182	572	91,147	0.63%
2004	349	160	509	96,691	0.53%

Source: Office of the State Comptroller

Schedule of Demographic Statistics

LAST TEN FISCAL YEARS

Years	Population (1000s)	% of U.S. Population	Per Capita Personal Income	Unemployment (1000s)	Unemployment %
1994	18,169	7.0	$ 25,276	593	6.9
1995	18,178	6.9	26,782	498	6.3
1996	18,185	6.9	27,264	495	6.3
1997	18,137	6.8	30,909	514	6.4
1998	18,175	6.7	31,796	461	5.6
1999	18,197	6.7	33,945	431	5.1
2000	18,976	6.7	35,002	397	4.6
2001	19,011	6.7	35,884	370	4.9
2002	19,158	6.6	36,043	542	5.8
2003	19,190	6.5	36,574	556	6.0

Prior to 2000, population numbers were based on estimates.

Source: U.S. Department of Commerce, Census Bureau, N.Y.S. Department of Labor

Schedule of City Populations Within New York State

City	1940	1950	1960	1970	1980	1990	2000
New York City	7,454,995	7,891,957	7,781,984	7,895,563	7,071,639	7,322,564	8,008,278
Buffalo	575,901	580,132	532,759	462,768	357,370	328,123	292,648
Rochester	324,975	332,488	318,611	295,011	241,741	231,636	219,773
Yonkers	142,598	152,798	190,634	204,297	195,351	188,082	196,086
Syracuse	205,967	220,583	216,038	197,297	170,105	163,860	147,306
Albany	130,577	134,995	129,726	115,781	101,727	101,082	95,658
Utica	100,518	101,531	100,410	91,373	75,632	68,637	60,651
Niagara Falls	78,029	90,872	102,394	85,615	71,384	61,840	55,593
Schenectady	87,549	91,785	81,682	77,859	67,972	65,566	61,821
Other Areas	4,378,033	5,233,051	7,328,066	8,816,394	9,205,244	9,459,065	9,838,643
Total State Population	**13,479,142**	**14,830,192**	**16,782,304**	**18,241,958**	**17,558,165**	**17,990,455**	**18,976,457**

Source: U.S. Department of Commerce—Bureau of Census

Schedule of Ten Largest Industrial & Commercial Employers

Firm	Location
The Bank of New York Company, Inc	New York City
Citibank NA	New York City
Eastman Kodak Company	Rochester
Eckerd Corporation	Various
Fleet National Bank	Various
General Electric Company	Various
Goldman Sachs & Company	New York City
HSBC Bank USA	New York City
International Business Machines Corporation	Armonk
J.P. Morgan Chase	New York City

Source: New York State Empire State Development Corporation

The Nelson A. Rockefeller Institute of Government

Schedule of Nonagricultural Employment by Categories

	Percentage Composition of Employment (2004)	
	United States	New York
Manufacturing	11.4%	7.1%
Construction and Mining	5.4%	3.6%
Trade, Transportation & Utilities	19.4%	17.3%
Information	2.6%	3.3%
Financial Activities	6.1%	8.5%
Professional and Business Services	12.2%	12.4%
Educational and Health Services	12.8%	18.3%
Leisure and Hospitality	9.1%	7.5%
Other Services	4.1%	4.1%
Government	16.9%	17.9%
Total	**100.0%**	**100.0%**

Source: U.S. & N.Y.S. Departments of Labor, U.S. Department of Commerce

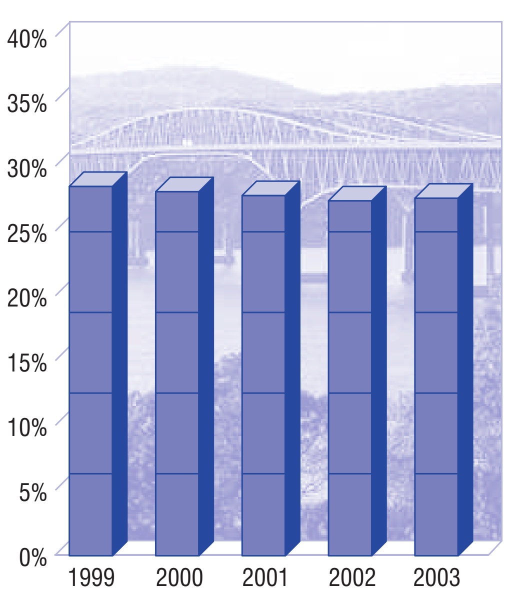
Schedule of Miscellaneous Statistics

March 31, 2004

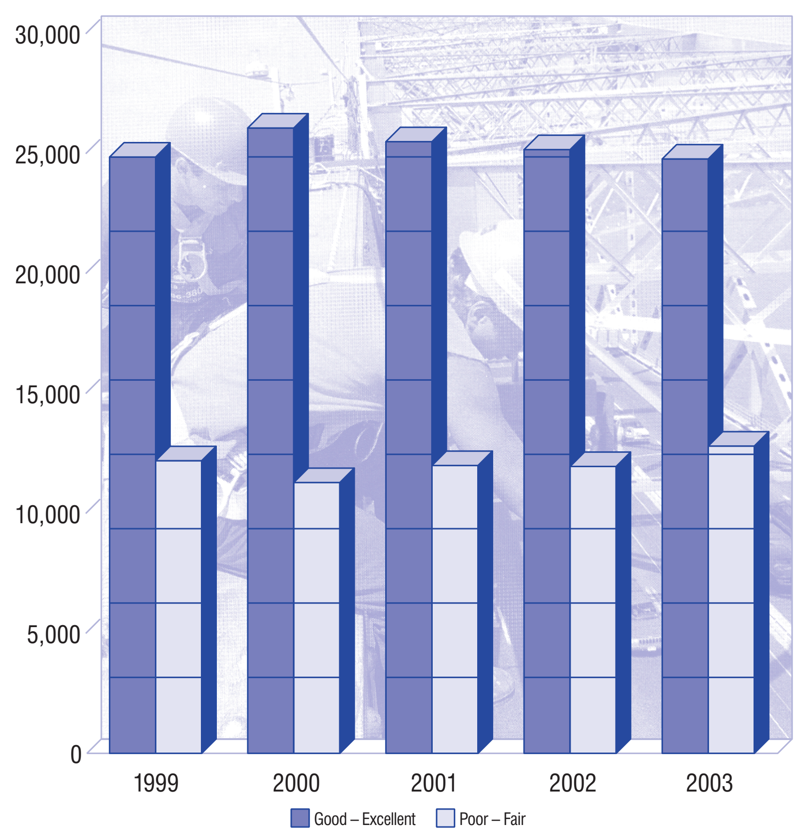
Date Entered Union	July 26, 1788
Form of Government	Legislative—Executive—Judicial
Land Area	49,576 square miles
Lane Miles of Roads in NYS	42,466
Number of State Bridges	7,798
State Police Protection:	
Number of Troops	11
Number of State Police Employees	5,608
State University of New York (All Campuses):	
Number of Campuses in State	64
Annual Salaried Positions	36,700
Number of Students	410,700
Recreation:	
Number of State Parks & Historic Sites	203
Expected Visitors 2003-2004	60 Million

Source: 2004-2005 N.Y.S. Executive Budget

DEFICIENT BRIDGES
(PERCENT DEFICIENT)



HIGHWAY CONDITION
(LANE MILES)



Revenue and Other Financing Sources by Type as Percent of Total

COMBINED GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

Type	1995	1996	1997	1998
Taxes:				
Personal income	23.34%	22.86%	22.95%	23.09%
Consumption and use	12.81%	11.88%	11.86%	12.02%
General business	8.64%	8.01%	8.34%	8.20%
Other	1.56%	1.45%	1.59%	1.62%
Total taxes	**46.35%**	**44.20%**	**44.74%**	**44.93%**
Federal grants	30.17%	29.37%	28.55%	28.74%
Lottery	4.28%	4.76%	5.10%	4.87%
Patient fees	0.52%	0.51%	0.52%	0.49%
Miscellaneous	3.63%	3.88%	4.71%	4.15%
Total other than taxes	**38.60%**	**38.52%**	**38.88%**	**38.25%**
Total financing sources	15.05%	17.28%	16.38%	16.82%
Total revenue and financing sources	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Source: Office of the State Comptroller

1999	2000	2001	2002	2003	2004
24.71%	26.24%	28.31%	25.33%	22.66%	23.38%
11.95%	11.90%	11.56%	11.58%	11.77%	11.67%
7.51%	6.82%	5.77%	5.17%	5.21%	4.54%
1.68%	1.62%	1.17%	1.57%	1.25%	1.13%
45.85%	**46.58%**	**46.81%**	**43.65%**	**40.89%**	**40.72%**
28.38%	28.21%	27.64%	31.36%	36.42%	35.56%
4.35%	4.04%	4.33%	4.98%	—	—
0.45%	0.42%	0.44%	0.44%	3.43%	3.20%
4.25%	6.68%	6.49%	6.48%	6.63%	6.13%
37.43%	**39.35%**	**38.90%**	**43.26%**	**46.48%**	**44.89%**
16.72%	14.07%	14.29%	13.09%	12.63%	14.39%
100.00%	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Expenditures and Other Financing Uses by Type as Percent of Total

COMBINED GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

Type	1995	1996	1997	1998
Local assistance grants:				
Social services	34.64%	32.96%	32.45%	32.38%
Education	17.57%	17.78%	17.99%	18.07%
General purpose	0.95%	1.10%	1.07%	0.73%
Mental hygiene	1.56%	1.55%	1.50%	1.33%
Health and environment	1.20%	1.74%	1.79%	1.65%
Transportation	0.90%	0.58%	0.64%	0.76%
Criminal justice	0.36%	0.36%	0.35%	0.40%
Other programs	1.13%	1.25%	1.28%	1.11%
Total local assistance grants	**58.31%**	**57.32%**	**57.07%**	**56.43%**
Personal service	9.40%	8.77%	8.48%	8.36%
Non-personal service	6.01%	6.26%	6.82%	6.69%
Pension and other fringe benefits	2.52%	2.50%	3.16%	2.30%
Capital construction	4.28%	3.98%	3.64%	3.77%
Debt service	2.92%	3.09%	3.13%	3.44%
Disaster Assistance—WTC	—	—	—	—
Total other than grants	**25.13%**	**24.60%**	**25.23%**	**24.56%**
Total financing uses	16.56%	18.08%	17.70%	19.01%
Total expenditures and financing uses	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Source: Office of the State Comptroller

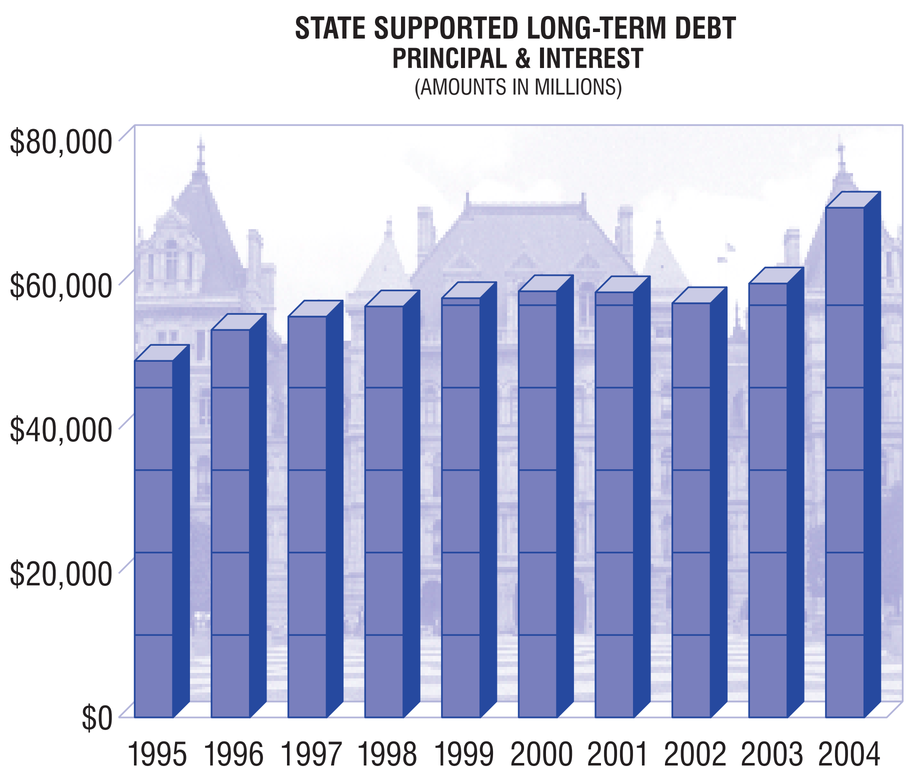
1999	2000	2001	2002	2003	2004
31.16%	32.38%	31.85%	31.99%	35.77%	37.02%
19.14%	20.05%	20.41%	20.73%	21.02%	22.36%
1.09%	1.06%	1.03%	0.96%	0.84%	1.33%
1.29%	1.32%	1.27%	1.34%	1.31%	0.83%
1.92%	2.32%	2.71%	2.87%	3.01%	3.25%
0.76%	0.81%	0.38%	0.48%	3.33%	2.34%
0.39%	0.39%	0.38%	0.28%	0.30%	0.50%
1.06%	0.92%	0.94%	1.14%	2.46%	2.59%
56.80%	**59.25%**	**58.97%**	**59.79%**	**68.04%**	**70.22%**
8.13%	8.17%	7.96%	7.75%	7.94%	7.46%
6.22%	6.20%	6.54%	6.65%	5.34%	5.12%
2.30%	2.11%	2.20%	2.52%	2.45%	3.13%
4.05%	3.96%	3.63%	3.40%	3.32%	3.46%
3.45%	3.82%	3.87%	3.39%	2.93%	3.30%
—	—	—	1.02%	—	—
24.14%	**24.26%**	**24.20%**	**24.73%**	**21.98%**	**22.47%**
19.05%	16.48%	16.83%	15.48%	9.98%	7.31%
100.00%	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

State Supported Long-Term Debt By Type Principal and Interest

LAST TEN FISCAL YEARS
(Amounts in millions)

Type	1995	1996	1997	1998
General Obligation				
Total Debt	$ 7,263	$ 6,780	$ 6,726	$ 6,743
Percent of Total	14.68%	12.60%	12.09%	11.82%
Change from Prior Year	–4.48%	–6.65%	–0.80%	0.25%
Lease/Purchase and Other Financing Arrangements				
Total Debt	$ 42,217	$ 47,011	$ 48,908	$ 50,315
Percent of Total	85.32%	87.40%	87.91%	88.18%
Change from Prior Year	5.21%	11.36%	4.04%	2.88%
Total Debt				
Total Debt	**$ 49,480**	**$ 53,791**	**$ 55,634**	**$ 57,058**
Percent of Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**
Change from Prior Year	**3.37%**	**8.71%**	**3.43%**	**2.56%**

Source: Office of the State Comptroller



1999	2000	2001	2002	2003	2004
$ 6,488	$ 6,383	$ 6,038	$ 5,450	$ 5,190	$ 4,811
11.15%	10.79%	10.23%	9.48%	8.62%	6.80%
–3.78%	–1.62%	–5.40%	–9.74%	–4.77%	–7.30%
$ 51,688	$ 52,768	$ 52,970	$ 52,029	$ 55,043	$ 65,933
88.85%	89.21%	89.77%	90.52%	91.38%	93.20%
2.73%	2.09%	0.38%	–1.78%	5.79%	19.78%
$ 58,176	**$ 59,151**	**$ 59,008**	**$ 57,479**	**$ 60,233**	**$ 70,744**
100.00%	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**
1.96%	**1.68%**	**–0.24%**	**–2.59%**	**4.79%**	**17.45%**

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Megan Baldwin

Administrative Support:
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