

March 31, 2004

Honorable Mayor Gerald Jennings  
City of Albany  
City Hall  
Albany, New York 12207

Dear Mayor Jennings:

Enclosed are 30 copies of the financial statements of City of Albany, New York for the year ended December 31, 2002, together with our report thereon.

If you have questions or require additional information, please call.

Very truly yours,

**URBACH KAHN & WERLIN LLP**

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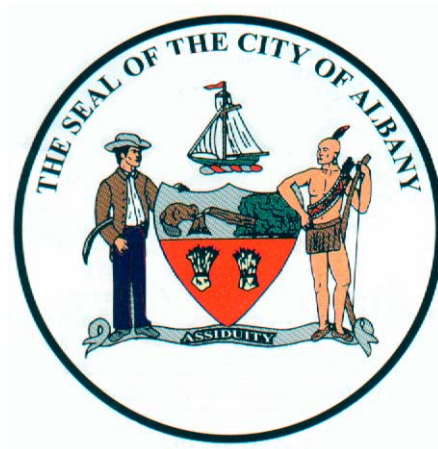
Marilyn A. Pendergast, CPA  
Partner

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Enclosures

**CITY OF ALBANY,  
NEW YORK**

**FINANCIAL STATEMENTS**

**DECEMBER 31, 2002**



# City of Albany, New York

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# 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, 2002, 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 Downtown Albany Restoration Program, Inc., Albany Parking Authority, Lark Street Area District Management Association, Inc., Albany Industrial Development Agency, and Central District Management Association, Inc. which represent approximately 22 percent and 23 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 provides 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, 2002, 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.

As discussed in the notes to the basic financial statements, the City adopted Governmental Accounting Standards Board Statement No. 34 as of and for the year ended December 31, 2002. This resulted in changes in the City's method of accounting for certain transactions and a change in the format and content of the basic financial statements.

The 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 is supplementary information required by the Governmental Accounting Standards Board. The supplementary information on pages 45 to 48 is presented for the purpose of additional analysis. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Albany, New York  
September 5, 2003

# 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 fiscal year that ended December 31, 2002.

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 government-wide financial statements are included here in conformance with Government Accounting Standards Board Statement 34. Inasmuch this is the first year that the government-wide financial statements are included with the City's financial statements, the description omits any comparison to the previous year. All comparisons to the prior year relate only to general fund operations. Comparative information for government-wide financial statements will begin with the 2003 audited financial statements.

## THE CITY OF ALBANY - ACTIVITIES

### General Information

The City of Albany is the capital of the State of New York and the county seat of Albany County. The City is located on the west bank of the Hudson River, approximately 140 miles north of New York City. Albany is a distribution center for agricultural and manufactured products between western New York State, the New England States, northeastern New York, Canada and New York City, and points south. It operates under a strong mayor form of government with 15 Council Members elected to four-year terms to the Common Council. Also serving four-year elected positions are the Mayor, the President of the Common Council, the Comptroller and the Treasurer. The Common Council is the legislative body of the City with power to pass ordinances, adopt resolutions, and approve the annual budget. The Mayor acts as the administrative head of the City. The Comptroller is the City's Chief Financial Officer.

As the capital of the State, many of the State's agencies and departments are located in various office buildings within the City. The Empire State Plaza, a complex consisting of a 40-story office tower and several smaller office towers and buildings and situated in the City's downtown, is the location of many of the State's agencies and departments.

The City is a center for higher education and is the site of the State University at Albany, the College of Saint Rose, the Sage College at Albany, Albany Law School, Albany College of Pharmacy, and Albany Medical College, the latter three being divisions of Union University. Situated nearby are Siena College in the Town of Colonie and Rensselaer Polytechnic Institute and the Sage College in Troy.

The City is home to a multitude of hospitals and healthcare facilities including Albany Medical Center, St. Peter's Hospital and the Veterans Administration Hospital.

Albany is a crossroads of all forms of transportation, including air, truck, bus, rail and water. Northeast rail travel is provided by Amtrak with service at the Rensselaer Station, which is easily accessible from the City. Major bus lines operate in all directions from the Albany bus terminal. Truck traffic is facilitated by the New York State Thruway with two access points in the City. Other major highways serving the City are the Adirondack Northway (U.S. Interstate 87), U.S. Interstate 787, U.S. Routes 9W and 20, and New York State Routes 5, 32, 43, 85, 144, 378 and 443. The Albany International Airport, located nearby in the Town of Colonie, provides passenger and freight service and accommodates both general aviation and military services. Transportation by water service is provided through the Port of Albany. The Port is operated by the Albany Port District Commission and receives cargo originating in and being shipped to foreign countries and other cities in the United States.

Albany has been chosen by International SEMATECH, a consortium of 12 computer chip manufacturers, for their new computer chip facility. The \$403 million chip facility will be housed at the University of Albany's Center for Excellence in Nanoelectronics and will initially employ 250 people. Tokyo Electron, a computer chip manufacturer, will be building a new facility in Albany and will initially employ 100 people.

## **City Services**

The principal services provided by the City involve public safety (including police and fire protection), culture and recreation, solid waste collection and disposal, maintenance and cleaning of city streets (including snow removal) and general government. The Police Department is housed in five facilities and includes a Patrol Division, an Administrative Division, Investigation and Detective Services, Special Services, and the Office of Professional Standards. The Fire Department consists of several fire companies stationed in eight firehouses as well as fire investigation and emergency life support units. Water services and sewer services are provided by the Albany Municipal Water Finance Authority and the Albany Water Board. Maintenance of streets and roads and solid waste collection within the City is performed by the City's Department of General Services. Lighting of public streets, roadways, and parks is furnished by the City under contract with Niagara Mohawk Power Corporation.

The City provides a variety of other services to City residents through several of its departments. The Department of Recreation administers over 80 recreation areas including 13 community parks, 11 major parks, three swimming pools, a municipal sports stadium, and various other recreational and athletic programs. In addition, the City owns and maintains an 18-hole municipal golf course. This department also administers and supports more than 20 youth programs and activities, including youth centers. The City also provides a substantial number of community service programs. The City has created the Albany Theater Arts District and encourages cultural events, such as chamber music concerts and outdoor theater, as well as a myriad of festivals and events. The City provides funding for the Albany Institute of History and Art, the Capital Repertory Theatre, the Albany Symphony Orchestra, and has numerous other cultural programs.

## **Solid Waste**

One of the City's major revenue sources has been revenue generated by the City's landfill. As lead agency of the multi-municipality ANSWERS Waste Consortium, the City has contracts with 13 municipalities to accept solid waste. The City has sited and constructed a landfill expansion, which provides an additional four to five years of capacity at the existing landfill site. The additional capacity is estimated to generate approximately \$10.3 million in annual revenue and will allow the City to continue its pursuit of a longer-term solution to deal with its solid waste.

Under the terms and conditions of the existing landfill permits issued by the New York State Department of Environmental Conservation, the City has been and remains obligated to identify a long term solution to its solid waste needs. Consequently, the City undertook a thorough landfill site selection process and identified a 300-acre tract of land in the Town of Coeymans.

## **FINANCIAL STATEMENTS**

In accordance with required reporting standards, the City's financial statements include 1) *government-wide* financial statements and *governmental funds* financial statements. Prior to this year only *governmental funds* financial statements were included. This is the first year that the City's financial statements reflect infrastructure and fixed assets.

### **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 are divided into two parts: the primary government (the City of Albany, plus the Albany Community Development Agency) and the component units<sup>1</sup> (minus fiduciary funds).

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1 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 the police and firefighter pension funds, 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 government-wide financial statements include the *statement of net assets* and *statement of activities* and are prepared using generally accepted accounting principles and an economic basis of accounting similar to that used by commercial enterprises.

The purpose of the *statement of net assets* is to attempt to report all assets held and liabilities owed by the City on December 31, 2002. The City reports all assets when it takes ownership and reports liabilities at the time they are incurred. For example, the City reports roads, buildings, and equipment as assets, even though they are not available to pay current obligations. Similarly, the City records the cost of accumulated vacation time as a liability, even though it will be paid over many years.

The City reports capital assets based on historical costs, which may not reflect fair market value. The difference between assets and liabilities is *net assets*, which is analogous to the *total owners' equity* reported by commercial enterprises. In contrast to some 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 may create recurring expenses for staffing, maintenance, repair, and litigation, which may not be immediately apparent. 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.

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 11-12.

### **Governmental Funds Financial Statements**

Governmental funds financial statements consist of a *balance sheet* and *statement of revenue, expenditures, and change in fund balances*. The City's 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 items such as cash, but not 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, but do not include 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 13-14.

### **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 2 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 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*.

### **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).

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

Vacation expenses, employee retirement benefits, judgments and claims are expensed as they are paid on the *statement of revenues, expenditures and changes in fund balances*. However, expenses incurred during the reporting period are shown on the *statement of activities*.

Long-term debt principal paid is reported on *the revenues, expenditures and changes in fund balances* as an expenditure, but is not reported as an expenditure on the *statement of activities*. Rather, the amount paid for principal is reported as a reduction of liability on 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*

Since this is the first year that the City of Albany is presenting government-wide financial statements, comparisons to the previous year's results are omitted until the 2003 financial statements.

Primary government net assets exceeded total liabilities by approximately \$40.8 million. Of these assets, more than \$32.5 million is invested in capital assets, net of related debt, and more than \$4.4 million is restricted for debt service, leaving a balance of \$3.8 million in unrestricted net assets.

For the Component Units, net assets total approximately \$16.7 million. After investment in capital assets, and restricted for debt service and program specific activities, unrestricted net assets total approximately \$15.9 million.

Total capital assets, including property and equipment after depreciation, are valued at \$142 million. Of the approximately \$32 million of assets not subject to depreciation, approximately \$31 million is construction in progress, particularly state and Federally funded transportation projects. A more complete description of capital assets is found in Footnote 8.

	<b>Primary Government</b>	<b>Component Units</b>
Total Assets	\$226,683,191	\$139,156,794
Total Liabilities	185,899,045	122,449,761
<b>Net Assets</b>	<b>40,784,146</b>	<b>16,707,033</b>
<i>Invested in capital assets, net of related debt</i>	<i>32,532,776</i>	<i>(350,735)</i>
<i>Restricted for debt service &amp; program specific activities</i>	<i>4,449,126</i>	<i>1,189,968</i>
<b>Unrestricted Net Assets</b>	<b>3,802,244</b>	<b>15,867,800</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. 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).

**Governmental Activities - Primary Government**

<b>Governmental Functions</b>	<b>Expenses</b>	<b>Charges for Services &amp; Grants</b>	<b>Net (Expense) Revenue</b>
Public Safety and Regulation	\$ 58,511,906	\$ 5,355,940	\$ (53,155,966)
General Government	25,779,271	5,674,624	(20,104,647)
Highway and Streets	5,699,235	11,932,127	6,232,892
Recreation and Culture	6,929,773	2,083,427	(4,846,346)
Community Service	16,977,370	15,626,793	(1,350,577)
Economic Development and Assistance	4,833,997	3,776,223	(1,057,774)
Employee Benefits	6,742,691	-	(6,742,691)
Interest on Long-term Debt	4,868,057	-	(4,868,057)
<b>Total</b>	<b>\$ 130,342,300</b>	<b>\$ 44,449,134</b>	<b>\$ (85,893,166)</b>

Expenses

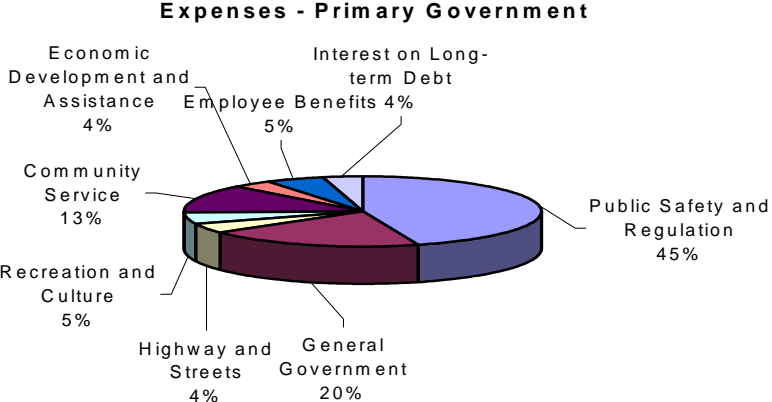
Public Safety expenses of \$59 million are offset by \$5.3 million in charges for services, most of which is a result parking fines, licenses, permits and forfeited bail.

General Government expenses of almost \$26 million are offset by \$5.6 million in charges for services.

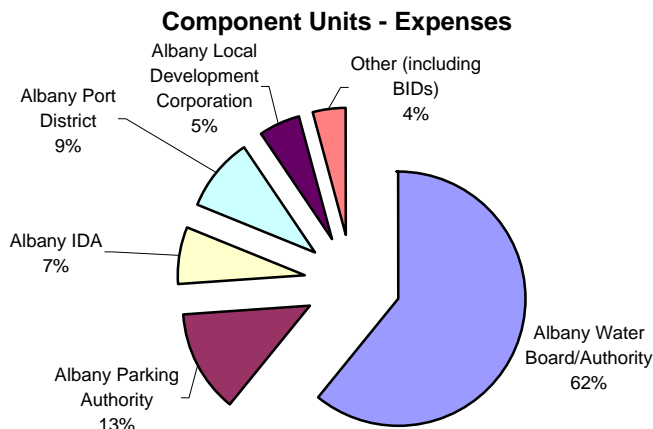
Highways and Streets expenses of \$5.7 million are offset by \$3.4 million in charges for services and \$8.5 million in capital grants.

Community Service expenses of \$17 million are offset by \$15.6 million in revenue, mostly from operation of the regional landfill.

The following chart indicates the relative value of expenses (including depreciation) for the Primary Government:



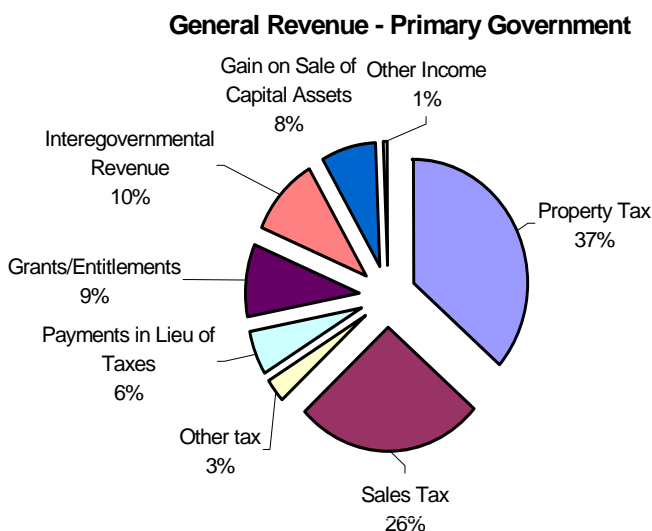
The overall expenses of the Component Units total \$36 million, of which the Albany Water Board accounts for almost \$22 million, the Parking Authority \$4.7 million, the Industrial Development Authority \$2.6 million, the Port Commission \$3.4 million, the ALDC \$1.9 million, and the three Business Improvement Districts (BIDs) \$1.5 million. 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*.



### Revenue

Property tax (\$36.2 million) and Sales tax (\$26.2 million) make up 63% of all general revenue. Intergovernmental Revenue of \$10.2 million (including revenue from the landfill) makes up 10% of general revenue. Grants/Entitlements of \$9.4 million (including state aid), Gain on Sale of Capital Assets of \$7.7 million, and Payments in Lieu of Taxes (PILOTs) of \$5.8 million total approximately 9%, 8% and 6% of total general revenues, respectively.

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



### Combined Statement of Revenue Expenditures Budget to Actual

General Fund Revenue including other financing sources exceeded total expenses. This results in a total general fund gain of \$3,834,103 and an increase to the general fund unrestricted unappropriated fund balance of \$1,047,071.

Lower than anticipated sales tax revenue and spending in excess of budget for employee benefits and public safety overtime were offset by proceeds from the sale of property, lower operating costs from funding the public library for only six months of the year, and proceeds from refinancing debt.

The City's budget, which is effective on January 1, 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 adjustment.

<b>Revenues Expenditures - Original Budget, Modified Budget, and Actual</b>	<b>Original Budget</b>	<b>Modified Budget</b>	<b>Actual</b>
<b>REVENUES</b>			
Real property taxes	\$ 36,340,000	\$ 36,340,000	\$ 36,192,102
Sales and use taxes	27,912,000	27,912,000	26,195,799
Other taxes	3,185,000	3,185,000	3,155,769
Payments in lieu of taxes	7,034,000	7,034,000	5,763,970
Intergovernmental revenue	14,367,600	15,706,773	15,002,189
Charges for services	12,800,000	12,855,000	12,397,442
Fines, interest and penalties	3,106,000	3,142,674	3,088,277
Use of money and properties	925,000	960,000	773,246
Licenses and permits	1,005,000	1,005,000	1,154,050
Other revenues	2,696,400	2,939,484	3,929,305
<b>Total revenues</b>	<b>109,371,000</b>	<b>111,079,931</b>	<b>107,652,149</b>
<b>EXPENDITURES</b>			
Public safety and regulation	53,552,029	55,960,580	55,715,156
General government	17,353,304	17,939,488	17,879,111
Highways and streets	6,248,775	5,642,540	5,640,020
Recreation and culture	7,005,120	7,055,840	6,776,450
Community service	5,461,772	5,295,331	5,254,922
Employee benefits	8,411,000	9,324,187	8,938,182
Economic development and assistance	-	-	-
Debt service	11,954,000	13,605,274	12,636,828
<b>Total expenditures</b>	<b>109,986,000</b>	<b>114,823,240</b>	<b>112,840,669</b>
Excess (deficiency) of revenues and appropriated fund balance over expenditures	(615,000)	(3,743,309)	(5,188,520)
<b>OTHER FINANCING SOURCES (USES)</b>			
Proceeds from general obligation bonds	-	-	10,705,293
Payment to bond escrow agent, net of refunding escrow	-	-	(9,660,000)
Transfers	580,000	3,148,769	4,238,764
Proceeds from sale of property	35,000	594,540	3,738,566
<b>Total other financing sources (uses)</b>	<b>615,000</b>	<b>3,743,309</b>	<b>9,022,623</b>
Excess (deficiency) of revenues, appropriated fund balance and other financing sources over expenditures and other financing uses	\$ -	\$ -	\$ 3,834,103

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

## Revenue

General Fund revenues were approximately \$1.7 million less than budgeted. The most significant variances in revenue include the following:

- Other Payments including Payments in Lieu of Taxes (PILOTs) increased from the previous year, but were almost \$1.3 million less than budget. The majority of that shortfall is caused the State Comptroller's Building, which was budgeted for a full payment by the State of New York under Section 19-a of the Public Lands Law<sup>2</sup> in 2002. Full payment for this property will not be received until 2003.
- Sales Tax was \$1.7 million less than budgeted. This deficiency was principally caused by a slump in countywide sales tax collection.
- Interest earnings from investments were \$237K less than budgeted. Near record low interest rates, account for most of the drop in earnings.
- Revenue from Albany County for the Empire State Plaza complex was \$394 K less than budgeted. The County has finished paying off bonds on the Empire State Plaza, which annually brought \$375K in revenue to the City. Before refinancing, the City was due payments until 2005.

## Expenditures

Expenditures totaled \$112.8 million, which were almost \$2.9 million more than was originally budgeted.

- Public Safety spending was \$2.2 million more than budget, which is largely the result of spending in excess of budget on police department and fire department overtime.
- General Government spending was \$526 K greater than budget. The cost of litigation, summer help, and overtime from Central Maintenance make up the bulk of this total.
- Transportation (Highway and Street) spending was \$609K less than budget. Reductions in supplies and materials and contracted services caused this overall reduction of approximately 10%.
- Culture and Recreation spending was under budget by \$229K. Because the City funded the Albany Public Library for only part of the year, the City spent \$1.09 million less than planned. Spending for City recreational facilities (e.g. pools, teen centers, and skating rink) exceeded original budget by \$409K. Expenditures of the Parks Department exceeded original budget by \$233K. Spending on the summer youth employment program exceeded budget by \$143K. Special events, operating and festival expenditures were over original budget by \$153K. A significant portion of the extra expenses of festivals were offset by revenues directly related to the events.
- Home and Community Services spending, which includes the expenses of the landfill, was \$207K less than budgeted. Spending on Hazardous Waste Disposal was down by \$206K.
- Employee Benefits spending increased by \$1.4 million from 2001 and was \$527K over budget. Increases in Retirement and Workers Compensation caused most of this increase.

## Other Financing Sources

Other financing sources exceeded budget by \$5.2 million.

Proceeds from the sale of property (including the sale of Six Mile Water Works to the Water Board) account for \$3.7 million. Proceeds from refinancing the 1994 bonds and the close-out of old capital projects make up the balance of this increase.

## DEBT

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

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<sup>2</sup> Section 19-a of the Public Lands Law provides payment for certain municipalities for property owned by the State of New York. The law provides that in the first year following the completion of the acquisition and improvements, the city receives payment equal to the taxes on the property prior to being acquired by the State. In subsequent years (for up to 30 years) the city receives one percent per year of the costs of acquisition and improvements. In the case of the State Comptroller's building, the 1% annual payments begin in 2003.

## Long-Term Debt

At the end of 2002, the City's long-term debt totaled \$78,105,321, which consists of the City of Albany's long term debt, as well as bonds, loans, and notes of the Albany Community Development Corporation (ACDA). Of this total \$77,235,321 is City of Albany bonds, which is a reduction from 2001 of \$2,627,161 (see Note 14). All outstanding debt is backed by insurance policies from municipal insurance companies except issues secured through the New York State Environmental Facilities Corporation (EFC). These EFC issues have the following rating: Moody's Investors Service, Aaa, Standard & Poor's, AAA, and FITCH Ratings, AAA.

## Short-Term Debt

The City's short-term debt totaled \$29,225,211. This total includes \$19,225,211 in Bond Anticipation Notes, some of which will be paid-off in the short term and some converted to long term financing. The balance consists of \$10 million in Revenue Anticipation Notes, which were paid off in their entirety in January 2003.

Of the outstanding indebtedness, approximately \$96.7 million of the total was subject to the statutory debt limit, using approximately 43.5% of the City's statutory debt limit.

## CREDIT RATINGS AND BOND INSURANCE

During 2001 the City's credit rating was re-evaluated by each of the three major rating agencies. All three agencies reaffirmed previous ratings: Moody's Investors Services, A3, Fitch Ratings, A, and Standard & Poor's, A. During 2002 in connection with a refunding of \$10,085,000 in General Obligation Bonds, Standard and Poor's reevaluated the City's credit rating and reaffirmed the A rating. In 2003 the City's credit rating was re-evaluated and reaffirmed by each of the agencies.

## CAPITAL ACQUISITION AND CONSTRUCTION ACTIVITIES

During 2002 the City spent \$24.4 million on capital projects. This includes Federal and State funds for transportation infrastructure projects, funds secured through Bonds and Bond Anticipation Notes, and appropriations from the City's General Fund. The following are some of the major sources of capital expenditures:

Hudson River Pedestrian Bridge	\$3.2 million
Reconstruction of Pearl Street	\$5.4 million
Church Street Reconstruction	\$2.1 million
Street Reconstruction (Misc.)	\$1.8 million
Sidewalk Reconstruction	\$0.6 million
Landfill Expansion	\$2.2 million
New Landfill Siting	\$2.1 million
Fire Department Ladder Truck	\$0.5 million
C-1 Commercial Neighborhood	\$0.7 million
Palace Theatre Renovation	\$2.0 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, 2002

	Primary Government	Component Units
<b>ASSETS</b>		
Cash and cash equivalents	\$ 24,119,102	\$ 6,704,571
Cash and cash equivalents - restricted	2,758,116	739,020
Investments, restricted	-	17,662,848
Taxes receivable	2,791,378	-
Accounts receivable, net	2,201,857	9,155,443
Mortgage loans receivable	24,845,124	5,256,952
Due from other governments	16,732,213	-
Due from other funds	442,669	-
Due from component units	10,867,891	-
Due from primary government	-	420,531
Intangible assets, net	-	4,275,829
Prepaid and other assets	195,081	4,614,276
Property held for investment and lease	-	5,135,202
Capital assets, net	141,729,760	85,192,122
<b>Total assets</b>	<b>\$ 226,683,191</b>	<b>\$ 139,156,794</b>
<b>LIABILITIES</b>		
Accounts payable and accrued expenses	\$ 19,379,198	\$ 2,735,899
Capital lease obligations	2,890,000	180,452
Bonds and loans payable	78,105,321	98,814,837
Bond and revenue anticipation notes payable	29,225,211	-
Accrued interest payable	2,226,441	3,210,823
Deferred revenue	23,459,877	3,300,507
Due to other governments	7,076,815	-
Due to component units	425,531	-
Due to primary government	-	12,298,934
Compensated absences	11,965,088	-
NYS retirement obligation	1,267,506	-
Landfill post-closure costs	2,356,196	-
Judgment and claims	5,758,580	-
Other liabilities	1,763,281	1,908,309
<b>Total liabilities</b>	<b>185,899,045</b>	<b>122,449,761</b>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	32,532,776	(350,735)
Restricted for:		
Debt service	4,449,126	294,389
Program specific activities	-	895,579
Unrestricted net assets	3,802,244	15,867,800
<b>Total net assets</b>	<b>40,784,146</b>	<b>16,707,033</b>
<b>Total liabilities and net assets</b>	<b>\$ 226,683,191</b>	<b>\$ 139,156,794</b>

See Notes to Financial Statements.

# City of Albany, New York

## Statement of Activities For the Year Ended December 31, 2002

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	\$ 58,511,906	\$ 4,762,594	\$ 593,346	\$ -	\$ (53,155,966)	\$ -
General government	25,779,271	5,674,624	-	-	(20,104,647)	-
Highways and streets	5,699,235	3,427,058	-	8,505,069	6,232,892	-
Recreation and culture	6,929,773	1,039,394	1,044,033	-	(4,846,346)	-
Community service	16,977,370	13,468,319	2,158,474	-	(1,350,577)	-
Economic development and assistance	4,833,997	-	3,776,223	-	(1,057,774)	-
Employee benefits	6,742,691	-	-	-	(6,742,691)	-
Interest on long-term debt	4,868,057	-	-	-	(4,868,057)	-
Total governmental activities	130,342,300	28,371,989	7,572,076	8,505,069	(85,893,166)	-
Component Units:						
Albany Water Board and Municipal Water Finance Authority	21,921,661	18,065,198	-	1,062,500		(2,793,963)
Albany Parking Authority	4,701,324	4,181,991	-	455,213		(64,120)
Albany Industrial Development Agency	2,615,370	971,730	-	122,893		(1,520,747)
Albany Port District Commission	3,350,016	2,821,937	1,305,136	-		777,057
Albany Local Development Corporation	1,938,351	1,696,537	-	-		(241,814)
Other component units	1,498,954	1,482,049	-	-		(16,905)
Total component units	36,025,676	29,219,442	1,305,136	1,640,606		(3,860,492)
General Revenues:						
Property tax					36,192,102	-
Sales tax					26,195,799	-
Other tax					3,155,769	-
Payments in lieu of taxes					5,763,970	-
Grants and entitlements not restricted to specific programs					9,386,275	-
Intergovernmental revenue not program-restricted					10,159,081	-
Gain on sale of capital assets					7,738,566	1,981
Unrestricted investment earnings					13,622	1,008,705
Other income					505,832	-
Total general revenues					99,111,016	1,010,686
Change in net assets					13,217,850	(2,849,806)
Net assets, beginning of year					27,566,296	19,556,839
Net assets, end of year					\$ 40,784,146	\$ 16,707,033

See Notes to Financial Statements.

# City of Albany, New York

## Balance Sheet - Governmental Funds December 31, 2002

	General	Special Revenue	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 5,012,135	\$ 1,680,090	\$ 16,439,302	\$ 987,575	\$ 24,119,102
Cash and cash equivalents-restricted	2,758,116	-	-	-	2,758,116
Taxes receivable	2,791,378	-	-	-	2,791,378
Accounts receivable	942,760	-	-	-	942,760
Landfill receivable, net	1,259,097	-	-	-	1,259,097
Mortgage loans receivable, net	-	-	-	24,845,124	24,845,124
Due from other funds	9,410,100	37,260	10,278,960	300,000	20,026,320
Due from component units	6,367,891	-	-	-	6,367,891
Due from federal and state governments	506,721	74,432	6,164,544	1,014,064	7,759,761
Due from other governments	8,083,324	-	889,128	-	8,972,452
Other Assets	117,789	-	-	77,292	195,081
	<b>\$ 37,249,311</b>	<b>\$ 1,791,782</b>	<b>\$ 33,771,934</b>	<b>\$ 27,224,055</b>	<b>\$ 100,037,082</b>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities					
BANS and RANS payable	\$ -	\$ -	\$ 29,225,211	\$ -	\$ 29,225,211
Accounts payable and accrued expenses	12,150,286	494,760	5,918,155	815,997	19,379,198
Due to other funds	10,862,143	1,257,071	6,453,220	1,011,217	19,583,651
Due to component units	425,531	-	-	-	425,531
Due to other governments	5,148,975	-	-	1,927,840	7,076,815
Deferred revenues	-	-	-	22,959,877	22,959,877
Accrued interest	958,241	-	-	-	958,241
Other liabilities	577,636	223,788	791,800	170,057	1,763,281
<b>Total liabilities</b>	<b>30,122,812</b>	<b>1,975,619</b>	<b>42,388,386</b>	<b>26,884,988</b>	<b>101,371,805</b>
Fund Balances:					
Reserved for:					
Encumbrances	171,759	-	10,316,658	-	10,488,417
Debt Service	4,449,126	-	-	-	4,449,126
Grant programs	33,588	-	-	-	33,588
Downpayment Assistance Program	-	-	-	100,000	100,000
Unreserved:					
Undesignated, reported in:					
General fund	2,472,026	-	-	-	2,472,026
Special revenue funds	-	(183,837)	-	239,067	55,230
Capital projects fund	-	-	(18,933,110)	-	(18,933,110)
<b>Total fund balances</b>	<b>7,126,499</b>	<b>(183,837)</b>	<b>(8,616,452)</b>	<b>339,067</b>	<b>(1,334,723)</b>
<b>Total liabilities and fund balances</b>	<b>\$ 37,249,311</b>	<b>\$ 1,791,782</b>	<b>\$ 33,771,934</b>	<b>\$ 27,224,055</b>	<b>\$ 100,037,082</b>

*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, 2002

	General	Special Revenue	Capital Projects	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Real property taxes	\$ 36,192,102	\$ -	\$ -	\$ -	\$36,192,102
Sales and use taxes	26,195,799	-	-	-	26,195,799
Other taxes	3,155,769	-	-	-	3,155,769
Payments in lieu of taxes	5,763,970	-	-	-	5,763,970
Intergovernmental revenue	15,002,189	3,891,474	11,807,085	11,503,049	42,203,797
Charges for services	12,397,442	-	-	955,678	13,353,120
Fines, interest and penalties	3,088,277	-	-	-	3,088,277
Uses of money and properties	773,246	-	-	-	773,246
License and permits	1,154,050	-	-	-	1,154,050
Other revenues	3,929,305	1,132	11,015	-	3,941,452
Total revenues	107,652,149	3,892,606	11,818,100	12,458,727	135,821,582
<b>EXPENDITURES</b>					
Public safety and regulation	55,715,156	-	1,345,599	-	57,060,755
General government	17,879,111	-	447,646	-	18,326,757
Highways and streets	5,640,020	-	12,977,422	-	18,617,442
Recreation and culture	6,776,450	-	288,711	-	7,065,161
Community service	5,254,922	-	6,329,437	12,419,660	24,004,019
Economic development and assistance	-	3,777,355	3,022,098	-	6,799,453
Employee benefits	8,938,182	-	-	-	8,938,182
Debt service:					
Principal	7,998,694	-	-	-	7,998,694
Interest	3,827,593	-	-	-	3,827,593
Advance refunding escrow	810,541	-	-	-	810,541
Total expenditures	112,840,669	3,777,355	24,410,913	12,419,660	153,448,597
Excess (deficiency) of revenues over (under) expenditures	(5,188,520)	115,251	(12,592,813)	39,067	(17,627,015)
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from general obligation bonds and long-term notes payable	10,705,293	-	4,641,104	300,000	15,646,397
Payment to bond escrow agent, net of advance refunding escrow	(9,660,000)	-	-	-	(9,660,000)
Transfers in	4,238,764	-	42,082	-	4,280,846
Transfers out	-	-	(4,310,729)	-	(4,310,729)
Proceeds from sale of property	3,738,566	-	-	-	3,738,566
Total other financing sources (uses)	9,022,623	-	372,457	300,000	9,695,080
Excess (deficiency) of revenues over expenditures and other financing sources	3,834,103	115,251	(12,220,356)	339,067	(7,931,935)
FUND BALANCES (DEFICIT), beginning	3,292,396	(299,088)	3,603,904	-	6,597,212
<b>FUND BALANCES (DEFICIT), ending</b>	<b>\$ 7,126,499</b>	<b>\$ (183,837)</b>	<b>\$ (8,616,452)</b>	<b>\$ 339,067</b>	<b>\$ (1,334,723)</b>

*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, 2002

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

Total fund balance - governmental funds \$ (1,334,723)

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	270,383,761	
Accumulated depreciation is	<u>(128,654,001)</u>	141,729,760

Other long-term assets are not available to pay for current period expenditures and, therefore, are not reported as assets in the funds. Long-term assets at year end consist of:

Property transaction receivable		4,500,000
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Proceeds collected in advance and reported as revenue in the government funds but do not meet criteria for recognition in the statement of activities. (500,000)

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

Bonds and loans payable	(78,105,321)	
Accrued interest on the bonds	(1,268,200)	
Compensated absences (vacations and sick)	(11,965,088)	
NYS retirement obligation	(1,267,506)	
Landfill closure and postclosure obligation	(2,356,196)	
Capital lease obligation	(2,890,000)	
Judgments and claims	(5,758,580)	(103,610,891)

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Net assets of governmental activities		\$ 40,784,146
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*See Notes to Financial Statements.*

# 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, 2002

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Total net change in fund balances - governmental funds	\$ (7,931,935)
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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	23,925,646	
Depreciation expense	(8,462,635)	
Sales of property	<u>4,000,000</u>	19,463,011

In the statement of activities, certain operating expenses - compensated absences (vacations) 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	(806,991)	
Compensated absences	356,419	
Landfill closure and postclosure costs	310,034	
Judgment and claims	<u>44,938</u>	(95,600)

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	(15,646,397)	
Principal repaid	<u>17,658,694</u>	2,012,297

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:

(229,923)

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Change in net assets of governmental activities	<u>\$13,217,850</u>
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*See Notes to Financial Statements.*

# City of Albany, New York

## Statement of Fiduciary Net Assets - Fiduciary Funds December 31, 2002

	Expendable Trust	Agency
<b>ASSETS</b>		
Cash and equivalents	\$ 9,783	\$ 1,365,465
Due from other funds	-	200
Total assets	\$ 9,783	\$ 1,365,665
<b>LIABILITIES</b>		
Accounts payable	\$ 102	\$ 50,038
Due to other funds	-	442,869
Other liabilities	-	872,758
Total liabilities	102	1,365,665
<b>NET ASSETS</b>	<b>\$ 9,681</b>	

*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, 2002

	Expendable Trust
<b>Additions</b>	
Contributions	\$ 564,606
Other	30,040
Total additions	594,646
<b>Deductions</b>	
Police retirement, hospital and medical insurance	29,883
Fire retirement	566,685
Total deductions	596,568
Change in net assets	(1,922)
Net assets, beginning of year	11,603
Net assets, end of year	\$ 9,681

*See Notes to Financial Statements.*

**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 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.

**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 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

**Note 1. Summary of Significant Accounting Policies, Continued**

**A. Reporting Entity, Continued**

*City of Albany Industrial Development Agency, Continued*

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.

*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.

*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.



**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 Public Library*

The Albany Public Library (the Library) is a not-for-profit corporation which was formed in 1923 by the amalgamation of the Young Men's Association for Mutual Improvement in the City of Albany and Albany Free Library, both of which previously operated libraries in Albany, New York. The Library is chartered as an Association Library by the New York State Legislature, and is exempt from Federal income taxes under Internal Revenue Code Section 501(c)(3). The Library operates public library facilities in the City.

Through June 30, 2002, the Library was governed by a Board of Trustees, which consisted of as many as sixteen members. The Mayor of the City of Albany appointed trustees to six-year terms and the City funded a significant portion of the Library's operations.

Effective July 1, 2002, the Library changed its charter and became an independent governmental entity governed by nine board members elected by residents of the Albany City School District. As a result of this change, the City paid approximately \$1.1 million of the \$2.1 million 2002 library appropriation. This expenditure was recorded as a recreational and cultural expense in the basic financial statements.

**Note 1. Summary of Significant Accounting Policies, Continued**

**A. Reporting Entity, Continued**

*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.

**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.

**Note 1. Summary of Significant Accounting Policies, Continued**

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

The City was required to adopt the requirements of GASB Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments for the year ended December 31, 2002. These requirements include revised financial statement reporting formats providing for government-wide financial statements in addition to fund financial statements, capitalization and depreciation of fixed assets and other changes in accounting principles which primarily affect the presentation of the government-wide financial statements. Because of this required change in accounting principles, the statements for the year ended December 31, 2002 are not necessarily comparable with the prior year's 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.

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:

**Note 1. Summary of Significant Accounting Policies, Continued**

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

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.

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.

**Note 1. Summary of Significant Accounting Policies, Continued**

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

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 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.

*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.

Property, plant and equipment is depreciated using the straight-line method over various useful lives ranging from 3 to 50 years.

**Note 1. Summary of Significant Accounting Policies, Continued**

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

*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.

Accumulated leave of governmental funds that is expected to be liquidated with expendable available financial resources 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 legal settlements at December 31, 2002.

*Deferred Revenue*

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.

*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.

**Note 2. 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 debt transaction differences:

Long-term debt transaction differences occur because both interest and principal payments 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.

**Note 3. Changes in Accounting Principles**

For the year ended December 31, 2002, the City implemented GASB Statement No. 34. GASB No. 34 creates a new set of basic financial statements, and requires governments to include government-wide financial statements that are prepared on an accrual basis of accounting using the economic resources measurement focus. The previous requirement for fund financial statements is modified to present information for individual major funds rather than by fund type.

In adopting GASB No. 34, the City restated its capital assets, long-term debt obligations and net assets as of December 31, 2001 to give effect to these items through December 31, 2002. The impact of this restatement is summarized as follows:

	<b>Capital Assets and Net Assets</b>
Beginning fund balance reported on governmental funds Statement of Revenues, Expenditures and Changes in Fund Balance, adjusted	\$ 6,597,212
Capital assets and related items:	
Adjustment to December 31, 2001, capital assets at cost	245,307,980
Accumulated depreciation for government type capital assets through December 31, 2001	(120,446,367)
Long-term obligation items:	
Bonds and loans payable	(80,372,482)
NYS retirement obligation	(1,623,925)
Compensated absences (vacations and sick)	(11,158,097)
Accrued interest on bonds	(1,038,277)
Landfill closure and postclosure obligation	(2,666,230)
Capital lease obligation	(1,230,000)
Judgment and claims	(5,803,518)
Beginning net assets reported on the Statement of Activities for governmental activities	\$ 27,566,296

**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 and contracts) 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 4. Stewardship, Compliance and Accountability, Continued**

*Deficit Fund Equity*

The capital projects fund had a deficit balance of approximately \$8,600,000 as of December 31, 2002. The fund has outstanding Bond Anticipation Notes (BANS) and Revenue Anticipation Notes (RANS) of approximately \$19,000,000 and \$10,000,000, respectively, as of that date. During July 2003, the City issued approximately \$21.9 million in General Obligation (Serial) Bonds. The proceeds were used to convert BANS to bonds and to provide financial resources for various capital projects and other equipment acquisitions.

**Note 5. Cash and Cash Equivalents and Cash and Cash Equivalents-Restricted**

At December 31, 2002, 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, 2002, all cash and cash equivalents, as well as restricted cash and restricted cash equivalents in excess of FDIC insurance, were fully collateralized.

The City has approximately \$1,834,000 and \$650,000 in cash equivalents that have been restricted for future debt services payments and landfill post closure costs, respectively.

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, 2002, the City had outstanding landfill receivables of approximately \$2,289,000. Management has created an allowance for doubtful accounts for this receivable balance of approximately \$1,030,000 which is netted against the receivable balance in the financial statements at year end. This net receivable is reported in the statement of net assets as part of accounts receivable, net at December 31, 2002.

**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, 2002.

Notes to Financial Statements  
December 31, 2002

**Note 7. Property Taxes, Continued**

The taxable assessed value of real property, as adjusted by New York State, included in the tax levy of 2001 (amount to be received in 2002), was \$3,137,523,280. The effective tax rate on this value is \$10.33 per thousand for residential and \$13.12 per thousand for non-residential properties. The constitutional tax limit is 2% of the 5-year average of the equalized assessment. The 2001 levy represents approximately 48% of the constitutional tax limit.

**Note 8. Capital Assets**

Property and equipment is comprised of the following:

	Balance December 31, 2001	Additions	Deletions	Balance December 31, 2002
Capital assets not being depreciated:				
Land	\$ 1,260,032	\$ 100,000	\$ -	\$ 1,360,032
Construction in process	9,649,352	21,231,533	-	30,880,885
	10,909,384	21,331,533	-	32,240,917
Capital assets being depreciated:				
Buildings and improvements	38,624,087	871,614	255,500	39,240,201
Machinery and equipment	27,712,772	2,037,974	-	29,750,746
Infrastructure	166,261,898	-	-	166,261,898
Capital leases	1,230,000	1,660,000	-	2,890,000
	244,738,141	25,901,121	255,500	270,383,762
Less accumulated depreciation for:				
Buildings and improvements	17,847,914	967,407	255,500	18,559,821
Machinery and equipment	18,441,165	2,018,443	-	20,459,608
Infrastructure	84,157,788	5,476,785	-	89,634,573
<b>Total capital assets, net</b>	<b>\$ 124,291,274</b>	<b>\$ 17,438,486</b>	<b>\$ -</b>	<b>\$141,729,760</b>

Depreciation expense was approximately \$8,462,000 for the period ending December 31, 2002.

**Note 9. Mortgage Loans Receivable and Deferred Revenues**

The City, through ACDA, lends monies received through Federal grants (principally 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.

**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 is comprised of the following at December 31, 2002:

<b>Program</b>	<b>Balance</b>
CDBG	\$ 22,900,561
NYSHTFC	1,927,840
Other	16,723
	<b>\$ 24,845,124</b>

**Note 10. Interfund Receivables and Payables**

A summary of interfund receivables and payables at December 31, 2002 is as follows:

<b>Fund</b>	<b>Due From Other Funds</b>	<b>Due To Other Funds</b>
General	\$ 9,410,100	\$ 10,862,143
Special Revenue	37,260	1,257,071
Capital Projects	10,278,960	6,453,220
Albany Community Development Agency	300,000	1,011,217
	<b>20,026,320</b>	<b>19,583,651</b>
Fiduciary Fund	200	442,869
	<b>\$ 20,026,520</b>	<b>\$ 20,026,520</b>

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 \$10,868,000 and \$425,000 as the amount due from and due to the Component Units at December 31, 2002. The Component Units reported approximately \$421,000 and \$12,299,000 as the amount due from and due to the primary government. The net difference as reported by the City and its Component Units is approximately \$1,426,000. Activity giving rise to amounts due between the City and the Component Units principally relates to payroll, benefits, certain property transactions and other administrative costs paid for by the City and reimbursed to the City by the Component Units. This reporting variance is attributable to timing differences of recording the underlying transactions.

**Note 11. Due From/To Component Units, Continued**

During 2002, the City sold real property to component units resulting in a gain of approximately \$7.7 million. Included in the gain is \$7 million from the sale of property to the Albany Water Board and \$700,000 from the sale of property to the Albany Local Development Corporation. At December 31, 2002, \$4.5 million remains due from the Albany Water Board and is included as an amount due from component units in the statement of net assets.

**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 NYRSSL, 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 NYRSSL, 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:

	ERS	PFRS
2002	\$ 661,672	\$ 337,290
2001	\$ 478,346	\$ 333,950
2000	\$ 241,935	\$ 310,256

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

**Note 12. Employee Benefit Plans, Continued**

***(a) Pension plans, continued***

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. The total unpaid liability at the end of the fiscal year was approximately \$1,268,000, which is reported in the General Long-Term Debt Account Group.

***(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 2002 was approximately \$6,329,000. At December 31, 2002, the number of retired participants eligible to receive benefits was 940, 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.

During 2002, the City issued \$19,225,211 in BANS (\$8,361,211 renewal and \$10,864,000 new) with an interest rate of 2.50% and priced to yield 1.60%. The notes were due and paid off in their entirety on August 1, 2003.

***(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 August 2002, the City issued \$10,000,000 in RANS in anticipation of later than usual receipt of state aid and county sales tax revenue. The RANS had an interest rate of 2.5% and were priced to yield 1.6%. The RANS were paid off in their entirety on January 31, 2003.

Interest expense on both BANS and RANS was approximately \$415,000 and \$104,000, respectively, for the period ending December 31, 2002.

**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, 2002:

	Balance January 1, 2002	New Issues/ Increase in Estimates	Debt Retirement Decrease in Estimates	Balance December 31, 2002
NYS retirement system	\$ 1,623,925	\$ -	\$ (356,419)	\$ 1,267,506
Judgments and claims	5,803,518	-	(44,938)	5,758,580
Vacation/sick pay obligations	11,158,097	806,991	-	11,965,088
Landfill closure and postclosure care costs	2,666,230	-	(310,034)	2,356,196
Capital lease obligations	1,230,000	1,735,000	(75,000)	2,890,000
Accrued interest	1,191,653	-	(132,742)	1,058,911
New York State loan	510,000	-	(255,000)	255,000
Bonds	79,862,482	14,926,106	(17,353,267)	77,435,321
Loans payable	-	415,000	-	415,000
Total	\$ 104,045,905	\$ 17,883,097	\$ (18,527,400)	\$ 103,401,602

**(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. The amount of the defeased bonds outstanding at December 31, 2002 is \$1,455,000, none, and none, for the 1986, 1987 and 1990 bonds, respectively.

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, 2002 for the 1994 bonds is approximately \$5,675,000.

**Note 14. Indebtedness, Continued**

**(a) Bonds, Continued**

During November 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 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 ("Government Obligations"). The principal of and the investment income on the portfolio of the 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 1993 bonds are considered to be defeased. The amount of the defeased bonds outstanding at December 31, 2002 for the 1993 bonds is approximately \$8,630,000. The advance refunding reduced total debt service payments over the next 11 years by approximately \$264,345. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$306,300.

During 2002, ACDA issued \$200,000 in General Obligation Bonds with an interest rate of 6.14%. The bond has 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, 2002, there were no scheduled payments. ACDA is authorized to issue in aggregate a total of \$700,000 through September 1, 2003.

During March 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.

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, 2002:

Interest Rate	Date Issued	Maturity Date	Amount of Original Issue	Outstanding December 31, 2002	Annual Principal Installments (Range)
<u>Serial Bonds</u>					
6.10 - 7.00%	1986	2003	\$ 16,801,654	\$ 165,715	165,715
7.20 - 7.75%	1986	2006	9,640,700	18,184	4,546
6.90 - 7.00%	1990	2010	29,750,000	175,000	20,000 - 25,000
2.70 - 5.70%	1993	2010	39,847,849	10,547,849	437,470 - 2,260,000
4.40 - 5.00%	1998	2017	11,375,000	7,365,000	190,000 - 1,025,000
4.90 - 5.50%	2000	2025	17,555,000	16,255,000	260,000 - 1,420,000
3.50 - 5.00%	2001	2014	6,675,000	6,060,000	355,000 - 665,000
3.50 - 5.00%	2001	2021	14,098,000	13,235,000	520,000 - 850,000
2.50 - 4.50%	2002	2013	10,085,000	9,310,000	785,000 - 1,160,000
6.14%	2002	2013	200,000	200,000	-
<u>EFC Bonds</u>					
3.75 - 5.35%	1998	2017	3,788,500	2,955,000	180,000 - 235,000
3.60 - 4.55%	1998	2007	51,338	25,000	5,000
4.31 - 5.74%	2000	2020	7,057,467	6,497,467	282,467 - 445,000
1.21 - 5.00%	2002	2022	4,641,106	4,626,106	205,000 - 285,000
				\$ 77,435,321	

**Note 14. Indebtedness, Continued**

**(a) Bonds, Continued**

Future maturities of general long-term debt as of December 31, 2002 are as follows:

<b>Year Ending December 31</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2003	\$ 7,952,728	\$ 3,350,278	\$ 11,303,006
2004	7,259,546	3,036,106	10,295,652
2005	7,210,652	2,728,497	9,939,149
2006	6,474,546	2,423,707	8,898,253
2007	6,475,000	2,136,066	8,611,066
2008-2012	22,127,849	9,459,870	31,587,719
2013-2017	12,775,000	3,460,193	16,235,193
2018-2022	6,425,000	1,069,750	7,494,750
2022-2026	735,000	82,500	817,500
	<b>\$ 77,435,321</b>	<b>\$ 27,746,967</b>	<b>\$ 105,182,288</b>

Interest expense for bonds and loans payable was approximately \$3,370,000 for the period ending December 31, 2002.

Of the total outstanding indebtedness of the City in the sum of approximately \$96,916,000, the total amount was subject to the statutory debt limit and represented approximately 43.57% of the City's \$222,416,414 statutory debt limit.

**(b) Capital leases**

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 \$604,500 and the net present value at December 31, 2002 is approximately \$1,155,000. 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 \$836,982 and the net present value at December 31, 2002 is \$1,735,000.



**Note 14. Indebtedness, Continued**

***(b) Capital leases, Continued***

A summary of future minimum lease payments and future minimum maturities of the capital lease obligation as of December 31, 2002 is as follows:

<b>Year Ending December 31</b>	<b>IDA</b>	<b>ACDA</b>	<b>Total</b>
2003	\$ 183,215	\$ 160,749	\$ 343,964
2004	184,542	160,749	345,291
2005	183,483	160,749	344,232
2006	186,189	160,749	346,938
2007	188,126	160,749	348,875
2008-2012	833,994	803,744	1,637,738
2013-2017	-	803,744	803,744
2018-2023	-	160,749	160,749
<b>Total minimum lease payments</b>	<b>\$ 1,759,549</b>	<b>\$ 2,571,982</b>	<b>\$ 4,331,531</b>

***(c) State loan and subsidy contract***

On October 15, 1978, the State loaned the City \$6,375,000 at an interest rate of 6.4% pursuant to a Loan and Subsidy Contract (the Contract) among the State, the City and the Urban Development Corporation (U.D.C.). The proceeds from such loan were paid to the U.D.C. to be used as financing for an urban renewal project. The Contract provides that the State will make annual subsidy payments to the City in amounts equal to the annual installments of principal and interest on the loan due to the State. At December 31, 2002, the outstanding balance of the loan was \$255,000.

***(d) 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 \$582,000 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 \$5,176,000 for unpaid claims based upon individual case estimates for claims incurred at December 31, 2002 has been recorded in the caption "Judgments and claims." This liability is the City's best estimate based on available information. Claims incurred in 2001 but not reported until 2002 totaled approximately \$151,000. Changes in the reported liability since December 31, 2000 resulted from the following:

**Note 14. Indebtedness, Continued**

***(d) Litigation and contingent liabilities, Continued***

	Balance as of December 31, 2001	Current Year Claims and Changes in Estimates	Claim Payments	Balance as of December 31, 2001
Workers' compensation liability	\$ 5,191,000	\$ 1,776,000	\$(1,791,000)	\$ 5,176,000

***(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.

***(e) 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), and the expansion added in 1997 are still accepting waste at December 31, 2002.

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 these 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 \$2,356,000 at December 31, 2002, represent the cumulative amount reported to date based on the use of 100 percent of the estimated capacity of all previously closed landfills and 73 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 five 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 2002. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The City currently has a cash reserve of approximately \$650,000 for the payment of post-closure care costs. The City makes deposits of approximately \$112,000 into the reserve annually.

**Note 14. Indebtedness, Continued**

***(f) 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 in annual amounts ranging from \$18,000 to \$26,000.

**Note 15. Subsequent Events**

Debt Refinancing

During July of 2003, the City issued \$21,908,218 in General Obligation (Serial) Bonds with an average interest rate of 3.94% (with interest rates ranging from .94% for bonds maturing in 2004 to 4.25% for bonds maturing in 2018), with annual payments ranging from \$1,956,164 to \$1,962,956. The proceeds were used to convert bond anticipation notes to bonds and to provide money for various capital projects, including street and sidewalk construction, landfill construction, building improvements, vehicle and equipment acquisitions.

In August 2003, the City issued \$6,224,000 in Bond Anticipation Notes with an interest rate of 1.75% and priced to yield 1.07%. The notes are due on June 10, 2004.

During August 2003, the City issued \$10,000,000 Revenue Anticipation Notes (RANs) in anticipation of later than usual receipt of state aid and county sales tax revenue. The RANs have an interest rate of 1.75% and are priced to yield 1.00%. The RANs will be paid off in their entirety on January 31, 2004.

**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.

***(a) Financial Information***

Substantially all of the financial data was derived from audited annual financial statements and summarized in the financial statements. The remaining portion of this Note contains additional information about the component units. Other additional information about each of the component units can be obtained from their annual financial statements.

**Note 16. Component Units, Continued**

**(b) Cash and Investments**

The following table presents the investments of the discretely presented component units by type and categorizes the carrying amounts as follows: Category 1 are those which are insured or registered, or held by the component unit or its agent in the component unit's name, and Category 2 are those which are uninsured and unregistered, with securities held by the counterparty's trust department or agent in component unit's name:

	Category		Cost	Market
	1	2		
Water Board and Municipal Water Finance Authority- Government Securities <sup>(A)</sup>	\$ 11,152,266	\$ -	\$ 11,152,266	\$ 11,150,017
Parking Authority- Mortgage-backed Securities	-	3,595,836	3,595,836	3,595,836
Albany Port District Commission- Certificate of Deposit	840,642	-	840,642	840,642
Albany Local Development Corporation- Government Securities	2,074,104	-	2,074,104	2,074,104
<b>Total</b>	<b>\$ 14,067,012</b>	<b>\$ 3,595,836</b>	<b>\$ 17,662,848</b>	<b>\$ 17,660,599</b>

(A) Investments consist of obligations of the United States and its agencies, and are carried at cost, which approximates market.

The carrying amount of the component unit's deposits with financial institutions was \$7,443,591. The corresponding bank balances are categorized as follows:

	Albany Water Board and Municipal Water Finance Authority	Albany Port District Commission	Albany Local Development Corporation	Totals
Amounts insured by Federal Deposit Insurance Corporation	\$ 255,979	\$ 114,000	\$ 200,000	\$ 569,979
Amount collateralized with securities held by the component unit or its agent in the component unit's name	-	-	-	-
Amount collateralized with securities held by the pledging financial institution's trust department or agent in the component unit's name	-	-	1,405,715	1,405,715
Uncollateralized	-	-	905,044	905,044
	<b>\$ 255,979</b>	<b>\$ 114,000</b>	<b>\$ 2,510,759</b>	<b>\$ 2,880,738</b>



Note 16. Component Units, Continued

(c) Capital Assets

Property, plant and equipment is generally recorded at cost and are depreciated over their useful lives (5 to 40 years) and are as follows:

	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
Land, garages and improvements	\$ -	\$25,237,938	\$ -	\$ -	\$ 49,300	\$ -	\$25,287,238
Buildings and improvements	-	-	-	-	297,502	-	297,502
Port marine facilities	-	-	-	58,355,019	-	-	58,355,019
Capital improvements, equipment, furniture, and fixtures	39,747,567	1,227,524	-	607,357	138,764	-	41,721,212
Water supply, distribution, and collection systems	22,170,389	-	-	-	-	-	22,170,389
Construction in progress	2,675,580	-	-	-	-	-	2,675,580
Other	7,210,000	-	46,722	-	-	220,503	7,477,225
Total	71,803,536	26,465,462	46,722	58,962,376	485,566	220,503	157,984,165
Less accumulated depreciation	(30,736,621)	(5,506,309)	-	(36,401,017)	(148,096)	-	(72,792,043)
Total	\$41,066,915	\$20,959,153	\$ 46,722	\$22,561,359	\$ 337,470	\$ 220,503	\$85,192,122

Notes to Financial Statements  
December 31, 2002

Note 16. Component Units, Continued

(d) Long-term Debt

Certain component units issue their own serial and revenue bonds or have entered into capital lease or other long-term obligations:

Long-term debt, which has interest rates ranging from 0% to 13.3%, is not a legal obligation of the City. Changes in amounts outstanding were as follows:

	2001	Additions	Amortization of Discount/(Premium) and Accrued Interest on Capital Appreciation Bonds	Payments	2002
<b>Bonds</b>					
Water Board/Municipal Water Finance Authority	\$48,646,886	\$ 2,030,346	\$ (817,517)	\$ -	\$49,859,715
Albany Parking Authority	29,736,246	-	7,165	(860,235)	28,883,176
Albany Local Development Corporation	3,320,000	4,390,000	-	(95,000)	7,615,000
Total bonds	81,703,132	6,420,346	(810,352)	(955,235)	86,357,891
<b>Loan Payable</b>					
Albany Local Development Corporation	213,600	-	-	(21,360)	192,240
Total loan payable	213,600	-	-	(21,360)	192,240
<b>Note Payable</b>					
Water Board/Municipal Water Finance Authority	4,085,000	2,710,000	-	-	6,795,000
Albany Local Development Corporation	64,569	-	-	(27,369)	37,200
Total note payable	4,149,569	2,710,000	-	(27,369)	6,832,200
<b>Mortgage Payable</b>					
Albany Industrial Development Agency	1,443,701	-	-	(354,748)	1,088,953
Total mortgage payable	1,443,701	-	-	(354,748)	1,088,953
<b>Capital Lease/Advances</b>					
Albany Port District Commission	4,675,474	11,012	-	(342,933)	4,343,553
Total capital lease/advances	4,675,474	11,012	-	(342,933)	4,343,553
Total	\$92,185,476	\$ 9,141,358	\$ (810,352)	\$ (1,701,645)	\$98,814,837

Debt service requirements for bonds to maturity are:

	Water Board/ Municipal Water Authority	Albany Parking Authority	Albany Local Development Corporation	Totals
2003	\$ 1,505,586	\$ 710,638	\$ 7,615,000	\$ 9,831,224
2004	2,026,876	715,706	-	2,742,582
2005	2,103,817	827,025	-	2,930,842
2006	2,178,803	879,525	-	3,058,328
2007	2,271,966	1,040,000	-	3,311,966
Thereafter	38,559,838	24,703,117	-	63,262,955
Total	48,646,886	28,876,011	7,615,000	85,137,897
Less unamortized discount	(817,517)	-	-	(817,517)
Plus unaccrued premium	182,106	7,165	-	189,271
Plus zero coupon bond interest accrual	1,848,240	-	-	1,848,240
	\$ 49,859,715	\$ 28,883,176	\$ 7,615,000	\$ 86,357,891

**Note 16. Component Units, Continued**

**(d) Long-term Debt, Continued**

Future minimum capital lease, advance and other loan payments are as follows:

	<b>Albany Port District Commission</b>
2003	\$ 467,364
2004	451,805
2005	459,755
2006	471,940
2007	509,639
Thereafter	1,983,050
<b>Total</b>	<b>\$ 4,343,553</b>

**(e) Accrued Interest**

Compounded interest on capital appreciation bonds are accrued on a straight-line basis over 25 years, the life of the bonds. This interest will be paid by the Albany Parking Authority during the years 2002 through 2006 and 2013 through 2017. Accrued interest on capital appreciation bonds totaled approximately \$2,540,000 at December 31, 2002.

**(f) Deficit**

The Albany Parking Authority has a deficit of \$4,917,212 at December 31, 2002. In recent years the Authority has implemented a long-term financial plan to reduce this deficit and establish positive retained earnings. This plan includes increasing parking revenues via rate increases and the operation of on-street parking meters (established during April 1998). In addition, the Authority intends to refinance its existing revenue bonds, thereby reducing interest costs. The retained deficit has been increased \$142,277 since December 31, 2001.



## **Required Supplementary Information**

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# 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, 2002

	Governmental Fund Types			Special Revenue Funds*		
	Original Budget	Modified Budget	Actual	Original Budget	Modified Budget	Actual
<b>REVENUES</b>						
Real property taxes	\$ 36,340,000	\$ 36,340,000	\$ 36,192,102	\$ -	\$ -	\$ -
Sales and use taxes	27,912,000	27,912,000	26,195,799	-	-	-
Other taxes	3,185,000	3,185,000	3,155,769	-	-	-
Payments in lieu of taxes	7,034,000	7,034,000	5,763,970	-	-	-
Intergovernmental revenue	14,367,600	15,706,773	15,002,189	2,919,000	4,029,484	3,891,474
Charges for services	12,800,000	12,855,000	12,397,442	-	-	-
Fines, interest and penalties	3,106,000	3,142,674	3,088,277	-	-	-
Use of money and properties	925,000	960,000	773,246	-	-	-
Licenses and permits	1,005,000	1,005,000	1,154,050	-	-	-
Other revenues	2,696,400	2,939,484	3,929,305	-	-	1,132
Total revenues	109,371,000	111,079,931	107,652,149	2,919,000	4,029,484	3,892,606
<b>EXPENDITURES</b>						
Public safety and regulation	53,552,029	55,960,580	55,715,156	-	-	-
General government	17,353,304	17,939,488	17,879,111	-	-	-
Highways and streets	6,248,775	5,642,540	5,640,020	-	-	-
Recreation and culture	7,005,120	7,055,840	6,776,450	-	-	-
Community service	5,461,772	5,295,331	5,254,922	-	-	-
Employee benefits	8,411,000	9,324,187	8,938,182	-	-	-
Economic development and assistance	-	-	-	2,919,000	4,029,484	3,777,355
Debt service	11,954,000	13,605,274	12,636,828	-	-	-
Total expenditures	109,986,000	114,823,240	112,840,669	2,919,000	4,029,484	3,777,355
Excess (deficiency) of revenues and appropriated fund balance over expenditures	(615,000)	(3,743,309)	(5,188,520)	-	-	115,251
<b>OTHER FINANCING SOURCES (USES)</b>						
Proceeds from general obligation bonds	-	-	10,705,293	-	-	-
Payment to bond escrow agent, net of refunding escrow	-	-	(9,660,000)	-	-	-
Transfers	580,000	3,148,769	4,238,764	-	-	-
Proceeds from sale of property	35,000	594,540	3,738,566	-	-	-
Total other financing sources (uses)	615,000	3,743,309	9,022,623	-	-	-
Excess (deficiency) of revenues, appropriated fund balance and other financing sources over expenditures and other financing uses	\$ -	\$ -	\$ 3,834,103	\$ -	\$ -	\$ 115,251

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

## **Supplementary Information**

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# City of Albany

## Combining Balance Sheet – Discretely Presented Component Units December 31, 2002

	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
<b>ASSETS</b>							
Cash and cash equivalents	\$ 617,423	\$ 1,498,718	\$ 1,651,069	\$ -	\$ 2,510,759	\$ 426,602	\$ 6,704,571
Cash and cash equivalents, restricted	-	299,430	-	439,590	-	-	739,020
Investments, restricted	11,152,266	3,595,836	-	840,642	2,074,104	-	17,662,848
Receivables:							
Accounts	8,539,988	16,510	-	79,773	-	-	8,636,271
Other	-	16,070	-	-	495,560	7,542	519,172
Mortgage loans and notes receivable	-	-	350,276	-	4,906,676	-	5,256,952
Due from primary government	-	-	-	-	-	420,531	420,531
Prepaid and other assets	764,348	41,669	4,836	145,764	3,632,086	25,573	4,614,276
Property held for investment and lease	-	-	-	-	5,135,202	-	5,135,202
Intangible assets, net	3,067,706	1,208,123	-	-	-	-	4,275,829
Capital assets, net	41,066,915	20,959,153	46,722	22,561,359	337,470	220,503	85,192,122
<b>Total assets</b>	<b>65,208,646</b>	<b>27,635,509</b>	<b>2,052,903</b>	<b>24,067,128</b>	<b>19,091,857</b>	<b>1,100,751</b>	<b>139,156,794</b>
<b>LIABILITIES</b>							
Accounts payable and accrued expenses	1,886,549	73,170	-	534,763	133,979	107,438	2,735,899
Current maturities of long-term debt	4,390,586	710,638	-	467,364	279,920	-	5,848,508
Accrued interest payable	-	601,020	63,621	-	-	6,040	670,681
Due to primary government	10,229,425	-	208,305	1,490,000	371,204	-	12,298,934
Deferred revenues	1,584,384	-	-	-	1,716,123	-	3,300,507
Revolving loan fund	-	-	-	-	659,295	-	659,295
Other liabilities	1,224,153	-	17,787	-	-	7,074	1,249,014
Accrued interest on capital appreciation bonds	-	2,540,142	-	-	-	-	2,540,142
Capital lease obligations	-	-	-	-	-	180,452	180,452
<b>Bonds and notes payable</b>	<b>52,264,129</b>	<b>28,172,538</b>	<b>1,088,953</b>	<b>3,876,189</b>	<b>7,564,520</b>	<b>-</b>	<b>92,966,329</b>
<b>Total liabilities</b>	<b>71,579,226</b>	<b>32,097,508</b>	<b>1,378,666</b>	<b>6,368,316</b>	<b>10,725,041</b>	<b>301,004</b>	<b>122,449,761</b>
<b>FUND BALANCE (DEFICIT) AND OTHER CREDITS</b>							
Contributed capital	-	455,213	122,893	-	-	-	578,106
Accumulated deficit	-	(4,917,212)	-	-	-	-	(4,917,212)
Fund balances (deficits)	-	-	551,344	-	-	-	551,344
Reserved for							
Program Specific Activities	-	-	-	-	895,579	-	895,579
Debt Service	-	-	-	125,000	169,389	-	294,389
Endowment	-	-	-	-	-	-	-
Future capital projects	-	-	-	-	-	-	-
Invested in capital assets, net of related debt	(20,087,800)	-	-	18,217,811	1,519,254	-	(350,735)
Unreserved	13,717,220	-	-	(643,999)	5,782,594	799,747	19,655,562
<b>Total fund balance(deficit) and other credits</b>	<b>(6,370,580)</b>	<b>(4,461,999)</b>	<b>674,237</b>	<b>17,698,812</b>	<b>8,366,816</b>	<b>799,747</b>	<b>16,707,033</b>
<b>Total liabilities and fund balance</b>	<b>\$ 65,208,646</b>	<b>\$ 27,635,509</b>	<b>\$ 2,052,903</b>	<b>\$ 24,067,128</b>	<b>\$ 19,091,857</b>	<b>\$ 1,100,751</b>	<b>\$ 139,156,794</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, 2002

	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
Operating revenue	\$ 18,065,198	\$ 4,181,991	\$ 971,730	\$ 2,821,937	\$ 1,696,537	\$ 1,479,349	\$29,216,742
Operating expenses							
Costs of services	-	1,179,163	128,142	855,734	1,124,227	939,735	4,227,001
Source of supply and purification	2,326,708	-	-	-	-	-	2,326,708
Transmission and distribution	3,039,312	-	-	-	-	-	3,039,312
General and administrative	2,438,083	717,247	-	852,026	(4,554)	200,558	4,203,360
Real estate taxes paid to other governments	1,784,516	-	-	-	-	-	1,784,516
Occupancy	-	-	-	-	-	-	-
Sewer contract	6,361,354	-	-	-	-	-	6,361,354
Depreciation and amortization	2,904,119	631,656	10,273	1,374,550	27,635	16,073	4,964,306
Interest	-	-	-	-	-	-	-
Grants	-	-	819,568	-	-	-	819,568
Street Services	-	-	-	-	-	47,860	47,860
Business promotion and development	-	-	-	-	-	200,728	200,728
Miscellaneous	-	120,900	-	-	252,822	-	373,722
Total operating expenses	18,854,092	2,648,966	957,983	3,082,310	1,400,130	1,404,954	28,348,435
Excess (deficiency) of operating revenue over (under) expenses before nonoperating revenue (expenses)	(788,894)	1,533,025	13,747	(260,373)	296,407	74,395	868,307
Nonoperating revenue (expenses)							
Letter-of-credit fees	-	(31,637)	-	-	-	-	(31,637)
Amortization of bond issue costs	-	(77,606)	-	-	-	-	(77,606)
Increase in fair value of investments	-	127,389	-	-	-	-	127,389
Interest income	544,960	249,667	45,907	40,735	-	47	881,316
Interest expense	(3,067,569)	(1,908,432)	(114,890)	(267,706)	(200,521)	-	(5,559,118)
Archeological excavation costs	-	(34,683)	-	-	-	-	(34,683)
Dining and nightlife guide	-	-	-	-	-	2,700	2,700
Leasing and marketing strategy	-	-	-	-	-	(94,000)	(94,000)
Impairment write-down of property held for lease and other	-	-	(1,542,497)	-	(337,700)	-	(1,880,197)
Gain on sale of property and equipment	-	-	-	1,981	-	-	1,981
Net nonoperating expenses	(2,522,609)	(1,675,302)	(1,611,480)	(224,990)	(538,221)	(91,253)	(6,663,855)
Excess (deficiency) of revenue over (under) expenses before transfers	(3,311,503)	(142,277)	(1,597,733)	(485,363)	(241,814)	(16,858)	(5,795,548)
Grant funding	-	-	-	1,305,136	-	-	1,305,136
Excess (deficiency) of revenue over (under) expenses	(3,311,503)	(142,277)	(1,597,733)	819,773	(241,814)	(16,858)	(4,490,412)
FUND BALANCE (DEFICIT) AND OTHER CREDITS, beginning of year	(4,121,577)	(4,774,935)	2,149,077	16,879,039	8,608,630	816,605	19,556,839
Contributed capital	1,062,500	455,213	122,893	-	-	-	1,640,606
FUND BALANCE (DEFICIT) AND OTHER CREDITS, end of year	\$ (6,370,580)	\$ (4,461,999)	\$ 674,237	\$ 17,698,812	\$ 8,366,816	\$ 799,747	\$16,707,033

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

See Notes to Financial Statements.

Combining Statement of Cash Flows –  
Discretely Presented Component Units  
December 31, 2002

	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
<b>CASH FLOWS PROVIDED (USED) BY OPERATING ACTIVITIES</b>							
Excess of operating expenses over revenue	\$ (788,894)	\$ 1,533,025	\$ 13,747	\$ (260,373)	\$ 296,407	\$ 74,395	\$ 868,307
Adjustments to reconcile excess of operating expenses over revenue to net cash provided (used) by operating activities:							
Depreciation and amortization	2,904,119	631,656	10,273	1,374,550	27,635	47,943	4,996,176
Change in allowance for reduced assessments	-	-	-	-	-	(5,000)	(5,000)
Gain on sale of property and equipment	-	-	-	-	-	-	-
Unrealized loss on investments	-	-	-	-	9,020	-	9,020
Realized gain on sale of investments	-	-	-	-	(10,746)	-	(10,746)
Provision for losses on mortgage costs, accrued interest, and other receivables	-	-	-	-	(94,010)	-	(94,010)
Impairment write-down of property held for investment	-	-	-	-	-	-	-
Interest Income on cash and cash equivalents and investments	-	-	-	-	(104,861)	-	(104,861)
Deferred program support recognized as program income	-	-	-	-	(219,320)	(91,300)	(310,620)
Changes in							
Receivables - charges for services	-	300	-	-	-	-	300
Accounts receivable	(355,012)	-	467,445	266,198	-	20,654	399,285
Due from primary government	-	-	-	-	-	27,911	27,911
Other receivables	-	(120)	-	-	924,958	(1,095)	923,743
Prepaid expenses and other assets	1,914,229	(22,526)	-	(33,112)	-	(2,699)	1,855,892
Accounts payable and accrued expenses	200,872	(16,398)	-	68,726	(653,398)	27,693	(372,505)
Due to City of Albany	-	-	-	-	(411,338)	-	(411,338)
Other liabilities	-	-	(35,890)	-	11,098	(10,500)	(35,292)
Deferred revenue	(100,000)	-	-	-	126,917	-	26,917
<b>Net cash provided by operating activities</b>	<b>3,775,314</b>	<b>2,125,937</b>	<b>455,575</b>	<b>1,415,989</b>	<b>(97,638)</b>	<b>88,002</b>	<b>7,763,179</b>
<b>CASH FLOWS PROVIDED (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Proceeds from long-term debt	544,960	-	-	-	4,390,000	-	4,934,960
Principal payments on long-term debt	(1,624,922)	(860,235)	(392,219)	(342,933)	(143,729)	-	(3,364,038)
Interest payments on long-term debt	(3,067,569)	(2,030,443)	(114,890)	(267,706)	(238,818)	-	(5,719,426)
Principal payments under capital lease obligations	-	-	-	-	-	(2,961)	(2,961)
Acquisition and construction of capital assets	-	-	-	-	-	-	-
Letter-of-credit fee	-	(31,637)	-	-	-	-	(31,637)
Sale of assets	-	-	-	7,000	-	-	7,000
Issuance of Bond Anticipation Notes	2,710,000	-	-	-	-	-	2,710,000
Finance costs paid on issuance of long-term debt	-	-	-	-	-	-	-
Archeological excavation costs paid	-	(34,683)	-	-	-	-	(34,683)
Advances from cash reserve credit	-	-	-	-	-	4,773	4,773
Payments on cash reserve credit	-	-	-	-	-	(6,284)	(6,284)
Advances received City of Albany	8,052,625	-	-	-	-	-	8,052,625
Transfer to Albany Public Library	-	-	-	-	-	-	-
Grant funding	-	-	-	1,305,136	-	-	1,305,136
Transfer from primary government	-	-	-	-	-	-	-
<b>Net cash provided by (used in) capital and related financing activities</b>	<b>6,615,094</b>	<b>(2,956,998)</b>	<b>(507,109)</b>	<b>701,497</b>	<b>4,007,453</b>	<b>(4,472)</b>	<b>7,855,465</b>
<b>CASH FLOWS PROVIDED (USED) BY INVESTING ACTIVITIES</b>							
Purchase of property, plant, and equipment	(11,944,064)	(3,429,292)	-	(5,189,405)	(4,921,562)	(12,068)	(25,496,391)
Issuance of mortgage notes	-	-	-	-	(813,500)	-	(813,500)
(Purchase) sale of investments	611,810	138,065	-	3,192,623	(5,000,424)	-	(1,057,926)
Repayments received on mortgage loans	-	-	179,201	-	1,656,484	-	1,835,685
Receipts from City agencies	-	-	-	-	-	-	-
Proceeds from maturities of investments	-	-	-	-	6,155,418	-	6,155,418

Continued...

Combining Statement of Cash Flows –  
Discretely Presented Component Units, Continued  
December 31, 2002

	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
Interest on investments	-	249,667	45,907	41,080	111,455	47	448,156
Contributed capital	1,062,500	-	-	-	-	-	1,062,500
Principal payments received under direct financing leases	-	-	-	-	408,874	-	408,874
Advances to Component Unit	-	-	-	-	-	-	-
Advances to City agencies net of repayments received	-	-	-	-	(169,358)	-	(169,358)
Proceeds from sale of property held for investment and lease	-	-	-	-	-	-	-
Other	-	-	-	-	(60,951)	(20,295)	(81,246)
Net cash provided by (used in) investing activities	(10,269,754)	(3,041,560)	225,108	(1,955,702)	(2,633,564)	(32,316)	(17,707,788)
Net increase (decrease) in cash and cash equivalents	120,654	(3,872,621)	173,574	161,784	1,276,251	51,214	(2,089,144)
CASH AND CASH EQUIVALENTS, beginning of year	496,769	5,670,769	1,477,495	277,806	1,234,508	375,388	9,532,735
CASH AND CASH EQUIVALENTS, end of year	\$ 617,423	\$ 1,798,148	\$ 1,651,069	\$ 439,590	\$ 2,510,759	\$ 426,602	\$ 7,443,591
Supplemental Disclosure of Cash Flow Information							
Cash payments for interest	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,058	\$ 9,058
Unrelated business taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 250	\$ 250
Non-Cash Investing Activities							
Property held for investment converted to note receivable	\$ -	\$ -	\$ -	\$ -	\$ 250,000	\$ -	250,000
Deferred program support converted to allowance for losses	\$ -	\$ -	\$ -	\$ -	\$ (2,221)	\$ -	(2,221)
Revolving loan fund liability converted to allowance for loan losses	\$ -	\$ -	\$ -	\$ -	\$ (57,216)	\$ -	(57,216)
Fair value of property held for investment received in exchange for receivables	\$ -	\$ -	\$ -	\$ -	\$ 100,000	\$ -	100,000

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

See Notes to Financial Statements.



