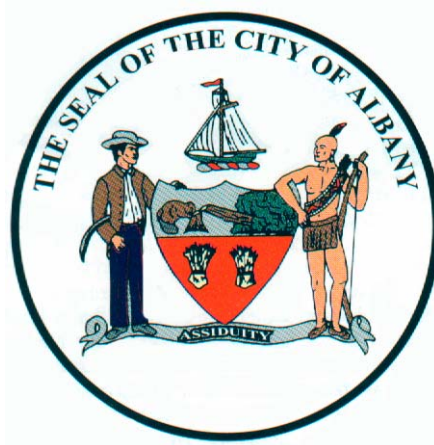


**CITY OF ALBANY,  
NEW YORK**

AUDITED FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION

Year ended December 31, 2005



# CITY OF ALBANY, NEW YORK

## TABLE OF CONTENTS

	<b>Page</b>
<b>Independent Auditor's Report on the Financial Statements</b>	1
<b>Management's Discussion and Analysis</b>	2-17
<b>Basic Financial Statements</b>	
Government-Wide Financial Statements:	
Statement of Net Assets	18
Statement of Activities	19
<b>Fund Financial Statements</b>	
Balance Sheet – Governmental Funds	20
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	21
Reconciliation of the Balance Sheet – Governmental Funds with the Statement of Net Assets	22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds with the Statement of Activities	23
Combining Balance Sheet – Discretely Presented Component Units	24
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Discretely Presented Component Units	25
Combining Statement of Cash Flows - Discretely Presented Component Units	26-27
Statement of Fiduciary Net Assets – Fiduciary Funds	28
Statement of Changes in Fiduciary Net Assets – Fiduciary Funds	29
Notes to Financial Statements	30-53
<b>Required Supplementary Information</b>	
Schedule of Revenues, Expenditures and Modified Budget and Actual – General and Special Revenue Funds	54

## INDEPENDENT AUDITOR'S REPORT

Members of the City Council  
City of Albany, New York

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Albany, New York (the "City"), as of and for the year ended December 31, 2005, which collectively comprise the City's basic financial statements, as listed in the accompanying table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statements of the Albany Parking Authority, Albany Industrial Development Agency, Downtown Albany Restoration Program, Inc., Lark Street Area District Management Association, Inc., and Central District Management Association, Inc., which represent approximately 21 percent and 24 percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based on the reports of the other auditors

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Albany, New York as of December 31, 2005, 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 accompanying Management's Discussion and Analysis and required supplementary information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally 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.

*UHY* LLP

Albany, New York  
October 9, 2006

# Management Discussion & Analysis

## OVERVIEW

The Management Discussion and Analysis (MD&A) of the City of Albany, New York is an introduction to the major activities affecting the operation of the City of Albany and an overview and analysis of the financial statements of the City of Albany for the calendar year that ended December 31, 2005. It also provides comparative analysis of the City's overall financial position and results of operations as compared to those reported in the City's financial statements for the calendar year ending December 31, 2004.

The information contained in this MD&A should be considered in conjunction with the information contained in the government-wide financial statements, the governmental funds financial statements, and footnotes to the governmental funds financial statements.

The City's financial statements are prepared using generally accepted accounting principles and are presented in a format prescribed by the Government Accounting Standards Board's (GASB) Statement No. 34 "State and Local Government Financial Statements and MD&A" and other related statements."

## FINANCIAL STATEMENTS

In accordance with required reporting standards, the City's financial statements include 1) *government-wide* financial statements and 2) *governmental funds* financial statements.

### Government-Wide Financial Statements

The intent of the government-wide financial statements is to present an overview of the City's overall financial position. The government-wide financial statements include two parts: the *statement of net assets* and the *statement of activities*. Both statements are prepared using generally accepted accounting principles and an economic basis of accounting similar to that used by commercial enterprises. The *statement of net assets* and the *statement of activities* delineate between the primary government (the City of Albany, plus the Albany Community Development Agency) and the component units<sup>1</sup>, which are separate entities for which the city has some responsibility.

The *statement of net assets* is an attempt to report all assets held and liabilities owed by the City on December 31, 2005. The City reports all assets when it takes ownership and reports liabilities at the time they are incurred. The City reports roads, buildings, and equipment as assets, even though they are not available to pay current obligations. The City reports capital assets based on historical costs, which may not reflect fair market value. Similarly, the City records the cost of accumulated vacation time as a liability, even though it will be paid over many years.

The difference between assets and liabilities is *net assets*, which is analogous to the *total owners' equity* reported by commercial enterprises. In contrast to commercial enterprises, the City has no goal of accumulating net assets. Increases in net assets over time *may* suggest that the financial position of the City is improving. However, increases in net assets also *may* create recurring expenses for staffing, maintenance, repair, and litigation, which may not be immediately recognizable. Moreover, an asset may or may not prove useful in achieving the purpose for which it was acquired.

The *statement of activities* attempts to show the net cost of the various activities provided by the City and its component units. The first column shows the costs of each of the City's major functions. Subsequent columns show revenues related to fees charged for services, grants and other sources of revenue. The final column shows the net difference between expenses and revenue--attempting to reflect the extent to which each activity is a draw on revenue or is self-financing.

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<sup>1</sup> The component units consist of the Albany Water Board and Municipal Water Finance Authority, the Albany Parking Authority, the Albany Industrial Development Agency, the Albany Port Commission, Albany Local Development Corporation and the three Business Improvement Districts. Independent accounting firms separately audit these entities. Significant financial information from these entities has been disclosed in the footnotes to the City's financial statements. The fiduciary funds consist of an antiquated police and firefighter pension fund prior to participation in the NYS Retirement System, the City Trust and the payroll accounts. Copies of the complete financial reports for the component units can be obtained by contacting the Comptroller's office of the City of Albany.

The City's government-wide financial statements distinguish between primary government and component units. Component units are legally separate from the City, but because the City has some financial accountability for them, they are reported in the City's financial statements. The government-wide financial statements are presented on pages 18-19.

### **Governmental Funds Financial Statements**

Governmental funds financial statements consist of a *balance sheet* and *statement of revenue, expenditures, and change in fund balances*. Governmental financial statements have traditionally been presented in this format. These statements measure and account for cash and other assets that can easily be converted to cash. The *balance sheet* includes short-term assets such as cash, and short-term liabilities such as accounts payable, but neither long-term liabilities such as bonds payable nor capital assets such as land and buildings. Fund liabilities include amounts that are to be paid within a short period after the end of the fiscal year. For example, amounts reported on the balance sheet include items such as accounts payable, and interest and principal on long term debt payable during that period, but not total long-term debt obligations. The difference between a fund's total assets and total liabilities is labeled as the fund balance, and indicates the amount that is available to finance subsequent years' activities. Likewise the operating statement for governmental funds reports only those revenues and expenditures that were collected in cash or paid with cash during the current period or shortly after the end of the year. The governmental funds financial statements are included on pages 20-21.

### **Reconciliation of the Government-wide Financial Statements with the Governmental Funds Financial Statements.**

Many financial transactions are treated differently on the governmental fund statement and the government-wide statements. The basic financial statements contain a reconciliation of these items and a full explanation of these differences is contained in Note 3 of the Notes to Financial Statements.

### **Reconciliation of Balance Sheet with Statement of Net Assets**

Balances and activities accounted for in the *balance sheet* (governmental funds financial statements) and those accounted for in the *statement of net assets* (government-wide financial statements) are substantially different because the measurement focus differs between the two statements. For example, long-term liabilities, including bonds payable, vacation and sick time, and pending and estimated judgments and claims are included in the *statement of net assets*, but not included in the *balance sheet* because they are paid over many years and not with currently available funds.

Net capital assets (fixed assets and infrastructure, minus depreciation) are reflected in the *statement of net assets*, but are not reported on the *balance sheet*. Other long-term assets, such as receivables resulting from property transactions, are not reported as assets on the *balance sheet* but are reflected in the *statement of net assets*.

A more complete reconciliation between financial statements is presented on pages 22 and 23 and in note 3.

### **Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances with Statement of Activities**

The *revenues, expenditures and fund balance* reported in the *statement of revenues, expenditures and changes in fund balances* (governmental funds financial statements) differ from those reported on the *statement of activities* (government-wide financial statements) in several respects:

- Capital outlays are shown as expenditures on the *statement of revenues, expenditures and changes in fund balances*, however, only the depreciation expense of capital assets is reported on the *statement of activities*.

- Vacation expenses, employee retirement benefits, and judgments and claims are expensed as they are paid on the *statement of revenues, expenditures and changes in fund balances*. However, the *statement of activities* shows those expenses incurred during the reporting period. Long-term debt principal paid is reported as an expenditure on *the revenues, expenditures and changes in fund balances*, but is not reported as an expenditure on the *statement of activities*. Rather, principal paid is reported as a reduction of the bonds and loans payable liability in the *statement of net assets*. Long-term debt interest is reported as an expenditure when the interest is paid on the *revenues, expenditures and changes in fund balances*. Interest expense reported in the statement of activities is the interest expense incurred during the year, irrespective of when the interest is paid.

## OVERVIEW OF THE CITY'S FINANCIAL POSITION

### Government-Wide Financial Statements

#### *Statement of Net Assets*

Primary government net assets exceeded liabilities by \$50.3 million -- an increase of \$8.9 million from 2004. Assets of \$241.6 million increased from 2004 by almost \$3.7 Million. Liabilities of \$191 million declined by almost \$5.3 million.

Of the assets, \$62.1 million is invested in capital assets, net of related debt, and \$0.7 million is restricted for debt service, leaving a deficit balance in unrestricted net assets of \$12.5 million (an increase from 2004 of almost \$3.0 million). Although revenues exceeded expenditures in 2005, net assets decreased for the following reasons. The City paid down \$9.6 million of bond debt. This decrease was offset by \$3.9 million in capital leases and a \$3.3 million increase in notes payable. (The City issued no General Obligation bonds in 2005, but did issue Bond Anticipation Notes and utilized a lease line of credit for vehicles and equipment, which in the past would have been bonded.)

Invested in capital assets net of related debt increased by \$12.4 million and reflects \$2.3 million in equipment and \$5 million in street construction.

Total capital assets including property and equipment after depreciation are valued at \$166 million, an increase from 2004 of \$7.2 million. The components of this increase are \$6.1 million of infrastructure improvements, (particularly street reconstruction on Hackett Boulevard and Henry Johnson Boulevard), \$5.4 million in machinery and equipment (new compactor for the landfill and a firefighting pumper), and \$6.9 million in buildings and improvements less \$10.3 million of depreciation Construction in process (cip) decreased by \$1 million due to completed projects.

Due from Component units increased by \$1.6 million, reflecting increased funds owed to the City by the Water Board. Due from other governments declined by \$4.7 million, because of the receipt of funds from state and federally funded transportation projects and public safety grants. Additions to infrastructure of \$6.8 million account for most of the increase. Of the approximately \$42.4 million of assets not subject to depreciation, approximately \$41 million is construction in progress, particularly state and federally funded transportation projects. A more detailed description of capital assets is found in Footnote 8.

Component Units net assets exceeded liabilities by \$7.4 million. Net assets of \$137.5 million declined by \$6.9 million. Liabilities of \$130 million declined by \$2.9 million. After investment in capital assets and restricted for debt service and program specific activities, unrestricted net assets total approximately \$43.4 million, which is an increase from 2004 of \$3.3 million.

**Governmental Activities - Primary Government**  
**Net Assets at December 31, 2005**  
*(in Millions)*

	<u>2005</u>	<u>2004</u>	<u>Increase/ (Decrease)</u>
Total Assets	\$241.45	\$237.89	\$3.56
Total Liabilities	<u>191.12</u>	<u>196.48</u>	<u>(5.36)</u>
<b>Excess (deficiency) of assets over (under) liabilities</b>	<b>50.33</b>	<b>41.41</b>	<b>8.92</b>
Invested in capital assets, net of related debt	62.14	49.75	12.40
Restricted for debt service & program activities	0.63	1.16	<u>(0.53)</u>
Unrestricted net assets	<u>(12.44)</u>	<u>(9.50)</u>	<u>(2.94)</u>
<b>Total Net Assets</b>	<b><u>\$50.33</u></b>	<b><u>\$41.41</u></b>	<b><u>\$8.92</u></b>

**Governmental Activities - Component Units**  
**Net Assets at December 31, 2005**  
*(in Millions)*

	<u>2005</u>	<u>2004</u>	<u>Increase/ (Decrease)</u>
Total Assets	\$137.50	\$144.37	<u>(\$6.87)</u>
Total Liabilities	<u>130.05</u>	<u>132.94</u>	<u>(2.89)</u>
<b>Excess (deficiency) of assets over (under) liabilities</b>	<b>7.45</b>	<b>11.43</b>	<b>(3.98)</b>
Invested in capital assets, net of related debt	<u>(36.12)</u>	<u>(34.20)</u>	<u>(1.92)</u>
Restricted for debt service & program activities	0.17	5.47	<u>(5.30)</u>
Unrestricted Net Assets	<u>43.40</u>	<u>40.16</u>	<u>3.24</u>
<b>Total Net Assets</b>	<b><u>\$7.45</u></b>	<b><u>\$11.43</u></b>	<b><u>(\$3.98)</u></b>

*Statement of Activities*

The *Statement of Activities* describes the cost of the major governmental functions and compares the costs of these functions with revenue attributable to these activities. (Public Safety accounts for half of all spending, while General Government and Community Services account for 19 percent and 12 percent respectively.) This statement further delineates the major sources of revenue, which in the case of the City consists of Property Taxes, Sales Tax, Landfill Revenue, Grants (including State Aid), and Payments in Lieu of Taxes (PILOTs).

General fund expenses decreased from 2004 by \$3.5 million. Public safety expenses decreased from 2004 by \$1.9 million. Expense decreased because of the one time \$6.3 million cost of moving firefighters into a new retirement plan in 2004. Without this extra-ordinary expense in 2004, public safety costs would have increased by almost \$4.4 million, reflecting the budgeted increase in cost of salaries and unbudgeted increases in overtime, and health benefits. Public Safety expenses of \$75.2 million are offset by \$7.8 million in charges for services.

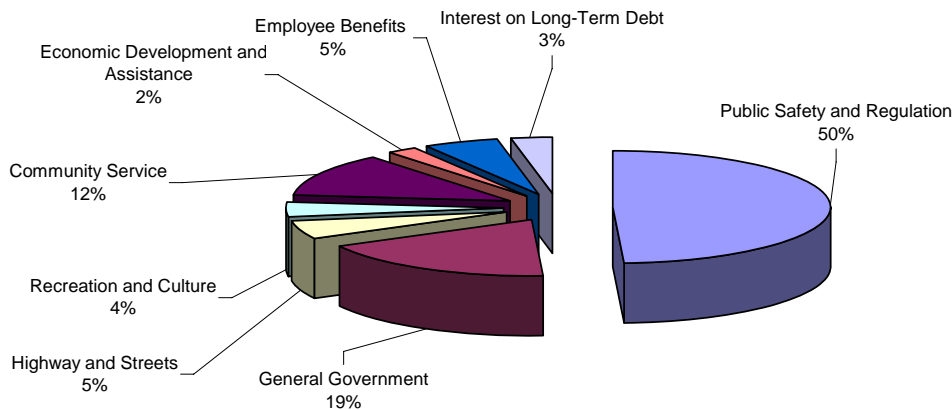
Community Service expenses of \$18.9 million decreased by \$1.6 million and are offset by \$5.2 million in revenues, of which the largest part is revenue generated from other localities who use the regional landfill.

Employee benefits largely reflects retiree health care costs.

**Governmental Activities - Expenses**  
*(in Millions)*

<u>Governmental Functions</u>	<u>2005</u>	<u>2004</u>	<u>Increase / (Decrease)</u>	<u>% of Change</u>
Public Safety and Regulation	\$75.19	\$77.07	(\$1.88)	-2%
General Government	27.53	29.26	(1.73)	-6%
Highway and Streets	7.84	7.08	0.76	11%
Recreation and Culture	6.57	6.41	0.16	2%
Community Service	18.92	20.39	(1.46)	-7%
Economic Development and Assistance	3.39	3.30	0.09	3%
Employee Benefits	8.40	8.59	(0.20)	-2%
Interest on Long-Term Debt	4.83	4.10	0.73	18%
<b>Total</b>	<b><u>\$152.67</u></b>	<b><u>\$156.20</u></b>	<b><u>(\$3.53)</u></b>	<b><u>-2%</u></b>

**2005**  
**Functional Expenses - Primary Government**





**Governmental Activities - Revenues**  
(in Millions)

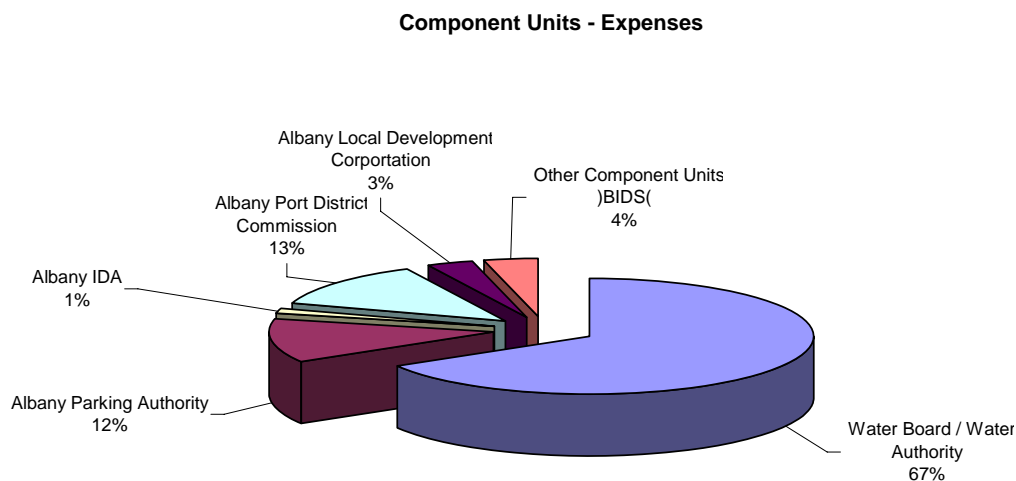
<b>Governmental Functions</b>	<b><u>2005</u></b>	<b><u>2004</u></b>	<b><u>Increase / (Decrease)</u></b>	<b><u>% of Change</u></b>
Public Safety and Regulation	\$11.91	\$9.79	\$2.12	22%
General Government	3.78	2.20	1.58	72%
Highway and Streets	2.98	8.32	(5.34)	-64%
Recreation and Culture	1.81	2.04	(0.23)	-11%
Community Service	17.61	15.40	2.21	14%
Economic Development and Assistance	<u>0.00</u>	<u>3.55</u>	<u>(3.55)</u>	<u>-100%</u>
<b>Total</b>	<b><u>\$38.09</u></b>	<b><u>\$41.30</u></b>	<b><u>(\$3.20)</u></b>	<b><u>-8%</u></b>

The overall expenses of the Component Units total \$40.2 million, an increase from 2004 of \$2.1 million. The Water Board/Water Authority accounts for 67 percent of the overall spending among component units and 80 percent (\$1.7 million) of the increase in spending. Increased salaries (including overtime), increased cost of benefits, increased charges from the Albany County Sewer District, and spending in excess of budget on repair projects account for the increases. The following is a summary of the relative expenses of the component units, which excludes the Albany Community Development Agency, because it is a blended component unit and is therefore included with the Primary Government in the *statement of activities*.

**Component Units - Expenses**  
(in Millions)

<b>Component Units</b>	<b><u>2005</u></b>	<b><u>2004</u></b>	<b><u>Increase / (Decrease)</u></b>
Water Board / Water Authority	\$26.61	\$24.92	\$1.69
Albany Parking Authority	5.01	4.67	0.34
Albany IDA	0.50	0.44	0.06
Albany Port District Commission	5.14	4.31	0.84
Albany Local Development Corporation	1.29	1.93	(0.63)
Other Component Units ( BIDS)	<u>1.60</u>	<u>1.76</u>	<u>(0.17)</u>
<b>Total</b>	<b><u>\$40.16</u></b>	<b><u>\$38.03</u></b>	<b><u>\$2.13</u></b>

The following chart indicates the relative value of expenses (including depreciation) for the component units:



## Revenue

Payment in Lieu of Taxes increased by \$6.3 million or 33 percent, because of a change in state law that accelerated payment from the State of New York for the Empire State Plaza state office complex from \$16.85 million to \$22.5 million. Property tax revenue increased by \$2.3 million (5 percent) as a result of an increase in property taxes.

Sales Tax revenues increased by \$0.8 million from 2004 because of increased economic activity in the region.

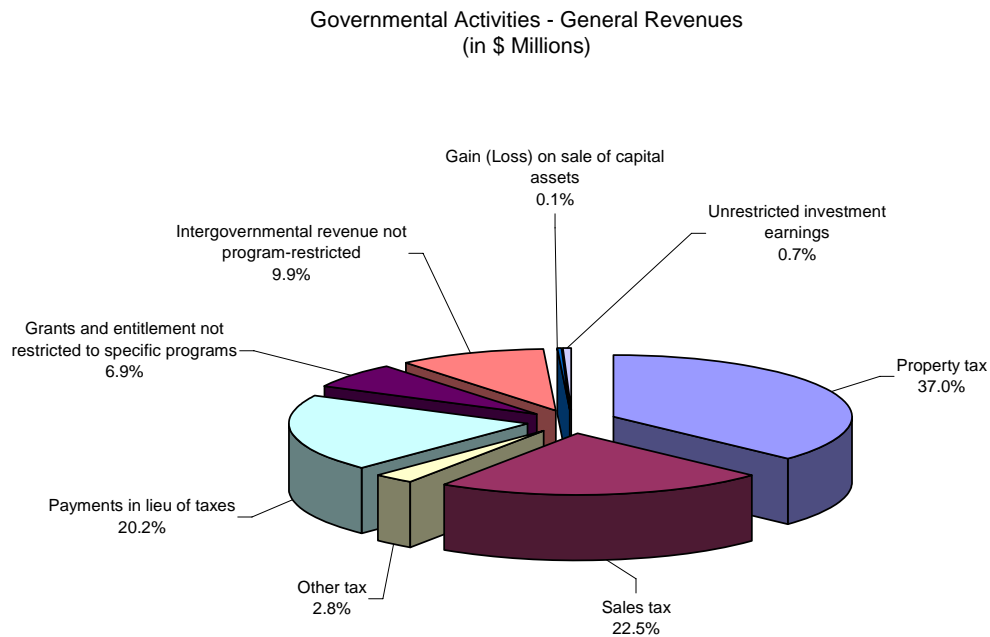
Albany Community Development Agency Grants and entitlements not restricted to specific programs increased by \$1.4 million.

Gain on sale of capital assets declined by \$1.3 million or 92% because in 2004, the City recorded \$1.5 million in revenue for the sale of property to the Port Authority.

The following chart indicates the relative value of Primary Government's general revenues:

<b>Governmental Activities - General Revenues</b> <i>(in Millions)</i>				
<u>REVENUES</u>	<u>2005</u>	<u>2004</u>	<u>Increase / (decrease)</u>	<u>%</u>
Property tax	\$45.87	\$43.62	\$2.25	5%
Sales tax	27.92	27.14	0.78	3%
Other tax	3.48	3.35	0.13	4%
Payments in lieu of taxes	25.04	18.77	6.27	33%
Grants and entitlement not restricted to specific programs	8.55	8.03	0.52	7%
Intergovernmental revenue not program-restricted	12.31	10.95	1.36	12%
Gain (Loss) on sale of capital assets	(0.11)	(1.45)	1.34	-92%
Unrestricted investment earnings	0.86	0.44	0.42	97%
<b>Total General Revenues</b>	<b><u>\$123.92</u></b>	<b><u>\$110.86</u></b>	<b><u>\$13.07</u></b>	<b><u>12%</u></b>

The following chart indicates the relative percentages of general revenues:



## Governmental Funds Financial Statements

**Balance Sheet** – See Page 20

### Combined Statement of Revenue and Expenditures -- Budget to Actual

General Fund revenue including other financing sources totals \$145.8 million and General fund expenses total \$141.3 less activity of \$981 thousand in other financing sources/ (uses) resulting after adjustments<sup>2</sup> in a general fund gain of almost \$3.6 million. Unrestricted fund balance is \$13.9 million and total fund balance is \$14.7 million or 9.8% and 10.4% of actual expenditures respectively.

2. See Note 1, which explains an overstatement of encumbrances and understatement of general fund liabilities of \$428,112.

Spending in excess of budget on public safety overtime and increased expenses for employee benefits (health and pension) were more than offset by unbudgeted PILOT (19-a)3 payments and other aid from the State of New York.

The City's budget, which is effective on January 1<sup>st</sup>, is proposed by the Mayor prior to October 1<sup>st</sup> and is enacted by the Common Council by November 30th. This is the *Original Budget*. Changes to the budget throughout the year are made by the Board of Estimate and Apportionment, composed of the Mayor, the Comptroller, the President of the Common Council, and two designees of the Mayor. This is the *Modified Budget*. *Actual* reflects the operational results, including any audit adjustments.

## Revenues

General Fund revenues of \$145.8 million were approximately \$12.2 million more than budget and \$13.4 million more than 2004. The most significant variances in revenue include the following:

**Real property taxes** were under budget by \$0.85 million, but were \$2.25 million more than in 2004. An increase in the property tax levy caused the increase relative to 2004. Property tax challenges caused the reduction relative to budget.

**Payments in Lieu of Taxes (PILOTs)** were \$5.9 million over budget and \$6.3 million more than 2004. The increase is caused by a statutory change that accelerated payments by the State of New York for the Empire State Plaza complex. 4

**Sales Tax revenue** was \$0.3 million over budget and \$0.8 million more than 2004, which reflects increased economic activity county-wide.

**Intergovernmental Revenue** was almost \$5 million more than budget and \$3.3 million more than in 2004. This reflects increases in State Aid Revenue Sharing of \$1.1 million and mortgage recording tax of \$0.6 million.

**Charges for services** revenue was almost \$1 million less than in 2004 and \$0.5 million under budget, reflecting short-term reduction in landfill revenue when one of the two major waste haulers stopped using the Rapp Road Landfill.

**Use of Money and Properties** increased by \$0.4 million.

**Other Revenues** exceeded budgeted amounts by \$1.7 million because of Reimbursement from National Grid related to an old street lighting dispute and reimbursement for work performed for the community development agency.

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3 Payments made by the State of New York for the Empire State Plaza complex, pursuant to Section 19-a of the Public Lands Law.

CITY OF ALBANY, NEW YORK

COMBINED STATEMENT OF REVENUES, EXPENDITURES, MODIFIED BUDGET AND ACTUAL -  
GENERAL AND SPECIAL REVENUE FUNDS

(in Millions)

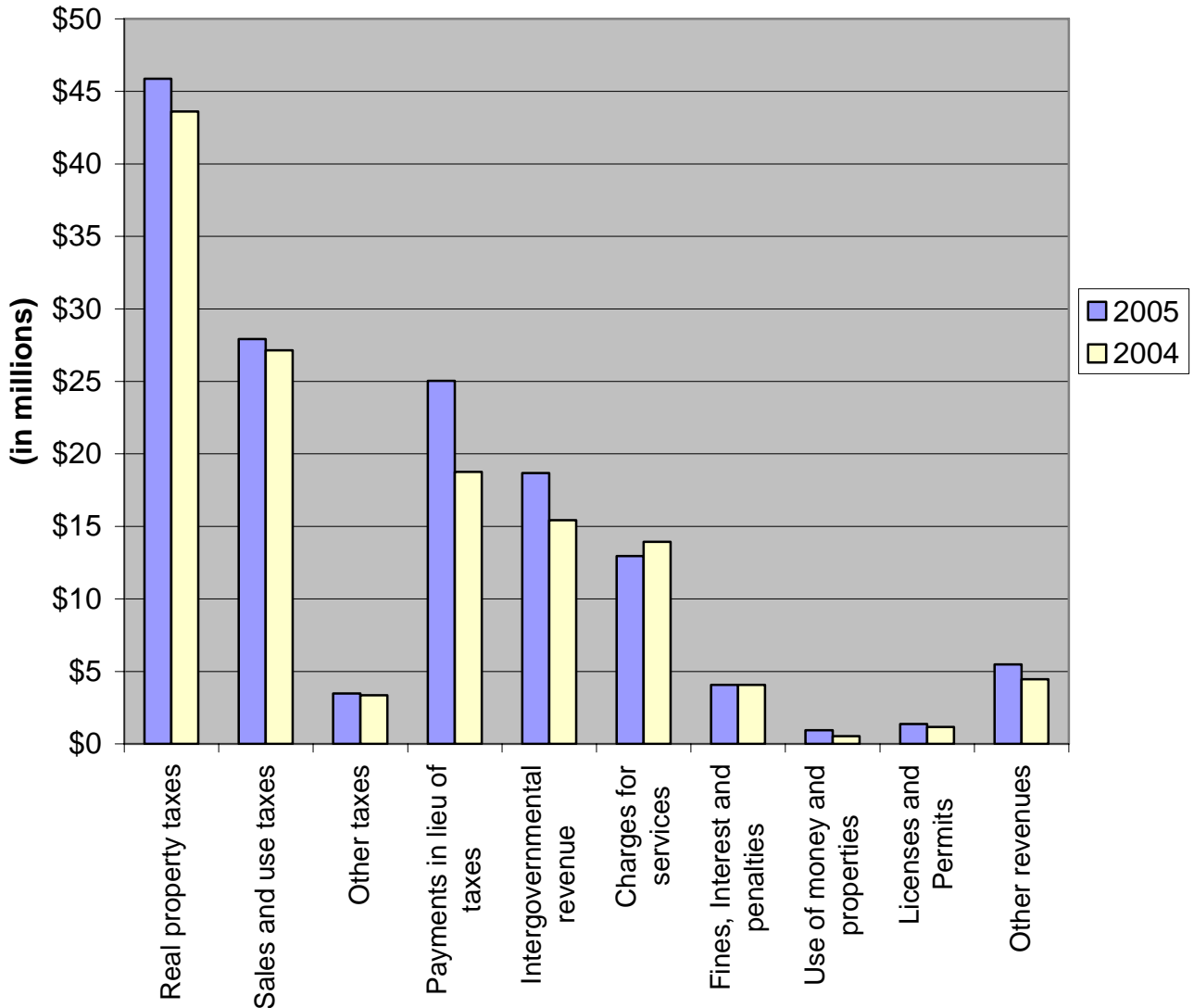
	<u>Governmental Fund Types</u>				<u>Special Revenue Funds*</u>			
	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Original Budget</u>	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Original Budget</u>
<b>REVENUES</b>								
Real property taxes	\$46.73	\$46.73	\$45.87	(\$0.85)	\$0.00	\$0.00	\$0.00	\$0.00
Sales and use taxes	27.66	27.89	27.92	0.26	0.00	0.00	0.00	0.00
Other taxes	3.40	3.40	3.48	0.08	0.00	0.00	0.00	0.00
Payments in lieu of taxes	19.12	25.04	25.04	5.92	0.00	0.00	0.00	0.00
Intergovernmental revenue	13.71	14.87	18.68	4.97	2.95	3.42	2.98	0.03
Charges for services	13.48	13.48	12.94	(0.54)	0.00	0.00	0.00	0.00
Fines, Interest and penalties	3.90	3.97	4.08	0.18	0.00	0.00	0.00	0.00
Use of money and properties	0.62	0.62	0.94	0.33	0.00	0.00	0.00	0.00
Licenses and Permits	1.27	1.27	1.38	0.11	0.00	0.00	0.00	0.00
Other revenues	<u>3.81</u>	<u>3.92</u>	<u>5.49</u>	<u>1.68</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total revenues	<u>133.67</u>	<u>141.18</u>	<u>145.82</u>	<u>12.15</u>	<u>2.95</u>	<u>3.42</u>	<u>2.98</u>	<u>0.03</u>
<b>EXPENDITURES</b>								
Public Safety and Regulation	66.61	72.63	72.63	6.02	0.00	0.00	0.00	0.00
General government	20.81	21.52	21.51	0.70	0.00	0.00	0.00	0.00
Highways and streets	6.50	6.43	6.43	(0.07)	0.00	0.00	0.00	0.00
Recreation and culture	5.72	5.98	5.98	0.26	0.00	0.00	0.00	0.00
Community service	6.83	7.61	7.61	0.78	0.00	0.00	0.00	0.00
Employee benefits	13.55	12.89	12.89	(0.66)	0.00	0.00	0.00	0.00
Economic development and assistance	0.00	0.11	0.11	0.11	2.95	3.42	2.95	(0.46)
Debt Service	<u>14.26</u>	<u>14.11</u>	<u>14.11</u>	<u>(0.15)</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total expenditures	<u>134.28</u>	<u>141.28</u>	<u>141.28</u>	<u>7.00</u>	<u>2.95</u>	<u>3.42</u>	<u>2.95</u>	<u>(0.46)</u>
Excess (deficiency) of revenues and appropriated fund balance over expenditures	<u>(0.61)</u>	<u>(0.10)</u>	<u>4.55</u>	<u>5.15</u>	<u>0.00</u>	<u>0.00</u>	<u>0.03</u>	<u>0.49</u>
<b>OTHER FINANCING SOURCES (USES)</b>								
Proceeds from bonds	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Transfers	0.00	0.00	(0.99)	(0.99)	0.00	0.00	0.00	0.00
Proceeds from sale of property	<u>0.10</u>	<u>0.10</u>	<u>0.01</u>	<u>(0.09)</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Total other financing sources (uses)	<u>0.10</u>	<u>0.10</u>	<u>(0.98)</u>	<u>(1.08)</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Excess (deficiency) of revenues, appropriated fund balance and other financing sources over expenditures and other financing uses	<u>(\$0.51)</u>	<u>\$0.00</u>	<u>\$3.56</u>	<u>\$4.07</u>	<u>\$0.00</u>	<u>\$0.00</u>	<u>\$0.03</u>	<u>\$0.49</u>

\* Includes special grant and miscellaneous special revenue funds only.

**Governmental Funds - General Fund Revenues 2005 to 2004**  
**(in Millions)**

			2005 over / (under)
<b><u>REVENUES</u></b>	<u>2005</u>	<u>2004</u>	<u>2004</u>
Real property taxes	\$45.87	\$43.62	\$2.25
Sales and use taxes	27.92	27.14	0.78
Other taxes	3.48	3.35	0.13
Payments in lieu of taxes	25.04	18.77	6.27
Intergovernmental revenue	18.68	15.42	3.26
Charges for services	12.94	13.92	(0.98)
Fines, Interest and penalties	4.08	4.07	0.01
Use of money and properties	0.94	0.52	0.42
Licenses and Permits	1.38	1.16	0.21
Other revenues	<u>5.49</u>	<u>4.45</u>	<u>1.04</u>
Total revenues	<u>\$145.82</u>	<u>\$132.44</u>	<u>\$13.38</u>

**Governmental Funds - General Fund Revenues 2005 to 2004 Variance**



**Expenses**

Total expenditures of \$141.3 million were \$12.2 million more than budget and \$2.9 million more than 2004.

**Public Safety** spending was \$6 million over budget and \$0.4 million less than 2004:

- *Public Safety Overtime* exceeded budgeted amounts by \$1.9 million. Police regular overtime totaled \$3.2 million on a budget of \$2.5 million. Reimbursable overtime totaled \$1.2 million on a budget of \$0.4 million and Fire Department overtime totaled approximately \$0.7 million on a budget of \$0.4 million.
- *Public Safety Health Care Costs* (\$7.5 million) were \$1.6 million or 22% more than in 2004. The steep increase reflects implementation of the collective bargaining provision whereby the City's pays 100% of premiums for public safety personnel who have at least eight years of service (police) and ten years of service (fire department).

- The *granted-funded public safety radio system* (\$2.3 million) was a one-time unbudgeted expense.
- *Retirement expense* of (\$5.8 million) was almost \$1.8 million more than budget amounts. The City's 2005 budget assumed that the City would bond the portion of the pension expense permitted by state law. However, because of the receipt of unbudgeted State PILOT payments (pursuant to section 19-a of the Public Lands Law) the City paid that expense from operating funds.

**General Government** spending was \$0.7 million more than budget and \$ 62 thousand more than 2004. Decreases relative to budget from unfilled positions, were more than offset from spending in excess of budget for Central Garage (\$0.9 million more than budget and \$0.4 million more than 2004) and litigation (\$0.3 million more than budget, but \$0.1 million less than 2004).

**Home and Community Services** spending, which includes the expenses of the landfill, was \$0.8 million over budget and \$0.8 million more than 2004. The increase reflects expense related to landfill development.

**Undistributed Employee Benefits** expense was \$0.7 million under budget and \$0.6 million more than 2004.

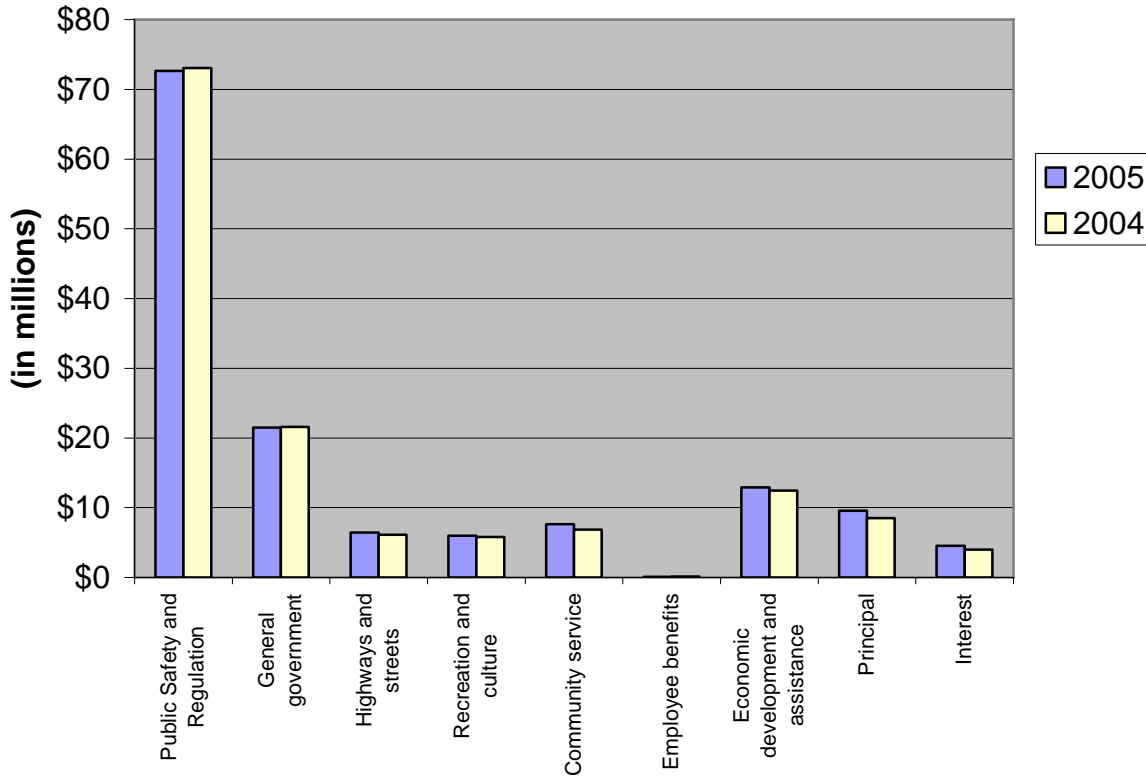
**Debt Service** payments were \$0.2 million under budget and \$1.6 million more than 2004. The increase relative to 2004 reflects the principal and interest costs of 2004 bond issues.

#### Governmental Funds – General Fund Expenditures 2005 to 2004

			2005 over / (under) 2004
<b><u>EXPENDITURES</u></b>	<u>2005</u>	<u>2004</u>	<u>2004</u>
Public Safety and Regulation	\$72.63	\$73.05	(\$0.42)
General government	21.51	21.57	(0.06)
Highways and streets	6.43	6.09	0.34
Recreation and culture	5.98	5.77	0.21
Community service	7.61	6.83	0.77
Employee benefits	0.11	0.11	(0.01)
Economic development and assistance	12.90	12.43	0.48
Principal	9.56	8.50	1.06
Interest	<u>4.55</u>	<u>3.98</u>	<u>0.57</u>
Total expenditures	<u>141.28</u>	<u>138.35</u>	<u>2.93</u>
Excess (deficiency) of operating revenues over (under) expenditures	<u>\$4.54</u>	<u>(\$5.91)</u>	<u>\$10.45</u>



**General Government - General Fund Expenditures 2005 to 2004 Variance**



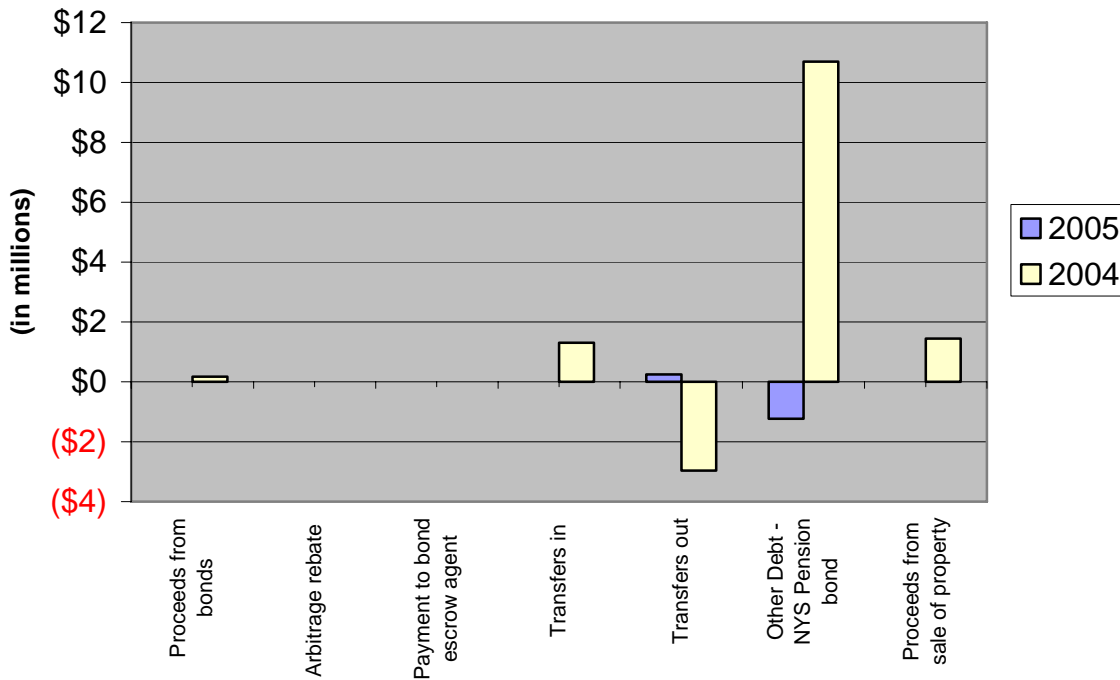
**Other Financing Sources**

<b>OTHER FINANCING SOURCES (USES)</b>	<u>2005</u>	<u>2004</u>	<u>2005 over / (under) 2004</u>
Proceeds from bonds	\$ -	\$ 175,216	\$ (175,216)
Arbitrage rebate	0	10,700,000	(10,700,000)
Payment to bond escrow agent	0	0	0
Transfers in	242,914	1,302,000	(1,059,086)
Transfers out	(1,230,000)	(2,960,000)	1,730,000
Other Debt - NYS Pension bond	0	0	0
Proceeds from sale of property	5,300	1,440,921	(1,435,621)
<b>Total other financing sources (uses)</b>	<b>(981,786)</b>	<b>10,658,137</b>	<b>(11,639,923)</b>

**Excess (deficiency) of revenues over expenditures and other financing sources and uses**

	3,554,614	4,743,992	(1,189,378)
FUND BALANCE (DEFICIT), beginning of year	11,529,889	6,785,897	4,743,992
Prior period adjustment	0	0	0
FUND BALANCE (DEFICIT), beginning of year, Restated	<u>11,529,889</u>	<u>6,785,897</u>	<u>4,743,992</u>
Capital contributions	0	0	0
<b>FUND BALANCE (DEFICIT), end of year</b>	<b><u>\$ 15,084,503</u></b>	<b><u>\$ 11,529,889</u></b>	<b><u>\$ 3,554,614</u></b>

**Other Financing Sources Revenues (Uses) 2005 to 2004 Variance**



**Debt**

The City's long-term debt and short-term debt are described in detail in Notes 13-14.

*Long-term Debt*

In 2005 the City issued no long-term debt.

*Short-Term Debt*

During 2005 the City issued \$9 million in Bond Anticipation notes at an interest rate of 2.94 percent for the expenses of current capital projects. These notes were paid off June 2006. Additionally the City re-issued \$10.7 million in federally taxable bond anticipation notes at a rate of 4.1 percent for pension related expenses, including \$6.3 million for the cost of moving firefighters to a new pension plan. These notes were converted to long-term debt during June of 2006. Additionally, the City issued \$10 million in Revenue Anticipation Notes at rate of 2.78 percent, which were paid off in their entirety in January 2006.

*Capital Leases*

During 2005 the city entered into a lease line of credit for the purchase of vehicles and equipment. Authorization for purchases under the line of credit is identical to bonded projects, requiring project specific authorization by the Common Council. As part of the line of credit, the City escrowed funds totaling \$4.1 million.

*Debt Ceiling*

Of the outstanding indebtedness, approximately \$101,395,000 million of the total was subject to the statutory debt limit, using approximately 39.6 percent of the City's statutory debt limit as of the June 13, 2005 debt issuance.

## CREDIT RATINGS AND BOND INSURANCE

During 2004 the City's credit rating was re-evaluated and reaffirmed by each of the three major rating agencies: Moody's Investors Services, A3, Fitch Ratings, A, and Standard & Poor's, A.

## CAPITAL ACQUISITION AND CONSTRUCTION ACTIVITIES

During 2005 the City spent \$15.5 million on capital projects. This includes Federal and State funds for transportation infrastructure projects, funds secured through General Obligation Bonds and Bond Anticipation Notes, and appropriations from the City's General Fund. The following are some of the major sources of capital expenditures:

<b>Capital Construction</b>	
Henry Johnson BLVD Reconstruction	\$2.3 million
Hackett BLVD Reconstruction	\$2.1 million
Street and Sidewalk Construction	\$2. million
Skating Rink Reconstruction	\$0.6 million
Compost Tub Grinder	\$0.4 million
Fire Truck	\$0.3 million

This Annual Financial Report is intended to provide information on the City of Albany's operations and is available to all with an interest in the financial matters related to the City of Albany, New York. Questions concerning any of the information provided in this report or any request for additional information should be addressed to the Comptroller either in writing or by e-mail.

Thomas P. Nitido  
Comptroller  
Nitidot@ci.albany.ny.us

**CITY OF ALBANY, NEW YORK**  
**STATEMENT OF NET ASSETS**  
**December 31, 2005**

	<b>Primary Government</b>	<b>Component Units</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 18,701,946	\$ 7,604,993
Cash and cash equivalents - restricted	11,210,170	1,568,506
Investments, restricted	-	15,279,586
Taxes receivable	3,619,926	-
Accounts receivable, net	2,343,769	13,253,038
Mortgage loans receivable	14,460,706	2,555,566
Due from primary government	-	397,408
Due from other governments	14,003,560	-
Due from other funds	1,080,709	-
Due from component units	7,745,279	-
Intangible assets, net	-	4,720,464
Prepaid and other assets	2,320,858	4,067,719
Property held for investment and lease	-	5,142,773
Property held for sale	-	250,000
Capital assets, net	<u>165,965,881</u>	<u>82,656,878</u>
Total assets	<u><u>\$ 241,452,804</u></u>	<u><u>\$ 137,496,931</u></u>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 11,812,091	\$ 3,919,914
Capital lease obligations	6,475,000	-
Bonds and loans payable	99,347,396	114,857,637
Bond and revenue anticipation notes payable	19,000,000	-
Accrued interest payable	3,187,090	596,726
Deferred revenue	12,662,739	2,817,432
Due to other governments	9,939,759	-
Due to primary government	-	6,834,098
Compensated absences	14,357,909	-
Landfill post-closure costs	4,863,518	-
Judgments and claims	6,941,482	-
Other liabilities	<u>2,531,249</u>	<u>1,024,463</u>
Total liabilities	<u>191,118,233</u>	<u>130,050,270</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt (deficiency)	62,143,265	(36,122,318)
Restricted for:		
Debt service	630,246	170,454
Unrestricted net assets (deficiency)	<u>(12,438,940)</u>	<u>43,398,525</u>
Total net assets	<u>50,334,571</u>	<u>7,446,661</u>
Total liabilities and net assets	<u><u>\$ 241,452,804</u></u>	<u><u>\$ 137,496,931</u></u>

See notes to financial statements.

**CITY OF ALBANY, NEW YORK**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2005**

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets	
					Primary Government	Component Units
Primary Government:						
Public safety and regulation	\$ 75,192,369	\$ 7,757,167	\$ 4,149,662	\$ -	\$ (63,285,540)	\$ -
General government	27,533,020	3,777,173	-	-	(23,755,847)	-
Highways and streets	7,840,068	92,421	-	2,890,339	(4,857,308)	-
Recreation and culture	6,565,320	1,812,147	-	-	(4,753,173)	-
Community service	18,923,890	12,432,295	5,182,257	-	(1,309,338)	-
Economic development and assistance	3,387,768	-	-	-	(3,387,768)	-
Employee benefits	8,396,153	-	-	-	(8,396,153)	-
Interest on long-term debt	4,827,592	-	-	-	(4,827,592)	-
Total governmental activities	<u>152,666,180</u>	<u>25,871,203</u>	<u>9,331,919</u>	<u>2,890,339</u>	<u>(114,572,719)</u>	<u>-</u>
Component Units:						
Albany Water Board and Municipal Water Finance Authority	26,611,125	20,461,515	-	-	-	(6,149,610)
Albany Parking Authority	5,008,463	5,724,801	-	-	-	716,338
Albany Industrial Development Agency	500,002	512,112	-	-	-	12,110
Albany Port District Commission	5,144,022	3,769,922	1,787,804	-	-	413,704
Albany Local Development Corporation	1,294,140	1,395,131	-	-	-	100,991
Other component units	1,598,326	1,729,100	-	-	-	130,774
Total component units	<u>\$ 40,156,078</u>	<u>\$ 33,592,581</u>	<u>\$ 1,787,804</u>	<u>\$ -</u>	<u>-</u>	<u>(4,775,693)</u>
General Revenues:						
Property tax					45,873,681	-
Sales tax					27,919,976	-
Other tax					3,478,162	-
Payments in lieu of taxes					25,040,758	-
Grants and entitlements not restricted to specific programs					8,551,265	-
Intergovernmental revenue not program-restricted					12,309,629	-
Gain (loss) on sale of capital assets					(109,091)	11,700
Unrestricted investment earnings					859,123	779,043
Total general revenues					<u>123,923,503</u>	<u>790,743</u>
Change in net assets					9,350,784	(3,984,950)
Net assets, beginning of year, as restated ( Note 2)					40,983,787	11,431,611
Net assets, end of year					<u>\$ 50,334,571</u>	<u>\$ 7,446,661</u>

See notes to financial statements.

**CITY OF ALBANY, NEW YORK**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**December 31, 2005**

	General	Special Revenue	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 3,467,393	\$ 923,002	\$ 13,027,039	\$ 1,284,512	\$ 18,701,946
Cash and cash equivalents-restricted	7,750,186	-	3,359,132	100,852	11,210,170
Taxes receivable	3,619,926	-	-	-	3,619,926
Accounts receivable, net	1,171,301	-	-	-	1,171,301
Landfill receivable, net	1,172,468	-	-	-	1,172,468
Mortgage loans receivable	-	-	-	14,460,706	14,460,706
Due from other funds	7,729,047	1,059	-	-	7,730,106
Due from component units	8,103,197	-	-	-	8,103,197
Due from federal and state governments	1,021,615	745,530	2,725,753	-	4,492,898
Due from other governments	8,632,486	-	878,176	-	9,510,662
Other assets	2,258,854	-	-	62,004	2,320,858
	<u>\$ 44,926,473</u>	<u>\$ 1,669,591</u>	<u>\$ 19,990,100</u>	<u>\$ 15,908,074</u>	<u>\$ 82,494,238</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities					
BANS and RANS payable	\$ 10,000,000	\$ -	\$ 9,000,000	\$ -	\$ 19,000,000
Accounts payable and accrued expenses	8,727,427	87,724	2,488,969	507,971	11,812,091
Retainage payable	-	-	646,401	-	646,401
Due to other funds	-	1,237,669	5,020,246	391,482	6,649,397
Due to component units	357,918	-	-	-	357,918
Due to other governments	9,647,219	-	-	1,503,180	11,150,399
Deferred revenue	-	-	-	12,662,739	12,662,739
Accrued interest	1,403,846	-	-	-	1,403,846
Other liabilities	133,672	345,393	-	195,142	674,207
Total liabilities	<u>30,270,082</u>	<u>1,670,786</u>	<u>17,155,616</u>	<u>15,260,514</u>	<u>64,356,998</u>
Fund Balances:					
Reserved for:					
Encumbrances	117,284	-	-	-	117,284
Debt service	630,246	-	-	-	630,246
Downpayment Assistance Program	-	-	-	100,000	100,000
Unreserved:					
Undesignated, reported in:					
General fund	13,908,861	-	-	-	13,908,861
Special revenue funds	-	(1,195)	-	547,560	546,365
Capital projects fund	-	-	2,834,484	-	2,834,484
Total fund balances	<u>14,656,391</u>	<u>(1,195)</u>	<u>2,834,484</u>	<u>647,560</u>	<u>18,137,240</u>
Total liabilities and fund balances	<u>\$ 44,926,473</u>	<u>\$ 1,669,591</u>	<u>\$ 19,990,100</u>	<u>\$ 15,908,074</u>	<u>\$ 82,494,238</u>

See notes to financial statements.

**CITY OF ALBANY, NEW YORK**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2005**

	<u>General</u>	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>					
Real property taxes	\$ 45,873,681	\$ -	\$ -	\$ -	\$ 45,873,681
Sales and use taxes	27,919,976	-	-	-	27,919,976
Other taxes	3,478,162	-	-	-	3,478,162
Payments in lieu of taxes	25,040,758	-	-	-	25,040,758
Intergovernmental revenue	18,679,691	2,941,486	2,890,339	9,250,247	33,761,763
Charges for services	12,941,058	-	-	1,222,087	14,163,145
Fines, interest and penalties	4,077,919	-	-	-	4,077,919
Uses of money and properties	943,689	-	-	-	943,689
License and permits	1,378,306	-	-	-	1,378,306
Other revenues	5,487,597	1,059	-	-	5,488,656
Total revenues	<u>145,820,837</u>	<u>2,942,545</u>	<u>2,890,339</u>	<u>10,472,334</u>	<u>162,126,055</u>
<b>EXPENDITURES</b>					
Public safety and regulation	72,633,382	-	2,023,836	-	74,657,218
General government	21,510,363	-	483,021	-	21,993,384
Highways and streets	6,431,042	-	7,753,046	-	14,184,088
Recreation and culture	5,981,162	-	1,291,303	-	7,272,465
Community service	7,606,936	-	3,201,446	-	10,808,382
Economic development and assistance	107,506	2,954,681	320,670	10,234,260	13,617,117
Employee benefits	12,903,525	-	-	-	12,903,525
Debt service:					
Principal	9,556,323	-	-	207,340	9,763,663
Interest	4,554,198	-	-	105,274	4,659,472
Total expenditures	<u>141,284,437</u>	<u>2,954,681</u>	<u>15,073,322</u>	<u>10,546,874</u>	<u>169,859,314</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,536,400</u>	<u>(12,136)</u>	<u>(12,182,983)</u>	<u>(74,540)</u>	<u>(7,733,259)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from general obligation bonds and long-term notes payable	-	-	4,100,000	-	4,100,000
Transfers in	242,914	-	1,230,000	-	1,472,914
Transfers out	(1,230,000)	-	(242,914)	-	(1,472,914)
Proceeds from sale of property	5,300	-	-	-	5,300
Total other financing sources	<u>(981,786)</u>	<u>-</u>	<u>5,087,086</u>	<u>-</u>	<u>4,105,300</u>
Excess (deficiency) of revenues over expenditures and other financing sources	<u>3,554,614</u>	<u>(12,136)</u>	<u>(7,095,897)</u>	<u>(74,540)</u>	<u>(3,627,959)</u>
FUND BALANCES, beginning of year, as restated (Note 2)	<u>11,101,777</u>	<u>10,941</u>	<u>9,930,381</u>	<u>722,100</u>	<u>21,765,199</u>
FUND BALANCES, ending	<u>\$ 14,656,391</u>	<u>\$ (1,195)</u>	<u>\$ 2,834,484</u>	<u>\$ 647,560</u>	<u>\$ 18,137,240</u>

See notes to financial statements.

**CITY OF ALBANY, NEW YORK**  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS**  
**WITH THE STATEMENT OF NET ASSETS**  
**December 31, 2005**

Total fund balance - governmental funds \$ 18,137,240

Amounts reported in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

The cost of capital assets is	320,113,019	
Accumulated depreciation is	<u>(154,147,138)</u>	165,965,881

Long-term liabilities, including bonds payable, that are not due and payable in the current period are not reported as liabilities in the funds. Long-term liabilities not due and payable at year end consist of:

Bonds and loans payable	(99,347,396)	
Accrued interest on bonds	(1,783,245)	
Compensated absences	(14,357,909)	
Landfill closure and postclosure obligation	(4,863,518)	
Capital lease obligations	(6,475,000)	
Judgments and claims	<u>(6,941,482)</u>	<u>(133,768,550)</u>

Net assets of governmental activities	<u><u>\$ 50,334,571</u></u>
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**CITY OF ALBANY, NEW YORK**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**WITH THE STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2005**

Total net change in fund balance - governmental funds \$ (3,627,959)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceeds capital outlays in the period.

Capital outlays	17,603,330	
Depreciation expense	(10,371,283)	
Loss on donated property and sale of other assets	<u>(114,391)</u>	7,117,656

In the statement of activities, certain operating expenses - compensated absences and employee retirement benefits - are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Thus, the change in net assets differs from the change in fund balance as follows:

Employee retirement expense	381,387	
Compensated absences	(425,580)	
Landfill closure and postclosure costs	(264,001)	
Judgments and claims	<u>673,737</u>	365,543

The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to government funds, while the repayment of the principal of long-term debt consumes the current financial resources of government funds. Neither transaction, however, has any effect on net assets.

Debt issued	(4,100,000)	
Principal repaid	<u>9,763,663</u>	5,663,663

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

		<u>(168,119)</u>
Change in net assets of governmental activities		<u><u>\$ 9,350,784</u></u>

**CITY OF ALBANY  
COMBINING BALANCE SHEET –  
DISCRETELY PRESENTED COMPONENT UNITS  
December 31, 2005**

	<b>Albany Water Board and Municipal Water Finance Authority</b>	<b>Albany Parking Authority</b>	<b>City of Albany Industrial Development Agency</b>	<b>Albany Port District Commission</b>	<b>Albany Local Development Corporation</b>	<b>Other Component Units*</b>	<b>Totals</b>
<b>ASSETS</b>							
Cash and cash equivalents	\$ 1,198,616	\$ 1,918,213	\$ 402,436	\$ -	\$ 3,568,958	\$ 516,770	\$ 7,604,993
Cash and cash equivalents, restricted	-	1,214,085	-	354,421	-	-	1,568,506
Investments, restricted	8,510,868	3,466,001	-	846,186	2,456,531	-	15,279,586
Receivables, net:							
Accounts	11,843,427	24,524	-	858,131	-	58,518	12,784,600
Other	-	78,967	-	-	389,471	-	468,438
Mortgage loans and notes receivable	-	-	172,097	-	2,383,469	-	2,555,566
Due from primary government	-	-	-	-	31,650	365,758	397,408
Prepaid and other assets	876,272	37,438	1,646	34,053	3,105,865	12,445	4,067,719
Property held for investment and lease	-	-	-	-	5,142,773	-	5,142,773
Intangible assets, net	3,745,159	975,305	-	-	-	-	4,720,464
Capital assets, net	41,675,654	19,274,391	15,903	21,084,643	299,553	306,734	82,656,878
Property held for sale	-	-	-	-	250,000	-	250,000
<b>Total assets</b>	<b>\$ 67,849,996</b>	<b>\$ 26,988,924</b>	<b>\$ 592,082</b>	<b>\$ 23,177,434</b>	<b>\$ 17,628,270</b>	<b>\$ 1,260,225</b>	<b>\$ 137,496,931</b>
<b>LIABILITIES</b>							
Accounts payable and accrued expenses	\$ 2,428,519	\$ 82,615	\$ -	\$ 1,231,006	\$ 81,050	\$ 96,724	\$ 3,919,914
Current maturities of long-term debt	933,803	879,525	-	364,323	303,503	8,679	2,489,833
Accrued interest payable	-	583,854	1,745	-	-	11,127	596,726
Due to primary government	6,235,474	-	131,970	100,000	366,654	-	6,834,098
Deferred revenues	1,284,384	-	-	56,245	1,474,228	2,575	2,817,432
Revolving loan fund	-	-	-	-	772,833	-	772,833
Other liabilities	-	-	48,880	-	-	202,750	251,630
Accrued interest on capital appreciation bonds	-	1,925,951	-	-	-	-	1,925,951
Bonds and notes payable	75,223,246	25,898,061	215,000	3,020,838	5,895,060	189,648	110,441,853
<b>Total liabilities</b>	<b>86,105,426</b>	<b>29,370,006</b>	<b>397,595</b>	<b>4,772,412</b>	<b>8,893,328</b>	<b>511,503</b>	<b>130,050,270</b>
<b>FUND BALANCE (DEFICIT) AND OTHER CREDITS</b>							
Contributed capital	-	-	122,893	-	-	-	122,893
Fund balances	-	-	71,594	-	-	-	71,594
Reserved for							
Program Specific Activities	-	4,680,086	-	-	461,791	-	5,141,877
Debt Service	-	-	-	-	170,454	-	170,454
Invested in capital assets, net of related debt	(49,208,033)	(7,376,908)	-	17,599,482	2,863,141	-	(36,122,318)
Unreserved	30,952,603	315,740	-	805,540	5,239,556	748,722	38,062,161
<b>Total fund balance (deficit) and other credits</b>	<b>(18,255,430)</b>	<b>(2,381,082)</b>	<b>194,487</b>	<b>18,405,022</b>	<b>8,734,942</b>	<b>748,722</b>	<b>7,446,661</b>
<b>Total liabilities and fund balance</b>	<b>\$ 67,849,996</b>	<b>\$ 26,988,924</b>	<b>\$ 592,082</b>	<b>\$ 23,177,434</b>	<b>\$ 17,628,270</b>	<b>\$ 1,260,225</b>	<b>\$ 137,496,931</b>

\* Other component units include the accounts of BID, the Association and CBID.

See notes to financial statements.

**CITY OF ALBANY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**December 31, 2005**

	<b>Albany Water Board and Municipal Water Finance Authority</b>	<b>Albany Parking Authority</b>	<b>Albany Industrial Development Agency</b>	<b>Albany Port District Commission</b>	<b>Albany Local Development Corporation</b>	<b>Other Component Units*</b>	<b>Totals</b>
Operating revenue	\$ 20,461,515	\$ 5,724,801	\$ 512,112	\$ 3,769,922	\$ 1,395,131	\$ 1,729,100	\$ 33,592,581
Operating expenses							
Costs of services	-	1,411,831	122,253	1,422,397	938,312	1,412,868	5,307,661
Source of supply and purification	3,193,365	-	-	-	-	-	3,193,365
Transmission and distribution	3,609,671	-	-	-	-	-	3,609,671
General and administrative	2,410,244	859,923	-	1,012,576	(118,753)	144,667	4,308,657
Real estate taxes paid to other governments	2,045,250	-	-	-	-	-	2,045,250
Sewer contract	8,108,686	-	-	-	-	-	8,108,686
Depreciation and amortization	3,702,220	692,349	10,273	1,341,255	206,283	40,791	5,993,171
Grants	-	-	355,538	-	-	-	355,538
Miscellaneous	-	223,818	-	-	50,676	-	274,494
Total operating expenses	<u>23,069,436</u>	<u>3,187,921</u>	<u>488,064</u>	<u>3,776,228</u>	<u>1,076,518</u>	<u>1,598,326</u>	<u>33,196,493</u>
Excess (deficiency) of operating revenue over (under) expenses before nonoperating revenue (expenses)	<u>(2,607,921)</u>	<u>2,536,880</u>	<u>24,048</u>	<u>(6,306)</u>	<u>318,613</u>	<u>130,774</u>	<u>396,088</u>
Nonoperating revenue (expenses)							
Letter-of-credit fees	-	(11,353)	-	-	-	-	(11,353)
Amortization of bond issue costs	-	(77,606)	-	-	-	-	(77,606)
Decrease in fair value of investments	-	(104,125)	-	-	-	-	(104,125)
Interest income	467,083	270,853	7,629	33,478	-	-	779,043
Interest expense	(3,541,689)	(1,627,458)	(11,938)	(116,364)	217,622	-	(5,079,827)
Gain on sale of property and equipment	-	-	-	11,700	-	-	11,700
Waterfront development expenses	-	-	-	(1,251,430)	-	-	(1,251,430)
Net nonoperating expenses	<u>(3,074,606)</u>	<u>(1,549,689)</u>	<u>(4,309)</u>	<u>(1,322,616)</u>	<u>217,622</u>	<u>-</u>	<u>(5,733,598)</u>
Excess (deficiency) of revenue over (under) expenses before transfers	<u>(5,682,527)</u>	<u>987,191</u>	<u>19,739</u>	<u>(1,328,922)</u>	<u>100,991</u>	<u>130,774</u>	<u>(5,772,754)</u>
Grant funding	-	-	-	1,787,804	-	-	1,787,804
Excess (deficiency) of revenue over (under) expenses	<u>(5,682,527)</u>	<u>987,191</u>	<u>19,739</u>	<u>458,882</u>	<u>100,991</u>	<u>130,774</u>	<u>(3,984,950)</u>
FUND BALANCE (DEFICIT) AND OTHER CREDITS, beginning of year	<u>(12,572,903)</u>	<u>(3,368,273)</u>	<u>174,748</u>	<u>17,946,140</u>	<u>8,633,951</u>	<u>617,948</u>	<u>11,431,611</u>
FUND BALANCE (DEFICIT) AND OTHER CREDITS, end of year	<u>\$ (18,255,430)</u>	<u>\$ (2,381,082)</u>	<u>\$ 194,487</u>	<u>\$ 18,405,022</u>	<u>\$ 8,734,942</u>	<u>\$ 748,722</u>	<u>\$ 7,446,661</u>

\* Other component units include the activities of BID, the Association and CBID.

See notes to financial statements.

**CITY OF ALBANY**  
**COMBINING STATEMENT OF CASH FLOWS –**  
**DISCRETELY PRESENTED COMPONENT UNITS**  
**December 31, 2005**

	<b>Albany Water Board and Municipal Water Finance Authority</b>	<b>Albany Parking Authority</b>	<b>Albany Industrial Development Agency</b>	<b>Albany Port District Commission</b>	<b>Albany Local Development Corporation</b>	<b>Other Component Units*</b>	<b>Totals</b>
<b>CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</b>							
Excess (deficiency) of operating expenses over revenue	\$ (2,607,921)	\$ 2,536,880	\$ 24,048	\$ (6,306)	\$ 318,613	\$ 130,774	\$ 396,088
Adjustments to reconcile excess of operating expenses over revenue to net cash provided (used) by operating activities:							
Depreciation and amortization	3,702,220	692,349	10,273	1,341,255	206,283	40,791	5,993,171
Realized gain on sale of investments and assets	-	-	-	-	(1,750)	(825)	(2,575)
Inkind donations of property	-	-	-	-	-	(47,365)	(47,365)
Provision for losses on mortgage costs, accrued interest, and other receivables	-	-	-	-	(118,753)	-	(118,753)
Interest income on cash and cash equivalents and investments	-	-	-	-	(131,473)	-	(131,473)
Deferred program support recognized as program income	-	-	-	-	(11,822)	-	(11,822)
Changes in:							
Accounts receivable	1,886,014	-	-	(298,190)	252,140	(37,862)	1,802,102
Due from primary government	-	-	-	-	-	2,359	2,359
Other receivables	-	(7,754)	-	-	-	-	(7,754)
Prepaid expenses and other assets	(185,403)	8,277	-	140,473	-	5,083	(31,570)
Accounts payable and accrued expenses	271,454	6,771	-	206,022	31,410	(86,693)	428,964
Due to City of Albany	-	-	-	-	(16,937)	-	(16,937)
Other liabilities	-	-	(1,220)	-	3,918	77,575	80,273
Deferred revenue	-	-	-	-	769,547	-	769,547
<b>Net cash provided by operating activities</b>	<b>3,066,364</b>	<b>3,236,523</b>	<b>33,101</b>	<b>1,383,254</b>	<b>1,301,176</b>	<b>83,837</b>	<b>9,104,255</b>
<b>CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Proceeds from long-term debt	467,083	-	-	-	-	-	467,083
Principal payments on long-term debt	(1,205,000)	(827,025)	(221,424)	(402,482)	(1,109,369)	(5,761)	(3,771,061)
Interest payments on long-term debt	(3,541,689)	(1,838,330)	(11,938)	(116,364)	(218,810)	-	(5,727,131)
Cash payments for capital assets	-	-	-	(1,566,864)	-	-	(1,566,864)
Letter-of-credit fee	-	(11,353)	-	-	-	-	(11,353)
Proceeds from sale of assets	-	-	-	11,700	-	825	12,525
Net payments to City of Albany	(200,320)	-	-	-	-	-	(200,320)
Proceeds from grant fundings	-	-	-	802,384	-	-	802,384
<b>Net cash (used in) capital and related financing activities</b>	<b>(4,479,926)</b>	<b>(2,676,708)</b>	<b>(233,362)</b>	<b>(1,271,626)</b>	<b>(1,328,179)</b>	<b>(4,936)</b>	<b>(9,994,737)</b>

*Continued...*

*See notes to financial statements.*

**CITY OF ALBANY**  
**COMBINING STATEMENT OF CASH FLOWS –**  
**DISCRETELY PRESENTED COMPONENT UNITS, Continued**  
**December 31, 2005**

	Albany Water Board and Municipal Water Finance Authority	Albany Parking Authority	Albany Industrial Development Agency	Albany Port District Commission	Albany Local Development Corporation	Other Component Units*	Totals
CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES							
Purchase of property, plant, and equipment	(1,413,147)	(42,004)	-	-	(18,828)	(84,807)	(1,558,786)
Issuance of mortgage notes	-	-	-	-	(144,078)	-	(144,078)
Cash received on sale of investments	3,590,203	-	-	6,007,000	-	-	9,597,203
Cash paid for purchase of investments	-	-	-	(5,999,080)	(533,239)	-	(6,532,319)
Repayments received on mortgage loans	-	-	5,474	-	500,871	-	506,345
Interest on investments	-	244,796	7,629	33,389	129,461	-	415,275
Principal payments received under direct financing leases	-	-	-	-	106,645	-	106,645
Repayment from (advances to) City agencies net	-	-	-	-	(27,483)	-	(27,483)
Net cash provided by (used in) investing activities	<u>2,177,056</u>	<u>202,792</u>	<u>13,103</u>	<u>41,309</u>	<u>13,349</u>	<u>(84,807)</u>	<u>2,362,802</u>
Net increase (decrease) in cash and cash equivalents	763,494	762,607	(187,158)	152,937	(13,654)	(5,906)	1,472,320
CASH AND CASH EQUIVALENTS, beginning of year	<u>435,122</u>	<u>2,369,691</u>	<u>589,594</u>	<u>201,484</u>	<u>3,582,612</u>	<u>522,676</u>	<u>7,701,179</u>
CASH AND CASH EQUIVALENTS, end of year	<u>\$ 1,198,616</u>	<u>\$ 3,132,298</u>	<u>\$ 402,436</u>	<u>\$ 354,421</u>	<u>\$ 3,568,958</u>	<u>\$ 516,770</u>	<u>\$ 9,173,499</u>

\* Other component units include the cash flows of BID, the Association and CBID.

See notes to financial statements.

**CITY OF ALBANY, NEW YORK**  
**STATEMENT OF FIDUCIARY NET ASSETS - FIDUCIARY FUNDS**  
**December 31, 2005**

	<b>Expendable Trust</b>	<b>Agency</b>
<b>ASSETS</b>		
Cash and equivalents	\$ 7,272	\$ 3,082,515
Cash and equivalents - restricted	-	186,028
Total assets	<u>7,272</u>	<u>3,268,543</u>
<b>LIABILITIES</b>		
Accounts payable	-	20,377
Seized forfeitures	-	186,028
Due to other funds	-	1,080,709
Other liabilities	-	1,981,429
Total liabilities	<u>-</u>	<u>3,268,543</u>
<b>NET ASSETS</b>	<u>7,272</u>	<u>-</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u>\$ 7,272</u>	<u>\$ 3,268,543</u>

See notes to financial statements.

**CITY OF ALBANY, NEW YORK**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS - FIDUCIARY FUNDS**  
**For the Year Ended December 31, 2005**

	<u>Expendable Trust</u>
<b>Additions</b>	
Contributions	\$ 425,864
Other	<u>213</u>
Total additions	<u>426,077</u>
<b>Deductions</b>	
Fire retirement	<u>428,173</u>
Total deductions	<u>428,173</u>
Change in net assets	(2,096)
Net assets, beginning of year	<u>9,368</u>
Net assets, end of year	<u>\$ 7,272</u>

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. *Reporting Entity***

The City of Albany, New York (City) was established in 1614, chartered in 1686, and is governed by a Mayor and the City Council. The City, as the primary government, performs local governmental functions within its jurisdiction, including general governmental support, public safety, culture and recreation, transportation, health, and economic assistance and opportunity.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP), promulgated by the Governmental Accounting Standards Board (GASB), which is the primary standard-setting body for establishing governmental accounting and financial reporting principles.

In preparing financial statements in conformity with GAAP, management is required to make certain estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenditures during the reporting period. Actual results could differ from those estimates.

As required by GAAP, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations and accordingly data from these units are combined with the data of the primary government. Discretely presented component units, on the other hand, are reported in a separate column in the government-wide financial statements to emphasize they are legally separate from the City.

The decision to include a component unit in the City's reporting entity is based on several criteria, including legal standing, fiscal dependency, financial accountability, selection of governing authority and ability to significantly influence operations. Based on the application of these criteria, the following is a brief review of significant entities considered in determining the City's reporting entity. Complete financial statements of the individual component units can be obtained from their respective administrative offices.

*Blended Component Unit*

Albany Community Development Agency (ACDA) is a public benefit corporation, established by State law and governed by a seven member Board of Directors who are City officials. The objectives of ACDA are to provide a suitable living environment and to expand economic opportunities for persons of low and moderate income within the City. It has been designated by the City to undertake community development programs on behalf of the City and to administer federal community development block grant programs.

The City has the ability to significantly influence operations, select the governing board and participate in fiscal management, accordingly, ACDA is treated as a blended component unit of the City and its activities are included as a special revenue fund of the primary government and reported separately as an other governmental fund in the governmental fund statements.



**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Reporting Entity (Continued)**

*Discretely Presented Component Units*

The following discretely presented component units are reported in a separate column to emphasize that they are legally separate from the City:

*Albany Water Board and Albany Municipal Water Finance Authority*

The City of Albany Water and Sewer System (the System) provides water supply and distribution, and the collection and disposal of sewage for the City. The System began operations in February 1988, and consists of two legally separate and independent entities, the Albany Municipal Water Finance Authority (the Authority) and the Albany Water Board (the Board).

The Authority, a public benefit corporation, was established in 1986 for the purpose of issuing revenue bonds to pay for the purchase, future improvement, and construction of the System. Among its powers, the Authority may borrow money, issue debt, and require that the Board charge and collect sufficient rates to pay the costs of operating and financing the System. The Authority consists of seven members, two members of which are appointed by the Governor of New York State and five members of which are appointed by the Mayor of the City.

The Board, a corporate municipal instrumentality, was established in 1986 with the power to set and collect water and sewer fees in the amounts sufficient to pay the debt service on the bonds of the Authority, as well as to provide for the costs of the operation and maintenance of the System. The primary responsibility of the Board is to charge, collect, and enforce rates and other charges for the System. The Board consists of five members who are appointed by the Mayor of the City.

*Albany Parking Authority*

The Albany Parking Authority (the Parking Authority) was established in 1982 as a public benefit corporation of the State of New York. The Authority's existence is for a period of fifteen years, and thereafter until all of its liabilities have been met, and its bonds have been discharged. All rights and properties shall pass to the City upon the cessation of the Authority's existence. The Parking Authority is authorized to construct, operate and maintain areas or places in the City for the parking or storing of motor vehicles and is governed by a Board of Directors, which consists of five members appointed by the Mayor of the City with the advice and consent of the Common Council.

*City of Albany Industrial Development Agency*

The City of Albany Industrial Development Agency (IDA) is a public benefit corporation established July 1, 1983 under the mandate of Article 18-A, "New York State Industrial Development Agency Act," of New York State general municipal law. The IDA was established to promote and assist in acquiring or constructing various business and recreational facilities and, in the process, advance the job opportunities, health, general prosperity and economic welfare of the people of the City of Albany. A function of the IDA is to authorize the issuance of industrial revenue bonds for industrial development projects. The IDA reviews and determines whether to recommend approval of those applicants wishing to obtain financing. The IDA receives application fees from applicants and closing fees from those accepted for industrial revenue financing. The five-member board is appointed by the Common Council of the City of Albany.

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Reporting Entity (Continued)**

*Albany Port District Commission*

The Albany Port District Commission (the Commission) was established in 1925 by Chapter 192 of the Laws of the State of New York (the State). The law, as amended through December 31, 1986, grants the Commission regulatory powers over the development and operations of the port facilities of the Albany Port District (the Port). The Commission is a public corporation with perpetual existence and has the right of eminent domain, with the power to construct, develop and operate Port facilities including a terminal railroad; to fix fees, rates, rentals and other charges for its facilities; to regulate and supervise the construction and operations of Port facilities by private enterprise; to issue bonds and notes and to do all things necessary to make the Port useful and productive.

The Laws of 1925 provide that the municipalities of Albany and Rensselaer be assessed for the Commission's deficit, if any, from operations and financing. A reapportionment determination made April 1, 1932 established the rates of 87.89 percent for Albany and 12.11 percent for Rensselaer. These rates are still in effect and although the rates are subject to change under the provisions of the law, in recent years, there have been no such assessments.

*Albany Local Development Corporation*

Albany Local Development Corporation (ALDC), which commenced business on October 1, 1979 was formed under the Not-for-Profit Corporation Laws of the State of New York for the purposes of reducing adult unemployment and promoting the training of individuals to improve or develop job opportunities within certain areas of the City. ALDC's mission is accomplished by encouraging the development and/or retention of business and industry primarily through the loaning of money to enterprises at below market interest rates. Additionally, ALDC has invested in certain real estate, and leased such real estate to businesses, in order to further develop job opportunities and aid the City.

*Other Component Units*

*Downtown Albany Restoration Program, Inc.*

Downtown Albany Restoration Program, Inc. d/b/a Downtown Albany Business Improvement District, Inc. (BID) is a tax-exempt organization organized in 1996 under the Not-for-Profit Corporation Law of New York State. BID was created to execute the responsibility of a comprehensive business improvement district. These responsibilities include but are not limited to administration, project development, public relations and public improvements in the downtown business improvement district. The BID may be dissolved by legislative body with all the assets reverting back to the City.

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**A. Reporting Entity (Continued)**

*Lark Street Area District Management Association, Inc.*

Lark Street Area District Management Association, Inc. (Association) is a tax exempt organization organized in 1996 under the Not-for-Profit Corporation Laws of New York State. The Association was created to execute responsibilities of a Comprehensive Business Improvement District. These responsibilities include but are not limited to administration, project development, public relations and public improvements in the Lark Street business improvement district. The Association may be dissolved by legislative body with all the assets reverting back to the City.

*Central District Management Association, Inc.*

The Central District Management Association, Inc. doing business as the Central Business Improvement District, Inc. (CBID) is a non-profit organization formed in January 1998 under the Not-for-Profit Corporation Law of New York State. The primary purpose of the CBID is to promote the preservation and development of the Central Avenue business corridor of the capital City of Albany and to make the area more attractive and accessible. To this end the CBID will work to enhance the public perception of the Central Avenue business corridor through overseeing and managing the appearance, security and cleanliness of the business improvement district. The CBID may be dissolved by legislative body with all the assets reverting back to the City.

The BID, Association, and CBID have been combined for financial statement reporting purposes and are reported as "other component units" in the combining balance sheet, combining statement of revenues, expenditures and changes in equity and in the combining statement of cash flows.

Entities excluded from the reporting entity:

*Albany Housing Authority*

The Albany Housing Authority (Housing Authority) was established by state statute. The Mayor of the City of Albany appoints the Board of Directors of the Housing Authority; however, the City is not financially accountable for the Housing Authority as the City cannot significantly influence the activities of the Housing Authority and the Housing Authority does not provide specific financial benefits to or impose specific financial burdens on the City.

*Albany City School District*

The Albany City School District (the School District) operates the elementary and high schools in the City. The City is not accountable for the School District as the School District has the authority to levy taxes and School District Board members are elected officials.

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***B. Government-Wide and Fund Financial Statements***

The government-wide financial statements (the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City and its component units. The effect of interfund, but not interprimary government and component unit, transactions have generally been eliminated from these financial statements. 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. The City's activities are all classified as governmental activities. The primary government is reported separately from certain legally separate component units for which the City is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or activity are offset with program revenues. Direct expenses are those which are clearly identifiable with a specific function or activity. Program revenues include charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or activity and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other items not included among program revenues are reported as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though fiduciary funds are excluded from the government-wide financial statements.

Major individual governmental funds are reported in separate columns in the fund financial statements.

***C. Measurement Focus, Basis of Accounting and Basis of Presentation***

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue when all eligibility requirements imposed by the grantor have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within one year. Expenditures are generally recorded when a liability is incurred, in the same manner as accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, claims and judgments and similar long-term liabilities are recorded only when payment is due.

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. *Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)***

Property taxes, sales taxes, licenses and other fees are all recognized as revenues of the current period. Special assessments are recorded as receivable and deferred revenue at the time the related project is completed and levied. Revenue is recognized as assessments become measurable and available, normally as received.

The City reports the following major governmental funds:

*Governmental fund types*

General Fund – The General Fund is the principal fund of the City. All financial transactions related to revenue and expenditures for delivery of those services traditionally provided by a municipal government, which are not accounted for in other funds, are accounted for in the General Fund.

Special Revenue Funds – These funds account for the proceeds of specific revenue sources (other than major capital projects that are legally restricted to expenditures for specified purposes). The following Special Revenue Funds operate within financial limits of an annual budget adopted by the City Council. Special Revenue Funds of the City include the following:

Special Grant Fund – Used to account for the use of state and federal monies received under the Workforce Investment Act.

Miscellaneous Special Revenue Fund – Principally used to account for the use of state and federal monies received under the Corporation for National and Community Services program as well as Department of Justice and other youth and recreational funds.

Capital Projects Fund – Resources used to construct or acquire capital improvements, and general fixed assets are accounted for in this fund. Resources are derived principally from proceeds of long-term debt and Federal and State aid.

*Other governmental funds*

Albany Community Development Agency (ACDA) is a public benefit corporation, which has been designated by the City to undertake community development programs on behalf of the City and to administer federal community development block grant programs. As previously discussed, it is accounted for as a blended component unit of the City.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Albany's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. *Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)***

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of GASB.

Amounts reported as program revenues include charges to customers or applicants for goods, services or privileges provided, operating grants and contributions, and capital grants and charges, including special assessments. Internally dedicated resources are reported as general revenues, which includes all taxes.

**D. *Assets, Liabilities and Net Assets***

*Cash and investments*

The City's investment policies must comply with State statutes as well as their own written investment policy. City monies must be deposited into Federal Deposit Insurance Corporation (FDIC) insured commercial banks or trust companies located within the State. The City is authorized to use money market accounts and certificates of deposit. Permissible investments include obligations of the United States Treasury and United States agencies, repurchase agreements, and obligations of New York State or its localities.

Deposits in excess of the FDIC are required to be fully collateralized by obligations of New York State or Federal agencies, the principal and interest of which are guaranteed by the United States or obligations of New York State local governments. The securities are held in a separate, segregated account in the name of the financial institution for the benefit of the City.

The City considers highly liquid investments (including restricted assets) with an original maturity date of three months or less to be cash equivalents.

*Receivables and Payables*

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either due to/from other funds or advances to/from other funds.

All landfill and other accounts receivable are shown net of an appropriate allowance for uncollectible accounts, where such a provision is required.

*Inventories and Prepaid Items*

The City does not maintain inventories of supplies and records expenditures when purchased rather than when consumed. Likewise, it records payments to vendors for prepaid expenses as expenditures when paid.

*Restricted Assets*

Restricted assets, which consist principally of cash and cash equivalents, are assets to be used for the reduction of future debt service payments and to provide resources to offset the costs of future capital improvements.

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

***D. Assets, Liabilities and Net Assets (Continued)***

*Capital Assets*

Capital assets, which include property, plant, equipment and infrastructure assets (including roads, bridges, sidewalks and similar items) are reported in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of \$5,000 or more and an estimated life of three years or more. These assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Normal maintenance and repair costs that do not add to the value of the asset or materially extend their lives are not capitalized.

Major classes of capital assets are depreciated using the straight-line method over various useful lives. Useful lives for the major classes of capital assets are summarized as follows:

Buildings, capital leases and improvements	20 - 50 years
Machinery and equipment	3 - 20 years
Infrastructure	30 years

*Compensated Absences*

Employees earn vacation and sick leave as they provide service. Pursuant to collective bargaining agreements, they may accumulate (subject to certain limitations) unused time earned and, upon retirement, termination or death, may be compensated for such accumulated time. In addition, certain employees may accumulate unused sick time earned and upon retirement, termination, or death, may be compensated for such accumulated time. The cost of accumulated vacation pay and sick time expected to be paid from future expendable resources for the Governmental Funds are accounted for as a liability in the General Long-Term Debt Account Group and recognized in the respective Governmental Funds when the expenditures are paid.

Leave paid in the current period is reported as an expenditure in the fund financial statements. All accumulated leave, including that which is not expected to be liquidated with expendable available financial resources, is reported in the government-wide financial statements.

*Judgments and Claims*

The liability for claims in process represents estimates for all known workers' compensation claims and probably legal settlements at December 31, 2005.

*Deferred Revenue*

Deferred revenues principally represent unpaid loan balances resulting from various community development home loan programs operated by the City. When loan payments are received, revenue is recognized to the extent of principal received. When grant funds are reloaned, a corresponding expenditure is recorded. When the allowance for loan losses is increased, a corresponding decrease in the amount of deferred revenue is made in the same period, the effect of which is to reduce the overall amount of funds available for future loans.

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

**NOTE 1 — SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**D. Assets, Liabilities and Net Assets (Continued)**

*Long-Term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are recognized as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds.

In the fund financial statements, bond premiums and discounts, as well as bond issuance costs are reported in the current period. The face amount of debt issued is reported as other financing sources. Payments on such debt are recognized as expenditures in the period made. Premiums and discounts are reported as other financing sources or use and issuance costs are reported as debt service expenditures.

*Future Impacts of Accounting Pronouncements*

The City has not completed the process of evaluating the impact that will result from adopting the GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, effective for the year ending December 31, 2007 and GASB Statement No. 48 *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, effective for the year ending December 31, 2007. The City is, therefore, unable to disclose the impact that adopting GASB Statements No. 45 and 48 will have on its financial position and results of operations when such statements are adopted.

**NOTE 2 — PRIOR PERIOD ADJUSTMENT**

The City uses encumbrance accounting to account for appropriated financial resources to be used in the upcoming year. Under the modified basis of accrual accounting, appropriated and encumbered resources should be segregated from the general fund balance and reflected as a reservation of fund balance for encumbrances. At December 31, 2004, the City incorrectly recorded encumbrances causing the unreserved fund balance and the net assets of the balance sheet – government funds and the statement of net assets, respectively, to be overstated by approximately \$428,100 as follows:

	<b>Unreserved Fund Balance</b>	<b>Net Assets</b>
January 1, 2005, as previously reported	\$ 11,529,889	\$ 41,411,899
Overstatement of encumbrances and understatement of general fund liabilities	<u>(428,112)</u>	<u>(428,112)</u>
January 1, 2005, as restated	<u><u>\$ 11,101,777</u></u>	<u><u>\$ 40,983,787</u></u>



**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

**NOTE 3 — EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENT-WIDE STATEMENTS AND GOVERNMENTAL FUND FINANCIAL STATEMENTS**

Due to the differences in the measurement focus and basis of accounting used in the governmental fund statements and the government-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items. The differences result primarily from the economic focus of the statement of activities, compared with the current financial resources focus of the governmental funds.

**A. Total Fund Balances of Governmental Funds vs. Net Assets of Governmental Activities**

Total fund balances of the City's governmental funds differs from "net assets" of governmental activities reported in the statement of net assets. This difference primarily results from the additional long-term economic focus of the statement of net assets versus the solely current financial resources focus of the governmental fund balance sheets.

**B. Statement of Revenues, Expenditures and Changes in Fund Balance vs. Statement of Activities**

Differences between the governmental funds statement of revenues, expenditures and changes in fund balance and the statement of activities fall into one of three broad categories. The amounts shown below represent:

i. Long-term revenue and expense differences:

Long-term revenue differences arise because governmental funds report revenues only when they are considered "available", whereas the statement of activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis, whereas the accrual basis of accounting is used on the statement of activities.

ii. Capital related differences:

Capital related differences include the difference between proceeds for the sale of capital assets reported on governmental fund statements and the gain or loss on the sale of assets as reported on the statement of activities, and the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the statement of activities.

iii. Long-term liability transaction differences:

Long-term liability transaction differences relate principally to bonds and accrued compensated absences. Both interest and principal payments on bonds and other long-term debt are recorded as expenditures in the governmental fund statements, whereas interest payments are recorded in the statement of activities as incurred, and principal payments are recorded as a reduction of liabilities in the statement of net assets.

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

**NOTE 3 — EXPLANATION OF CERTAIN DIFFERENCES BETWEEN GOVERNMENT-WIDE STATEMENTS AND GOVERNMENTAL FUND FINANCIAL STATEMENTS (Continued)**

Employees earn vacation and sick leave as they provide service. They may accumulate (subject to certain limitations) unused time earned and, upon retirement, termination or death, may be compensated for such accumulated time. The cost of vacation pay and sick time are recognized in the statement of revenues, expenditures and changes in fund balance when the expenditures are paid. The cost of vacation and sick time earned within the reporting period, including that which is not expected to be paid with expendable available financial resources, is reported in the government-wide financial statements and expensed in the statement of activities.

**NOTE 4 — STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

*Budgetary Information*

Pursuant to Article 6 of the Second Class Cities Law of the State of New York and its own charter, the City legally adopts calendar year budgets for the General and Special Revenue Funds. Any amendments to the original budget during the year require the approval of the Board of Estimate and Apportionment.

The appropriated budget is prepared by fund, function and department, encumbrance accounting is employed in governmental funds. Encumbrances (such as purchase orders) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

**NOTE 5 — CASH AND CASH EQUIVALENTS AND CASH AND CASH EQUIVALENTS RESTRICTED**

At December 31, 2005, cash and cash equivalents and cash and cash equivalents - restricted are comprised of interest bearing and non-interest bearing deposits in various financial institutions. The City considers all certificates of deposit, with original maturities of three months or less, and money market accounts to be cash equivalents.

It is the City's policy for all deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of Federal Deposit Insurance Corporation (FDIC) insurance. At December 31, 2005, all cash and cash equivalents, as well as restricted cash and restricted cash equivalents in excess of FDIC insurance, were fully collateralized by securities in the name of the financial institution held in a separate account.

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

**NOTE 5 — CASH AND CASH EQUIVALENTS AND CASH AND CASH EQUIVALENTS RESTRICTED (Continued)**

The City has approximately \$11,210,000 in cash and cash equivalents that have been restricted as follows:

<b>General Fund</b>		
Debt service	\$ 1,995,000	
Landfill postclosure	806,000	
Retirement of BAN liability	4,599,000	
Prescription plan, insurance claims and other	<u>350,000</u>	
		\$ 7,750,000
<b>Capital Fund</b>		
Purchase of capital lease equipment	<u>3,359,000</u>	
		3,359,000
<b>Other Governmental Funds</b>		
Debt service	<u>101,000</u>	
		<u>101,000</u>
		<u>\$ 11,210,000</u>
Cash and cash equivalents - restricted		<u>\$ 11,210,000</u>

The City's investment policy and guidelines limits its exposure to losses arising from interest rate risk, credit risk, custodial risk, and concentration of credit risk. Further, statutes authorize the City to invest in obligations of New York State, the United States Government and its agencies, and repurchase agreements collateralized by U.S. obligations.

**NOTE 6 — LANDFILL RECEIVABLE**

The City currently has one landfill accepting waste from various public and private entities. These entities are billed monthly based on the tonnage deposited at the landfill for the previous month. At December 31, 2005, the City had outstanding landfill receivables of approximately \$1,230,000. Management has established an allowance for doubtful accounts for this receivable balance of approximately \$57,500 which is netted against the receivable balance in the financial statements at December 31, 2005.

**NOTE 7 — PROPERTY TAXES**

Property taxes are levied and payable in January. Any property taxes not paid by the following December 31 are purchased without recourse by the County of Albany. Accordingly, the total levy is considered measurable and available, and there is no allowance for uncollectible property taxes at December 31, 2005.

The taxable assessed value of real property, as adjusted by New York State, included in the tax levy of 2004 (amount to be received in 2005), was \$3,488,703,895. The effective tax rate on this value is \$12.17 per thousand for residential and \$14.86 per thousand for non-residential properties. The constitutional tax limit is 2% of the 5-year average of the full value assessment. The 2004 levy represents approximately 56% of the constitutional tax limit.

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

**NOTE 8 — CAPITAL ASSETS**

Property and equipment is comprised of the following:

	<u>Balance December 31, 2004</u>	<u>Additions</u>	<u>Deletions and Adjustments</u>	<u>Balance December 31, 2005</u>
Capital assets not being depreciated:				
Land	\$ 1,316,516	\$ -	\$ (6,020)	\$ 1,310,496
Construction in process	41,183,321	8,525,159	(9,548,571)	40,159,909
	<u>42,499,837</u>	<u>8,525,159</u>	<u>(9,554,591)</u>	<u>41,470,405</u>
Capital assets being depreciated:				
Buildings, capital leases and improvements	38,401,946	7,034,066	(125,618)	45,310,394
Machinery and equipment	36,449,313	5,457,107	(31,210)	41,875,210
Infrastructure	185,321,441	6,135,570	-	191,457,011
	<u>302,672,537</u>	<u>27,151,902</u>	<u>(9,711,419)</u>	<u>320,113,020</u>
Less accumulated depreciation for:				
Buildings, capital leases and improvements	18,070,413	1,081,013	(35,118)	19,116,308
Machinery and equipment	24,260,033	3,211,715	(13,339)	27,458,409
Infrastructure	101,493,867	6,078,555	-	107,572,422
	<u>153,824,313</u>	<u>10,371,283</u>	<u>(48,453)</u>	<u>163,703,043</u>
Total capital assets, net	<u>\$ 158,848,224</u>			<u>\$ 165,965,881</u>

Depreciation expense was \$10,371,283 for the period ending December 31, 2005. In the statement of activities, depreciation expense is allocated to each function as follows:

<u>Function/Programs</u>	<u>Depreciation Expense</u>
Public safety and regulation	\$ 2,397,272
General government	6,174,508
Highway and streets	854,476
Recreation and culture	104,329
Community service	758,090
Economic development and assistance	82,608
	<u>\$ 10,371,283</u>

**NOTE 9 — MORTGAGE LOANS RECEIVABLE AND DEFERRED REVENUES**

The City, through ACDA, lends monies received through Federal grants (principally from Housing and Urban Development Community Development Block Grants (CDBG)) to individuals, businesses, and non-profit agencies at low interest rates to fund the acquisition and rehabilitation of low income housing and other community development projects in the City. Loan disbursements are recorded as grant expenditures and loan repayments are recorded as program income. Mortgage loans receivable and the related deferred revenue account consist of principal to be collected in future periods.

Interest rates and loan periods are determined using criteria established by the granting agency. Interest rates on these loans range between 0% and 8% and loan periods are either for a period of up to 15 years or deferred as long as the beneficiary is in compliance with the loan agreement.

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

**NOTE 9 — MORTGAGE LOANS RECEIVABLE AND DEFERRED REVENUES (Continued)**

Funds received from the New York Housing Trust Fund Corporation (NYSHTFC) were used to establish loans with various not-for-profit organizations, for use in the acquisition and rehabilitation of low income housing. In accordance with applicable grant provisions, loan disbursements are reflected as Due to NYSHTFC. Funds disbursed to participants generally do not bear interest and are repayable over a period of 15 to 25 years. In accordance with loan agreements, annually, on the anniversary date of completion of the project, one fifteenth or twenty-fifth of the loan is forgiven as long as the beneficiary is in compliance with the loan agreement.

The balance of mortgage loans receivable, net of related allowances, is comprised of the following at December 31, 2005:

<u>Program</u>	<u>Balance</u>
HUD CDBG	\$ 13,250,066
NYSHTFC	1,210,640
	<u>\$ 14,460,706</u>

**NOTE 10 — INTERFUND RECEIVABLES AND PAYABLES**

A summary of interfund receivables and payables at December 31, 2005 is as follows:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General	\$ 7,729,047	\$ -
Special Revenue	1,059	1,237,669
Capital Projects	-	5,020,246
Albany Community Development Agency	-	391,482
	<u>7,730,106</u>	<u>6,649,397</u>
Fiduciary Fund	-	1,080,709
	<u>\$ 7,730,106</u>	<u>\$ 7,730,106</u>

Fiduciary fund balances are not reported in the government wide financial statements or fund financial statements. Rather, they are reported separately in the statement of fiduciary net assets – fiduciary funds.

**NOTE 11 — DUE FROM/TO COMPONENT UNITS**

The City has reported approximately \$8,103,000 and \$358,000 as the amount due from and due to the Component Units at December 31, 2005. The Component Units reported approximately \$397,000 and \$6,834,000 as the amount due from and due to the primary government, respectively. The net difference as reported by the City and its Component Units is approximately \$1,308,000. Activity giving rise to amounts due between the City and the Component Units relates to payroll, benefits, grant reimbursements, tax assessment adjustments and other administrative costs paid for by the City and reimbursed to the City by the Component Units or paid for by the Component Units and reimbursed by the City. This reporting variance is attributable principally to the timing differences of recording these underlying transactions.

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

**NOTE 12 — EMPLOYEE BENEFIT PLANS**

**(a) Pension plans**

The City of Albany participates in the New York 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 (collectively, the Systems). These are cost-sharing multi-employer retirement systems. The Systems provide retirement benefits as well as death and disability benefits. Obligations of employers and employees to contribute and benefits to employees are governed by the New York State Retirement and Social Security Law (NYSRSSL). As set forth in the NYSRSSL, the Comptroller of the State of New York (Comptroller) serves as sole trustee and administrative head of the Systems. The Comptroller shall adopt and may amend rules and regulations for the administration and transaction of the business of the Systems and for the custody and control of their funds. The Systems issue a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the New York State and Local Retirement Systems, NYS Comptroller State Office Building, 110 State Street, Albany, NY 12207.

The Systems are noncontributory except for employees who joined the New York State and Local Employees' Retirement System after July 27, 1976 who contribute 3% of their salary for the first ten years of service. Under the authority of the NYSRSSL, the Comptroller shall certify annually the rates expressed as proportions of payroll of members, which shall be used in computing the contributions required to be made by employers to the pension accumulation fund.

The City of Albany is required to contribute at an actuarially determined rate. The required contributions for the current year and two preceding years were:

	<u>ERS</u>	<u>PFRS</u>
2005	\$3,349,161	\$ 5,774,591
2004	\$3,868,269	\$12,622,793 *
2003	\$1,674,607	\$ 2,728,828

\* Includes past service cost section 384E of \$6,298,000

The City of Albany's contributions made to the Systems were equal to 100 percent of the contributions required for each year.

Since 1989, the System's billings have been based on Chapter 62 of the Laws of 1989 of the State of New York. This legislation requires participating employers to make payments on a current basis, while amortizing existing unpaid amounts relating to the System's fiscal years ending March 31, 1988 and 1989 (which otherwise were to have been paid on June 30, 1989 and 1990, respectively) over a 17-year period, with an 8.75% interest factor added. Local governments were given the option to prepay this liability. During 2005 the City paid the remaining amortized liability under their calculated obligation. The amount paid was \$381,400 and is included as a component of employee benefits on the Statement of Activities for the year ending December 31, 2005.

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

**NOTE 12 — EMPLOYEE BENEFIT PLANS (Continued)**

**(b) Health insurance benefits**

In addition to providing pension benefits, the City provides health insurance benefits, in accordance with its union contracts, to retired employees and their families. Substantially all of the City's employees may become eligible for these benefits, which vary by length of service and type of coverage, if they reach retirement age while working for the City. The cost to the City of providing health care benefits to retirees during 2005 was approximately \$7,814,500. At December 31, 2005, the number of retired participants eligible to receive benefits was 1,255 the majority of whom chose to receive the benefits.

**NOTE 13 — NOTES PAYABLE**

**(a) Bond Anticipation Notes**

The City may issue Bond Anticipation Notes (BANS), in anticipation of proceeds from the subsequent sale of bonds. These notes are recorded as current liabilities of the funds that will actually receive the proceeds from the issuance of bonds. State law requires that BANS issued for capital purposes be converted to long-term financing within five years.

In June 2005, the City issued \$9,000,000 in BANS at an interest rate of 2.94%. The notes are for expenses of current capital projects, including some transportation projects for which there is state and federal reimbursement. These BANS were paid off in full in June 2006.

**(b) Revenue Anticipation Notes**

The City may also issue Revenue Anticipation Notes (RANS), in anticipation of proceeds from the subsequent receipt of anticipated revenues other than property taxes. These notes are recorded as current liabilities of the funds that will actually receive non-tax proceeds.

In January 2005, the City issued \$10,000,000 in RANS at a rate of 2.78% in anticipation of later than usual receipt of state aid, and PILOT payments from the state. The RANS were paid off in full in January 2006.

Interest expense on both BANS and RANS totaled approximately \$394,500 and \$152,500, respectively, for the period ending December 31, 2005.

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

**NOTE 14 — INDEBTEDNESS**

Indebtedness of the City include loans, certain accruals, and serial and Environmental Facilities Corporation (EFC) bonds. Bonds are guaranteed by the full faith and credit of the City.

The following is a summary of certain long-term liability transactions of the City for the year ended December 31, 2005:

	<b>Balance January 1, 2005</b>	<b>New Issues/ Increase in Estimates</b>	<b>Debt Retirement Decrease in Estimates</b>	<b>Balance December 31, 2005</b>
NYS retirement system	\$ 381,387	\$ -	\$ (381,387)	\$ -
Judgments and claims	7,615,219	-	(673,737)	6,941,482
Vacation/sick pay obligations	13,932,329	425,580	-	14,357,909
Landfill closure and postclosure care costs	4,599,517	264,001	-	4,863,518
Capital lease obligations	2,553,333	4,100,000	(178,333)	6,475,000
Accrued interest	2,862,093	324,997	-	3,187,090
Bonds	108,355,261	-	(9,561,479)	98,793,782
Loans payable (ACDA)	577,465	-	(23,851)	553,614
<b>Total</b>	<b>\$ 140,876,604</b>	<b>\$ 5,114,579</b>	<b>\$ (10,818,787)</b>	<b>\$ 135,172,395</b>

Of the total outstanding indebtedness of the City in the sum of approximately \$101,395,000, the total amount was subject to the statutory debt limit and represented approximately 39.62% of the City's \$255,937,182 statutory debt limit.

**(a) Bonds**

During 1993, the City issued \$39,847,849 in General Obligation Refunding Bonds with an average interest rate of 4.35% to advance refund \$2,030,000 of outstanding 1986 General Obligation Bonds with an average interest rate of 7.5%, \$3,910,000 of outstanding 1986 General Obligation Refunding Bonds with an average interest rate of 6.5%, \$7,300,000 of outstanding 1987 Public Improvement Bonds with an average interest rate of 6% and \$22,240,000 of outstanding 1990 General Obligation Serial Bonds with an average interest rate of 7% (the 1986, 1987 and 1990 bonds). The net proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the aforementioned bonds. As a result, the 1986, 1987 and 1990 bonds are considered to be defeased. Of the total bonds defeased in 1993, \$2,865,000 of the 1990 remain outstanding at December 31, 2005.

During September 2001, the City issued \$6,675,000 in General Obligation Refunding Bonds with an average interest rate of 4.45% to advance refund \$6,210,000 of outstanding 1994 General Obligation Bonds with an average interest rate of 6.10%. The net proceeds were deposited in an irrevocable trust with an escrow agent. The escrow agent subsequently purchased non-callable direct obligations of the United States of America ("Governmental Obligations"). The principal of and investment income on the portfolio of Government Obligations together with other available cash on deposit in the irrevocable trust are expected to provide for all future debt service payments on the aforementioned bonds. As a result, the 1994 bonds are considered to be defeased. The amount of the defeased bonds outstanding at December 31, 2005 for the 1994 bonds is approximately \$4,240,000.



**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

**NOTE 14 — INDEBTEDNESS (Continued)**

**(a) Bonds (continued)**

During 2002, the City issued \$10,085,000 in General Obligation Refunding Bonds with an average interest rate of 3.75% to advance refund \$9,660,000 of outstanding 1993 General Obligation Bonds with an average interest rate of 5.08%. The issue matures in 2013 with annual payments ranging from \$785,000 to \$1,160,000.

During July 2003, the City issued \$21,908,218 in General Obligation Bonds with interest rates from 2.75% to 4.25% and priced to yield from .94% to 4.25%. The bonds carry an average interest rate of 3.94% and the average life of the bonds is 8.75 years. The issue matures on August 1, 2018 with annual payments ranging from \$1,956,165 to \$1,961,806. Proceeds are being used for ongoing and additional capital projects.

During July 2004, the City issued \$14,262,338 in General Obligation Bonds with interest rates from 3.00% to 4.00% and priced to yield from 1.50% to 4.00%. The bonds carry an average interest rate of 3.50% and the average life of the bonds is 8.75 years. The issue matures on July 15, 2015 with annual payments ranging from \$1,565,352 to \$1,638,000. Proceeds are being used for ongoing and additional capital projects.

During 2004 the City issued \$10,700,000 in federally taxable BANS at an interest rate of 3.57% to finance additional retirement participation costs of City employees participating in the New York State Retirement System. Of this expense, \$6.3 million was a one-time cost of moving City firefighters to a new retirement plan pursuant to Section 38-E of the Retirement and Social Security Law. The remaining \$4.4 million is the City's pension contribution in excess of seven percent of payroll that will be bonded pursuant to Chapter 260 of Laws of 2004 of New York State. In June 2005 this BAN was refinanced for one year. The City converted this obligation to long-term debt during 2006.

Proceeds from the original BAN were recognized as an other financing source in the statement of revenues, expenditures and changes in fund balance for the period ending December 31, 2004. Due to the long-term nature of this obligation the original BAN was classified as bonds and loans payable in the government-wide statement of net assets at December 31, 2004. During 2006 federally taxable bonds were issued converting the BAN for pension related expenses into long-term debt (see Note 15).

During 2003 and 2002, ACDA issued \$500,000 and \$200,000, respectively, in General Obligation Bonds with an interest rate of 6.14%. The bonds have a maturity date of October 2013. Bond proceeds will fund loans granted through the Albany Down Payment Assistance Program. Principal payments are required to be paid in conjunction with payments received from loan beneficiaries. As of December 31, 2005, the balance under the general obligation bonds was \$496,387.

During 2002, the City received additional bond proceeds in the amount of \$4,641,106 from NYS EFC with an average interest rate of 4.22%, maturing on October 15, 2022, with annual payments ranging from \$10,000 to \$285,000. The proceeds are to be used for the expansion and improvement of the City's landfill and the purchase of a street sweeping vehicle.

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

**NOTE 14 — INDEBTEDNESS (Continued)**

**(a) Bonds (continued)**

Serial and EFC bonds, the proceeds of which have been used primarily to provide funds for various capital projects, consists of the following at December 31, 2005:

<u>Interest Rate</u>	<u>Date Issued</u>	<u>Maturity Date</u>	<u>Amount of Original Issue</u>	<u>Outstanding December 31, 2005</u>	<u>Annual Principal Installments (Range)</u>
Serial Bonds					
7.20 - 7.75%	1986	2006	\$ 9,640,700	\$ 4,546	\$3,209 - 4,546
6.90 - 7.00%	1990	2010	29,750,000	100,000	20,000 - 115,000
2.70 - 5.70%	1993	2010	39,847,849	4,357,849	437,470 - 4,205,000
4.40 - 5.00%	1998	2017	11,375,000	4,675,000	190,000 - 1,065,000
4.90 - 5.50%	2000	2025	17,555,000	12,125,000	260,000 - 1,300,000
3.50 - 5.00%	2001	2014	6,675,000	4,240,000	355,000 - 665,000
3.50 - 5.00%	2001	2021	14,098,000	10,775,000	625,000 - 863,000
2.50 - 4.50%	2002	2013	10,085,000	6,505,000	785,000 - 1,160,000
6.14%	2002	2013	700,000	496,387	108,489
2.75 - 4.25%	2003	2018	21,908,218	19,585,000	1,956,165 - 1,961,806
3.00 - 4.00%	2004	2015	14,262,338	13,200,000	1,565,352 - 1,638,000
EFC Bonds					
3.75 - 5.35%	1998	2017	3,788,500	2,400,000	158,500 - 235,000
3.60 - 4.55%	1998	2007	51,338	10,000	5,000 - 6,338
4.31 - 5.74%	2000	2020	7,057,467	5,620,000	280,000 - 445,000
1.21 - 5.00%	2002	2022	4,641,106	4,000,000	280,000 - 445,000
Pension BAN					
3.57%	2004	2006	10,700,000	10,700,000	158,500 - 235,000
				<u>\$ 98,793,782</u>	

Future maturities of general long-term debt as of December 31, 2005 are as follows:

<u>Year Ending December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 19,484,546	\$ 3,891,657	\$ 23,376,203
2007	8,850,000	3,287,753	12,137,753
2008	7,457,343	3,637,318	11,094,661
2009	7,543,036	3,363,437	10,906,473
2010	7,482,470	3,056,829	10,539,299
2011-2015	31,611,387	7,805,396	39,416,783
2016-2020	14,015,000	2,355,404	16,370,404
2021-2025	2,350,000	272,299	2,622,299
	<u>\$ 98,793,782</u>	<u>\$ 27,670,093</u>	<u>\$ 126,463,875</u>

Interest expense for bonds and loans payable was approximately \$4,828,000 for the period ending December 31, 2005.

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

**NOTE 14 — INDEBTEDNESS (Continued)**

**(b) Capital leases**

City

During 2005, the City entered into a master equipment lease/purchase agreement (the "agreement") with a bank. The agreement provided capital for the City to use to purchase certain equipment from various vendors to be used by the City in executing day to day delivery of general government services to its constituency. Three lease purchases were authorized by the City's Common Council and identified by ordinance numbers in the agreement. Approved ordinances totaled \$4,100,000, and became part of three distinct subordinate lease/purchase agreements. During 2005, the proceeds were transferred to an escrow account to be used to purchase the designated equipment identified in the subordinate agreements. This amount was recognized by the City as other financing sources on the statement of revenues, expenditures, and change in fund balance for the period ending December 31, 2005. The unspent proceeds of approximately \$3,350,000 are recorded as restricted cash in the capital fund on the governmental funds balance sheet at December 31, 2005. The total acquisition cost is deferred in the three lease/purchase schedules and bear interest ranging from 3.16% to 3.30%. The purchases qualify as capital leases. The interest portion of the future minimum lease payments is approximately \$493,000 and the net present value is approximately \$4,100,000. Payments are semi-annual and scheduled to begin on all subordinate agreements in April of 2006.

IDA

The City entered into a capital lease with the IDA, whereby the City has agreed to rent the City of Albany Municipal Golf Course clubhouse and related parcel of land (collectively the "property"). The lease payments made under the agreement shall be in an amount equal to the amount payable as principal and interest on the IDA's Revenue Bonds, 1991 Series A and B. The lease payments are due monthly through 2012. The agreement qualifies as a capital lease. The interest portion of the future minimum lease payments is approximately \$341,500 and the net present value at December 31, 2005 is approximately \$860,000. Title of the property transfers to the City upon satisfaction of the outstanding debt service.

ACDA

ACDA amended its lease for office space at a facility located at 200 Henry Johnson Boulevard. The amended lease has a sixteen year term and the agreement requires ACDA to remit semi-annual payments to the City of Albany Local Development Corporation ("the ALDC") through 2018. The agreement qualifies as a capital lease. The interest portion of future minimum lease payments is \$551,067 and the net present value at December 31, 2005 is \$1,515,000.

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

**NOTE 14 — INDEBTEDNESS (Continued)**

**(b) Capital leases (continued)**

ACDA (continued)

A summary of future minimum lease payments and future minimum maturities of the capital lease obligation as of December 31, 2005 is as follows:

<u>Year Ending December 31</u>	<u>CITY</u>	<u>IDA</u>	<u>ACDA</u>	<u>Total</u>
2006	\$ 831,807	\$ 186,189	\$ 150,063	\$ 1,168,059
2007	831,807	188,126	151,144	1,171,077
2008	831,807	194,668	155,138	1,181,613
2009-2013	1,709,717	634,682	803,284	3,147,683
2014-2018	387,738	-	818,398	1,206,136
Total minimum lease payments	<u>\$ 4,592,876</u>	<u>\$ 1,203,665</u>	<u>\$ 2,078,027</u>	<u>\$ 7,874,568</u>

**(c) Litigation and contingent liabilities**

**(1) Judgments and Claims**

There are various suits and claims pending against the City. In the opinion of City officials and Corporation Counsel, there are no proceedings against the City in which the likelihood has been deemed possible or probable and could have a material adverse effect on the City's financial position or results of operations. The City has recognized an accrued liability of approximately \$202,300 to allow for future claims on certain matters.

**(2) Self Insurance**

The City self-insures workers' compensation claims. The City and its component units, with the exception of the Downtown Albany Restoration Program, Inc., Lark Street area District Management Association, Inc., and the Central District Management Association, Inc., all participate in the self-insurance program.

Under the program, the City utilizes a program administrator to process claims as they occur. A liability of approximately \$6,739,000 for unpaid claims based upon individual case estimates for claims incurred at December 31, 2005 has been recorded in the caption "Judgments and claims." This liability is the City's best estimate based on available information. Changes in the reported liability since December 31, 2004 resulted from the following:

	<u>Balance as of December 31, 2004</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Balance as of December 31, 2005</u>
Workers' compensation liability	<u>\$ 7,064,013</u>	<u>\$ 1,623,531</u>	<u>\$ (1,948,312)</u>	<u>\$ 6,739,232</u>

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

**NOTE 14 — INDEBTEDNESS (Continued)**

**(c) *Litigation and contingent liabilities (continued)***

**(3) *Grant Programs***

The City participates in a number of grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The audits of these programs may be conducted, in accordance with grantor requirements, on a periodic basis. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amounts, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City believes, based upon its review of current activity and prior experience, the amount of such disallowances, if any, will be minimal.

**(d) *Landfill closure and postclosure care costs***

The City has four landfills, three of which stopped accepting waste prior to December 1993. The fourth, Albany Interim Landfill (AIL), together with the expansion added in 1997, are still accepting waste at December 31, 2005.

State and federal laws and regulations require the City to place a final cover on its landfill when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste. The City reports closure and postclosure care costs based on landfill capacity used as of each balance sheet date.

Accrued landfill closure and postclosure care costs of approximately \$4,863,000 at December 31, 2005, represent the cumulative amount reported to date based on the use of 100 percent of the estimated capacity of all previously closed landfills and 39 percent of the estimated capacity of the AIL and expansion currently being used as determined by an independent engineer. The estimated remaining life of this landfill is two and one-half to three and one-half years. The City will recognize the remaining estimated cost of closure and postclosure care of \$909,000 as the remaining AIL and expansion estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2005. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The City currently has a cash reserve of approximately \$806,300 for the payment of post-closure care costs. The City makes deposits of approximately \$41,000 into the reserve annually.

***Coeyman's landfill***

In 1996 the City of Albany bought options to purchase 363.5 acres of land in the Town of Coeymans, New York at a price of \$11,000 per acre for the purposes of siting a regional long-term solid waste landfill. The facility was planned in accordance with the City of Albany's solid waste management plan and was a permit condition for the expansion of the City's Rapp Road facility.

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

**NOTE 14 — INDEBTEDNESS (Continued)**

**(d) Landfill closure and postclosure care costs (continued)**

***Coeyman's landfill (continued)***

The City has annually renewed the options for the purchase of the land and paid the expense from general funds. Initially option payments were credited toward the purchase price of the land. Since 2000 approximately \$200,000 of the annual option payment was non-refundable and \$400,000 was credited towards the purchase price of the land. In 2006, the payments credited to the purchase price reached the purchase price, resulting in the City taking title to the land. Payments for options and land totaled approximately \$5,198,000 and is included in construction in process at December 31, 2005.

**(e) Loans payable**

During 2002, ACDA borrowed \$100,000 from the Albany Local Development Corporation (ALDC) to establish a fund for collateral for the Albany Down Payment Assistance Program. The proceeds of this loan are required to be maintained in a segregated bank account until maturity. The term of the loan shall be the length of the City of Albany Down Payment Assistance Program but no longer than August 9, 2013. ACDA will pay interest earned on the secured funds upon repayment of the loan. There are no scheduled monthly payments for this loan.

As part of ACDA's capitalized lease obligation, described above, ACDA executed a loan payable to ALDC to pay for all previously unreimbursed tenant expenses. The note has a sixteen year term and the agreement requires ACDA to remit semi-annual payments to the ALDC through 2018.

**NOTE 15 — SUBSEQUENT EVENTS**

In 2006, the City was fined \$100,000 by the NYS Department of Environmental Conservation (DEC) for excessive litter and odor at the Rapp Road landfill facility. Subsequently the City entered into a consent agreement with DEC, whereby the City agreed to improve odors and litter control and paid DEC a total of \$50,000.

During 2006, the City issued \$25,595,000 in general obligation debt. The issue included \$15,500,000 in tax-exempt bonds and \$10,095,000 in Federally taxable bonds.

The tax-exempt bonds included \$8,660,000 in notes issued in 2005 that were converted to long-term debt and an additional \$6,840,000 million in long-term debt approved from the 2006 capital plan. The effective interest rate is 4.068 percent and the issues will be paid over 12 years.

The Federally taxable Bonds the Bond Anticipation Notes of 2005 for pension related expenses convert to long-term debt. The effective interest rate on these bonds is 5.729 percent and the bonds are paid over 14 years.

**CITY OF ALBANY**  
**NOTES TO FINANCIAL STATEMENTS**  
**December 31, 2005**

**NOTE 16 — COMPONENT UNITS**

The City's component units (as defined in Note 1) are legally separate entities that are not operating departments of the City. The component units are managed independently, outside the appropriated budget process, and their powers generally are vested in a governing board.

Substantially all of the financial data was derived from audited annual financial statements and summarized in the financial statements. Additional information about each of the component units can be obtained from their annual financial statements.

## **REQUIRED SUPPLEMENTARY INFORMATION**



**CITY OF ALBANY, NEW YORK**  
**SCHEDULE OF REVENUES, EXPENDITURES AND MODIFIED BUDGET AND ACTUAL –**  
**GENERAL AND SPECIAL REVENUE FUNDS**  
**For the Year Ended December 31, 2005**

	Governmental Fund Types				Special Revenue Funds*			
	Original Budget	Final Adopted Budget	Actual	Actual Over (Under) Final Budget	Original Budget	Final Adopted Budget	Actual	Actual Over (Under) Final Budget
<b>REVENUES</b>								
Real property taxes	\$ 46,725,000	\$ 46,725,000	\$ 45,873,681	\$ (851,319)	\$ -	\$ -	\$ -	\$ -
Sales and use taxes	27,655,000	27,894,295	27,919,976	25,681	-	-	-	-
Other taxes	3,400,000	3,400,000	3,478,162	78,162	-	-	-	-
Payments in lieu of taxes	19,120,000	25,040,758	25,040,758	-	-	-	-	-
Intergovernmental revenue	13,702,500	17,914,231	18,679,691	765,460	2,949,000	3,415,628	2,941,486	(7,514)
Charges for services	13,477,000	13,477,000	12,941,058	(535,942)	-	-	-	-
Fines, interest and penalties	3,895,000	3,970,575	4,077,919	107,344	-	-	-	-
Use of money and properties	617,000	617,000	943,689	326,689	-	-	-	-
Licenses and permits	1,266,000	1,266,000	1,378,306	112,306	-	-	-	-
Other revenues	3,811,000	3,924,740	5,487,597	1,562,857	-	-	1,059	1,059
Total revenues	<u>133,668,500</u>	<u>144,229,599</u>	<u>145,820,837</u>	<u>1,591,238</u>	<u>2,949,000</u>	<u>3,415,628</u>	<u>2,942,545</u>	<u>(6,455)</u>
<b>EXPENDITURES</b>								
Public safety and regulation	66,610,035	73,533,787	72,633,382	(900,405)	-	-	-	-
General government	20,808,972	21,518,952	21,510,363	(8,589)	-	-	-	-
Highways and streets	6,497,207	6,431,049	6,431,042	(7)	-	-	-	-
Recreation and culture	5,719,311	5,981,220	5,981,162	(58)	-	-	-	-
Community service	6,827,487	7,606,959	7,606,936	(23)	-	-	-	-
Employee benefits	13,554,400	12,894,764	12,903,525	8,761	-	-	-	-
Economic development and assistance	-	137,956	107,506	(30,450)	2,949,000	3,415,628	2,954,681	5,681
Debt service	14,261,000	14,110,533	14,110,521	(12)	-	-	-	-
Total expenditures	<u>134,278,412</u>	<u>142,215,220</u>	<u>141,284,437</u>	<u>(930,783)</u>	<u>2,949,000</u>	<u>3,415,628</u>	<u>2,954,681</u>	<u>5,681</u>
Excess (deficiency) of revenues and appropriated fund balance over expenditures	(609,912)	2,014,379	4,536,400	2,522,021	-	-	(12,136)	(12,136)
<b>OTHER FINANCING SOURCES (USES)</b>								
Transfers, net	-	-	(987,086)	(987,086)	-	-	-	-
Proceeds from sale of property	100,000	100,000	5,300	(94,700)	-	-	-	-
Total other financing sources (uses)	<u>100,000</u>	<u>100,000</u>	<u>(981,786)</u>	<u>(1,081,786)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues, appropriated fund balance and other financing sources over expenditures and other financing uses	<u>\$ (509,912)</u>	<u>\$ 2,114,379</u>	<u>\$ 3,554,614</u>	<u>\$ 1,440,235</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (12,136)</u>	<u>\$ (12,136)</u>

\* Includes special grant and miscellaneous special revenue funds only.