STATE OF NEW YORK

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For Fiscal Year Ended
March 31, 2003

Prepared by the Office of the State Comptroller

Alan G. Hevesi

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State Comptroller

ALAN G. HEVESI
COMPTROLLER

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ALBANY, NEW YORK 12236

STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

July 18, 2003

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

I am pleased to present this year's Comprehensive Annual Financial Report for New York State. This report explains how the State's financial position and operations affect taxpayers and it details many of the factors by which the State's fiscal health is measured.

The report represents an important step forward in providing greater disclosure to taxpayers. For the first time, it reflects the State's implementation of the Governmental Accounting Standards Board Statement No. 34, reflecting a significant change in government financial statements by adding a Management Discussion and Analysis (MD&A), as well as information pertaining to all costs and all assets and liabilities of the State to more clearly portray the State's fiscal health.

The report focuses on the fundamental fiscal issues that will determine the State's financial future. This year's budget continued the State's reliance on debt, non-recurring resources and other fiscal gimmicks. As a result, lawmakers will again face difficult budgetary challenges next year when it becomes clear that many of the solutions they adopted were only temporary.

This past year, New York faced extraordinary fiscal challenges as a result of the economic downturn, the failure to exercise budgetary restraint during more prosperous times, the failure to act quickly when the State's finances began to show signs of difficulty, the collapse of the stock market through 2002 and the devastation, both in human and financial terms, of 9-11.

These factors, however, are symptomatic of greater problems: a structural deficit, late budgets, surpluses of recent years that were squandered, increased and enormous debt which grew exponentially with the securitization of tobacco settlement dollars, and available reserves that sunk to dangerously low levels. This report reflects a General Fund accumulated deficit of $3.3 billion, the first such deficit since 1997.

As we struggle to emerge from a recession, we must change our approach to problem solving. Now, more than ever, fiscal discipline is needed to ensure budget balance and to provide a healthy environment in which our economy can grow. We must limit debt to the most necessary uses to protect future generations of taxpayers and to attract businesses. And we need a comprehensive economic development plan that will provide opportunities for all New Yorkers.

New York's potential is unparalleled in the nation and in the world. By developing stronger fiscal practices that prepare our State for the future, we can build a brighter future for generations to come.

Signed,

Alan G. Hevesi

FINANCIAL OVERVIEW

This report has been prepared in accordance with generally accepted accounting principles (GAAP) for governments as promulgated by the Governmental Accounting Standards Board. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, included within the Comprehensive Annual Financial Report rests with the Office of the State Comptroller. The basic financial statements contained in this report have been audited by KPMG, LLP. Their audit was conducted in accordance with generally accepted governmental auditing standards and their auditor report precedes the basic financial statements. The unqualified auditor report attests that the State's financial information is fairly presented, in all material respects, in accordance with GAAP. In addition, the Office of the State Comptroller was honored for the fourteenth consecutive year to receive the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association for the State's 2002 Financial Report. This prestigious award represents the highest form of recognition in the area of governmental financial reporting and reflects a commitment to clearly communicate the State's financial results and position to the taxpayers through public disclosure.

This year's financial statements are presented using an entirely new financial reporting model promulgated by the Governmental Accounting Standards Board. The new financial reporting model has redefined the old financial reporting model by changing its focus to major funds, rather than fund types, requiring a new section called the Management Discussion and Analysis (MD&A), and including new government-wide financial statements which will include all revenues and all costs of providing services each year. These new statements report on all current assets and liabilities and also long-term assets and liabilities, such as capital assets, including infrastructure (roads and bridges). The changes required are described in the MD&A section.

The Reporting Entity and Its Services

The governmental activities, business-type activities, the aggregately discretely presented component units and aggregate remaining fund information included in this Comprehensive Annual Financial Report are those for which the State is accountable, based on criteria for defining the financial reporting entity prescribed by the Governmental Accounting Standards Board. The criteria include legal standing, fiscal dependency and financial accountability. Based on these criteria the governmental activities, business-type activities, the aggregately discretely presented component units and aggregate remaining fund information shown in this report are considered as part of the reporting entity (see Notes 1 and 13 to the Basic Financial Statements).

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

General Governmental Results

An operating deficit of $4.2 billion is reported in the General Fund for fiscal year 2002-03. As a result, the General Fund now has an accumulated deficit of $3.3 billion. The State completed its fiscal year ended March 31, 2003 with a combined Governmental Funds operating deficit of $4.304 billion as compared to a combined Governmental Funds operating deficit in the preceding fiscal year of $4.45 billion. The Governmental Funds 2002-03 operating deficit of $4.304 billion included operating deficits in the General Fund of $4.221 billion, the Federal Special Revenue Funds of $2.0 million and Other Governmental Funds of $81 million.

The State's financial position as shown in its Governmental Funds Balance Sheet as of March 31, 2003 includes overall fund balances of $2.960 billion represented by liabilities of $21.038 billion and by assets available to liquidate such liabilities of $23.998 billion.

Cash Management

Cash deposits into the State Treasury are controlled jointly by the State Comptroller and the Commissioner of Taxation and Finance. Cash is managed in pooled investment funds to maximize interest earnings. Investments are made in accordance with the State Finance Law. Cash is primarily invested in repurchase agreements involving United States Treasury obligations and remaining funds are invested in United States Treasury bills and commercial paper. For the fiscal year ended March 31, 2003, the average daily balance of pooled investment funds was $3.7 billion with an average yield of 1.595% and total investment income of $59 million. Cash deposits not held in the State Treasury and controlled by various other State officials are generally held in interest bearing accounts.

Capital Assets

The capital assets of the State are those capital assets used in the performance of governmental functions. They are reported in the Statement of Net Assets. They do not include capital assets of public benefit corporations which amounted to $41 billion. At March 31, 2003, the capital assets of the State amounted to $81.9 billion. This amount represents the valuation of capital assets in accordance with GAAP and the State's capitalization policy as described in Note 1 to the basic financial statements.

Risk Management

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

Fiduciary Funds

The Fiduciary Funds consist of Agency Funds, the New York State and Local Retirement Systems, and Private-Purpose Trusts. These funds are used to account for assets held by the State in a trustee capacity or as an agent for individuals, private organizations and other governments. The Fiduciary Funds reported a year-end net asset balance of $98.8 billion as compared to the previous year-end of $115.0 billion.

The State and Local Retirement Systems, covering most non-teaching State employees and local government employees outside of New York City, reported combined net assets available for retirement benefits of $97.4 billion as compared to the previous year-end amount of $112.7 billion. For further information refer to Note 12 to the basic financial statements.

Public Benefit Corporations

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

Corporations submit annual reports to the Governor, the Legislature and the State Comptroller on their operations and finances accompanied by an independent auditor's report. Corporations are generally supported by revenues derived from their activities, although in recent years the State has provided financial assistance, in some cases of a recurring nature, to certain Corporations for operating and other expenses, and in fulfillment of its commitments on moral obligation indebtedness. The Corporations have been presented in the accompanying financial statements as component units of the State. The amounts presented in this report were derived from the Corporations' most recent audited financial statements. At year-end these entities reflected net assets of $29.6 billion. For further information refer to Note 13 to the basic financial statements.

Internal Controls

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

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

Budgetary Process

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

Report Layout

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

Conclusion

This report represents my commitment to comprehensive disclosure and progressive leadership in financial reporting. This report could not have been prepared without the cooperation of all State agencies, the Legislature, and the Judiciary. I especially appreciate the professional and dedication demonstrated by staff in the preparation of this report.

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of New York

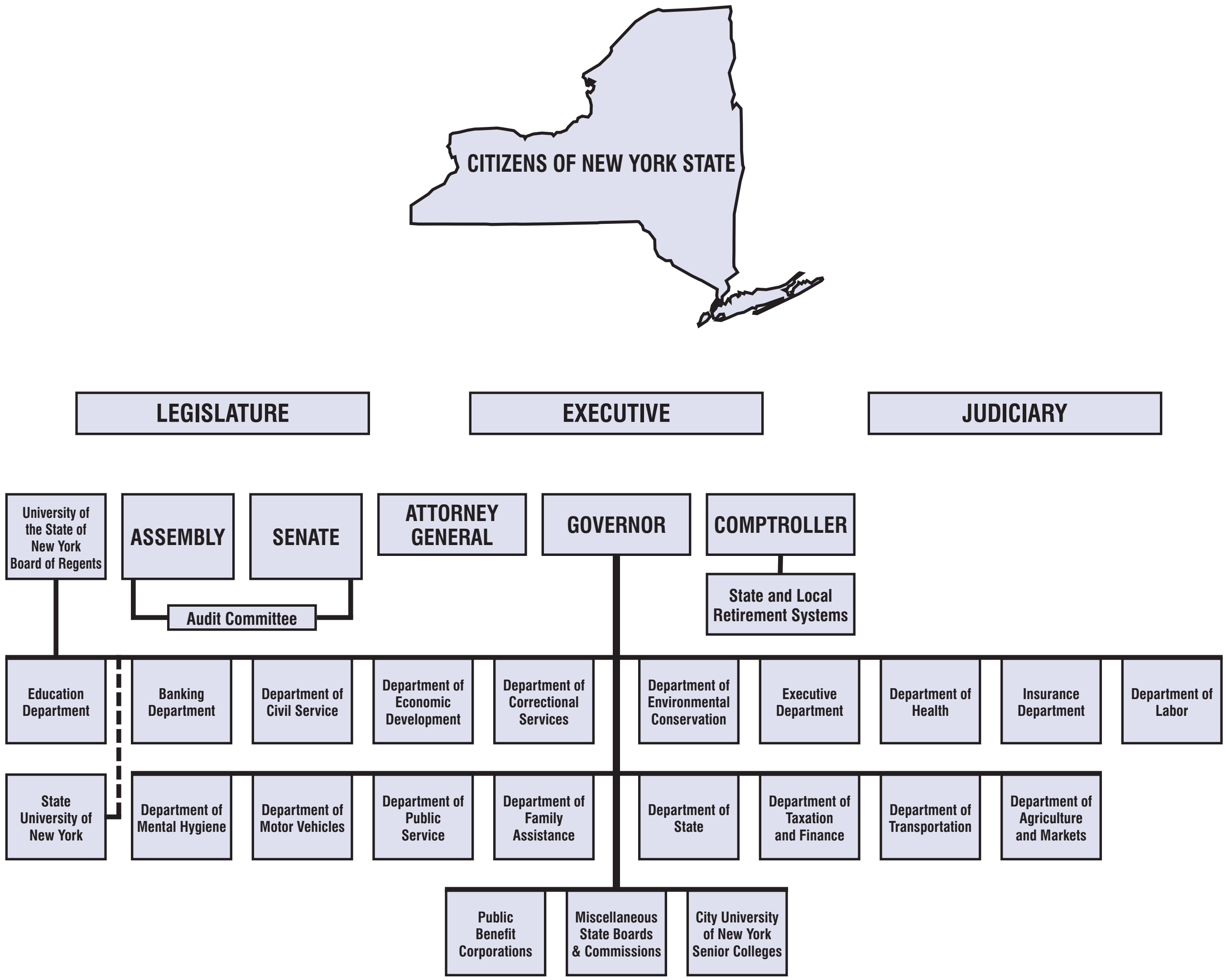
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
March 31, 2002

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

GOVERNMENT FINANCE OFFICERS ASSOCIATION
OF THE
UNITED STATES
AND
CANADA
CORPORATION
SEAL
CHICAGO

President

Executive Director



STATE OF NEW YORK
Selected State Officials

Executive

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

Judicial

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

Legislative

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

STATE OF NEW YORK

EXCELSIOR

COMPTROLLER

Financial Section

KPMG

515 Broadway
Albany, NY 12207

Independent Auditors' Report

To the Audit Committee of the New York State Legislature

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of New York (the "State"), as of and for the year ended March 31, 2003, which collectively comprise the State's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these basic financial statements based on our audit. We did not audit the financial statements of certain component units, identified in Note 13, the State and Local Retirement Systems, or the Port Authority of New York and New Jersey. Those certain component units represent 70% of the total assets and 85% of the total revenues of the aggregate discretely presented component units, the State and Local Retirement Systems represents 87% of the total assets and 14% of the total revenues (including additions) of the aggregate remaining fund information, and the information regarding the Port Authority of New York and New Jersey as disclosed in Note 14 of the basic financial statements represents 100% of the information disclosed. Those financial statements were audited by other auditors whose reports thereon have been furnished to us and, our opinions, insofar as they relate to the amounts and disclosures included for those component units, the State and Local Retirement Systems, and the Port Authority of New York and New Jersey, are based solely on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of New York as of March 31, 2003, 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.

KPMG LLP. KPMG LLP, a U.S. limited liability partnership, is a member of KPMG International, a Swiss association.

As discussed in Note 1.r., the State adopted Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*; Statement No. 35, *Basic Financial Statements – and Management's Discussion and Analysis - for Public Colleges and Universities;* Statement No. 37, *Basic Financial Statements – and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; Statement No. 38, *Certain Financial Statement Note Disclosures,* and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements,* as of April 1, 2002.

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

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

In accordance with *Government Auditing Standards*, we have also issued a report dated July 18, 2003 on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

KPMG LLP

July 18, 2003

STATE OF NEW YORK

EXCELSIOR

COMPTROLLER

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section provides a narrative overview and analysis of the financial activities of the State of New York for the fiscal year ended March 31, 2003. This discussion and analysis is intended to serve as an introduction to the State's basic financial statements, which have the following components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The basic financial statements, required supplementary information, and other supplementary information as of and for the year ended March 31, 2003 reflect the implementation of Governmental Accounting Standards Board Statements; Statement number 34, "Basic Financial Statements—Management's Discussion and Analysis (MD&A)—for State and Local Governments" (GASBS 34), Statement number 35, "Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities" (GASBS 35), Statement number 37, "Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus" (GASBS 37), Statement number 38, "Certain Financial Statement Note Disclosures" (GASBS 38), and Interpretation No. 6, "Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements" (GASBI 6). The MD&A is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the State's financial activities, (c) identify any material changes from the original budget, and (d) highlight individual fund issues. This is the first year that government-wide financial statements have been published. The information to discuss changes in the State's financial position under this new model will be available and presented starting next year.

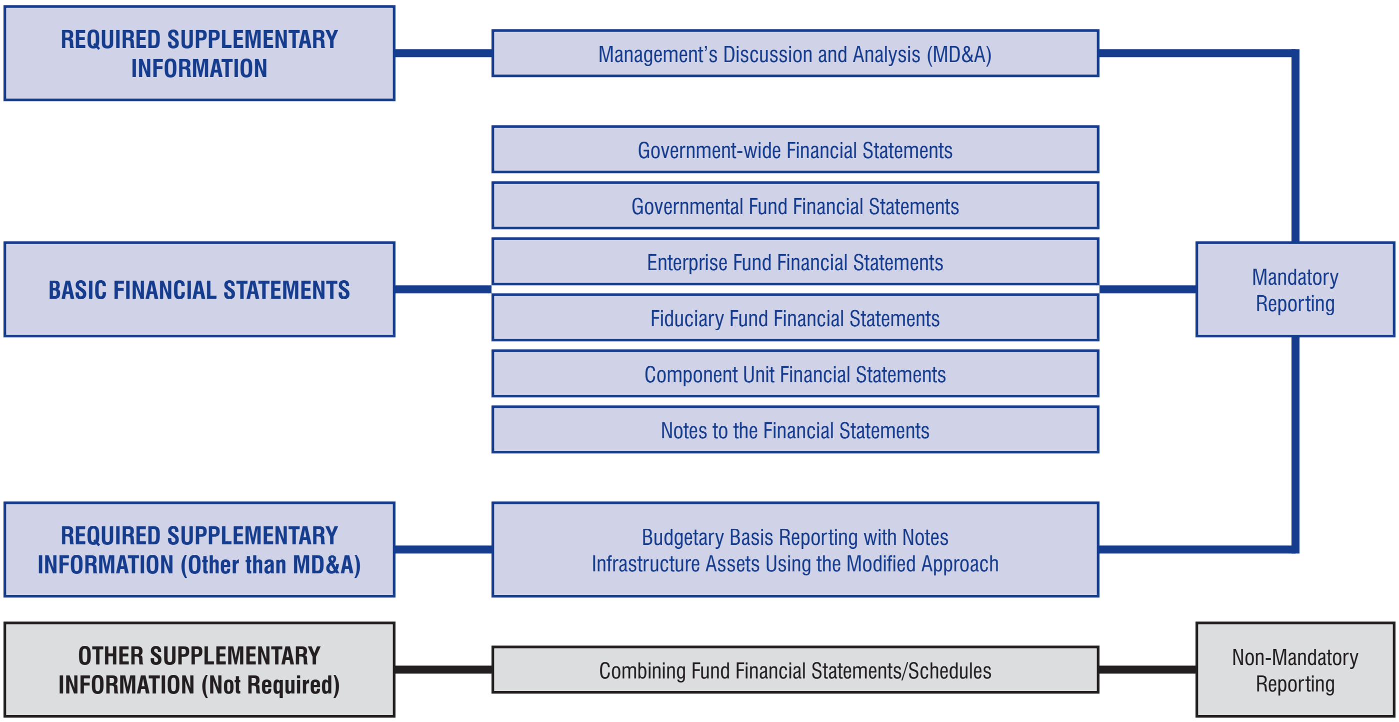
FINANCIAL HIGHLIGHTS

- New York State reported net assets of $44.9 billion.
- The State's net assets decreased by $5.5 billion as a result of this year's operations. The net assets for governmental activities decreased by $5.3 billion (11.1%) and net assets of business-type activities decreased by $187 million (7.0%) (Table 2).
- The State's governmental activities had total revenues of $85.0 billion which were exceeded by total expenses of $88.6 billion, net of transfers to business-type activities of $1.8 billion. (Table 2).
- The total cost of all the State's programs was $104.2 billion (Table 2).
- The General Fund reported an operating deficit this year of $4.2 billion.
- Subsequent to fiscal year-end, the State issued tobacco bonds of $2.3 billion to finance the deferral of payments from fiscal year 2003. The State is authorized to issue an additional $1.9 billion in tobacco bonds.
- The General Fund reported a deficit of $3.3 billion, as compared to a $901 million surplus, as restated, at the end of the prior year.
- Total debt outstanding at year-end was $39.3 billion.

USING THIS ANNUAL REPORT

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

These financial statements are prepared using a new financial reporting model which brings together new government-wide financial statements, while retaining the traditional fund financial statements as adjusted and adding new supplementary information. The layout and relationship of financial statements and supplementary information is visually illustrated as follows:



Reporting the State as a Whole

The Statement of Net Assets and the Statement of Activities

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

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

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

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

- ***Business-type activities***—The State charges a fee to customers to help it cover all or part of the cost of certain services it provides. The State's Lottery Fund, Unemployment Insurance Benefit Fund, the State University of New York and the City University of New York—senior colleges are reported here.

- ***Component units***—The State includes 41 separate legal entities in its report, as disclosed in Note 1 of the notes to the basic financial statements. Although legally separate, these "component units" are important because the State is financially accountable for them and is affected by their financial well-being.

Reporting the State's Most Significant Funds

Fund Financial Statements

The analysis of the State's major funds begins on page 24. The fund financial statements begin on page 34 and provide detailed information about the most significant funds, not the State as a whole. Some funds are required to be established by Federal law and by bond covenants. However, the State establishes many funds to help control and manage the State's resources for particular purposes (e.g., Dedicated Mass Transportation Trust Fund) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (e.g., Federal USDA-FNS Fund). The State's two types of funds—governmental and proprietary—use different accounting approaches.

- ***Governmental Funds***—Most of the State's basic services and expenditures are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. Governmental fund financial statements are prepared using the current financial resources measurement focus and the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. Assets and liabilities, except those covered by GASBI 6, that don't impact current financial resources within twelve months after fiscal year end are not recognized in the governmental funds statements. Capital assets and long-term liabilities are examples of assets and liabilities that aren't recognized in the governmental funds statements. The governmental funds statements provide a detailed short-term view of the State's general government operations and the basic services it provides. Governmental funds information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the State's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and Statement of Activities) and governmental funds is presented in the reconciliations following the fund financial statements.

- ***Proprietary Funds***—These funds are utilized when the State charges customers to recover its costs of providing services. Proprietary funds report on business-type activities, which include enterprise type funds and internal service type funds. The State has no internal service type funds and, therefore, has only one Proprietary Fund type—Enterprise. The State's Enterprise Funds are the same as the business-type activities reported in the government-wide statements. Proprietary funds statements are prepared using the economic resources measurement focus and the accrual basis of accounting. In addition to a Statement of Net Assets and a Statement of Revenues, Expenses and Changes in Fund Net Assets; Enterprise funds are also required to report a Statement of Cash Flows (page 40).

Reporting the State's Fiduciary Responsibilities

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

Component Units of the State

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

THE STATE AS A WHOLE

Under GASB 34, governmental entities are required to report on their net asset condition. The Statement of Net Assets presents the value of all of New York State's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of changes in a government's financial position. The State reported net assets of $44.9 billion, which reflects the State's investment in its capital assets.

The $44.9 billion was comprised of $60.3 billion in capital assets reported net of related debt, $4.6 billion in restricted net assets offset by an unrestricted net assets deficit of $20.0 billion. Net assets reported for governmental activities decreased by $5.3 billion from a year ago, decreasing from $47.7 billion to $42.4 billion. Our analysis below shows the net assets (Table 1) and changes in net assets (Table 2) of the State's governmental and business-type activities.

Table 1
Net Assets as of March 31, 2003
(Amounts in millions)

	Governmental Activities	Business-type Activities	Total Primary Government
Assets:			
Non-capital assets:			
Cash & investments	$ 7,833	$ 5,652	$ 13,485
Receivables, net	12,771	3,488	16,259
Other	846	201	1,047
Total non-capital assets	21,450	9,341	30,791
Capital assets	76,237	5,695	81,932
Total assets	**97,687**	**15,036**	**112,723**
Liabilities:			
Liabilities due within one year	19,403	3,212	22,615
Liabilities due in more than one year	35,888	9,324	45,212
Total liabilities	**55,291**	**12,536**	**67,827**
Net assets (deficit):			
Invested in capital assets, net of related debt	60,823	(520)	60,303
Restricted	2,419	2,151	4,570
Unrestricted (deficit)	(20,846)	869	(19,977)
Total net assets	**$ 42,396**	**$ 2,500**	**$ 44,896**

The net assets of the State's governmental activities decreased by 11.1% during the year ($42.4 billion compared to $47.7 billion in the prior year). Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements—was a deficit of $20.8 billion at March 31, 2003.

The deficit in unrestricted governmental net assets arose primarily because of the issuance of debt for purposes not resulting in a capital asset related to governmental activities. Such outstanding debt included local aid payments for school education aid, which were financed on a long-term basis by the Local Government Assistance Corporation ($4.6 billion), local highway and bridge projects ($2.6 billion), local mass transit projects ($2.4 billion), and a wide variety of grants and other expenditures not resulting in governmental capital assets ($6 billion). This deficit in unrestricted net assets of governmental activities can be expected to continue for as long as the State continues to have obligations outstanding for purposes other than the acquisition of governmental capital assets.

Net assets for business-type activities decreased by 7.0%, $2.7 billion in 2002 compared to $2.5 billion in 2003. The decrease in net assets for business-type activities was caused primarily by unemployment benefit payments exceeding employer contributions and other revenues for the Unemployment Insurance Fund ($662 million). As of June 30, 2002, $7.4 billion in debt had been issued and was outstanding to finance capital assets of the State's colleges and universities.

The State's total expenses for governmental activities of $88.6 billion exceeded its total revenues of $85.1 billion by $3.5 billion. The principal causes of the reported operating deficit were lower than anticipated personal income tax receipts due to a decline in economic activity from both the national recession and corporate scandals, as well as the business disruption that resulted from the attack on the World Trade Center. The analysis below separately considers the operations of the governmental and business-type activities.

Table 2
Changes in Net Assets for the Fiscal Year Ended March 31, 2003

(Amounts in millions)

	Governmental Activities	Business-type Activities	Total Primary Government
Revenues:			
Program revenues:			
Charges for services	$ 5,879	$ 7,969	$ 13,848
Operating grants & contributions	34,383	5,551	39,934
Capital grants & contributions	1,158	342	1,500
General revenues:			
Taxes	39,612	—	39,612
Other	4,018	579	4,597
Total revenues	**85,050**	**14,441**	**99,491**
Expenses:			
Education	21,215	—	21,215
Public health	35,427	—	35,427
Public welfare	11,230	—	11,230
Public safety	4,948	—	4,948
Transportation	6,043	—	6,043
Other	9,709	—	9,709
Lottery	—	3,717	3,717
Unemployment Insurance	—	4,590	4,590
State University of New York	—	5,484	5,484
City University of New York	—	1,852	1,852
Total expenses	**88,572**	**15,643**	**104,215**
Increase (decrease) in net assets before transfers	**(3,522)**	**(1,202)**	**(4,724)**
Transfers	**(1,761)**	**1,015**	**(746)**
Changes in net assets	**(5,283)**	**(187)**	**(5,470)**
Net assets, beginning of year	**47,679**	**2,687**	**50,366**
Net assets, end of year	**$ 42,396**	**$ 2,500**	**$ 44,896**

Governmental Activities

The cost of all governmental activities this year was $88.6 billion (Table 2). However, as shown in the Statement of Activities on page 32, the amount that taxpayers ultimately financed for activities through State taxes and other State revenue was $43.6 billion including education aid transfers of $1.8 billion because some of the cost was paid for by grants and contributions of $35.5 billion and by those who directly benefited from the programs of $5.9 billion. Overall, the State's governmental program revenues, including intergovernmental aid, fees for services and capital grants were $41.4 billion in 2003. The State paid for the remaining "public benefit" portion of governmental activities with $39.6 billion in taxes and $4.0 billion in other revenues including investment earnings.

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

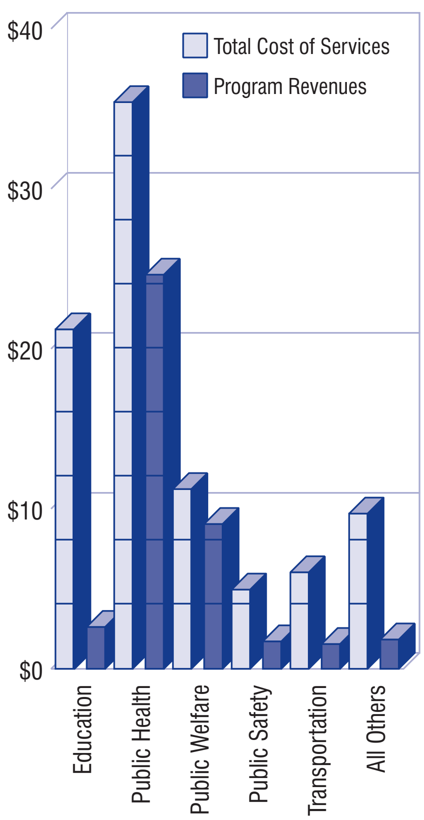
Table 3
Governmental Activities for the Year Ended March 31, 2003
(Amounts in millions)

	Total Cost of Services	Program Revenue	Net Cost of Services
Education	$ 21,215	$ 2,628	$ 18,587
Public health	35,427	24,636	10,791
Public welfare	11,230	9,046	2,184
Public safety	4,948	1,727	3,221
Transportation	6,043	1,554	4,489
All others	9,709	1,829	7,880
Totals	**$ 88,572**	**$ 41,420**	**$ 47,152**

Business-type Activities

The cost of all business-type activities this year was $15.6 billion (Table 2). As shown in the Statement of Activities on page 32, the amount that taxpayers ultimately financed for activities reported as transfers was $1.0 billion because some activity costs were paid by: those directly benefiting from the programs ($8.0 billion), grants and contributions ($5.9 billion) and other miscellaneous revenue ($579 million).

PROGRAM COSTS VS. PROGRAM REVENUE
(AMOUNTS IN MILLIONS)



THE STATE'S FUNDS

The State uses fund accounting to ensure and demonstrate compliance with legal and finance related requirements. As the State completed the year, its governmental funds (as presented in the balance sheet on page 34) reported a combined fund balance of $3.0 billion. Included in this year's total change in fund balance is an operating deficit of $4.2 billion in the State's General Fund. The General Fund operating deficit is attributable to a net $3.3 billion decline in personal income tax revenue after adjusting for personal income tax revenues of $4.3 billion recorded in Other Governmental Funds (Revenue Bond Tax Fund—a subfund of the General Obligation Debt Service Fund), a $262 million decline in consumption and use tax revenue offset by the transfer of sales tax revenues in excess of debt service requirements of $162 million, a $350 million decline in business and other taxes, offset by a $225 million increase in miscellaneous revenues, and a $135 million decrease in expenditures. Much of the decrease in tax revenues is related to a decline in economic activity due to the national economic slowdown and the continued fallout related to the terrorist attack on the World Trade Center buildings.

The State ended the 2002-03 fiscal year with a General Fund deficit of $3.3 billion. This deficit primarily reflects the use of reserves in response to the World Trade Center disaster as well as the negative impact of the economy on revenues. In addition, $1.9 billion in payments were deferred from 2002-03 until 2003-04 which will have to be paid from future resources. To the extent that the State is able to build up and maintain reserve funds, increase revenues and contain costs in future years, the accumulated deficit will be reduced.

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

General Fund Budgetary Highlights

The financial plan, which uses the cash basis of accounting, was revised quarterly during the year as required by the State Finance Law. These revisions update the financial plan to reflect variations in actual spending and receipts from the amounts estimated in the original financial plan and to reflect proposed non-recurring resource actions such as tobacco securitization.

Estimated tax receipts in the final financial plan declined nearly $6.9 billion when compared to the original financial plan. The primary factor contributing to this decline was reclassifying personal income tax receipts of $4.8 billion to Other Governmental Funds (Revenue Bond Tax Fund). The estimate for personal income and business taxes was further reduced by over $2 billion because collections for these taxes were below original financial plan projections. The decline in personal income and business tax receipts was caused by a weaker than expected national economy, depressed corporate earnings made worse by the impact of accounting scandals, and continued weakness in the equity markets. Miscellaneous receipts increased $1.9 billion from the original financial plan to the final financial plan. This increase reflected the anticipated receipt of tobacco securitization proceeds, which did not occur by fiscal year-end.

Transfers from other funds in the final financial plan increased from the original financial plan by $4.6 billion in personal income tax receipts that exceeded debt service requirements for Other Governmental Funds.

Actual miscellaneous receipts were $2.0 billion less than the amount estimated in the final financial plan because legislation authorizing the securitization of tobacco bonds was not enacted until after fiscal year-end. As a result of the decrease in actual miscellaneous receipts, local assistance grants of approximately $1.9 billion were delayed until after fiscal year-end.

The State's General Fund operating deficit of $4.2 billion reported on page 36 differs from the General Fund's budgetary operating deficit of $216 million reported in the reconciliation found under Budgetary Basis Reporting on page 84. This variation results from differences in financial measuring and reporting requirements established in the State Constitution and followed for budgetary reporting versus those established as Generally Accepted Accounting Principles (GAAP) and followed in preparation of this financial statement. Briefly stated, budgetary reporting does not recognize or report on all revenues, expenditures/expenses, obligations or transactions that are required to be recognized and reported under GAAP.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of 2003, the State has $81.9 billion invested in a broad range of capital assets, including equipment, buildings, construction in progress, land preparation, and infrastructure which includes such things as roads and bridges (Table 4). This amount represents a net increase (including additions and deductions) of $1.6 billion, or 2.0%, over last year.

Table 4
Capital Assets at Year-End
(Net of depreciation, amounts in millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2003	2002	2003	2002	2003	2002
Land & land improvements	$ 3,221	$ 3,104	$ 405	$ 386	$ 3,626	$ 3,490
Land preparation	2,667	2,597	—	—	2,667	2,597
Buildings	4,498	3,448	3,285	2,852	7,783	6,300
Equipment & library books	271	232	483	482	754	714
Construction in progress	2,819	3,233	1,365	1,439	4,184	4,672
Infrastructure	62,761	62,407	151	121	62,912	62,528
Artwork and historical treasures	—	—	6	6	6	6
Totals	**$ 76,237**	**$ 75,021**	**$ 5,695**	**$ 5,286**	**$ 81,932**	**$ 80,307**

The State owned roads and bridges that are maintained by the Department of Transportation are being reported using the modified approach. As allowed by the reporting provisions in GASBS 34 infrastructure assets that meet prescribed criteria do not have to be depreciated but must be maintained at levels defined by State policy. The State is responsible for maintaining more than 42,455 lane miles of highway and 7,700 bridges. Capital spending for highway and bridge maintenance and preservation projects was approximately $1.1 billion in 2003. Refer to Required Supplementary Information (RSI) for additional information regarding infrastructure assets using the modified approach.

The State's fiscal year 2004 capital budget calls for it to spend another $5.6 billion for capital projects, of which $3.1 billion is for transportation projects. To pay for these capital projects the State plans to use $266 million in general obligation bond proceeds, $2.6 billion in other financing arrangements with public authorities, $1.7 billion in Federal funds, and $1.2 billion in funds on hand or received during the year. More detailed information about the State's capitalization policy for capital assets is presented in Note 1 to the notes to the basic financial statements.

Debt Administration

The State has obtained long-term financing in the form of voter-approved General Obligation debt (voter approved debt) and other obligations for which voter approval is not needed and has not otherwise been sought (non-voter approved debt). Non-voter approved long-term financing at March 31, 2003 includes debt obligations the State pays pursuant to contractual obligations it entered into with the issuer. Such obligations include certain bonds issued through state public authorities, certificates of participation, and capital leases obtained through vendors. The State administers its long-term financing needs as a single portfolio of state-supported debt that includes general obligation bonds and other obligations of both its governmental activities and business-type activities. Most of the debt reported under business-type activities, all of which was issued for capital assets used in those activities, is supported by payments from resources generated by the State's Governmental Activities—thus it is not expected to be repaid from resources generated by business-type activities. The State finance law allows for the bonded portion of this single combined debt portfolio—which includes debt reported in both governmental and business-type activities combined—to include variable rate securities equal to 15% of total bonds outstanding and interest rate exchange agreements (Swaps) equal to 15% of total bonds outstanding. At March 31, 2003 the State had $5.7 billion in State-supported variable rate bonds outstanding of which $1.5 billion are convertible to fixed or variable rates and $2.2 billion were subject to Swap agreements resulting in effective fixed rates, subject to certain risks as discussed in Note 7 of the financial statements. At March 31, 2003 variable rate bonds, net of those subject to fixed rate Swaps, were equal to 8.9% of the State-supported bonded debt portfolio. Total Swap agreements of $2.2 billion equaled 5.7% of the total portfolio of bonded State-supported debt.

At March 31, 2003 the State had $39.3 billion in bonds, notes, and other financing agreements outstanding compared with $37.0 billion last year, an increase of $2.3 billion as shown in Table 5.

Table 5
Outstanding Debt

(Amounts in millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	March 31, 2003	March 31, 2002	June 30, 2002	June 30, 2001	2003	2002
General obligation bonds (voter approved)	$ 3,996	$ 4,142	$ —	$ —	$ 3,996	$ 4,142
Other financing arrangements (non-voter approved)	27,880	25,561	7,444	7,339	35,324	32,900
Totals	**$ 31,876**	**$ 29,703**	**$ 7,444**	**$ 7,339**	**$ 39,320**	**$ 37,042**

During the twelve month period reported, the State issued $10.2 billion in bonds, of which $6.4 billion were for refunding and $3.8 billion were for new borrowing. See Note 15 for State debt issued subsequent to reporting period.

Table 6
New Debt Issued During Prior 12 Month Period

(Amounts in millions)

	Governmental Activities	Business-type Activities	Total Primary Government
Voter approved debt:			
General obligation	$ 244	$ —	$ 244
Non-voter approved debt:			
Other financing arrangements:			
New money issues	3,075	511	3,586
Refunding issues	6,358	—	6,358
Total non-voter approved debt	9,433	511	9,944
Totals	**$ 9,677**	**$ 511**	**$ 10,188**

In June 2003, the State's general obligation bond rating was downgraded by one rating agency—Fitch Investor Services. The ratings assigned are as follows: A2 by Moody's Investor Services, AA- by Fitch Investor Services, and AA by Standard & Poors Investor Services. The State Constitution, with exceptions for emergencies, limits the amount of general obligation bonds that can be issued to that amount approved by the voters for a single work or purpose in a general election. Currently, the State has $1.2 billion in authorized but unissued bond capacity that can be used to issue bonds for specifically approved purposes. The State may issue short-term debt without voter approval in anticipation of the receipt of tax and revenues or proceeds from duly authorized but not issued general obligation bonds.

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

During 2002 the State enacted legislation providing for the issuance of State Personal Income Tax Revenue Bonds (PIT) to be issued by several State Public Benefit Corporations. The legislation provides that 25% of personal income tax receipts, excluding refunds owed to taxpayers, be deposited to the Other Governmental Funds for the purpose of making debt service payments on these bonds with excess amounts returned to the General Fund. The first PIT bonds were issued in May 2002 and approximately $2.4 billion were issued through March 31, 2003.

ECONOMIC FACTORS AFFECTING THE STATE

The performance of the national economy—especially relating to employment growth—remained weak in 2002 and the first half of 2003, and has been unable to help stimulate the State's economy. Growth in the Gross Domestic Product (GDP) had declined for three quarters prior to the terrorist attacks of September 11, 2001, but aggressive interest rate reductions by the Federal Reserve quickly spread through the economy, helping generate GDP growth of 2.7% in the fourth quarter of 2001 and 5% in the first quarter of 2002. Since then, GDP growth has been modest, with gains held down by concerns over corporate accounting scandals and uncertainties over the war with Iraq. Although the GDP is growing, the national economy is not yet generating jobs. Overall, employment in the nation declined by 1.1% in 2002 and has fallen by 0.3% in the first five months of 2003, when compared to the same period one year earlier.

The State's economy was in recession prior to the September 11th terrorist attacks—on a seasonally adjusted basis, State employment peaked in December 2000. Since then, the State has lost 300,000 jobs, with 46% of them lost before September 2001. Prior to this, the State's employment performance had improved throughout the 1990's relative to other states, with its rank rising to 14th in 1999. However, the recession, the terrorist attacks, and the ongoing financial market declines took a heavy toll on the State in 2002, pushing the State's relative employment performance down to 48th in the nation, as average annual employment levels declined by 1.8%. Although the rate of job loss has declined in the first five months of 2003, falling by 0.7%, New York's performance relative to other states has risen to a rank of 44th.

Weakness in the State's economy continues to be concentrated in New York City, although most areas of the State are showing job losses or small gains. While over 77% of the job losses in the State in 2002 were in New York City, job losses for the rest of the State have occurred at a lower rate than the City in the first five months of 2003, so that the City's share of the State's job losses has risen to over 97%. New York City's job base has declined at about twice the statewide average: 3.2% in 2002 and 1.5% in early 2003.

Income growth has also been affected by the economic slowdown. Personal income grew by 8% in the nation in 2000, but as employment fell and unemployment rose, growth in personal income has slowed to 2.8% in 2002. Growth in personal income in the State also reached 8% in 2000, when the State's ranking relative to other states in the nation was 14th. Personal income growth has deteriorated since then, rising by 0.8% in 2002—the slowest growth of all the states.

The slowdown in growth in personal income in the State resulted in large part from the State's economic dependency on the financial industry. During the first half of 2002, the latest period for which data are available, the industry accounts for only 2.2% of all State jobs but 12.8% of total wages paid. Wall Street has been particularly hard-hit again in 2002, suffering not only the effects of the national economic slowdown but also the impacts of corporate scandals. The Standard & Poors 500 (S&P 500) Stock Index fell by 21.5% in 2002, its third annual decline. With the financial markets in decline, securities industry profits have fallen over the last two years, from a record high of $21 billion in 2000 to $7 billion in 2002. Bonuses paid to Wall Street workers fell by 35% in 2001 and another 41% in 2002. These declines, coupled with lower capital gains realizations resulting from the falling financial markets, have adversely impacted State revenue collections, especially personal income tax collections.

For the first half of 2003, the S&P 500 has risen by 10.8%. Securities industry profits reached $3.5 billion during the first quarter of 2003, almost 17% higher than the first quarter of 2002.

CONTACTING THE STATE'S FINANCIAL MANAGEMENT

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

Basic Financial Statements

STATE OF NEW YORK
EXCELSIOR
COMPTROLLER

Statement of Net Assets

March 31, 2003

(Amounts in millions)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS:				
Cash and investments	$ 7,833	$ 5,652	$ 13,485	$ 29,417
Receivables, net of allowances for uncollectibles:				
Taxes	5,636	—	5,636	—
Due from Federal government	5,811	10	5,821	—
Loans, leases and notes	—	—	—	27,631
Other	1,535	2,965	4,500	5,050
Internal balances	(211)	513	302	—
Other assets	846	201	1,047	3,101
Intangible assets	—	—	—	4,111
Capital assets:				
Land, infrastructure and construction in progress	71,360	1,771	73,131	—
Buildings, equipment, land improvements and infrastructure, net of depreciation	4,877	3,924	8,801	40,974
Total assets	**97,687**	**15,036**	**112,723**	**110,284**
LIABILITIES:				
Tax refunds payable	4,708	—	4,708	—
Accounts payable	804	14	818	889
Accrued liabilities	6,168	1,056	7,224	12,287
Due to Federal government	—	859	859	—
Payable to local governments	5,248	—	5,248	—
Interest payable	404	276	680	—
Pension contributions payable	68	—	68	250
Deferred revenues	130	330	460	881
Long-term liabilities:				
Due within one year	1,873	677	2,550	2,302
Due in more than one year:				
Tax refunds payable	500	—	500	—
Accrued liabilities	4,384	924	5,308	369
Payable to local governments	877	—	877	—
Lottery prizes payable	—	1,243	1,243	—
Pension contributions payable	144	—	144	—
Obligations under lease/purchase and other financing arrangements	26,719	7,157	33,876	—
Deferred loss on refunding	(383)	—	(383)	6
Notes payable	—	—	—	907
Bonds payable	3,647	—	3,647	55,716
Other long-term liabilities	—	—	—	7,054
Total liabilities	**55,291**	**12,536**	**67,827**	**80,661**
NET ASSETS:				
Invested in capital assets, net of related debt	60,823	(520)	60,303	18,905
Restricted for:				
Unemployment benefits	—	659	659	—
Debt service	2,278	—	2,278	1,249
Other specified purposes	141	1,492	1,633	7,480
Unrestricted (deficit)	(20,846)	869	(19,977)	1,989
Total net assets	**$ 42,396**	**$ 2,500**	**$ 44,896**	**$ 29,623**

See accompanying notes to the basic financial statements.

Statement of Activities

For the Year Ended March 31, 2003

(Amounts in millions)

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Primary Government:				
Governmental activities:				
Education	$ 21,215	$ 144	$ 2,484	$ —
Public health	35,427	3,350	21,214	72
Public welfare	11,230	561	8,482	3
Public safety	4,948	222	1,472	33
Transportation	6,043	203	301	1,050
Environment and recreation	1,163	286	266	—
Support and regulate business	873	443	32	—
General government	6,467	670	132	—
Interest on long-term debt	1,206	—	—	—
Total governmental activities	**88,572**	**5,879**	**34,383**	**1,158**
Business-type activities:				
Lottery	3,717	5,396	—	—
Unemployment insurance	4,590	—	3,911	—
State University of New York	5,484	2,243	1,158	27
City University of New York	1,852	330	482	315
Total business-type activities	**15,643**	**7,969**	**5,551**	**342**
Total primary government	**$ 104,215**	**$ 13,848**	**$ 39,934**	**$ 1,500**
Total component units	**$ 20,133**	**$ 11,795**	**$ 2,408**	**$ 2,050**

General revenues:

Taxes:

Personal income

Consumption and use

Business

Other

Grants and contributions not restricted to specific programs

Investment earnings

Miscellaneous

Total general revenues

Transfers

Payments from the primary government

Total general revenues, transfers, and payments from the primary government

Change in net assets

Net assets—beginning of year

Net assets—end of year

See accompanying notes to the basic financial statements.

Net (Expense) Revenue and Changes in Net Assets

Primary Government

Governmental Activities	Business-type Activities	Total	Component Units
$ (18,587)	$ —	$ (18,587)	$ —
(10,791)	—	(10,791)	—
(2,184)	—	(2,184)	—
(3,221)	—	(3,221)	—
(4,489)	—	(4,489)	—
(611)	—	(611)	—
(398)	—	(398)	—
(5,665)	—	(5,665)	—
(1,206)	—	(1,206)	—
(47,152)	**—**	**(47,152)**	**—**
—	1,679	1,679	—
—	(679)	(679)	—
—	(2,056)	(2,056)	—
—	(725)	(725)	—
—	**(1,781)**	**(1,781)**	**—**
(47,152)	**(1,781)**	**(48,933)**	**—**
			(3,880)
21,945	—	21,945	—
11,404	—	11,404	—
5,049	—	5,049	—
1,214	—	1,214	—
—	—	—	769
282	391	673	860
3,736	188	3,924	833
43,630	**579**	**44,209**	**2,462**
(1,761)	1,015	(746)	—
—	—	—	2,293
41,869	**1,594**	**43,463**	**4,755**
(5,283)	**(187)**	**(5,470)**	**875**
47,679	**2,687**	**50,366**	**28,748**
$ 42,396	**$ 2,500**	**$ 44,896**	**$ 29,623**

Balance Sheet

GOVERNMENTAL FUNDS

March 31, 2003
(Amounts in millions)

	Major Funds: General	Major Funds: Federal Special Revenue	Other Governmental Funds	Eliminations	Total
ASSETS:					
Cash and investments	$ 1,183	$ 36	$ 6,614	$ —	**$ 7,833**
Receivables, net of allowances for uncollectibles:					
Taxes	4,251	—	1,385	—	**5,636**
Due from Federal government	—	5,475	336	—	**5,811**
Other	511	—	957	—	**1,468**
Due from other funds	2,036	274	327	(78)	**2,559**
Other assets	445	16	230	—	**691**
Total assets	**$ 8,426**	**$ 5,801**	**$ 9,849**	**$ (78)**	**$ 23,998**
LIABILITIES:					
Tax refunds payable	$ 3,657	$ —	$ 1,051	$ —	**$ 4,708**
Accounts payable	307	58	439	—	**804**
Accrued liabilities	2,214	2,678	628	—	**5,520**
Payable to local governments	3,560	1,558	130	—	**5,248**
Due to other funds	1,212	1,054	1,161	(78)	**3,349**
Pension contributions payable	68	—	—	—	**68**
Deferred revenues	728	453	160	—	**1,341**
Total liabilities	**11,746**	**5,801**	**3,569**	**(78)**	**21,038**
FUND BALANCES(DEFICIT):					
Reserved for:					
Encumbrances	467	496	4,802	—	**5,765**
Debt service	—	—	2,278	—	**2,278**
Tax stabilization	710	—	—	—	**710**
Other specified purposes	39	—	35	—	**74**
Unreserved:					
General	(4,536)	—	—	—	**(4,536)**
Federal special revenue	—	(496)	—	—	**(496)**
Special revenue	—	—	2,917	—	**2,917**
Debt service	—	—	450	—	**450**
Capital projects	—	—	(4,202)	—	**(4,202)**
Total fund balances (deficit)	**(3,320)**	**—**	**6,280**	**—**	**2,960**
Total liabilities and fund balances (deficit)	**$ 8,426**	**$ 5,801**	**$ 9,849**	**$ (78)**	**$ 23,998**

See accompanying notes to the basic financial statements.

Reconciliation of the Balance Sheet

GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

March 31, 2003
(Amounts in millions)

Total fund balances—governmental funds	**$**	**2,960**
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		76,237
Some of the State's revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds		1,211
Deferred charges related to bond issuance costs		153
Some liabilities (listed below) are not due and payable in the current period and therefore are not reported in the funds:		
Interest payable		(404)
Long-term liabilities due within one year		(1,873)
Tax refunds payable		(500)
Accrued liabilities		(4,384)
Payable to local governments		(877)
Pension contributions payable		(144)
Lease/purchase and other financing arrangements		(26,719)
Deferred loss on refunding		383
Bonds payable		(3,647)
Total net assets—governmental activities	**$**	**42,396**

See accompanying notes to the basic financial statements.

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

GOVERNMENTAL FUNDS

Year Ended March 31, 2003
(Amounts in millions)

	Major Funds				
	General	Federal Special Revenue	Other Governmental Funds	Eliminations	Total
REVENUES:					
Taxes:					
Personal income	$ 15,036	$ —	$ 6,931	$ —	$ 21,967
Consumption and use	6,874	—	4,534	—	11,408
Business	3,448	—	1,601	—	5,049
Other	743	—	469	—	1,212
Federal grants	—	33,699	1,613	—	35,312
Public health/patient fees	—	—	3,325	—	3,325
Tobacco settlement	—	—	745	—	745
Miscellaneous	3,149	137	2,752	(357)	5,681
Total revenues	**29,250**	**33,836**	**21,970**	**(357)**	**84,699**
EXPENDITURES:					
Local assistance grants:					
Social services	9,297	23,978	2,945	—	36,220
Education	14,632	2,429	4,221	—	21,282
Mental hygiene	1,077	166	88	—	1,331
General purpose	847	—	—	—	847
Health and environment	1,515	880	657	—	3,052
Transportation	481	26	2,863	—	3,370
Criminal justice	214	72	14	—	300
Miscellaneous	447	1,615	426	—	2,488
Departmental operations:					
Personal service	7,234	610	192	—	8,036
Non-personal service	2,583	622	2,208	(9)	5,404
Pension contribution	139	30	8	—	177
Other fringe benefits	2,444	168	44	(348)	2,308
Capital construction	—	—	3,362	—	3,362
Debt service, including payments on financing arrangements	—	—	2,970	—	2,970
Total expenditures	**40,910**	**30,596**	**19,998**	**(357)**	**91,147**
Excess (deficiency) of revenues over expenditures	**(11,660)**	**3,240**	**1,972**	**—**	**(6,448)**
OTHER FINANCING SOURCES (USES):					
Transfers from other funds	11,980	7	6,890	(16,639)	2,238
Transfers to other funds	(4,805)	(3,249)	(12,222)	16,639	(3,637)
General obligation bonds issued, including premiums	—	—	246	—	246
Financing arrangements/advance refundings issued	264	—	9,514	—	9,778
Payments on advance refundings	—	—	(6,481)	—	(6,481)
Net other financing sources (uses)	**7,439**	**(3,242)**	**(2,053)**	**—**	**2,144**
Deficiency of revenues and other financing sources over expenditures and other financing uses	**(4,221)**	**(2)**	**(81)**	**—**	**(4,304)**
Fund balances at April 1, 2002, as restated	**901**	**2**	**6,361**	**—**	**7,264**
Fund balances (deficit) at March 31, 2003	**$ (3,320)**	**$ —**	**$ 6,280**	**$ —**	**$ 2,960**

See accompanying notes to the basic financial statements.

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

GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended March 31, 2003

(Amounts in millions)

Net change in (deficit) fund balances—total governmental funds		**$ (4,304)**
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in governmental funds and the sale of capital assets are recorded as revenues in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Depreciation expense, net of asset disposal	$ (214)	
Disposal of assets	(1,873)	
Purchase of assets	3,303	
		1,216
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This amount is the net effect of proceeds and repayments:		
Repayment of principal	$ 1,761	
Long-term debt proceeds, net of refunding payments	(10,024)	
Payments to refunding agent	6,481	
		(1,782)
Revenues in the statement of activities that do not provide current financial resources and are not reported in the funds		30
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:		
Local assistance grants	$ (266)	
Departmental operations	(173)	
Other	(4)	
		(443)
Change in net assets of governmental activities		**$ (5,283)**

See accompanying notes to the basic financial statements.

Statement of Net Assets

ENTERPRISE FUNDS

March 31, 2003
(Amounts in millions)

	Lottery	Unemployment Insurance Benefit	June 30, 2002 SUNY	June 30, 2002 CUNY	Total
ASSETS:					
Current assets:					
Cash and cash equivalents	$ 131	$ 10	$ 539	$ 204	$ 884
Investments	224	—	115	52	391
Deposits with trustees	—	—	—	275	275
Receivables, net of allowance for uncollectibles:					
Due from Federal government	—	10	—	—	10
Other	325	1,595	685	213	2,818
Due from other funds	—	—	431	128	559
Other assets	8	—	39	21	68
Total current assets	**688**	**1,615**	**1,809**	**893**	**5,005**
Noncurrent assets:					
Restricted cash and cash equivalents	—	—	13	—	13
Long-term investments	1,460	—	826	102	2,388
Deposits with trustees	—	—	1,178	523	1,701
Receivables, net of allowance for uncollectibles:					
Other	—	—	126	21	147
Due from other funds	—	—	63	—	63
Capital assets:					
Land, construction in progress and artwork	—	—	905	866	1,771
Buildings and equipment, net of depreciation	—	—	2,646	1,278	3,924
Other assets	—	—	57	76	133
Total noncurrent assets	**1,460**	**—**	**5,814**	**2,866**	**10,140**
Total assets	**2,148**	**1,615**	**7,623**	**3,759**	**15,145**
LIABILITIES:					
Current liabilities:					
Accounts payable	14	—	—	—	14
Accrued liabilities	212	97	627	288	1,224
Due to Federal government	—	859	—	—	859
Lottery prizes payable	222	—	—	—	222
Due to other funds	109	—	—	—	109
Interest payable	—	—	273	3	276
Deferred revenues	10	—	128	192	330
Obligations under lease/purchase and other financing arrangements	—	—	166	121	287
Total current liabilities	**567**	**956**	**1,194**	**604**	**3,321**
Noncurrent liabilities:					
Accrued liabilities	5	—	820	99	924
Lottery prizes payable	1,243	—	—	—	1,243
Obligations under lease/purchase and other financing arrangements	—	—	4,522	2,635	7,157
Total noncurrent liabilities	**1,248**	**—**	**5,342**	**2,734**	**9,324**
Total liabilities	**1,815**	**956**	**6,536**	**3,338**	**12,645**
NET ASSETS:					
Invested in capital assets, net of related debt	—	—	91	(611)	(520)
Restricted for:					
Nonexpendable purposes	—	—	166	26	192
Expendable purposes	—	—	558	651	1,209
Unemployment benefits	—	659	—	—	659
Future prizes	91	—	—	—	91
Unrestricted	242	—	272	355	869
Total net assets	**$ 333**	**$ 659**	**$ 1,087**	**$ 421**	**$ 2,500**

See accompanying notes to the basic financial statements.

Statement of Revenues, Expenses and Changes in Fund Net Assets

ENTERPRISE FUNDS

For the Year Ended March 31, 2003

(Amounts in millions)

	Lottery	Unemployment Insurance Benefit	June 30, 2002 SUNY	June 30, 2002 CUNY	Total
OPERATING REVENUES:					
Ticket sales	$ 5,396	$ —	$ —	$ —	$ 5,396
Employer contributions	—	3,911	—	—	3,911
Tuition and fees, net	—	—	620	320	940
Government grants and contracts	—	—	934	383	1,317
Private grants and contracts	—	—	205	79	284
Hospitals and clinics	—	—	1,157	—	1,157
Auxiliary enterprises	—	—	466	10	476
Other	—	—	94	36	130
Total operating revenues	**5,396**	**3,911**	**3,476**	**828**	**13,611**
OPERATING EXPENSES:					
Benefits paid	—	4,590	—	—	4,590
Prizes	3,062	—	—	—	3,062
Commissions and fees	381	—	—	—	381
Educational and general	—	—	3,396	1,569	4,965
Hospitals and clinics	—	—	1,091	—	1,091
Auxiliary enterprises	—	—	469	11	480
Instant game ticket costs	32	—	—	—	32
Depreciation and amortization	—	—	212	91	303
Other	134	—	10	—	144
Total operating expenses	**3,609**	**4,590**	**5,178**	**1,671**	**15,048**
Operating income (loss)	**1,787**	**(679)**	**(1,702)**	**(843)**	**(1,437)**
NONOPERATING REVENUES (EXPENSES):					
Investment earnings	230	17	88	56	391
Other income	1	—	2	3	6
Private gifts,grants,contracts	—	—	38	3	41
Federal and City appropriations	—	—	19	20	39
Net realized and unrealized losses	—	—	(70)	(27)	(97)
Plant and equipment write-off	—	—	(6)	—	(6)
Interest expense	—	—	(230)	(154)	(384)
Other expense	(108)	—	—	—	(108)
Total nonoperating revenues (expenses)	**123**	**17**	**(159)**	**(99)**	**(118)**
Income (loss) before other revenues and transfers	**1,910**	**(662)**	**(1,861)**	**(942)**	**(1,555)**
State transfers	—	—	2,119	676	2,795
Education aid transfer	(1,780)	—	—	—	(1,780)
Capital appropriations	—	—	19	315	334
Capital gifts and grants	—	—	8	—	8
Additions to permanent endowments	—	—	6	5	11
Increase (decrease) in net assets	**130**	**(662)**	**291**	**54**	**(187)**
Net assets—beginning of year, as restated	**203**	**1,321**	**796**	**367**	**2,687**
Net assets—end of year	**$ 333**	**$ 659**	**$ 1,087**	**$ 421**	**$ 2,500**

See accompanying notes to the basic financial statements.

Statement of Cash Flows

ENTERPRISE FUNDS

For the Year Ended March 31, 2003

(Amounts in millions)

	Lottery	Unemployment Insurance Benefit	June 30, 2002 SUNY	June 30, 2002 CUNY	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from:					
Contributions	$ —	$ 3,535	$ —	$ —	$ 3,535
Ticket sales	5,358	—	—	—	5,358
Tuition and fees	—	—	632	316	948
Government grants and contracts	—	—	950	474	1,424
Private grants and contracts	—	—	215	—	215
Hospitals and clinics	—	—	964	—	964
Auxiliary enterprises	—	—	455	10	465
Other	—	—	88	41	129
Payments for:					
Claims	—	(4,573)	—	—	(4,573)
Prizes	(3,186)	—	—	—	(3,186)
Commissions and fees	(441)	—	—	—	(441)
Operating expenses	(109)	—	(4,307)	(1,397)	(5,813)
Other	—	—	(89)	(113)	(202)
Net cash provided (used) by operating activities	**1,622**	**(1,038)**	**(1,092)**	**(669)**	**(1,177)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfer to education	(1,826)	—	—	—	(1,826)
Temporary loan from Federal government	—	863	—	—	863
Repayment of temporary loan from Federal government	—	(4)	—	—	(4)
Government transfers	—	—	1,549	617	2,166
Other, net	—	—	57	7	64
Net cash provided (used) by noncapital financing activities	**(1,826)**	**859**	**1,606**	**624**	**1,263**
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:					
Proceeds from capital debt	—	—	363	66	429
Capital appropriations	—	—	24	315	339
Purchase of capital assets	—	—	(77)	(217)	(294)
Payments to contractors	—	—	(370)	—	(370)
Principal payments on capital leases	—	—	(188)	(136)	(324)
Interest payments on capital leases	—	—	(247)	(154)	(401)
Other, net	—	—	(34)	139	105
Net cash provided (used) by capital financing activities	**—**	**—**	**(529)**	**13**	**(516)**

(Continued)

Statement of Cash Flows (cont'd)

ENTERPRISE FUNDS

For the Year Ended March 31, 2003
(Amounts in millions)

	Lottery	Unemployment Insurance Benefit	June 30, 2002 SUNY	June 30, 2002 CUNY	Total
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest, dividends and realized gains on investments	2	19	72	56	**149**
Proceeds from sales and maturities of investments	221	—	4,700	191	**5,112**
Purchases of investments	(71)	—	(4,777)	(211)	**(5,059)**
Net proceeds from swaps of investment securities	1	—	—	—	**1**
Other cash payments and receipts, net	1	—	—	1	**2**
Net cash provided (used) by investing activities	**154**	**19**	**(5)**	**37**	**205**
Net increase(decrease) in cash and cash equivalents	**(50)**	**(160)**	**(20)**	**5**	**(225)**
Cash and cash equivalents, beginning of year	181	170	572	199	**1,122**
Cash and cash equivalents, end of year	**$ 131**	**$ 10**	**$ 552**	**$ 204**	**$ 897**
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	$ 1,787	$ (679)	$ (1,702)	$ (843)	**$ (1,437)**
Adjustments to reconcile operating income to net cash provided (used) by operating activities:					
Depreciation and amortization	—	—	212	91	**303**
Operating items	—	(842)	574	—	**(268)**
Change in assets and liabilities:					
Receivables, net	(40)	(378)	(255)	(39)	**(712)**
Other assets	—	—	7	(9)	**(2)**
Lottery prizes payable	(154)	—	—	—	**(154)**
Unclaimed and future prizes	33	—	—	—	**33**
Accrued liabilities	(6)	—	70	81	**145**
Deferred revenues	2	—	2	50	**54**
Other payables	—	861	—	—	**861**
Net cash provided (used) by operating activities	**$ 1,622**	**$ (1,038)**	**$ (1,092)**	**$ (669)**	**$ (1,177)**

See accompanying notes to the basic financial statements.

Statement of Fiduciary Net Assets

FIDUCIARY FUNDS

March 31, 2003
(Amounts in millions)

	Pension Trust	Private-Purpose Trusts	Agency
ASSETS:			
Cash and investments	$ —	$ 1,519	$ 4,355
Retirement system investments	95,598	—	—
Receivables, net of allowances for uncollectibles	2,307	90	77
Due from other funds	—	441	206
Other assets	9,309	—	141
Total assets	**107,214**	**2,050**	**$ 4,779**
LIABILITIES:			
Payable to local governments	—	—	$ 2,628
Accrued liabilities	9,841	617	2,050
Accounts payable	—	—	34
Due to other funds	—	—	67
Total liabilities	**9,841**	**617**	**$ 4,779**
NET ASSETS:			
Held in trust for pension benefits and other purposes	**$ 97,373**	**$ 1,433**	

See accompanying notes to the basic financial statements.

Statement of Changes in Fiduciary Net Assets

FIDUCIARY FUNDS

Year Ended March 31, 2003
(Amounts in millions)

	Pension Trust	Private-Purpose Trusts
Additions:		
Investment earnings:		
Investment income	$ 1,671	$ 18
Dividend income	801	25
Securities lending income	171	—
Other income	91	—
Escheated property	—	430
Net unrealized gain on investments	—	13
Total investment earnings	**2,734**	**486**
Less:		
Net realized loss on investments	—	(150)
Net depreciation in fair value of investments	(13,693)	—
Securities lending expenses	(149)	—
Investment expenses	(128)	(5)
Net investment gain (loss)	**(11,236)**	**331**
Contributions:		
College savings	—	685
Employers	652	—
Employees	219	—
Interest on accounts	10	—
Other	100	—
Total contributions	**981**	**685**
Total additions (reductions)	**(10,255)**	**1,016**
Deductions:		
College aid redemptions	—	78
Benefits paid:		
Retirement allowances	4,836	—
Death benefits	148	—
Contributions refunded and other benefits	45	—
Administrative expenses	68	—
Claims paid	—	68
Net transfers to General Fund	—	362
Total deductions	**5,097**	**508**
Net increase (decrease)	**(15,352)**	**508**
Net assets held in trust for pension benefits and other purposes at April 1, 2002, as restated	**112,725**	**925**
Net assets held in trust for pension benefits and other purposes at March 31, 2003	**$ 97,373**	**$ 1,433**

See accompanying notes to the basic financial statements.

Combining Statement of Net Assets

DISCRETELY PRESENTED COMPONENT UNITS

March 31, 2003
(Amounts in millions)

	Major Component Units				
	Power Authority	Thruway Authority	Metropolitan Transportation Authority	Dormitory Authority	Long Island Power Authority
ASSETS:					
Cash and investments	$ 1,757	$ 294	$ 6,128	$ 7,159	$ 610
Receivables, net of allowances for uncollectibles:					
Loans, leases, and notes	—	—	—	25,303	605
Other	645	43	2,574	784	260
Other assets	510	27	2,106	—	245
Intangible assets	—	—	—	—	4,111
Capital assets:					
Land and buildings, net of depreciation	2,510	3,808	23,602	22	3,042
Construction in progress	314	306	5,358	—	—
Total assets	**5,736**	**4,478**	**39,768**	**33,268**	**8,873**
LIABILITIES:					
Accounts payable	—	—	650	214	—
Accrued liabilities	381	114	1,114	792	480
Pension contributions payable	—	—	15	—	—
Deferred revenues	—	27	270	34	—
Notes payable	206	—	52	—	100
Bonds payable	96	536	—	1,178	147
Current portion of other long-term liabilities	—	—	—	—	—
Due in more than one year:					
Accrued liabilities	—	—	61	219	—
Pension contributions payable	—	—	—	—	—
Deferred revenues	159	—	—	—	—
Notes payable	623	—	—	—	—
Bonds payable	1,703	1,045	16,269	29,809	7,268
Deferred gain/loss from refunding debt	—	—	—	—	26
Other long-term liabilities	885	13	4,475	104	863
Total liabilities	**4,053**	**1,735**	**22,906**	**32,350**	**8,884**
NET ASSETS (DEFICITS):					
Invested in capital assets, net of related debt	1,408	2,568	13,891	22	—
Restricted for:					
Debt service	—	80	768	—	—
Other specified purposes	173	72	2,203	833	—
Unrestricted (deficits)	102	23	—	63	(11)
Total net assets (deficits)	**$ 1,683**	**$ 2,743**	**$ 16,862**	**$ 918**	**$ (11)**

See accompanying notes to the basic financial statements.

Major Component Units						
Urban Development Corporation	State Insurance Fund	SONY Mortgage Agency	NYS Housing Finance Agency	Non-Major Component Units	Eliminations	Total
$ 1,447	$ 7,993	$ 1,837	$ 1,087	$ 4,699	$ (3,594)	$ 29,417
5,345	—	3,615	4,734	5,547	(17,518)	27,631
9	244	44	179	375	(107)	5,050
93	22	38	—	60	—	3,101
—	—	—	—	—	—	4,111
32	—	—	—	1,891	—	34,907
—	—	—	—	89	—	6,067
6,926	**8,259**	**5,534**	**6,000**	**12,661**	**(21,219)**	**110,284**
—	—	—	9	16	—	889
339	8,002	165	137	770	(7)	12,287
—	—	—	—	235	—	250
1	381	—	77	91	—	881
9	—	—	—	33	—	400
193	—	73	119	281	(743)	1,880
—	—	—	—	22	—	22
—	—	—	107	45	(63)	369
—	—	—	—	—	—	—
10	—	—	—	167	—	336
42	—	—	—	242	—	907
5,560	—	4,006	5,106	5,554	(20,604)	55,716
—	—	(6)	(14)	—	—	6
369	—	—	4	113	(108)	6,718
6,523	**8,383**	**4,238**	**5,545**	**7,569**	**(21,525)**	**80,661**
32	—	—	—	984	—	18,905
—	—	—	385	18	(2)	1,249
349	—	—	—	3,850	—	7,480
22	(124)	1,296	70	240	308	1,989
$ 403	**$ (124)**	**$ 1,296**	**$ 455**	**$ 5,092**	**$ 306**	**$ 29,623**

Combining Statement of Activities

DISCRETELY PRESENTED COMPONENT UNITS

For the Year Ended March 31, 2003

(Amounts in millions)

	Major Component Units				
	Power Authority	Thruway Authority	Metropolitan Transportation Authority	Dormitory Authority	Long Island Power Authority
Expenses:					
Program operations	$ 1,818	$ 328	$ 5,933	$ 188	$ 1,960
Interest on long-term debt	72	67	558	1,442	287
Other interest	5	—	—	—	24
Depreciation and amortization	176	181	1,135	—	220
Other expenses	—	—	—	17	—
Total expenses	**2,071**	**576**	**7,626**	**1,647**	**2,491**
Program revenues:					
Charges for services	2,060	452	3,912	1,405	2,459
Operating grants and contributions	—	10	117	—	—
Capital grants and contributions	—	32	1,666	—	—
Investment earnings	—	—	—	123	—
Miscellaneous	—	—	141	152	37
Total program revenues	**2,060**	**494**	**5,836**	**1,680**	**2,496**
Net program revenue (expenses)	**(11)**	**(82)**	**(1,790)**	**33**	**5**
General revenues:					
Payments from primary government	—	—	1,445	—	—
Non-State grants and contributions not restricted to specific programs	—	—	699	—	—
Unrestricted investment income	91	2	—	1	15
Miscellaneous	3	—	6	—	—
Total general revenues	**94**	**2**	**2,150**	**1**	**15**
Change in net assets	**83**	**(80)**	**360**	**34**	**20**
Net assets (deficits)—beginning of year	**1,600**	**2,823**	**16,502**	**884**	**(31)**
Net assets (deficits)—end of year	**$ 1,683**	**$ 2,743**	**$ 16,862**	**$ 918**	**$ (11)**

See accompanying notes to the basic financial statements.

Major Component Units

Urban Development Corporation	State Insurance Fund	SONY Mortgage Agency	NYS Housing Finance Agency	Non-Major Component Units	Eliminations	Total
$ 1,294	$ 1,809	$ 35	$ 142	$ 2,385	$ (1)	$ 15,891
302	—	233	191	256	(1,121)	2,287
—	—	—	—	18	(3)	44
—	—	4	—	46	—	1,762
40	—	77	—	16	(1)	149
1,636	**1,809**	**349**	**333**	**2,721**	**(1,126)**	**20,133**
62	1,355	244	223	632	(1,009)	11,795
950	—	128	63	1,235	(95)	2,408
—	—	—	—	352	—	2,050
29	365	69	21	136	—	743
37	39	—	—	392	—	798
1,078	**1,759**	**441**	**307**	**2,747**	**(1,104)**	**17,794**
(558)	**(50)**	**92**	**(26)**	**26**	**22**	**(2,339)**
565	—	—	2	284	(3)	2,293
13	—	—	—	74	(17)	769
—	—	—	—	8	—	117
—	16	—	—	12	(2)	35
578	**16**	**—**	**2**	**378**	**(22)**	**3,214**
20	**(34)**	**92**	**(24)**	**404**	**—**	**875**
383	**(90)**	**1,204**	**479**	**4,688**	**306**	**28,748**
$ 403	**$ (124)**	**$ 1,296**	**$ 455**	**$ 5,092**	**$ 306**	**$ 29,623**

STATE OF NEW YORK

EXCELSIOR

COMPTROLLER

NOTES TO THE BASIC FINANCIAL STATEMENTS

March 31, 2003

Note 1 Summary of Significant Accounting Policies

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

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

a. Reporting Entity

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

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

Blended Component Unit

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

Discretely Presented Component Units

Public Benefit Corporations (Corporations) listed in Note 13 were established by State statute with full corporate powers. The Governor, with the approval of the State Senate, appoints most members of the board of directors of most Corporations and either the Governor or the board of directors selects the chairman and chief operating officer. Corporations generally submit annual reports to the Governor, the Legislature, and the State Comptroller on their operations and finances accompanied by an independent auditor's report thereon. Corporations also submit to the Governor and the Legislature annual budget information on operations and capital construction. The State Comptroller is empowered to conduct financial and management audits of the Corporations. Financial assistance was provided in the fiscal year ended March 31, 2003 to certain Corporations and such assistance is expected to be required in future years. Accordingly, the fiscal condition of the State is related to the fiscal stability of the Corporations. Since the Corporations are legally separate organizations for which the Governor and Legislature are financially accountable, they are discretely presented as component units of the State.

Related Organizations and Joint Ventures

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

b. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

The State reports the following major and other governmental funds:

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

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

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

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

The State reports the following major Enterprise Funds:

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

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

SUNY Fund—accounts for the operation of the State University of New York (SUNY). Information reported in this fund is obtained from the audited financial statements prepared by SUNY for the fiscal year ended June 30, 2002.

CUNY Fund—accounts for the operation of the City University of New York (CUNY) senior colleges. Information reported in this fund is obtained from the audited financial statements prepared by CUNY for the fiscal year ended June 30, 2002.

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

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

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

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

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

Additionally, the State includes discretely presented component units:

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

d. Cash and Investments

Cash balances of funds held in the State Treasury are commingled in a general checking account and several special purpose bank accounts. The available cash balance in the general checking account beyond immediate need is pooled for short-term investment purposes. The balances pooled are limited to legally stipulated investments, which are reported at cost, including accrued interest, which approximates fair value. Non-interest bearing compensating balances of $2.6 billion is included in cash and investments at March 31, 2003. At various times during the year, compensating balances could be substantially higher. Cash balances not held in the State Treasury and controlled by various State officials are generally deposited in interest-bearing accounts or other legally stipulated investments. Additional information about the State's cash and investments is provided in Note 2.

Generally, for purposes of reporting cash flows, cash includes cash and cash equivalents. Cash equivalents are composed of highly liquid assets with maturities of 90 days or less. The Enterprise Funds Statement of Cash Flows uses the direct method of reporting cash flows. All investments with a maturity of more than a year are recorded on the Statement of Net Assets and the balance sheet at fair value and all investment income, including changes in the fair value of investments, is reported as revenue. Investments of the short-term investment pool have a maturity of one year or less and are recorded at cost. Fair values were determined using market values at March 31, 2003.

e. Receivables

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

Additional information about receivables is provided in Note 4.

f. Internal Balances

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

g. Other Assets

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

h. Capital Assets

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

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

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

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

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

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

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

Capital assets in Business-type activities and Enterprise Funds are from SUNY and CUNY. These capital assets are stated at cost, or in the case of gifts, fair value at the date of receipt. SUNY capitalizes building renovations and additions costing over $100 thousand and equipment items with a unit cost of more than $5 thousand. CUNY capitalizes renovations and improvements that significantly increase the value or extends the useful lives of the structures and equipment with a cost of more than $5 thousand and useful lives of two or more years. SUNY and CUNY report artwork, historical treasures and library books with a unit cost of more than $5 thousand. SUNY and CUNY capital assets, with the exception of land, construction in progress and works of art and historical treasures, are depreciated on a straight-line basis over their estimated useful lives ranging from 3 to 50 years.

i. Long-Term Obligations

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

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

j. Compensated Absences

The estimated vacation leave liability at March 31, 2003 is $659 million and represents a decrease of $85 million over the prior year. State employees accrue vacation leave based primarily on the number of years employed up to a maximum rate of 25 days a year, but may accumulate no more than a maximum of 40 days.

SUNY employees accrue vacation leave based primarily on the number of years employed up to a maximum rate of 21 days per year and may accumulate no more than a maximum of 40 days. CUNY employees accrue vacation leave based upon the number of years employed, with the maximum accumulation generally ranging from 45 to 50 days. The liability for vacation leave approximated $169 million and $44 million for SUNY and CUNY, respectively, at June 30, 2002.

State, SUNY, and CUNY employees earn sick leave credits that are considered termination payments. Sick leave credits earned by State and SUNY employees may be used to pay the employees' share of post-retirement health insurance premiums. CUNY employees may receive payments of up to 50% of the value of their accumulated sick leave as of the date of retirement from CUNY. The sick leave liability for State employees is $1.005 billion and represents a decrease of $40 million from the prior year. SUNY and CUNY reported a liability of $356 million and $30 million, respectively, for sick leave credits in accrued liabilities.

k. Lease Accounting

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

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

l. State Lottery

The State Lottery is accounted for within an Enterprise Fund. The revenues, administrative costs, aid to education and expenses for amounts allocated to prizes are reported in an Enterprise Fund. Uncollected ticket sales at March 31, 2003 are accrued. Prize monies to meet long-term prize payments are invested in United States government-backed obligations that are recorded at fair value. Lottery prize liabilities are recorded at a discounted value equivalent to the related investments. At March 31, 2003, the prize liabilities of approximately $2.3 billion were reported at a discounted value of approximately $1.5 billion (at interest rates ranging from 1.13% to 13.55%).

m. Restricted Net Assets

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

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

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

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

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

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

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

n. Reservations of Fund Balance

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

Encumbrances

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

Debt Service

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

Tax Stabilization

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

Other Specified Purposes

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

o. Post-Retirement Benefits

In addition to providing pension benefits, the State is statutorily required to provide health insurance coverage and survivor benefits for retired employees and their survivors. Substantially all of the State's employees may become eligible for these benefits if they reach normal retirement age while working for the State. Health care benefits are provided through plans whose premiums are based on the benefits paid during the year. The cost of providing post-retirement benefits is shared between the State and the retired employee. The State recognizes the cost of providing health insurance by recording its share of insurance premiums ($600 million for 107,482 retirees and their dependents) as an expenditure in the General Fund in the year paid. Additionally, the survivor's benefit program provides for a death benefit to be paid by the State to a retiree's designated beneficiary. During the year, approximately $10 million was paid on behalf of 3,401 retirees and recorded as an expenditure in the General Fund.

p. Deficit Fund Balances

As of March 31, 2003, fund deficits were reported in the following Capital Projects Funds: the Dedicated Highway and Bridge Trust Fund ($503 million), the Housing Program Fund ($77 million) and the Department of Transportation Engineering Services Fund ($167 million). The deficits related to the Capital Projects Funds are the result of differences in cash flow timing relating to the reimbursement of capital project costs and contractual commitments from bond proceeds and are routinely resolved during subsequent fiscal years.

q. Estimates

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

r. Accounting Changes and Restatements

The State adopted several new accounting standards issued by the GASB during the fiscal year ended March 31, 2003:

GASBS No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, and GASBS No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus;* GASBS No. 34, as amended by GASBS No. 37, establishes new financial reporting standards for state and local governments. This statement significantly changes the financial reporting model used by state and local governments by requiring both government-wide and fund financial statements. The government-wide financial statements are prepared using the accrual basis of accounting and the economic resources measurement focus.

GASBS No. 35, *Basic Financial Statements—and Management's Discussion and Analysis—for Public Colleges and Universities*; GASBS No. 35 establishes, in accordance with the reporting guidelines prescribed by GASBS No. 34, accounting and financial reporting standards for public colleges and universities. SUNY and CUNY, reported as Enterprise Funds, have adopted GASBS No. 35.

GASBS No. 38, *Certain Financial Statement Note Disclosures;* GASBS No. 38 requires certain note disclosures upon the adoption of GASBS No. 34. Note disclosures have been added or amended which include descriptions of activities of the major funds, violations of legal or contractual provisions, future debt service, and lease obligations in five-year increments, short-term obligations, interest rates, and interfund balances and transactions.

GASB Interpretation 6, *Recognition and Measurement of Certain Liabilities and Expenditures in the Governmental Fund Financial Statements;* GASB Interpretation 6 clarified that certain liabilities are not recognized as governmental fund liabilities until they actually mature and require payment. Before Interpretation 6 was implemented, for example the State reported governmental fund liabilities differently for workers' compensation, certain Federal disallowances, Medicaid rate appeals and litigation based on an estimate of amounts payable within one year of the balance sheet date. Implementation of GASB Interpretation 6 in the governmental funds resulted in prior period adjustments totaling $1.302 billion, including $408 million in the General Fund.

The following table (amounts in millions) summarizes changes to fund balance and net assets previously reported as a result of adopting the new accounting standards and changes in presentation described above. For the governmental funds, implementation of GASBS 34, 35, and 37 resulted in a fund reclassification of $837 million.

	March 31, 2002 as Previously Stated	Fund Reclassifications	Prior Period Adjustments	March 31, 2002 as Restated
FUND BALANCES:				
Governmental funds:				
Major funds:				
General	$ 493	$ —	$ 408	$ 901
Federal special revenue	2	—	—	2
Total major funds	**495**	**—**	**408**	**903**
Non-major funds	4,630	837	894	6,361
Total governmental funds	**5,125**	**837**	**1,302**	**7,264**
NET ASSETS:				
Governmental activities:				
Capital assets, net of depreciation	—	—	75,021	75,021
Federal receivables	—	—	59	59
Revenue recognition	—	—	929	929
Tax refunds payable	—	—	(458)	(458)
Pension contributions	—	—	(46)	(46)
Payable to local governments	—	—	(781)	(781)
Accrued liabilities	—	—	(4,193)	(4,193)
Obligations under lease/purchase and other financing	—	—	(25,066)	(25,066)
Long-term bonds payable	—	—	(4,142)	(4,142)
Capital leases	—	—	(221)	(221)
Debt accruals	—	—	(687)	(687)
Total governmental activities	**$ —**	**$ —**	**$ 40,415**	**$ 40,415**
Total governmental funds and activities				**$ 47,679**
Business-type activities—Enterprise funds:				
Lottery	$ —	$ 203	$ —	$ 203
Unemployment insurance benefits	—	1,321	—	1,321
SUNY	—	796	—	796
CUNY	—	367	—	367
Total business-type activities—enterprise funds	**$ —**	**$ 2,687**	**$ —**	**$ 2,687**
FUND BALANCES:				
Fiduciary funds:				
Pension trust	$ 112,725	$ —	$ —	$ 112,725
Private purpose	—	925	—	925
Expendable trust	2,282	(2,282)	—	—
Non-expendable trust	19	(19)	—	—
Total fiduciary funds	**$ 115,026**	**$ (1,376)**	**$ —**	**$ 113,650**

s. World Trade Center

In response to the World Trade Center attacks of September 11, 2001, $8.8 billion in Federal assistance was provided to New York through the Federal Emergency Management Agency (FEMA). The majority of these funds will reimburse costs of the State and the City of New York deemed eligible under the Stafford Act, which governs traditional disaster relief provided by FEMA. At March 31, 2003, a cumulative amount of

$1.9 billion has been recognized on a GAAP basis for costs under the Stafford Act ($983 million in 2002 and $913 million in 2003). In addition, portions of the $8.8 billion will be made available to fund lower Manhattan mass transportation infrastructure replacement caused by the September 11th attacks, to fund a captive insurance policy, to reimburse FEMA for costs incurred in responding to the attacks, and other miscellaneous allocations. Congress provided FEMA additional flexibility in responding to the September 11th disaster by enacting the 2003 Omnibus Appropriations Act (P.L. 108-7), to permit reimbursement of "associated costs" not eligible under the Stafford Act. Amounts remaining after all Stafford Act claims have been made and the other allocations are deducted will be used to fund the "associated costs". The amount expected to be claimed under the Omnibus language is not currently measurable, as Stafford Act claims continue to be processed and the amount that other parties are entitled to is unknown.

Note 2 Cash and Investments

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

Cash

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

For demand accounts, checking accounts, or Certificates of Deposits, the State requires that its depository banks pledge collateral or provide a surety bond based on actual and average daily available bank balances. All securities pledged as collateral are held by the State's fiscal agent in the name of the State and are valued on a monthly basis. Surety bonds will be accepted only from AAA rated insurance companies. The use of average daily available balances to determine collateral requirements may result in the available balances being under-collateralized at various times during the fiscal year. The State's cash management policy is to invest all major revenues as soon as the monies are available within the banking system which limits under-collateralization. The State's deposits with financial institutions were fully collateralized (carrying amount of account balance was $2.3 billion and the average available bank balance was $1.1 billion; the total amount of Certificates of Deposits on deposit was $2.9 billion. Total securities held by the State's fiscal agent was $4 billion and a surety bond in the amount of $50 million was used as collateral) at fiscal year-end, except for accounts with a total book balance of $272 million, and bank balance of $189 million. The bank balance of $189 million was uninsured and uncollateralized.

Investments

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

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

	Category			Reported	Fair
	1	2	3	Amount	Value
Government securities	$ 3,693	$ 592	$ 2,482	$ 6,767	$ 7,015
Repurchase agreements	1,800	1,837	73	3,710	3,806
Commercial paper	19	—	20	39	39
Corporate bonds/notes	1,362	—	—	1,362	1,363
Other	277	—	436	713	740
Total	**$ 7,151**	**$ 2,429**	**$ 3,011**	**12,591**	**12,963**
Investments not subject to categorization:					
Mutual funds				1,348	1,348
Total investments				**$ 13,939**	**$ 14,311**

Disclosures relating to risk and type of investment as presented above report positions held as of March 31, 2003. See Note 12 for disclosures relating to credit risks for investments of the State and Local Retirement Systems.

Also included in the accompanying basic financial statements are securities which either were not acquired for investment purposes or cannot be classified or categorized. Employers seeking self-insurer status for workers' compensation purposes may deposit securities specified by Section 235 of the New York State Banking Law with the chairman of the Workers' Compensation Board. The State holds these securities (carrying amount $49 million, which approximates fair value) only as an agent for the employers. Securities, which are unclaimed at financial institutions, are transferred periodically to the State and are held temporarily by the State until they can be liquidated. The securities or proceeds can be claimed by the owners under established procedures. These securities had a carrying amount and fair value of $90 million at March 31, 2003. The State holds cash and securities deposited by contractors in lieu of retainage on contract payments (carrying amount and fair value of $90 million). SUNY has investments for endowment and similar funds of approximately $656 million (Category 1) comprised of mutual funds, equities and non-equities of $71 million, $333 million and $252 million, respectively. CUNY has investments in mutual funds and amounts held by the Dormitory Authority of $2 million and $72 million, respectively. In addition, CUNY lends certain securities to broker-dealers and other entities under a contractual agreement with its custodian. In exchange for the securities loaned, CUNY receives collateral, which has an underlying fair value in amounts not less than 102% of securities lent. The custodian may invest the cash collateral in U.S. Government securities or repurchase agreements, which are fully collateralized by U.S. Government securities, high grade corporate obligations, high grade asset-backed securities or domestic money market instruments (carrying amount and fair value of $10 million) (Category 3). CUNY cannot pledge or sell any of the collateral received unless the borrower defaults. At June 30, 2002, CUNY had no credit risk resulting from securities lending transactions.

Note 3 Taxes Receivable and Tax Refunds Payable

Taxes Receivable

Taxes receivable represent amounts owed by taxpayers for the 2002 calendar year and the first quarter of the 2003 calendar year, including assessments for underpayments, penalties and interest. Taxes receivable are accrued when they become both measurable and available based on actual collections or estimates of amounts to be collected during the next 12 months.

Personal income tax (PIT) revenues are reported as income as earned by the taxpayers. The primary components of the PIT receivable are the estimated and withholding payments that relate to the first quarter of the 2003 calendar year, payments with final returns which relate to the 2002 calendar year, and assessments which relate to prior tax periods.

Consumption and use tax revenues are reported in the fiscal period when the sale is made. The principal component of this receivable is sales tax receivables which include sales tax due through March 31, 2003 and assessments which relate to prior tax periods.

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

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

Taxes receivable at March 31, 2003 are summarized as follows (amounts in millions):

	General Fund	Other Governmental Funds	Total Governmental Activities
Personal income	$ 3,140	$ 1,047	$ 4,187
Consumption and use	568	293	861
Business	172	48	220
Other	497	33	530
Subtotal	**4,377**	**1,421**	**5,798**
Allowance for uncollectibles	(126)	(36)	(162)
Total	**$ 4,251**	**$ 1,385**	**$ 5,636**

Tax Refunds Payable

Tax refunds payable primarily represent amounts owed to taxpayers because of overpayments of their 2002 calendar year and first quarter 2003 calendar year tax liabilities. Tax refunds payable, which reduce respective tax revenues, are accrued to the extent they are measurable based on payments and estimates. The amount of PIT refunds payable is comprised of estimates of overpayments of the first calendar quarter (2003) tax liability and payments of 2002 calendar and prior year refunds. The remaining portion of tax refunds payable is comprised of payments made subsequent to the end of the fiscal year and estimates of the refund liability.

Tax refunds payable at March 31, 2003 are summarized as follows (amounts in millions):

	Current			
	General Fund	Other Governmental Funds	Total Governmental Activities	Due in More Than One Year
Personal income	$ 2,740	$ 912	$ 3,652	$ 245
Consumption and use	41	35	76	134
Business	834	103	937	103
Other	42	1	43	18
Total	**$ 3,657**	**$ 1,051**	**$ 4,708**	**$ 500**

Note 4 Other Receivables

Other receivables at March 31, 2003 are summarized as follows (amounts in millions):

	General	Other Governmental Funds	Total Governmental Activities
Governmental activities:			
Other receivables:			
Public health/patient fees	$ —	$ 470	$ 470
Tobacco settlement	—	334	334
Port Authority NY & NJ	432	—	432
Other	89	472	561
Gross—other receivables	521	1,276	1,797
Allowance for uncollectibles	(10)	(319)	(329)
Total other receivables	**$ 511**	**$ 957**	**$ 1,468**

	Lottery	Unemployment Insurance Benefit	SUNY	CUNY	Total Business-type Activities
Business-type activities:					
Other receivables:					
Ticket sales, net	$ 326	$ —	$ —	$ —	$ 326
Public health/patient fees	—	—	708	—	708
Student loans	—	—	153	30	183
Contributions	—	1,527	—	—	1,527
Benefit overpayments	—	170	—	—	170
State agencies/municipalities	—	28	—	—	28
Other	—	6	300	209	515
Gross—other receivables	326	1,731	1,161	239	3,457
Allowance for uncollectibles	(1)	(136)	(350)	(5)	(492)
Total other receivables	**$ 325**	**$ 1,595**	**$ 811**	**$ 234**	**$ 2,965**

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

Pursuant to an agreement with the Port Authority of New York and New Jersey, the State sold its lease rights in office space in return for a series of payments to the State over a period of 30 years (see Note 14). A receivable for $432 million has been recorded in the General Fund: $18 million current; $414 million long-term. The $414 million in long-term receivable is offset by a like amount in deferred revenue.

Note 5 Capital Assets

Capital asset activity for the year ended March 31, 2003 was as follows (amounts in millions):

	Balance April 1, 2002	Additions	Retirements	Balance March 31, 2003
Governmental activities:				
Depreciable assets:				
Buildings and building improvements...	$ 6,959	$ 1,308	$ 70	$ 8,197
Land improvements	316	10	1	325
Infrastructure	—	12	—	12
Equipment	586	89	33	642
Total depreciable assets	**7,861**	**1,419**	**104**	**9,176**
Less accumulated depreciation:				
Buildings and building improvements	(3,511)	(228)	(40)	(3,699)
Land improvements	(220)	(10)	(1)	(229)
Equipment	(354)	(45)	(28)	(371)
Total accumulated depreciation	**(4,085)**	**(283)**	**(69)**	**(4,299)**
Total depreciable assets, net	**3,776**	**1,136**	**35**	**4,877**
Non-depreciable assets:				
Land	3,008	124	7	3,125
Land preparation	2,597	70	—	2,667
Construction in progress (buildings).	1,210	316	634	892
Construction in progress (roads and bridges)	2,023	647	743	1,927
Infrastructure (roads and bridges)	62,407	727	385	62,749
Total non-depreciable assets	**71,245**	**1,884**	**1,769**	**71,360**
Governmental activities, capital assets, net	**$ 75,021**	**$ 3,020**	**$ 1,804**	**$ 76,237**

	Balance July 1, 2001	Additions	Retirements	Balance June 30, 2002
Business-type activities:				
State University of New York:				
Depreciable assets:				
Infrastructure and land improvements	$ 380	$ 41	$ 1	$ 420
Buildings	3,951	297	19	4,229
Equipment, library books, artwork	1,467	129	50	1,546
Total depreciable assets	**5,798**	**467**	**70**	**6,195**
Less: accumulated depreciation:				
Infrastructure & land improvements	(259)	(10)	—	(269)
Buildings	(2,087)	(97)	(16)	(2,168)
Equipment and library books	(1,056)	(102)	(46)	(1,112)
Total accumulated depreciation	**(3,402)**	**(209)**	**(62)**	**(3,549)**
Total depreciable assets, net	**2,396**	**258**	**8**	**2,646**
Non-depreciable assets:				
Land	173	21	—	194
Construction in progress	706	337	332	711
Total non-depreciable assets	**879**	**358**	**332**	**905**
Total capital assets, net	**$ 3,275**	**$ 616**	**$ 340**	**$ 3,551**

	Balance July 1, 2001	Additions	Retirements	Balance June 30, 2002
City University of New York:				
Depreciable assets:				
Buildings and building improvements	$ 1,824	$ 297	$ 2	$ 2,119
Land improvements	49	—	—	49
Equipment	288	21	20	289
Infrastructure	2	—	—	2
Total depreciable assets	**2,163**	**318**	**22**	**2,459**
Less: accumulated depreciation:				
Buildings and building improvements	(836)	(60)	(1)	(895)
Land improvements	(42)	(2)	—	(44)
Equipment	(217)	(25)	(2)	(240)
Infrastructure	(2)	—	—	(2)
Total accumulated depreciation	**(1,097)**	**(87)**	**(3)**	**(1,181)**
Total depreciable assets, net	**1,066**	**231**	**19**	**1,278**
Non-depreciable assets:				
Land	206	—	—	206
Construction in progress	733	166	245	654
Artwork and historical treasures	6	—	—	6
Total non-depreciable assets	**945**	**166**	**245**	**866**
Total capital assets, net	**$ 2,011**	**$ 397**	**$ 264**	**$ 2,144**

For fiscal year 2003, depreciation expense was charged to the following governmental functions (amounts in millions):

	Governmental Activities
Allocation of depreciation:	
General government	$ 38
Public safety	118
Public welfare	8
Support/regulate business	1
Environment/recreation	9
Education	2
Public health	86
Transportation	21
Total depreciation expense	**$ 283**

For fiscal year 2002, depreciation expense was charged to the following business-type functions (amounts in millions):

	Business-type Activities
SUNY	$ 209
CUNY	87
Total depreciation expense	**$ 296**

Note 6 Bonds Payable

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

Purpose	Outstanding April 1, 2002	Issued	Redeemed	Outstanding March 31, 2003
Accelerated capacity and transportation improvements of the nineties	$ 1,304	$ 3	$ 135	$ 1,172
Clean water/clean air	758	208	46	920
Environmental quality:				
Land acquisition	141	1	12	130
Solid waste management	682	25	39	668
Environmental quality protection:				
Air	34	—	3	31
Land and wetlands	93	6	11	88
Water	249	—	23	226
Higher education	6	—	4	2
Housing:				
Low income	152	—	14	138
Middle income	76	—	4	72
Urban renewal	1	—	—	1
Outdoor recreation development	1	—	—	1
Pure waters	205	—	25	180
Rail preservation	64	—	8	56
Transportation capital facilities:				
Mass transportation	144	—	27	117
Aviation	72	—	9	63
Energy conservation through improved transportation	75	1	19	57
Rebuild New York—transportation infrastructure renewal:				
Highways, parkways, bridges	12	—	3	9
Ports, canals, waterways	5	—	1	4
Rapid transit, rail, aviation	68	—	7	61
Total	**$ 4,142**	**$ 244**	**$ 390**	**$ 3,996**

Debt service expenditures related to the above variable rate general obligation bonds during the year were $571 million. Debt service requirements for variable rate issues were calculated at rates in effect at March 31, 2003. Debt service requirements for fixed rate issues was calculated based upon actual rates ranging from 1% to 12%. The total amount of general obligation bonds authorized but not issued at March 31, 2003 was $1.151 billion. At March 31, 2003, approximately $241 million of bonds defeased by refunding transactions in prior years remain outstanding. The assets and liabilities related to these bonds are not reported in the accompanying basic financial statements.

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

Fiscal Year	Principal	Interest	Total
2004	$ 349	$ 170	$ 519
2005	322	153	475
2006	315	137	452
2007	320	121	441
2008	315	106	421
2009-2013	1,322	340	1,662
2014-2018	730	120	850
2019-2023	211	32	243
2024-2028	69	12	81
2029-2033	43	3	46
Total	**$ 3,996**	**$ 1,194**	**$ 5,190**

Debt service requirements on approximately $559 million in general obligation variable rate bonds is calculated using the variable rates in effect as of March 31, 2003. Debt service requirements on $220 million of General Obligation variable rate bonds in commercial paper mode is calculated at the rate most recently remarketed at March 31, 2003.

Note 7 Obligations Under Lease/Purchase and Other Financing Arrangements

Governmental Activity Debt

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

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

In 2001 the State enacted legislation providing for the issuance of State Personal Income Tax Revenue Bonds to be issued by several State public benefit corporations. The legislation provides that 25% of personal income tax receipts, excluding refunds owed to taxpayers and deposits to the Other Governmental Funds (School Tax Assistance Relief Fund), be deposited to Other Governmental Funds (Revenue Bond Tax Fund which is a subfund of the General Obligation Debt Service Fund) for the purpose of making debt service payments on these bonds with excess amounts returned to the General Fund. The legislation requires that personal income tax receipts continue to be deposited to Other Governmental Funds (Revenue Bond Tax Fund) until amounts on deposit in the Fund equal the greater of 25% of annual personal income tax receipts or $6 billion. Amounts in excess of that needed for current debt service is subsequently transferred to the General Fund. The first Personal Income Tax Revenue Bonds were issued on May 9, 2002 and approximately $2.4 billion were issued through March 31, 2003.

In past years certain payments due to the State's local government units in the first quarter of the State's fiscal year exceeded available State funds. To meet these payments in the past, the State issued short-term tax and revenue anticipation notes called the annual Spring Borrowing. The New York Local Government Assistance Corporation (Corporation) was established in 1990 to issue up to $4.7 billion in long-term debt to finance certain local assistance aid payments plus amounts necessary to fund a capital reserve fund and other issuance costs. Issuance of the entire $4.7 billion bond authorization as of March 31, 1996 eliminated the need for the State's annual Spring Borrowing. Pursuant to the legislation establishing the Corporation, the State deposits an amount equal to a 1% rate of taxation of the total State sales and use tax collected into Other Governmental Funds (Local Government Assistance Tax Fund) to make payments to the Corporation for debt service on its bonds and other expenses of the corporation. Amounts in excess of the Corporation's needs are subsequently transferred to the General Fund. Payments to the Corporation are subject to annual appropriations by the Legislature. The Corporation's bondholders do not have a lien on monies deposited in the Local Government Assistance Tax Fund. Under current State statute, any issuance of bonds by the Corporation in the future will be for refunding purposes only.

The Corporation's general bond resolution requires that one or more capital reserve accounts be established and funded in an amount equal on an amortized cost basis to the maximum amount of principal, sinking fund installments or redemption price of and interest on all bonds outstanding or on any related reimbursement obligations, coming due during the then current or any succeeding fiscal year. The Corporation may also fund a capital reserve account with a surety bond or other similar instrument. The Corporation has established two separate capital reserve funds to support bonds based upon the priority of their lien against funds of the Corporation—bonds holding a first lien (Senior Lien) and bonds holding a subordinate lien (Subordinate Lien). The Senior Lien capital reserve fund requirement is met by a surety bond of $170 million, expiring on April 1, 2021, and cash and investments with an amortized cost of $188.2 million. The Senior Lien Capital Reserve Account had investments which have been reported in the financial statements at their fair value of $188.3 million. The Subordinate Lien capital reserve fund requirement is met by cash and investments with an amortized cost of $49.9 million. The Subordinate Lien Capital Reserve Account had investments which have been reported in the financial statements at their fair value of $49.9 million. The cash and investments of both the Senior Lien and Subordinate Lien Capital Reserve Accounts are reported as a part of cash and investments in the Other Governmental Funds with a corresponding reservation of fund balance.

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

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

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

Issuer	Outstanding April 1, 2002	Issued	Redeemed	Outstanding March 31, 2003
Public Benefit Corporations (PBCs):				
Dormitory Authority	$ 5,421	$ 414	$ 392	$ 5,443
Environmental Facilities Corporation	279	164	34	409
Energy Research & Development Authority	67	—	12	55
Housing Finance Agency	958	440	223	1,175
Local Government Assistance Corporation	4,621	1,350	1,395	4,576
Metropolitan Transportation Authority	1,840	2,395	1,840	2,395
Triborough Bridge & Tunnel Authority	316	—	24	292
Thruway Authority	7,133	1,965	1,690	7,408
Urban Development Corporation	4,274	2,705	1,750	5,229
Total PBCs	**24,909**	**9,433**	**7,360**	**26,982**
Certificates of Participation	157	—	95	62
Total	**$ 25,066**	**$ 9,433**	**$ 7,455**	**$ 27,044**

Debt service expenditures for the aforementioned obligations during the year were $2.4 billion. These expenditures were financed primarily by the revenues reported in the governmental funds, and transfers from the General Fund (see Note 9).

Certain of the underlying bond indentures and the Certificates of Participation require the maintenance of various reserves. Such amounts $5.6 million are reported as cash of the appropriate Other Governmental Funds with a corresponding reservation of fund balance.

Following is a summary of the future minimum rental payments for lease/purchase and contractual obligation financing arrangements including interest at rates ranging from 1.5% to 9.9% (amounts in millions):

Fiscal Year	Principal	Interest	Net Swap Amount	Total
2004	$ 1,088	$ 1,282	$ 46	$ 2,416
2005	1,280	1,234	53	2,567
2006	1,328	1,177	53	2,558
2007	1,290	1,138	53	2,481
2008	1,281	1,085	53	2,419
2009-2013	6,513	4,252	261	11,026
2014-2018	6,322	2,479	239	9,040
2019-2023	4,998	1,078	131	6,207
2024-2028	2,014	414	36	2,464
2029-2033	868	91	2	961
Total	**$ 26,982**	**$ 14,230**	**$ 927**	**$ 42,139**

Future debt service is calculated using rates in effect at March 31, 2003 for variable rate bonds. The net Swap payment amounts were calculated by subtracting the future variable rate interest payment subject to Swap agreements from the synthetic fixed rate amount intended to be achieved by the Swap agreements.

The actual amount of net Swap payments is affected by changes in a published index—The London Interbank Offer Rate (LIBOR). At March 31, 2003, this index was outside a favorable range for the Public Benefit Corporations and if this condition were to continue the effect would be to require the Corporations to make net Swap payments greater than the amounts shown above.

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

Fiscal Year	Principal	Interest	Total
2004	$ 52	$ 2	$ 54
2005	7	1	8
2006	2	—	2
2007	1	—	1
Total	**$ 62**	**$ 3**	**$ 65**

The State is also committed under numerous capital leases covering EDP and telecommunications equipment. Debt service expenditures for these obligations during the year were $40 million. Included with these capital leases are several real property capital leases which will require principal payments in the amount of $173 million and interest payments in the amount of $125 million throughout the lives of the leases. Following is a summary of the principal and interest payments, some of which are financed by transfers from the General Fund, for the remaining lease periods of these capital leases (amounts in millions):

Fiscal Year	Principal	Interest	Total
2004	$ 15	$ 10	$ 25
2005	10	9	19
2006	10	9	19
2007	10	8	18
2008	9	8	17
2009-2013	23	32	55
2014-2018	31	25	56
2019-2023	35	16	51
2024-2028	31	7	38
2029-2033	7	—	7
Total	**$ 181**	**$ 124**	**$ 305**

During the fiscal year ended March 31, 2003, the State, acting through its public authorities, refunded $6.027 billion in existing fixed rate bonds related to lease/purchase and other financing arrangements by issuing nine refunding bonds with a par of $6.358 billion at a $206 million premium and releasing a net amount of $57 million from capital reserves. The result will cost an estimated $578 million in future cash flow with an estimated present value gain of $376 million. The accounting loss of $383 million has been deferred and will be amortized into future interest expense. The impact of the refunding issues is presented in the following table (amounts in millions):

Issue Description	Refunding Amount	Refunded Amount	Cash Flow Gain (Loss)	Present Value Gain
Housing Finance Agency Service Contracts 2003A, 2003B, 2003C and 2003D	$ 210	$ 195	$ 32	$ 23
Local Government Assistance Corporation Series 2003A	1,350	1,302	201	190
MTA Service Contracts	1,716	1,578	(969)	19
Thruway Authority Local Highway and Bridge Service Contracts 2002	650	641	26	21
Thruway Authority Local Highway and Bridge Service Contracts 2002 C	628	632	19	13
New York State Urban Development Corporation Correctional and Youth Facilities Series 2002A, 2002B and 2002C	1,804	1,679	113	110
Total	**$ 6,358**	**$ 6,027**	**$ (578)**	**$ 376**

Included in the refunding issues outlined in the above table, the State, acting through its public authorities, issued a total of $2.21 billion par amount of new variable rate bonds to advance refund existing fixed rate debt service. This amount, which is subject to interest rate Swaps, consists of refunding issues by the Housing Finance Agency, Local Government Assistance Corporation, and the New York State Urban Development Corporation. In separate but simultaneous transactions executed as part of the plan of refunding these public authorities entered into Interest Rate Exchange Agreements to exchange or Swap its new variable rate debt service for effectively fixed rate debt service. The effect of these transactions combined was to lower estimated future debt service and to limit the authorities' exposure to effects of market interest rate changes on variable rate debt. The Housing Finance Agency refunded $195 million in fixed rate bonds with $210 million par in variable interest rate bonds requiring lower estimated payments at effectively fixed rates. This transaction resulted in an estimated $32 million in future cash flows and a present value gain of $31 million. The Local Government Assistance Corporation refunded $1.302 billion in fixed rate bonds with $1.350 billion in bonds which included $1 billion in variable rate bonds requiring lower estimated debt service at effectively fixed rates. At the time of this transaction, this resulted in an estimated $201 million in future cash flows and an estimated present value gain of $190 million. Urban Development Corporation refunded $1.679 billion in bonds with $1.804 billion par including $1 billion par in variable rate bonds requiring lower estimated debt service at effectively fixed rates. The result of this transaction is an estimated cash flow gain of $113 million and an estimated present value gain of $110 million. Actual future cash flow savings and present value savings may be either more or less due to unfavorable future conditions including the unscheduled termination of one or more of the Swaps, greater than anticipated net Swap payments required by unfavorable circumstances effecting the Swaps, and risks that a counter party to the Swap may fail to perform. At March 31, 2003 market conditions required the authorities to make net Swap payments that exceeded amounts anticipated in the calculation of cash flow savings and present value savings above.

In prior years, the State refunded certain of its Obligations Under Lease/Purchase and Other Financing Arrangements. At March 31, 2003, approximately $3.2 billion of such obligations were outstanding. The assets and liabilities related to these obligations are not reported in the accompanying basic financial statements.

Business-type Activity Debt

The State has issued bonds for the State University of New York and the City University of New York Senior Colleges (the Universities) educational facilities through the Dormitory Authority. Such debt totaling $6.9 billion is funded by payments from the State's General Fund. The remainder of the debts of the Universities ($612 million) is funded from student fees and other operating aid paid by the State.

The following represents June 30, 2002 year-end principal balances for SUNY and CUNY lease/purchase and other financing arrangements (amounts in millions):

	Outstanding July 1, 2001	Issued	Redeemed	Outstanding June 30, 2002
Dormitory Authority:				
SUNY Educational Facilities	$ 4,096	$ 251	$ 135	$ 4,212
SUNY Dormitory Facilities	349	99	22	426
CUNY Education Facilities	2,673	148	156	2,665
Total DASNY	**7,118**	**498**	**313**	**7,303**
SUNY Capital Lease Commitments	55	13	26	42
SUNY Certificates of Participation	16	—	8	8
CUNY Capital Lease Commitments	5	—	—	5
CUNY Certificates of Participation	145	—	14	131
Total (See Note 8)	**$ 7,339**	**$ 511**	**$ 361**	**$ 7,489**

The following is a summary of future minimum debt service payments on the bonds issued by the Dormitory Authority for the Universities including interest rates ranging from 1.4% to 10% (amounts in millions):

Fiscal Year Ending June 30	SUNY Principal	SUNY Interest	CUNY Principal	CUNY Interest	Total Principal	Total Interest
2003	$ 147	$ 255	$ 107	$ 163	$ 254	$ 418
2004	164	254	101	159	265	413
2005	167	251	107	149	274	400
2006	167	247	117	137	284	384
2007	172	241	120	130	292	371
2008-2012	941	1,073	603	540	1,544	1,613
2013-2017	1,261	608	645	353	1,906	961
2018-2022	839	310	437	188	1,276	498
2023-2027	514	140	340	78	854	218
2028-2032	266	27	88	10	354	37
Total	**$ 4,638**	**$ 3,406**	**$ 2,665**	**$ 1,907**	**$ 7,303**	**$ 5,313**

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

Fiscal Year Ending June 30	SUNY Principal	SUNY Interest	CUNY Principal	CUNY Interest	Total Principal	Total Interest
2003	$ 18	$ 2	$ 14	$ 7	$ 32	$ 9
2004	11	1	15	6	26	7
2005	7	1	15	5	22	6
2006	4	—	17	5	21	5
2007	1	—	17	4	18	4
2008-2012	4	1	57	5	61	6
2013-2017	1	—	1	—	2	—
2018-2022	1	—	—	—	1	—
2023-2027	1	—	—	—	1	—
2028-2032	2	—	—	—	2	—
Total	**$ 50**	**$ 5**	**$ 136**	**$ 32**	**$ 186**	**$ 37**

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

Debt service expenditures for all of the aforementioned obligations during the year ended June 30, 2002 totaled $725 million.

During the fiscal year ended March 31, 2003, the Dormitory Authority, acting on behalf of SUNY, refunded $1.054 billion in existing fixed rate bonds related to lease/purchase and other financing arrangements by issuing refunding bonds with a par of $1.075 billion at a $22 million premium. The impact of the refunding issues is presented below (amounts in millions):

Issue Description	Refunding Amount	Refunded Amount	Cash Flow Gain	Present Value Gain
Dormitory Authority State University Educational Facilities Series 2002A and 2002B	$ 1,075	$ 1,054	$ 89	$ 77

The Dormitory Authority SUNY Educational Facilities refunding identified above incorporates $979 million of new variable rate debt. The savings presented are therefore estimated. This estimate is based on several assumptions, including that the interest rate from May of 2012 through the expiration of the bond in May of 2031 will not exceed 4% per annum. Therefore, actual savings realized will vary in response to market conditions effecting future variable interest rates.

Operating Leases

The State is also committed under numerous operating leases covering real property and equipment. Rental expenditures reported for the year ended March 31, 2003 under such operating leases totaled $163 million and were financed primarily from the General Fund. The following is a summary of future minimum rental commitments under real property and equipment leases with terms exceeding one year (amounts in millions):

Fiscal Year	Amount
2004	$ 204
2005	191
2006	175
2007	149
2008	126
2009-2013	343
2014-2018	83
2019-2023	38
2024-2028	26
2029-2033	6
Total	**$ 1,341**

Interest Rate Swap Agreements

Objective of the Interest Rate Swap Agreements

As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance during the year ended March 31, 2003, the State acting through its public benefit corporations entered into interest rate Swaps in connection with its issuance of $2.2 billion variable-rate bonds. These bonds and Swap agreements were part of the refunding transaction described previously. The intention of the Swap agreements is to effectively change the State's interest rate on the bonds to an average fixed rate of approximately 3.54% including support costs and bond insurance fees.

Terms of the Interest Rate Swap Agreements

The bonds and the related Swap agreements have final maturity on January 1, 2030 and the Swaps' total notional amount of $2.2 billion matches the $2.2 billion variable-rate bonds. Under the Swap, the State pays the counterparties a fixed payment at rates ranging from 3.25% to 3.58% and receives a variable payment computed as 65% of one month LIBOR. The bonds' variable-rate coupons are based upon rates determined by remarketing agents for bonds in the weekly interest rate mode and by auction rate agents for bonds in the auction rate mode. The bonds and the related Swap agreements mature on January 1, 2030.

Fair Value of the Interest Rate Swap Agreements

Due to the fact that interest rates have declined since execution of the Swaps, the Swaps have an estimated negative fair value equal to their termination at March 31, 2003. The Swaps estimated negative fair value may be countered by a reduction in total interest payments required under the variable-rate bonds, creating a lower synthetic fixed interest rate.

Credit Risk of the Interest Rate Swap Agreements

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

As of March 31, 2003 the State was not exposed to credit risk because the Swaps had a negative fair value. However, should interest rates change and the fair value of the Swap becomes positive, the State would be exposed to credit risk in the amount of the Swap's fair value.

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

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

Note 8 Liabilities

Changes in Long-Term Liabilities

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

CHANGES IN LONG-TERM LIABILITIES—GOVERNMENTAL ACTIVITIES

Description	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Tax refunds payable	**$ 458**	**$ 42**	**$ —**	**$ 500**	**$ —**
Accrued liabilities:					
Payroll and fringe benefits	$ 138	$ —	$ 10	$ 128	$ —
Compensated absences	1,789	927	1,052	1,664	—
Medicaid	224	310	—	534	94
Health insurance	192	—	—	192	—
Litigation	667	325	34	958	49
Workers compensation reserve	1,072	240	189	1,123	201
Miscellaneous	111	37	—	148	19
Total	**$ 4,193**	**$ 1,839**	**$ 1,285**	**$ 4,747**	**$ 363**
Payable to local governments:					
Education aid—prior year adjustment	$ 509	$ 51	$ —	$ 560	$ —
Handicapped pupil aid	89	—	21	68	—
Yonkers school settlement	150	—	30	120	—
Litigation	26	—	26	—	—
Temporary and disability assistance programs	—	126	—	126	—
Miscellaneous	7	3	7	3	—
Total	**$ 781**	**$ 180**	**$ 84**	**$ 877**	**—**
Pension contributions payable	**$ 46**	**$ 99**	**$ 1**	**$ 144**	**—**
General obligation bonds payable	**$ 4,142**	**$ 244**	**$ 390**	**$ 3,996**	**349**
Other financing arrangements:					
Capital leases	$ 221	$ —	$ 40	$ 181	15
Certificates of participation	157	—	95	62	52
Other financing arrangements	24,909	9,433	7,360	26,982	1,088
Plus deferred amounts:					
For unamortized premiums	—	346	—	346	6
For accreted discount on bonds	274	35	—	309	—
Net amount	**25,561**	**9,814**	**7,495**	**27,880**	**1,161**
Deferred loss on refunding	—	(383)	—	(383)	—
Total	**$ 25,561**	**$ 9,431**	**$ 7,495**	**$ 27,497**	**1,161**
Total due within one year					**$ 1,873**

CHANGES IN LONG-TERM LIABILITIES—BUSINESS-TYPE ACTIVITIES

Description	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Accrued liabilities:					
Compensated absences	$ 555	$ 174	$ 130	$ 599	$ 124
Litigation	73	49	32	90	30
Interfund loan	209	5	16	198	—
Miscellaneous	48	162	5	205	14
Total	**$ 885**	**$ 390**	**$ 183**	**$ 1,092**	**168**
Lottery prizes payable	**$ 1,511**	**$ 3,140**	**$ 3,186**	**$ 1,465**	**222**
Other financing arrangements June 30, 2002:					
SUNY	$ 4,516	$ 363	$ 191	$ 4,688	166
CUNY	2823	148	170	2,801	121
Minus deferred amounts for unamortized discounts	—	(45)	—	(45)	—
Total	**$ 7,339**	**$ 466**	**$ 361**	**$ 7,444**	**287**
Total due within one year					**$ 677**

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

Accrued Liabilities—Governmental Funds

The following table summarizes accrued liabilities at March 31, 2003 for governmental funds (amounts in millions):

Description	General	Federal Special Revenue	Other Governmental Funds	Total
Payroll	$ 411	$ 27	$ 35	$ 473
Fringe benefits	194	9	12	215
Medicaid	1,513	2,642	—	4,155
Health programs	7	—	565	572
Litigation	2	—	—	2
Miscellaneous	87	—	16	103
Total	**$ 2,214**	**$ 2,678**	**$ 628**	**$ 5,520**

Payable to Local Governments—Governmental Funds

The following table summarizes payable to local governments at March 31, 2003 for governmental funds (amounts in millions):

Description	General	Federal Special Revenue	Other Governmental Funds	Total
Education programs	$ 1,970	$ 126	$ —	$ 2,096
Temporary and disability assistance	796	899	—	1,695
Local health programs	367	61	12	440
Mental hygiene programs	66	5	2	73
Criminal justice programs	45	8	—	53
Children and family services programs	49	387	—	436
Local share of tax revenues	156	—	52	208
Yonkers school settlement	30	—	—	30
Miscellaneous	81	72	64	217
Total	**$ 3,560**	**$ 1,558**	**$ 130**	**$ 5,248**

Accrued Liabilities—Business-type Activities

The following table summarizes accrued liabilities at March 31, 2003 for enterprise funds (amounts in millions):

Description	Lottery	Unemployment Insurance Benefit	SUNY	CUNY	Total
Payroll	$ —	$ —	$ 124	$ 124	$ 248
Fringe benefits	—	—	31	34	65
Compensated absences	5	—	519	75	599
Litigation	—	—	90	—	90
Interfund loan.	—	—	198	—	198
Employer overpayments	—	55	—	—	55
Benefits due claimants	—	42	—	—	42
Unclaimed and future prizes	212	—	—	—	212
Miscellaneous	—	—	485	154	639
Total	**$ 217**	**$ 97**	**$ 1,447**	**$ 387**	**$ 2,148**

Note 9 Interfund Transactions and Other Transfers

Interfund Transfers

Interfund transfers for the year ended March 31, 2003 consisted of the following (amounts in millions):

	Transfers To Other Funds							
Transfers From Other Funds	**General**	**Federal Special Revenue**	**Other Governmental**	**Elimination**	**Total Governmental Activities**	**SUNY**	**CUNY**	**Total**
General	$ —	$ —	$ 1,907	$ —	$ 1,907	$ 2,221	$ 677	$ 4,805
Federal Special Revenue	935	—	2,090	—	3,025	224	—	3,249
Other Governmental	10,594	—	1,113	—	11,707	515	—	12,222
Elimination	—	—	—	(16,639)	(16,639)	—	—	(16,639)
Total Governmental Activities	11,529	—	5,110	(16,639)	—	2,960	677	3,637
Lottery	—	—	1,780	—	1,780	—	—	1,780
SUNY	89	7	—	—	96	—	—	96
Fiduciary	362	—	—	—	362	—	—	362
Total	**$ 11,980**	**$ 7**	**$ 6,890**	**$ (16,639)**	**$ 2,238**	**$ 2,960**	**$ 677**	**$ 5,875**

Transfers constitute the transfer of resources from the fund that receives the resources to the fund that utilizes them. The significant transfers include transfers to the General Fund from Other Governmental Funds representing excess revenues not needed in those funds. Transfers to the General Fund from Other Governmental Funds include: mental health patient fees in excess of debt service and rental reserve requirements of $2.1 billion, excess sales tax receipts not needed for LGAC debt service requirements of $1.9 billion, excess funds not needed for debt service on revenue bonds backed by personal income tax revenues of $4.2 billion, tobacco incentive pool funds of $376 million and the bad debt and charity care funds of $930 million, and excess real property transfer tax receipts from clean water and air programs of $263 million. The transfers to the General Fund from Fiduciary Funds ($362 million) represented excess unclaimed funds not needed to pay claims. Transfers from the General Fund to Other Governmental Funds are made for State capital projects ($166 million), for State debt service payments ($1.5 billion), and to the Enterprise Funds as State support to SUNY and CUNY Funds ($2.9 billion). Transfers from the Federal Special Revenue Fund and Other Governmental Funds are comprised of the Federal share of Medicaid payments for a variety of purposes including transfers to Mental Health Services Fund for recipients residing in State-operated mental health and retardation facilities ($2.0 billion). Transfers from the Lottery to Other Governmental Funds represent Lottery support for school aid payments ($1.8 billion). The eliminations of $16.6 billion represents transfers made between the governmental funds.

Transfers from the Governmental Funds to the SUNY and CUNY Funds are reported as transfers to other funds by the Governmental Funds and as State appropriations by the SUNY and CUNY Funds. As explained in Note 1, the amounts reported for the SUNY and CUNY Funds are derived from their annual financial statements for the fiscal year ended June 30, 2002. Therefore, because of the different fiscal year-end for the SUNY and CUNY Funds, total transfers to other funds exceed total transfers from other funds by $746 million.

Due From/To Other Funds

The following is a summary of due from other funds and due to other funds at March 31, 2003 (amounts in millions):

	Due From Other Funds								
Due To Other Funds	General	Federal Special Revenue	Other Governmental	Elimination	Total Governmental Activities	SUNY	CUNY	Fiduciary	Total
General	$ —	$ 186	$ —	$ —	$ 186	$ 234	$ 145	$ 647	$ 1,212
Federal Special Revenue	852	—	202	—	1,054	—	—	—	1,054
Other Governmental	988	60	16	—	1,064	96	1	—	1,161
Elimination	—	—	—	(78)	(78)	—	—	—	(78)
Total Governmental Activities	1,840	246	218	(78)	2,226	330	146	647	3,349
Lottery	—	—	109	—	109	—	—	—	109
SUNY	155	—	—	—	155	—	—	—	155
CUNY	2	—	—	—	2	—	—	—	2
Fiduciary	39	28	—	—	67	—	—	—	67
Total	**$ 2,036**	**$ 274**	**$ 327**	**$ (78)**	**$ 2,559**	**$ 330**	**$ 146**	**$ 647**	**$ 3,682**

The more significant balances due to/from other funds include $1.245 billion due to the General Fund to cover cash overdrafts in the short-term investment pool. These temporary interfund loans include $339 million to the Federal Special Revenue Fund and $906 million to Other Governmental Funds.

As explained in Note 1, the amounts reported for SUNY and CUNY Funds are derived from their annual financial statements for fiscal year ended June 30, 2002. Therefore, because of the different fiscal year-end of the SUNY and CUNY Funds, the total amount reported as due from other funds exceeds the total amount reported as due to other funds by $302 million.

Note 10 Commitments and Contingencies

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

The Dormitory Authority of the State of New York has $975 million outstanding of Secured Hospital Revenue Bonds for financing mortgage loans to various hospitals in New York City. The hospitals are committed to pay the debt service, and reserves have been established to cover deficiencies incurred by the hospitals. However, if both of these funding sources are inadequate, the State may be called upon to pay the debt service. Any such payments would require authorization by the State Legislature. Subsequent to year-end, one hospital ceased operations and will not be able to pay the debt service on $36 million of debt. It is anticipated that the State may have to pay the remaining debt service due.

The New York State Constitution provides that the State may guarantee repayment of certain borrowings of the Job Development Authority (JDA) to carry out designated projects. The State has never been called upon to make any direct payments pursuant to such guarantees. However, in 1996 the State entered into an agreement with JDA and the New York State Urban Development Corporation (UDC) whereby in 1996 UDC had provided $11 million in funding needed by JDA to meet its debt service obligations. As of March 31, 2003, JDA had $81 million of State-guaranteed bonds outstanding (with an additional $669 million authorized but not issued).

In order to provide additional inducement to investors to purchase the obligations of certain public benefit corporations, the legislation creating these corporations authorizes the State to make up any deficiencies in their debt service reserve funds, subject to legislative appropriation (effectively, a “moral obligation” to back the corporations’ credit). Such “moral obligation” does not constitute full faith and credit obligations of the State. As of March 31, 2003, approximately $438 million in moral obligation bonds were outstanding. During the year, the State was not called on to make any payments.

Health care providers have a right to appeal Medicaid reimbursement rates. Based on an analysis of appeals, a long-term liability of $380 million has been recognized.

In 1977-78, the State required that reserve funds held by insurance companies that underwrite the State employee health insurance programs be paid to the General Fund. The State is liable to replenish these reserve funds if needed to pay insured benefits or if the contracts with the insurance companies are terminated. Accordingly, based on actuarial calculations, the State has recorded a liability of $192 million, which is reported as accrued liabilities due beyond one year in the Statement of Net Assets. Generally, the State does not insure its buildings, contents or related risks and does not insure its State-owned automobiles for bodily injury and property damages, but the State does have fidelity insurance on State employees. A liability is estimated for unpaid automobile claims based on an analysis of property loss and claim settlement trends. Routine uninsured losses are recorded as expenditures in the General Fund as paid, while significant uninsured losses usually are the result of litigation that is discussed further in Note 11. Insured losses incurred by the State did not exceed coverage for any of the three preceding fiscal years. Litigation losses are estimated based on an assessment of pending cases conducted by the Office of the Attorney General.

Workers' compensation is provided with the State Insurance Fund acting as the State's administrator and claims processing agent. Under an agreement with the State Insurance Fund, the State pays only what is necessary to fund claims. Based on actuarial calculations, discounted at 5% as of March 31, 2003, the State is liable for unfunded claims and incurred but not reported claims totaling $1.123 billion which is reported in accrued liabilities in the Governmental Activities.

Changes in the State's liability relating to workers' compensation claims, litigation (see Note 11) and auto claims in fiscal years 2002 and 2003 were (amounts in millions):

Fiscal Year	Claim Liability Beginning of Year	Increase in Liability Estimate	Payments and Decreases in Liability Estimate	Claim Liability End of Year
2001-2002	$ 1,688	$ 825	$ 748	$ 1,765
2002-2003	$ 1,765	$ 575	$ 257	$ 2,083

The State Abandoned Property Law requires the deposit of certain defined and unclaimed assets into a State-managed Abandoned Property Fund (Private Purpose Trust Fund). The State Finance Law provides that whenever the cash balance of the Abandoned Property Fund (Fund) exceeds $750 thousand at fiscal year-end, the excess must be remitted to the General Fund where it is reported as operating transfers from other funds. However, during the year, in accordance with the statute, the Fund has had cash balances that exceeded $750 thousand in order to meet anticipated cash flow demands. At March 31, 2003, the Fund included $90 million of securities not yet liquidated and funds restricted by Federal requirements that were not subject to transfer to the General Fund. Net collections from inception (1942) to March 31, 2003 of approximately $6 billion, excluding interest, represent a contingent liability to the State since claims for refund may be filed by the owners of such property.

A liability and a corresponding reduction of revenue representing the probable amount of escheat property that will be reclaimed and paid to claimants is reported in the Fund. To the extent that assets in the Fund are less than the claimant liability, a receivable (due from other funds) is reported in that Fund and an equal liability (due to other funds) is reported in the General Fund. At March 31, 2003, the amount reported in the Fund for claimant liability is $611 million and the amount reported in the General Fund as due to the Fund is $441 million. Since receipts in the Fund are expected to be adequate to pay current claims, it is not expected that General Fund support for that purpose will be required. Claims paid from the Fund during the year totaled $68 million.

The State is liable for costs relating to the closure and post-closure of landfills totaling $14 million which is recorded in accrued liabilities. Closure and post-closure requirements are generally governed by Title 6, Part 360 of the New York Code of Rules and Regulations. Since most landfills are inactive, the liability reflects the total estimated closure and post-closure cost at year-end. Liability estimates are based on engineering studies or on estimates by agency officials that are updated annually. Additionally, there are numerous toxic waste sites throughout the State for which the State's liability for future clean up costs cannot be determined.

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

Note 11 Litigation

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

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

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

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

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

With respect to pending and threatened litigation, the State has reported, in the governmental activities, liabilities of $958 million for awarded and anticipated unfavorable judgments.

Note 12 State and Local Retirement Systems

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

The State Comptroller is sole trustee and administrative head of the System. The System is a cost sharing multiple-employer defined benefit pension plan. On March 31, 2003, there were 2,968 participating government employers. Employees of the State constituted about 37% and 16% of the members for the ERS and PFRS, respectively, during the 2002-2003 fiscal year.

The System provides retirement benefits as well as death and disability benefits. Benefits vest after five years of credited service. Retirement benefits are established by the New York State Retirement and Social Security Law and are dependent upon the point in time at which the employees last joined the System. Contributory and noncontributory requirements also depend upon the point in time at which an employee last joined the System. Most members of ERS who joined the System on or before July 26, 1976 are enrolled in a noncontributory plan. Most members of PFRS are not required to make employee contributions. Employees who last joined ERS subsequent to July 26, 1976 are enrolled in a contributory plan which requires a 3% contribution of their salary. As a result of Article 19, of the Retirement and Social Security Law, eligible Tier 3 and Tier 4 employees, with a membership date after

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

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

Investments are held by the System or its custodial agent in the name of the State Comptroller as trustee. Investments of the System are categorized by the level of custodial credit risk (the risk that a counter party to an investment transaction will not fulfill its obligations). All investments of the System, other than those that cannot be designated, are designated as Category 1, the lowest risk, which includes investments that are insured or registered or for which the securities are held by the System or its agent, in the System's name.

Section 177-D of the New York State Retirement and Social Security Law authorizes the System to enter into security loan agreements with broker/dealers and New York State or national banks. The System has designated its master custodian bank to manage a securities lending program. This program is subject to a written contract between the System and the Custodian who acts as Security Lending Agent for the System. The Custodian is authorized to lend securities within the borrower limits and guidelines established by the System. Types of collateral received from borrowers for securities loaned are cash and government securities. The Custodian is authorized to invest the cash collateral in short-term investments that are legal for the System. These include domestic corporate and bank notes, U.S. Treasuries, obligations of federal agencies, and repurchase agreements. All rights of ownership to government securities pledged as collateral remain with the borrower except in the event of default. The System has not experienced any losses resulting from the default of a borrower or lending agent during fiscal 2002-2003 or in the history of the program.

The Custodian lends domestic fixed income, domestic equity, and international equity securities to brokers/dealers approved by the System. Collateral for securities loaned equals 102% of fair market value for domestic securities and 105% for international securities. Investment guidelines provided to the Custodian by the System minimize the risk that the cash collateral could be invested in securities which may default. The Custodian acknowledges responsibility to reimburse the System for losses that might arise from managing the program in a manner inconsistent with the contract. The System manages its credit risk by recording investments at market value daily and maintaining the value of the collateral held by the System in excess of the value of the securities loaned. At March 31, 2003, the System had no credit risk resulting from securities lending transactions.

All security loans can be terminated on demand by either the System or borrower. The average term of the open security loans is one day while the overall average term to maturity of invested collateral for the System's open loans is 14 days. To provide sufficient liquidity, the policy of the System is to maintain a minimum of 10% of collateral in overnight investments. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. The report may be obtained by writing to the New York State and Local Retirement Systems, Office of the State Comptroller, 110 State Street, Albany, New York 12236-0001.

FUNDING STATUS

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

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

The average employer contribution rate for ERS and PFRS for the fiscal year ended March 31, 2003 was approximately 1.5% and 1.4% of payroll, respectively.

Because of the enactment of Chapter 62, Laws of 1989, employer contributions due from participating employers other than the State for the fiscal years ended March 31, 1989 and 1988, are to be amortized over 17 years, with the initial payment paid December 15, 1989. The net balance of these amounts receivable from participating employers other than New York State is approximately $16 million. In addition, other receivable amounts include $200 million for the incentive program, $2 million for the Section 803 costs, and $64 million for new plan adoptions.

Incentive program costs receivable from New York State as of March 31, 2003 totaled $205 million. Annual bills for employer contributions accrue interest at the actuarial rate applicable during the year. With regards to the receivables described above, for fiscal year ended March 31, 2003, the applicable interest rate was 8%. Interest on amounts amortized over a fixed number of years remains at the fixed rate in effect at the time the payment schedule was established. The State's contribution to the System for years ended March 31, 2003, 2002, and 2001 were $146 million, $92 million, and $96 million, respectively, which equaled 100%, 92%, and 100% of the required contributions for each respective year.

Chapter 49, Laws of 2003, enacted May 14, 2003, realigns the System's billing cycle to match the local governments' budget cycle and to institute a minimum annual payment by employers. The plan has four components:

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

Changes the cycle of annual billing such that the contribution for a given fiscal year will be based on the value of the pension fund on the prior April 1st (e.g. billings due December of 2003 are based on the pension fund value as of March 31, 2002).

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

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

The following presentation displays the Statement of Plan Net Assets for the System as of March 31, 2003 (amounts in thousands):

STATEMENT OF PLAN NET ASSETS
March 31, 2003

	Employees' Retirement System	Police & Fire Retirement System	Total
Assets:			
Investments:			
Short-term investments	$ 652,774	$ 118,386	$ 771,160
Government bonds	18,396,582	3,336,361	21,732,943
Corporate bonds	8,707,556	1,579,182	10,286,738
Domestic stocks	35,185,021	6,381,072	41,566,093
Global stocks	8,287,869	1,503,068	9,790,937
Alternative investments	4,710,567	854,297	5,564,864
Real property owned	3,523,042	638,931	4,161,973
Mortgage loans	1,458,997	264,600	1,723,597
Total investments	**80,922,408**	**14,675,897**	**95,598,305**
Securities lending collateral, invested	7,649,768	1,387,344	9,037,112
Forward foreign exchange contracts	197,161	35,757	232,918
Receivables	2,102,683	204,327	2,307,010
Other assets	32,480	5,891	38,371
Total assets	**90,904,500**	**16,309,216**	**107,213,716**
Liabilities:			
Securities lending collateral, due to borrowers	7,649,768	1,387,344	9,037,112
Forward foreign exchange contracts	196,804	35,692	232,496
Investment purchases	112,380	20,381	132,761
Benefits payable	202,789	24,118	226,907
Other liabilities	187,434	24,337	211,771
Total liabilities	**8,349,175**	**1,491,872**	**9,841,047**
Net assets held in trust for pension benefits	**$ 82,555,325**	**$ 14,817,344**	**$ 97,372,669**

EMPLOYER ACCOUNTING

The pension contribution expenditure reported in the Governmental Funds includes $177 million relating to employee services rendered during the year and retirement incentives. Pension contributions payable reported in the General Fund of $68 million is for the retirement incentive programs. In addition, $144 million of the retirement incentive programs are reported on the Statement of Net Assets as pension contributions payable due in more than one year.

Note 13 Component Units—Public Benefit Corporations

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

Corporations are generally supported by revenues derived from their activities, although the State has provided financial assistance, in some cases of a recurring nature, to certain corporations for operating and other expenses. Financial assistance in the form of appropriated loans, contributed capital or operating subsidies for certain corporations, principally the Roswell Park Cancer Institute, the Metropolitan Transportation Authority, and the Urban Development Corporation was provided in the fiscal year ended March 31, 2003 and such assistance is expected to be required in future years. Accordingly, the fiscal condition of the State is related to the fiscal stability of public benefit corporations.

The amounts presented in the accompanying basic financial statements for the Corporations include the following entities, which were audited by the firm indicated for the fiscal year indicated:

Entities Audited by KPMG LLP:	Fiscal Year-End
Dormitory Authority of the State of New York	March 31, 2003*
Health Research, Inc.	March 31, 2003*
New York State Energy Research and Development Authority	March 31, 2003*
New York State Higher Education Services Corporation	March 31, 2002*
New York State Thruway Authority	December 31, 2002*
Niagara Frontier Transportation Authority	March 31, 2003*

Entities Audited by Other Auditors:	Fiscal Year-End
Aggregate Trust Fund	December 31, 2002
Agriculture and New York State Horse Breeding Development Fund Corporation	December 31, 2002*
Battery Park City Authority	October 31, 2002
Capital District Transportation Authority	March 31, 2003*
Central New York Regional Transportation Authority	March 31, 2003*
Homeless Housing and Assistance Corporation	March 31, 2003
Housing Trust Fund Corporation	March 31, 2003
Hudson River-Black River Regulating District	June 30, 2002
Industrial Exhibit Authority	March 31, 2003
Long Island Power Authority	December 31, 2002*
Metropolitan Transportation Authority	December 31, 2002
MTA Excess Loss Trust Fund	December 31, 2002
Metro-North Commuter Railroad Company	December 31, 2002
The Long Island Rail Road Company	December 31, 2002
Triborough Bridge and Tunnel Authority	December 31, 2002
Metropolitan Suburban Bus Authority	December 31, 2002
New York City Transit Authority	December 31, 2002
Staten Island Rapid Transit Operating Authority	December 31, 2002
Municipal Bond Bank Agency	October 31, 2002
Natural Heritage Trust.	March 31, 2003*
Nelson A. Rockefeller Empire State Plaza Performing Arts	March 31, 2003*
New York City Convention Center Operating Corporation	March 31, 2003*
New York State Affordable Housing Corporation	March 31, 2003
New York State Bridge Authority	December 31, 2002*
New York State Environmental Facilities Corporation	March 31, 2003*
New York State Housing Finance Agency	October 31, 2002
New York State Job Development Authority	March 31, 2003*
New York State Olympic Regional Development Authority	March 31, 2003*
New York State Project Finance Agency	October 31, 2002
New York State Theatre Institute	March 31, 2003*
New York State Thoroughbred Breeding and Development Fund Corporation	December 31, 2002*
New York State Thoroughbred Racing Capital Investment Fund	December 31, 2002*
Ogdensburg Bridge and Port Authority	March 31, 2003*
Port of Oswego Authority.	March 31, 2003*
Power Authority of the State of New York	December 31, 2002*
Research Foundation for Mental Hygiene, Inc.	March 31, 2003*
Rochester-Genesee Regional Transportation Authority	March 31, 2003
Roosevelt Island Operating Corporation	March 31, 2003*
Roswell Park Cancer Institute	March 31, 2003
State Insurance Fund	December 31, 2002
State of New York Mortgage Agency	October 31, 2002
Urban Development Corporation	March 31, 2003*

**Audit conducted in accordance with generally accepted government auditing standards as promulgated by the Comptroller General of the United States.*

Financial Information

Substantially all of the financial data was derived from audited annual financial statements and summarized into the combining statement format in the basic financial statements. The Corporations follow the accrual basis of accounting. A few of the individual component units, primarily, the State Insurance Fund, do not fully conform to the accrual basis; however, the impact of these variances is not material to the Corporations in total. Nine of the forty-one discrete entities presented comprise 90% of the combined assets and 85% of the combined operating revenues (before eliminations). The remaining portion of this note contains a brief description of the operations of the nine largest entities. A presentation of their accounts is included in the Combining Statement of Net Assets and Combining Statement of Activities. Additional information about each of the Corporations can be obtained by contacting the Corporations directly and requesting a copy of their annual financial reports.

Certain Corporations issue revenue bonds for independent third-party entities to provide funding for the projects of those third-parties. These bonds are considered conduit debt and are secured by payments made by third-party entities and in some cases certain other pledged funds. These bonds do not constitute a debt or pledge of the faith and credit of the Corporations or the State. The Dormitory Authority, the Environmental Facilities Corporation (EFC) and the Energy Research and Development Authority (ERDA) have issued conduit debt and have elected different, but permissible, methods of accounting for it under GAAP. The Dormitory Authority has elected to report conduit debt and related assets on its balance sheet. At March 31, 2003 the liability reported for such debt was approximately $17.7 billion. At March 31, 2003 EFC's balance sheet did not include $286 million in bonds it issued for certain private companies and $408 million it issued for the State. ERDA has issued conduit debt for participating gas and electric companies and other third-party entities, the principal of which totaled approximately $3.9 billion at March 31, 2003, which is not included on ERDA's balance sheet.

Power Authority

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

Two of the Authority's largest facilities are the Niagara Power Project at Lewiston and the St. Lawrence-Franklin D. Roosevelt Power Project at Massena. These hydroelectric facilities produced net power generation during calendar year 2002 of 13 billion kilowatt-hours and 6.6 billion kilowatt-hours, respectively.

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

Thruway Authority

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

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

Metropolitan Transportation Authority

The Metropolitan Transportation Authority (MTA) was created to continue, develop and improve public transportation and to develop and implement a unified public transportation policy in the New York metropolitan area. The accounts presented as the MTA are the combined accounts of the nine subsidiaries. The MTA operates the largest transit and commuter rail transportation system in North America and one of the largest in the world. The MTA is dependent upon the State for a portion of its revenues. During the MTA fiscal year ended December 31, 2002, the MTA reported $1.45 billion in payments from the State. A significant portion of that aid was in payments from the State's Mass Transportation Operating Assistance Fund, a Special Revenue Fund, that derives a major portion of its receipts from taxes imposed in the Metropolitan Transportation District for this purpose. The State also provides funding to pay the debt service on approximately $2.4 billion in bonds issued by MTA for its capital projects. The State has limited issuance of this debt to $165 million in annual debt service with a final maturity not to exceed July 1, 2031. Debt service on MTA State Service Contract debt has been fully utilized. The MTA is currently in the fifth of a series of capital improvement programs undertaken since 1982. As part of the 2000-2004 Capital Program MTA refunded and restructured all of its debt, including the State-supported service contracts (see Note 7). Capital assets acquired prior to April 1982 for the New York City Transit Authority (NYCTA) were funded primarily by New York City through capital grants. New York City has title to a substantial portion of such assets and they are not included among the assets reported under MTA. In certain instances, title to real property used by the Triborough Bridge and Tunnel Authority (TBTA) may revert to New York City in the event TBTA determines it is not needed for corporate purposes.

The September 11, 2001 terrorist attack on the World Trade Center in New York resulted in significant physical and structural damage to certain NYCTA lines and related facilities and stations, temporary closure of TBTA bridges and tunnels, safety and security expenditures in and around the World Trade Center, and temporary closure of Grand Central Terminal and Pennsylvania Station. The Authority has submitted claims to its re-insurance providers for reimbursement for expenditures incurred, for physical and structural damages and for loss of revenues due to business interruption. The MTA has received $191 million through December 31, 2002. The individual financial statements of the MTA can be obtained by contacting them at *www.mta.nyc.ny.us*.

Dormitory Authority

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

The Authority's outstanding bonds and notes of $31 billion consist mainly of debt issued for health care facilities ($9.2 billion), independent institutions ($5.2 billion), State University projects ($5.5 billion), City University projects ($3.6 billion) and New York State Agency projects ($4.6 billion). The remaining debt was issued for projects for municipal facilities and other non-profit organizations. The individual financial statements of the Authority can be obtained by contacting them at *www.dasny.org*.

Long Island Power Authority

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

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

Urban Development Corporation

The New York State Urban Development Corporation (UDC) was established by legislative act in 1968 as a corporate governmental agency of the State. UDC now conducts business as the Empire State Development

Corporation. UDC is engaged in three principal activities: special projects financed by revenue bonds, economic development projects, and real estate projects financed by general and corporate purpose bonds. A brief description of these activities follows:

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

UDC's efforts in economic development projects are funded by State appropriations and are primarily directed at several activities involving civic, commercial, high technology, and industrial development within the State. UDC also provides financial assistance, including low cost project financing in the form of loans, loan guarantees and interest subsidy grants; planning and feasibility studies; and technical assistance in management, financing and design of a project. UDC was also appropriated $700 million by the United States Department of Housing and Urban Development to assist in the recovery and revitalization of lower Manhattan of which $449 million was disbursed during the year ended March 31, 2003.

In November of 2001, the Board of Directors authorized the creation of the Lower Manhattan Development Corporation (LMDC) as a subsidiary of UDC. The purpose of LMDC is to assist in the economic recovery of lower Manhattan. LMDC was appropriated $2 billion by the United States Department of Housing and Urban Development for economic recovery and revitalization of lower Manhattan. Approximately $222 million was disbursed through March 31, 2003.

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

State Insurance Fund

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

During previous fiscal years, the Fund transferred approximately $1.3 billion to the State's General Fund and Other Governmental Funds. The statutes authorizing these transfers required that the State appropriate amounts annually for the potential repayment of the transfers. Such repayment is required only to maintain the solvency, as defined, of the Workers' Compensation Fund. The entire receivable and equity related to these transfers were eliminated from the presentation of the Fund, resulting in a deficit of approximately $124 million.

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

State of New York Mortgage Agency

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

By statute all costs of providing mortgage insurance are recovered from a state mortgage recording tax surcharge, which is a dedicated tax revenue stream received directly by the Agency. The Agency provides certain financial guarantees that are not fully recognized in its financial statements. As of October 31, 2002, the Agency had issued guarantees of approximately $1.75 billion, of which 20% has been provided as part of the fund balance, for potential claims. When an insured mortgage is in default, the insured amount is established as a liability reserve. The financial statements of the Agency can be obtained by contacting them at *www.nyhomes.org*.

Housing Finance Agency

The New York State Housing Finance Agency (Agency) is empowered to finance or contract for the financing of the construction, acquisition, or refinancing of loans for housing units for sale or rent to low and moderate income persons, families, and senior citizens, municipal health facilities, nonprofit health care facilities and community related facilities and to provide funds to repay the State for amounts advanced to finance the cost of various housing assistance programs. The Agency is also empowered, through its Capital Grant Low Rent Assistance Program, to rent housing to low and middle income persons or families, the net costs of which are assumed by the State.

The Agency also serves as the depository for the federally sponsored Flexible Subsidy Program and administers the State's Housing Project Repair and Infrastructure Trust Fund Programs. The Housing Project Repair Program is to be used to correct construction-related and energy, health and safety problems or deficiencies at Mitchell-Lama housing projects that are at current economic rent or that enter into mortgage modification agreements with the Agency. The Infrastructure Trust Fund Programs provide grants for the development of affordable housing throughout New York State. The financial statements of the Agency can be obtained by contacting them at *www.nyhomes.org*.

Eliminations

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

Note 14 Joint Ventures

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

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

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

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

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

Pursuant to an agreement between the Port Authority and the States, the Fund for Regional Development (Fund) was established in 1983 to sublease certain space, as vacated, held by the State of New York as tenant. The Port Authority and the States entered into an agreement on January 1, 1990 providing for the termination of the agreement creating the Fund. In consideration of the termination of the Fund, the Authority has agreed to make a series of payments to the States over a period of 30 years.

The liabilities of the Port Authority include $6.5 billion of consolidated bonds and notes. Consolidated bonds and notes are equally and ratably secured by a pledge of the net revenues of all existing facilities and any additional facilities which may be financed in whole or in part through the medium of consolidated bonds and notes.

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

With respect to the September 11, 2001 attacks, the Port Authority expensed $1.1 billion net book value of various assets consisting primarily of buildings, infrastructure and certain ancillary equipment that together comprise the components of the World Trade Center complex destroyed as a result of the September 11, 2001 terrorist attacks. In accordance with established accounting criteria, a receivable in an amount equal to such net book value has been recognized. In 2002, the Port Authority collected $64 million and applied it against the receivable.

Consolidated financial statements of the Port Authority for the fiscal year ended December 31, 2002 disclosed the following (amounts in millions):

Financial Position

Total assets	$ 16,903
Total liabilities	(10,984)
Net assets	**$ 5,919**

Operating Results

Operating revenues	$ 2,671
Operating expenses	(1,886)
Depreciation and amortization	(435)
Expenses related to September 11, 2001	474
Income from operations	**824**
Passenger facility charges	110
Financial income (expense), net	(239)
Contribution in aid of construction and grants	45
Net income	**$ 740**

Changes in Net Assets

Balance, January 1, 2002	$ 5,179
Net income	740
Balance, December 31, 2002	**$ 5,919**

Note 15 Subsequent Events

The Statement of Net Assets presents bonds and other financing arrangements outstanding as of the statement date, which is March 31, 2003 except for Business Type Activities related to the SUNY and CUNY Enterprise Funds reported as of June 30, 2002. Subsequent to those dates, bonds and other financing arrangements were issued:

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

Issuer	Purpose	Date	Series	Par Amount
Dormitory Authority	SUNY Dormitory Facilities	9/5/2002	Series 2002 SUNY Dormitory Facilities	$ 155
Dormitory Authority	SUNY Educational Facilities	9/18/2002	Series 2002B SUNY Educational Facilities	$ 979
Dormitory Authority	SUNY Educational Facilities	9/18/2002	Series 2002A SUNY Educational Facilities	$ 96
Dormitory Authority	CUNY Educational Facilities	1/9/2003	Series 2003A CUNY (State Share)	$ 146
Dormitory Authority	SUNY Educational Facilities	1/9/2003	Series 2003A SUNY Educational Facilities	$ 241
Dormitory Authority	SUNY Educational Facilities	1/9/2003	Series 2003B SUNY Educational Facilities	$ 23
NYS Thruway Authority	State Roads & Bridges	4/3/2003	Series 2003A Highway Bridge & Trust	$ 479
Dormitory Authority	CUNY Ed Facilities Refunding	4/10/2003	2003 Series 3 CUNY (1994SR) (State Share)	$ 599
Dormitory Authority	CUNY Ed Facilities Refunding	4/10/2003	Series 2003B CUNY (2003SR) (State Share)	$ 303
Dormitory Authority	CUNY Educational Facilities	4/10/2003	Series 2003A CUNY (2000SR) (State Share)	$ 174
Dormitory Authority	CUNY Educational Facilities	4/10/2003	Series 2003C CUNY (2003SR) (State Share)	$ 126
Dormitory Authority	CUNY Educational Facilities	4/10/2003	Series 2003A CUNY (2003SR) (State Share)	$ 82
Dormitory Authority	CUNY Educational Facilities	4/10/2003	2003 Series 1 CUNY (1994SR) (State Share)	$ 78
Dormitory Authority	CUNY Educational Facilities	4/10/2003	2003 Series 2 CUNY (1994SR) (State Share)	$ 64
State General Obligation	Refunding	5/14/2003	Series 2003C General Obligation	$ 252
Tobacco Settlement Financing Corporation (TSFC)	Operating Deficit Financing	6/19/2003	Series 2003A (TSFC)	$2,311
State General Obligation	Refunding	6/26/2003	Series 2003F General Obligation	$ 111
State General Obligation	Environmental Quality	6/26/2003	Series 2003D General Obligation	$ 109
State General Obligation	Clean Water/Clean Air	6/26/2003	Series 2003E General Obligation	$ 30
Municipal Bond Bank Agency	Prior year school aid claims	6/26/2003	Series 2003 A and B	$ 22
Dormitory Authority	Mental Health Facilities	7/1/2003	Series 2003C-1	$ 64
Dormitory Authority	Mental Health Facilities	7/1/2003	Series 2003D-1	$ 39
Dormitory Authority	Mental Health Facilities	7/1/2003	Series 2003E-1	$ 28
Dormitory Authority	Mental Health Facilities Refunding	7/14/2003	Series 2003D-2	$ 819
Dormitory Authority	Mental Health Facilities Refunding	7/14/2003	Series 2003C-2	$ 73
NYS Thruway Authority	State Roads & Bridges	7/17/2003	Series 2003B Highway Bridge & Trust	$ 533

On April 10, 2003, the Dormitory Authority also entered into 44 interest rate Swap agreements in a total notional amount of $957 million as part of the plan of refunding CUNY Educational Facilities debt with a portion of the debt listed above.

The issuance of the $2.3 billion Tobacco Revenue bonds on June 19, 2003 resulted in $2.2 billion in receipts to the State, which were used to make payments that were deferred at March 31, 2003, but were due and payable. The effect of this borrowing was to liquidate certain current liabilities with long-term financing. On the Statement of Net Assets it will decrease certain accrued liabilities due in less than one year and increase long-term liabilities due in more than one year. In the Statement of Revenues, Expenditures and Changes in Fund Balances, the receipts from this deficit financing in the General Fund will liquidate an equivalent amount of General Fund accumulated deficit. This financing of last year's budgetary deficit was authorized as part of the 2003-04 budget in May 2003.

As shown in the table above, the Tobacco Settlement Financing Corporation (TSFC) issued $2.3 billion in bonds after March 31, 2003. The TSFC, by law, is required to make debt service payments on the Tobacco Revenue bonds. Under GASBS 14, it is anticipated that the TSFC will be reported as a blended component unit of the State.

Also as part of enactment of the State's budget for the 2003-04 fiscal year the State authorized payments of $170 million a year via the Local Government Assistance Tax Fund to the City of New York or its assignee for a period of 30 years. These payments will be paid through the New York State Local Government Assistance Corporation (the Corporation), a blended component unit. The State and the Corporation are reviewing the enacted legislation to assess its impact on the Corporation's operations, covenants and pledges. Amendments were proposed to this legislation to clarify this matter, but were not enacted as of the close of the 2003 regular legislative session.

STATE OF NEW YORK

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Required Supplementary Information

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

MAJOR FUNDS—GENERAL FUND AND FEDERAL SPECIAL REVENUE FUND

For the Year Ended March 31, 2003
(Amounts in millions) (Unaudited)

	General			
	Financial Plan Amounts			Favorable (Unfavorable) Variance with Final Budget
	Original	Final	Actual	
RECEIPTS:				
Taxes	$ 35,076	$ 28,157	$ 27,977	$ (180)
Miscellaneous	2,148	4,085	2,086	(1,999)
Federal grants	—	—	6	6
Total receipts	**37,224**	**32,242**	**30,069**	**(2,173)**
DISBURSEMENTS:				
Local assistance grants	26,848	26,907	24,887	2,020
Departmental operations	7,815	7,767	7,678	89
General state charges	2,847	2,770	2,700	70
Debt service	—	—	—	—
Total disbursements	**37,510**	**37,444**	**35,265**	**2,179**
Excess (deficiency) of receipts over disbursements	**(286)**	**(5,202)**	**(5,196)**	**6**
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	2,674	7,298	7,329	31
Transfers to other funds	(2,704)	(2,323)	(2,349)	(26)
Net other financing sources (uses)	**(30)**	**4,975**	**4,980**	**5**
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	**$ (316)**	**$ (227)**	**$ (216)**	**$ 11**

See notes to required supplementary information.

Federal Special Revenue

Financial Plan Amounts			Favorable (Unfavorable) Variance with
Original	Final	Actual	Final Budget
$ —	$ —	$ —	$ —
128	128	136	8
28,783	30,955	31,685	730
28,911	**31,083**	**31,821**	**738**
24,788	26,500	27,610	(1,110)
1,275	1,437	1,403	34
161	163	179	(16)
—	—	—	—
26,224	**28,100**	**29,192**	**(1,092)**
2,687	**2,983**	**2,629**	**(354)**
—	—	—	—
(2,699)	(2,983)	(2,765)	218
(2,699)	**(2,983)**	**(2,765)**	**218**
$ (12)	**$ —**	**$ (136)**	**$ (136)**

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Basis Reporting

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

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

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

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

If the budget is not enacted by April 1, the legislature enacts special emergency appropriations to continue State operations, as was done from April to August 2002.

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

	General	Federal Special Revenue
Receipts and other financing sources under disbursements and other financing uses per schedule	$ (216)	$ (136)
Entity differences:		
Receipts and other financing sources under disbursements and other financing uses for funds and accounts not included in the cash basis financial plan	(1,066)	(1)
Perspective differences:		
Receipts and other financing sources over disbursements and other financing uses for funds treated as Special Revenue Funds in the financial plan and part of the General Fund for GAAP reporting	43	—
Temporary interfund cash loans	(463)	146
Basis of accounting differences:		
Revenue accrual adjustments	(159)	825
Expenditure accrual adjustments	(2,360)	(836)
Deficiency of revenues and other financing sources over expenditures and other financing uses per statement	**$ (4,221)**	**$ (2)**

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

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

Infrastructure Assets Using the Modified Approach

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

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

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

Roads

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

The State annually conducts an assessment of the pavement condition of the State's road network. Trained technicians rate the condition of the pavement based on surface condition and dominant distress (e.g. cracking, faulting) using a scale of A1 (very poor) to A10 (excellent) based on the prevalence of a surface-related pavement distress. A pavement condition rating (PCR) is assigned to each surface section. The State currently has 42,455 lane miles of roads.

It is the State's intention to maintain the roads at an average PCR between 6.8 and 7.2.

Bridges

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

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

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

Comparison of Estimated-to-Actual Maintenance/Preservation Costs

Preservation of the roads and bridges is accomplished through construction programs managed by the PMS and BMS. The following presents the State's estimate of costs necessary to preserve and maintain the network of roads and bridges at, or above, the established condition level, compared to the actual costs incurred during the fiscal year 2002-2003 (amounts in millions):

Estimated	$1,041
Actual	$1,069

Pavement and Bridge Condition Summary as of December 31, 2002

Pavements Average Surface Rating	Bridges Average Condition Rating
7.00	5.44

Other Supplementary Information

STATE OF NEW YORK COMPTROLLER

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General Fund

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

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

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

Combining Schedule of Balance Sheet Accounts

GENERAL FUND

March 31, 2003
(Amounts in millions)

	Local Assistance	State Purposes	Tax Stabilization Reserve	Contingency Reserve	Community Projects
ASSETS:					
Cash and investments	$ 54	$ —	$ 303	$ 21	$ 85
Receivables, net of allowance for uncollectibles:					
Taxes	—	4,251	—	—	—
Other	5	442	—	—	—
Due from other funds	207	1,381	407	—	—
Other assets	298	145	—	—	—
Total assets	**$ 564**	**$ 6,219**	**$ 710**	**$ 21**	**$ 85**
LIABILITIES:					
Tax refunds payable	$ —	$ 3,657	$ —	$ —	$ —
Accrued liabilities	1,520	638	—	—	—
Payable to local governments	3,351	156	—	—	16
Accounts payable	—	214	—	—	—
Due to other funds	308	851	—	—	—
Pension contributions payable	—	68	—	—	—
Deferred revenues	3	611	—	—	—
Total liabilities	**5,182**	**6,195**	**—**	**—**	**16**
FUND BALANCES (DEFICITS):					
Reserved for:					
Encumbrances	188	99	—	—	59
Tax stabilization	—	—	710	—	—
Other specified purposes	1	1	—	21	10
Unreserved	(4,807)	(76)	—	—	—
Total fund balances (deficits)	**(4,618)**	**24**	**710**	**21**	**69**
Total liabilities and fund balances (deficits)	**$ 564**	**$ 6,219**	**$ 710**	**$ 21**	**$ 85**

See independent auditors' report.

Fringe Benefit Escrow	Earmarked Revenue	Miscellaneous	Eliminations	Total
$ —	$ 706	$ 14	$ —	$ 1,183
—	—	—	—	4,251
1	56	7	—	511
241	16	27	(243)	2,036
—	1	1	—	445
$ 242	**$ 779**	**$ 49**	**$ (243)**	**$ 8,426**
$ —	$ —	$ —	$ —	$ 3,657
—	47	9	—	2,214
—	37	—	—	3,560
—	53	40	—	307
—	173	123	(243)	1,212
—	—	—	—	68
—	114	—	—	728
—	**424**	**172**	**(243)**	**11,746**
—	87	34	—	467
—	—	—	—	710
—	—	6	—	39
242	268	(163)	—	(4,536)
242	**355**	**(123)**	**—**	**(3,320)**
$ 242	**$ 779**	**$ 49**	**$ (243)**	**$ 8,426**

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

GENERAL FUND

Year Ended March 31, 2003

(Amounts in millions)

	Local Assistance	State Purposes	Tax Stabilization Reserve	Contingency Reserve	Community Projects
REVENUES:					
Taxes:					
Personal income	$ —	$ 15,036	$ —	$ —	$ —
Consumption and use	—	6,874	—	—	—
Business	—	3,448	—	—	—
Other	—	743	—	—	—
Miscellaneous	—	1,126	—	7	—
Total revenues	**—**	**27,227**	**—**	**7**	**—**
EXPENDITURES:					
Local assistance grants:					
Social services	8,275	—	—	—	14
Education	14,575	—	—	—	22
Mental hygiene	1,019	—	—	—	3
General purpose	847	—	—	—	—
Health and environment	520	—	—	—	9
Transportation	479	—	—	—	2
Criminal justice	173	—	—	—	6
Miscellaneous	336	—	—	—	58
Departmental operations:					
Personal service	—	4,915	—	—	—
Non-personal service	—	1,771	—	—	—
Pension contribution	—	139	—	—	—
Other fringe benefits	—	1,818	—	—	—
Total expenditures	**26,224**	**8,643**	**—**	**—**	**114**
Excess (deficiency) of revenues over expenditures	**(26,224)**	**18,584**	**—**	**7**	**(114)**
OTHER FINANCING SOURCES (USES):					
Transfers from other funds	25,494	7,805	—	9	30
Transfers to other funds	(1,074)	(28,841)	—	(81)	—
Proceeds from financing arrangements	264	—	—	—	—
Net other financing sources (uses)	**24,684**	**(21,036)**	**—**	**(72)**	**30**
Deficiency of revenues and other financing sources over expenditures and other financing uses	**(1,540)**	**(2,452)**	**—**	**(65)**	**(84)**
Fund balances (deficits) at April 1, 2002, as restated	**(3,078)**	**2,476**	**710**	**86**	**153**
Fund balances (deficits) at March 31, 2003	**$ (4,618)**	**$ 24**	**$ 710**	**$ 21**	**$ 69**

See independent auditors' report.

Fringe Benefit Escrow	Earmarked Revenue	Miscellaneous	Eliminations	Total
$ —	$ —	$ —	$ —	$ 15,036
—	—	—	—	6,874
—	—	—	—	3,448
—	—	—	—	743
680	1,553	626	(843)	3,149
680	**1,553**	**626**	**(843)**	**29,250**
—	1,008	—	—	9,297
—	33	2	—	14,632
—	54	1	—	1,077
—	—	—	—	847
—	985	1	—	1,515
—	—	—	—	481
—	35	—	—	214
—	53	—	—	447
—	2,195	124	—	7,234
56	859	468	(571)	2,583
—	—	—	—	139
647	210	41	(272)	2,444
703	**5,432**	**637**	**(843)**	**40,910**
(23)	**(3,879)**	**(11)**	**—**	**(11,660)**
—	4,057	80	(25,495)	11,980
—	(201)	(103)	25,495	(4,805)
—	—	—	—	264
—	**3,856**	**(23)**	**—**	**7,439**
(23)	**(23)**	**(34)**	**—**	**(4,221)**
265	**378**	**(89)**	**—**	**901**
$ 242	**$ 355**	**$ (123)**	**$ —**	**$ (3,320)**

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Federal Special Revenue Fund

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

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

Combining Schedule of Balance Sheet Accounts

FEDERAL SPECIAL REVENUE FUND

March 31, 2003
(Amounts in millions)

	Federal USDA-FNS	Federal DHHS	Federal Education	Federal DHHS Block Grant	Federal Operating Grants
ASSETS:					
Cash and investments	$ —	$ —	$ —	$ —	$ —
Receivables, net of allowance for uncollectibles:					
Due from Federal government	89	4,553	218	74	502
Due from other funds	—	35	1	—	232
Other assets	12	1	—	1	1
Total assets	**$ 101**	**$ 4,589**	**$ 219**	**$ 75**	**$ 735**
LIABILITIES:					
Accrued liabilities	$ 1	$ 2,650	$ 5	$ 2	$ 6
Payable to local governments	79	956	116	57	347
Accounts payable	3	17	4	4	12
Due to other funds	7	529	94	12	370
Deferred revenues	11	437	—	—	—
Total liabilities	**101**	**4,589**	**219**	**75**	**735**
FUND BALANCES:					
Reserved for encumbrances	2	271	13	23	139
Unreserved	(2)	(271)	(13)	(23)	(139)
Total fund balances	**—**	**—**	**—**	**—**	**—**
Total liabilities and fund balance	**$ 101**	**$ 4,589**	**$ 219**	**$ 75**	**$ 735**

See independent auditors' report.

Unemployment Insurance Administration	Unemployment Insurance Occupational Training	Federal Employment and Training Grants	Total
$ 32	$ 4	$ —	**$ 36**
13	5	21	**5,475**
6	—	—	**274**
1	—	—	**16**
$ 52	**$ 9**	**$ 21**	**$ 5,801**
$ 14	$ —	$ —	**$ 2,678**
2	—	1	**1,558**
8	9	1	**58**
23	—	19	**1,054**
5	—	—	**453**
52	**9**	**21**	**5,801**
35	—	13	**496**
(35)	—	(13)	**(496)**
—	**—**	**—**	**—**
$ 52	**$ 9**	**$ 21**	**$ 5,801**

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

FEDERAL SPECIAL REVENUE FUND

Year Ended March 31, 2003

(Amounts in millions)

	Federal USDA-FNS	Federal DHHS	Federal Education	Federal DHHS Block Grant	Federal Operating Grants
REVENUES:					
Federal grants	$ 2,778	$ 25,837	$ 1,909	$ 656	$ 1,715
Miscellaneous	103	—	—	—	—
Total revenues	**2,881**	**25,837**	**1,909**	**656**	**1,715**
EXPENDITURES:					
Local assistance grants:					
Social services	1,796	21,859	—	318	5
Education	521	138	1,753	—	13
Mental hygiene	—	28	9	119	8
Health and environment	485	343	—	52	—
Transportation	—	2	—	—	24
Criminal justice	—	3	—	—	69
Miscellaneous	14	99	—	91	1,081
Departmental operations:					
Personal service	14	143	74	34	158
Non-personal service	29	184	45	29	97
Pension contribution	1	8	4	1	4
Other fringe benefits	4	47	21	7	24
Total expenditures	**2,864**	**22,854**	**1,906**	**651**	**1,483**
Excess of revenues over expenditures	**17**	**2,983**	**3**	**5**	**232**
OTHER FINANCING SOURCES (USES):					
Transfers from other funds	—	—	7	—	—
Transfers to other funds	(17)	(2,983)	(10)	(5)	(234)
Net other financing sources (uses)	**(17)**	**(2,983)**	**(3)**	**(5)**	**(234)**
Deficiency of revenues and other financing sources over expenditures and other financing (uses)	**—**	**—**	**—**	**—**	**(2)**
Fund balances at April 1, 2002	**—**	**—**	**—**	**—**	**2**
Fund balances at March 31, 2003	**$ —**	**$ —**	**$ —**	**$ —**	**$ —**

See independent auditors' report.

Unemployment Insurance Administration	Unemployment Insurance Occupational Training	Federal Employment and Training Grants	Total
$ 324	$ 102	$ 378	$ 33,699
34	—	—	137
358	102	378	33,836
—	—	—	23,978
—	—	4	2,429
2	—	—	166
—	—	—	880
—	—	—	26
—	—	—	72
—	—	330	1,615
183	—	4	610
97	102	39	622
12	—	—	30
64	—	1	168
358	102	378	30,596
—	—	—	3,240
—	—	—	7
—	—	—	(3,249)
—	—	—	(3,242)
—	—	—	(2)
—	—	—	2
$ —	$ —	$ —	$ —

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Other Governmental Funds

Combining Balance Sheet

OTHER GOVERNMENTAL FUNDS

March 31, 2003
(Amounts in millions)

	Special Revenue	Debt Service	Capital Projects	Total
ASSETS:				
Cash and investments	$ 2,682	$ 2,366	$ 1,566	**$ 6,614**
Receivables, net of allowance for uncollectibles:				
Taxes	93	1,227	65	**1,385**
Due from Federal government	—	—	336	**336**
Other	774	121	62	**957**
Due from other funds	119	200	8	**327**
Other assets	188	33	9	**230**
Total assets	**$ 3,856**	**$ 3,947**	**$ 2,046**	**$ 9,849**
LIABILITIES:				
Tax refunds payable	$ 106	$ 929	$ 16	**$ 1,051**
Accrued liabilities	582	4	42	**628**
Payable to local governments	25	52	53	**130**
Accounts payable	16	7	416	**439**
Due to other funds	35	155	971	**1,161**
Deferred revenues	62	72	26	**160**
Total liabilities	**826**	**1,219**	**1,524**	**3,569**
FUND BALANCES:				
Reserved for:				
Encumbrances	110	—	4,692	**4,802**
Debt service	—	2,278	—	**2,278**
Other specified purposes	3	—	32	**35**
Unreserved	2,917	450	(4,202)	**(835)**
Total fund balances	**3,030**	**2,728**	**522**	**6,280**
Total liabilities and fund balance	**$ 3,856**	**$ 3,947**	**$ 2,046**	**$ 9,849**

See independent auditors' report.

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

OTHER GOVERNMENTAL FUNDS

Year Ended March 31, 2003
(Amounts in millions)

	Special Revenue	Debt Service	Capital Projects	Total
REVENUES:				
Taxes:				
Personal income	$ 2,664	$ 4,267	$ —	$ 6,931
Consumption and use	1,184	2,346	1,004	4,534
Business	1,038	—	563	1,601
Other	—	357	112	469
Federal grants	—	—	1,613	1,613
Public health/patient fees	2,651	674	—	3,325
Tobacco settlement	745	—	—	745
Miscellaneous	2,434	182	136	2,752
Total revenues	**10,716**	**7,826**	**3,428**	**21,970**
EXPENDITURES:				
Local assistance grants:				
Social services	2,939	—	6	2,945
Education	4,167	—	54	4,221
Mental hygiene	53	—	35	88
Health and environment	349	—	308	657
Transportation	1,717	—	1,146	2,863
Criminal justice	4	—	10	14
Miscellaneous	99	—	327	426
Departmental operations:				
Personal service	192	—	—	192
Non-personal service	2,020	188	—	2,208
Pension contribution	8	—	—	8
Other fringe benefits	44	—	—	44
Capital construction	—	—	3,362	3,362
Debt service, including payments on financing arrangements	—	2,970	—	2,970
Total expenditures	**11,592**	**3,158**	**5,248**	**19,998**
Excess (deficiency) of revenues over expenditures	**(876)**	**4,668**	**(1,820)**	**1,972**
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	1,978	4,664	248	6,890
Transfers to other funds	(1,331)	(9,680)	(1,211)	(12,222)
General obligation bonds issued	—	—	246	246
Financing arrangements/advance refundings issued	—	6,586	2,928	9,514
Payments on advance refundings	—	(6,481)	—	(6,481)
Net other financing sources (uses)	**647**	**(4,911)**	**2,211**	**(2,053)**
Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)	**(229)**	**(243)**	**391**	**(81)**
Fund balances at April 1, 2002, as restated	**3,259**	**2,971**	**131**	**6,361**
Fund balances at March 31, 2003	**$ 3,030**	**$ 2,728**	**$ 522**	**$ 6,280**

See independent auditors' report.

STATE OF NEW YORK

EXCELSIOR

COMPTROLLER

Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

Combining Balance Sheet

OTHER GOVERNMENTAL FUNDS—SPECIAL REVENUE FUNDS

March 31, 2003
(Amounts in millions)

	School Tax Relief (STAR)	Indigent Care	Dedicated Mass Transportation Trust	Conservation	Environmental Protection and Oil Spill Compensation
ASSETS:					
Cash and investments	$ —	$ 97	$ 51	$ 22	$ 8
Receivables, net of allowance for uncollectibles:					
Taxes	—	—	15	—	—
Other	—	—	—	—	—
Due from other funds	—	—	—	—	3
Other assets	180	—	—	—	—
Total assets	**$ 180**	**$ 97**	**$ 66**	**$ 22**	**$ 11**
LIABILITIES:					
Tax refunds payable	$ —	$ —	$ 5	$ —	$ —
Accrued liabilities	—	—	—	2	1
Payable to local governments	—	—	6	—	—
Accounts payable	—	—	2	1	2
Due to other funds	—	—	—	3	1
Deferred revenues	—	—	—	—	—
Total liabilities	**—**	**—**	**13**	**6**	**4**
FUND BALANCES:					
Reserved for:					
Encumbrances	—	—	60	1	3
Other specified purposes	—	—	—	—	—
Unreserved	180	97	(7)	15	4
Total fund balances	**180**	**97**	**53**	**16**	**7**
Total liabilities and fund balance	**$ 180**	**$ 97**	**$ 66**	**$ 22**	**$ 11**

See independent auditors' report.

Mass Transportation Operating Assistance	Tobacco Control and Insurance Initiatives	Hospital Bad Debt and Charity Care	Miscellaneous	Eliminations	Total
$ 72	$ 456	$ 809	$ 1,167	$ —	**$ 2,682**
36	42	—	—	—	**93**
—	334	272	168	—	**774**
—	—	200	116	(200)	**119**
—	—	—	8	—	**188**
$ 108	**$ 832**	**$ 1,281**	**$ 1,459**	**$ (200)**	**$ 3,856**
$ 96	$ 5	$ —	$ —	$ —	**$ 106**
—	—	565	14	—	**582**
—	—	—	19	—	**25**
—	—	—	11	—	**16**
3	—	—	228	(200)	**35**
—	—	40	22	—	**62**
99	**5**	**605**	**294**	**(200)**	**826**
1	—	—	45	—	**110**
—	—	—	3	—	**3**
8	827	676	1,117	—	**2,917**
9	**827**	**676**	**1,165**	**—**	**3,030**
$ 108	**$ 832**	**$ 1,281**	**$ 1,459**	**$ (200)**	**$ 3,856**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

OTHER GOVERNMENTAL FUNDS—SPECIAL REVENUE FUNDS

Year Ended March 31, 2003

(Amounts in millions)

	State Tax Relief (STAR)	Indigent Care	Dedicated Mass Transportation Trust	Conservation	Environmental Protection and Oil Spill Compensation
REVENUES:					
Taxes:					
Personal income	$ 2,664	$ —	$ —	$ —	$ —
Consumption and use	—	—	143	—	—
Business	—	—	331	—	—
Public health/patient fees	—	—	—	—	—
Tobacco settlement	—	—	—	—	—
Miscellaneous	—	2	—	42	54
Total revenues	**2,664**	**2**	**474**	**42**	**54**
EXPENDITURES:					
Local assistance grants:					
Social services	—	1,036	—	—	—
Education	2,484	—	—	—	—
Mental hygiene	—	—	—	—	—
Health and environment	—	—	—	—	—
Transportation	—	—	491	—	—
Criminal justice	—	—	—	—	—
Miscellaneous	—	—	—	—	—
Departmental operations:					
Personal service	—	—	—	24	8
Non-personal service	—	—	2	9	21
Pension contribution	—	—	—	1	—
Other fringe benefits	—	—	—	8	3
Total expenditures	**2,484**	**1,036**	**493**	**42**	**32**
Excess (deficiency) of revenues over expenditures	**180**	**(1,034)**	**(19)**	**—**	**22**
OTHER FINANCING SOURCES (USES):					
Transfers from other funds	—	1,054	—	2	—
Transfers to other funds	—	—	—	(2)	(17)
Net other financing sources (uses)	**—**	**1,054**	**—**	**—**	**(17)**
Excess (deficiency) of revenues and other financing sources over expenditures and other financing (uses)	**180**	**20**	**(19)**	**—**	**5**
Fund balances at April 1, 2002, as restated	**—**	**77**	**72**	**16**	**2**
Fund balances at March 31, 2003	**$ 180**	**$ 97**	**$ 53**	**$ 16**	**$ 7**

See independent auditors' report.

Mass Transportation Operating Assistance	Tobacco Control and Insurance Initiatives	Hospital Bad Debt and Charity Care	Miscellaneous	Eliminations	Total
$ —	$ —	$ —	$ —	$ —	$ 2,664
364	677	—	—	—	1,184
707	—	—	—	—	1,038
—	—	2,651	—	—	2,651
—	745	—	—	—	745
17	12	—	2,307	—	2,434
1,088	**1,434**	**2,651**	**2,307**	**—**	**10,716**
—	—	876	1,027	—	2,939
—	—	—	1,683	—	4,167
—	—	—	53	—	53
—	245	—	104	—	349
1,226	—	—	—	—	1,717
—	—	—	4	—	4
—	—	—	99	—	99
3	—	—	157	—	192
2	—	—	1,986	—	2,020
—	—	—	7	—	8
1	—	—	32	—	44
1,232	**245**	**876**	**5,152**	**—**	**11,592**
(144)	**1,189**	**1,775**	**(2,845)**	**—**	**(876)**
36	—	—	2,174	(1,288)	1,978
—	(1,348)	(1,989)	737	1,288	(1,331)
36	**(1,348)**	**(1,989)**	**2,911**	**—**	**647**
(108)	**(159)**	**(214)**	**66**	**—**	**(229)**
117	**986**	**890**	**1,099**	**—**	**3,259**
$ 9	**$ 827**	**$ 676**	**$ 1,165**	**$ —**	**$ 3,030**

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

OTHER GOVERNMENTAL FUNDS—SPECIAL REVENUE FUNDS

Year Ended March 31, 2003
(Amounts in millions)

	School Tax Relief			Mass Transportation Operating Assistance		
	Financial Plan	Actual	Favorable (Unfavorable) Variance	Financial Plan	Actual	Favorable (Unfavorable) Variance
RECEIPTS:						
Taxes	$ 2,667	$ 2,664	$ (3)	$ 1,028	$ 1,063	$ 35
Miscellaneous	—	—	—	8	17	9
Federal grants	—	—	—	—	—	—
Total receipts	**2,667**	**2,664**	**(3)**	**1,036**	**1,080**	**44**
DISBURSEMENTS:						
Local assistance grants	2,667	2,664	3	1,226	1,226	—
Departmental operations	—	—	—	5	—	5
General state charges	—	—	—	1	1	—
Capital projects	—	—	—	—	4	(4)
Total disbursements	**2,667**	**2,664**	**3**	**1,232**	**1,231**	**1**
Deficiency of receipts over disbursements	**—**	**—**	**—**	**(196)**	**(151)**	**45**
OTHER FINANCING SOURCES (USES):						
Transfers from other funds	—	—	—	28	36	8
Transfers to other funds	—	—	—	—	—	—
Net other financing sources (uses)	**—**	**—**	**—**	**28**	**36**	**8**
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	**$ —**	**$ —**	**$ —**	**$ (168)**	**$ (115)**	**$ 53**

See independent auditors' report.

State Special Revenue Account			Other		
Financial Plan	Actual	Favorable (Unfavorable) Variance	Financial Plan	Actual	Favorable (Unfavorable) Variance
$ —	$ —	$ —	$ 482	$ 478	$ (4)
3,121	2,897	(224)	6,490	6,519	29
—	—	—	—	—	—
3,121	**2,897**	**(224)**	**6,972**	**6,997**	**25**
2,407	2,094	313	4,679	4,655	24
3,252	3,224	28	2,626	2,676	(50)
189	176	13	166	184	(18)
1	—	1	2	—	2
5,849	**5,494**	**355**	**7,473**	**7,515**	**(42)**
(2,728)	**(2,597)**	**131**	**(501)**	**(518)**	**(17)**
2,967	2,841	(126)	745	205	(540)
(355)	(201)	154	(101)	(151)	(50)
2,612	**2,640**	**28**	**644**	**54**	**(590)**
$ (116)	**$ 43**	**$ 159**	**$ 143**	**$ (464)**	**$ (607)**

(Continued)

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

OTHER GOVERNMENTAL FUNDS—SPECIAL REVENUE FUNDS

Year Ended March 31, 2003
(Amounts in millions)

	Eliminations		Total		
	Financial Plan	Actual	Favorable (Unfavorable) Variance	Financial Plan	Actual
RECEIPTS:					
Taxes	$ —	$ —	$ 4,177	$ 4,205	$ 28
Miscellaneous	—	—	9,619	9,433	(186)
Federal grants	—	—	—	—	—
Total receipts	**—**	**—**	**13,796**	**13,638**	**(158)**
DISBURSEMENTS:					
Local assistance grants	—	—	10,979	10,639	(340)
Departmental operations	—	—	5,883	5,900	17
General state charges	—	—	356	361	5
Capital projects	—	—	3	4	1
Total disbursements	**—**	**—**	**17,221**	**16,904**	**(317)**
Deficiency of receipts over disbursements	**—**	**—**	**(3,425)**	**(3,266)**	**159**
OTHER FINANCING SOURCES (USES):					
Transfers from other funds	(238)	(47)	3,502	3,035	(467)
Transfers to other funds	238	47	(218)	(305)	(87)
Net other financing sources (uses)	**—**	**—**	**3,284**	**2,730**	**(554)**
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	**$ —**	**$ —**	**$ (141)**	**$ (536)**	**$ (395)**

See independent auditors' report.

Debt Service Funds

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

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

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

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

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

Emergency Highway Reconditioning and Preservation Fund
Emergency Highway Construction and Reconstruction Fund
Each fund accounts for a portion of motor fuel taxes earmarked for making debt service payments pursuant to agreements with the New York State Thruway Authority for financing certain highway capital projects.

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

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

Sole Custody—to account for other miscellaneous debt service reserves.

Combining Balance Sheet

OTHER GOVERNMENTAL FUNDS—DEBT SERVICE FUNDS

March 31, 2003
(Amounts in millions)

	Mental Health Services	General Obligation Debt Service	State Housing Debt	Department of Health Income	Emergency Highway Reconditioning and Preservation
ASSETS:					
Cash and investments	$ 258	$ 1,692	$ —	$ 59	$ —
Receivables, net of allowance for uncollectibles:					
Taxes	—	1,037	—	—	2
Other	46	—	59	15	—
Due from other funds	192	—	—	8	—
Other assets	—	33	—	—	—
Total assets	**$ 496**	**$ 2,762**	**$ 59**	**$ 82**	**$ 2**
LIABILITIES:					
Tax refunds payable	$ —	$ 913	$ —	$ —	$ 1
Accrued liabilities	—	4	—	—	—
Payable to local governments	—	52	—	—	—
Accounts payable	—	—	—	2	—
Due to other funds	—	27	—	—	—
Deferred revenues	—	40	20	—	—
Total liabilities	**—**	**1,036**	**20**	**2**	**1**
FUND BALANCES:					
Reserved for debt service	234	1,669	—	28	—
Unreserved	262	57	39	52	1
Total fund balances	**496**	**1,726**	**39**	**80**	**1**
Total liabilities and fund balances	**$ 496**	**$ 2,762**	**$ 59**	**$ 82**	**$ 2**

See independent auditors' report.

Emergency Highway Construction and Reconstruction	Clean Water/ Clean Air	Local Government Assistance Tax	Sole Custody	Total
$ 2	$ —	$ 339	$ 16	**$ 2,366**
2	33	153	—	**1,227**
—	—	1	—	**121**
—	—	—	—	**200**
—	—	—	—	**33**
$ 4	**$ 33**	**$ 493**	**$ 16**	**$ 3,947**
$ 1	$ 1	$ 13	$ —	**$ 929**
—	—	—	—	**4**
—	—	—	—	**52**
—	—	5	—	**7**
—	—	128	—	**155**
—	—	12	—	**72**
1	**1**	**158**	**—**	**1,219**
—	—	331	16	**2,278**
3	32	4	—	**450**
3	**32**	**335**	**16**	**2,728**
$ 4	**$ 33**	**$ 493**	**$ 16**	**$ 3,947**

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

OTHER GOVERNMENTAL FUNDS—DEBT SERVICE FUNDS

Year Ended March 31, 2003
(Amounts in millions)

	Mental Health Services	General Obligation Debt Service	State Housing Debt	Department of Health Income	Emergency Highway Reconditioning and Preservation
REVENUES:					
Taxes:					
Personal income	$ —	$ 4,267	$ —	$ —	$ —
Consumption and use	—	—	—	—	58
Other	—	—	—	—	—
Patient fees	398	—	—	276	—
Miscellaneous	15	66	90	1	—
Total revenues	**413**	**4,333**	**90**	**277**	**58**
EXPENDITURES:					
Non-personal service	—	83	—	91	—
Debt service, including payments on financing arrangements	342	2,263	27	31	—
Total expenditures	**342**	**2,346**	**27**	**122**	**—**
Excess of revenues over expenditures	**71**	**1,987**	**63**	**155**	**58**
OTHER FINANCING SOURCES (USES):					
Transfers from other funds	2,115	2,525	—	30	—
Transfers to other funds	(2,122)	(4,862)	(1)	(187)	(59)
Financing arrangements/advance refundings issued	—	5,210	—	—	—
Payments on advance refundings	—	(5,105)	—	—	—
Net other financing sources (uses)	**(7)**	**(2,232)**	**(1)**	**(157)**	**(59)**
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	**64**	**(245)**	**62**	**(2)**	**(1)**
Fund balances (deficit) at April 1, 2002, as restated	**432**	**1,971**	**(23)**	**82**	**2**
Fund balances at March 31, 2003	**$ 496**	**$ 1,726**	**$ 39**	**$ 80**	**$ 1**

See independent auditors' report.

Emergency Highway Construction and Reconstruction	Clean Water/ Clean Air	Local Government Assistance Tax	Sole Custody	Eliminations	Total
$ —	$ —	$ —	$ —	$ —	$ 4,267
58	—	2,230	—	—	2,346
—	357	—	—	—	357
—	—	—	—	—	674
—	—	9	1	—	182
58	**357**	**2,239**	**1**	**—**	**7,826**
—	—	14	—	—	188
—	—	307	—	—	2,970
—	**—**	**321**	**—**	**—**	**3,158**
58	**357**	**1,918**	**1**	**—**	**4,668**
—	—	—	4	(10)	4,664
(59)	(343)	(2,047)	(10)	10	(9,680)
—	—	1,376	—	—	6,586
—	—	(1,376)	—	—	(6,481)
(59)	**(343)**	**(2,047)**	**(6)**	**—**	**(4,911)**
(1)	**14**	**(129)**	**(5)**	**—**	**(243)**
4	**18**	**464**	**21**	**—**	**2,971**
$ 3	**$ 32**	**$ 335**	**$ 16**	**$ —**	**$ 2,728**

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

OTHER GOVERNMENTAL FUNDS—DEBT SERVICE FUNDS

Year Ended March 31, 2003
(Amounts in millions)

	Mental Health Services			General Obligation Debt Service		
	Financial Plan	Actual	Favorable (Unfavorable) Variance	Financial Plan	Actual	Favorable (Unfavorable) Variance
RECEIPTS:						
Taxes	$ —	$ —	$ —	$ 4,268	$ 4,243	$ (25)
Miscellaneous	231	408	177	—	—	—
Total receipts	**231**	**408**	**177**	**4,268**	**4,243**	**(25)**
DISBURSEMENTS:						
Departmental operations	—	—	—	3	3	—
Debt service	325	309	16	2,424	2,448	(24)
Total disbursements	**325**	**309**	**16**	**2,427**	**2,451**	**(24)**
Excess (deficiency) of receipts over disbursements	**(94)**	**99**	**193**	**1,841**	**1,792**	**(49)**
OTHER FINANCING SOURCES (USES):						
Transfers from other funds	2,222	2,005	(217)	2,399	2,423	24
Transfers to other funds	(2,130)	(2,122)	8	(4,240)	(4,215)	25
Net other financing sources (uses)	**92**	**(117)**	**(209)**	**(1,841)**	**(1,792)**	**49**
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	**$ (2)**	**$ (18)**	**$ (16)**	**$ —**	**$ —**	**$ —**

See independent auditors' report.

Local Government Assistance Tax			Other		
Financial Plan	Actual	Favorable (Unfavorable) Variance	Financial Plan	Actual	Favorable (Unfavorable) Variance
$ 2,098	$ 2,106	$ 8	$ 454	$ 455	$ 1
1	—	(1)	395	399	4
2,099	**2,106**	**7**	**849**	**854**	**5**
4	4	—	—	—	—
245	183	62	97	98	(1)
249	**187**	**62**	**97**	**98**	**(1)**
1,850	**1,919**	**69**	**752**	**756**	**4**
—	—	—	35	29	(6)
(1,850)	(1,919)	(69)	(777)	(778)	(1)
(1,850)	**(1,919)**	**(69)**	**(742)**	**(749)**	**(7)**
$ —	**$ —**	**$ —**	**$ 10**	**$ 7**	**$ (3)**

(Continued)

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

OTHER GOVERNMENTAL FUNDS—DEBT SERVICE FUNDS

Year Ended March 31, 2003
(Amounts in millions)

	Eliminations		Total		
	Financial Plan	Actual	Financial Plan	Actual	Favorable (Unfavorable) Variance
RECEIPTS:					
Taxes	$ —	$ —	$ 6,820	$ 6,804	$ (16)
Miscellaneous	—	—	627	807	180
Total receipts	**—**	**—**	**7,447**	**7,611**	**164**
DISBURSEMENTS:					
Departmental operations	—	—	7	7	—
Debt service	—	—	3,091	3,038	53
Total disbursements	**—**	**—**	**3,098**	**3,045**	**53**
Excess (deficiency) of receipts over disbursements	**—**	**—**	**4,349**	**4,566**	**217**
OTHER FINANCING SOURCES (USES):					
Transfers from other funds	(71)	(73)	4,585	4,384	(201)
Transfers to other funds	71	73	(8,926)	(8,961)	(35)
Net other financing sources (uses)	**—**	**—**	**(4,341)**	**(4,577)**	**(236)**
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	**$ —**	**$ —**	**$ 8**	**$ (11)**	**$ (19)**

See independent auditors' report.

Capital Projects Funds

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

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

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

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

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

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

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

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

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

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

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

Combining Balance Sheet

OTHER GOVERNMENTAL FUNDS—CAPITAL PROJECTS FUNDS

March 31, 2003
(Amounts in millions)

	State Capital Projects	Dedicated Highway & Bridge Trust	Environmental Protection	Transportation Capital Facilities Bond	Environmental Quality Protection Bond	Transportation Infrastructure Renewal Bond	Environmental Quality Bond
ASSETS:							
Cash and investments	$ 1,004	$ —	$ 125	$ 5	$ 5	$ 14	$ 15
Receivables, net of allowance for uncollectibles:							
Taxes	—	65	—	—	—	—	—
Due from Federal government	—	—	—	—	—	—	—
Other	47	2	1	—	—	—	—
Due from other funds	—	1	—	—	—	—	—
Other assets	—	9	—	—	—	—	—
Total assets	**$ 1,051**	**$ 77**	**$ 126**	**$ 5**	**$ 5**	**$ 14**	**$ 15**
LIABILITIES:							
Tax refunds payable	$ —	$ 16	$ —	$ —	$ —	$ —	$ —
Accrued liabilities	1	17	—	—	—	—	—
Payable to local governments	3	6	4	—	—	—	—
Accounts payable	178	85	9	—	—	—	—
Due to other funds	26	455	—	—	—	—	—
Deferred revenues	22	1	1	—	—	—	—
Total liabilities	**230**	**580**	**14**	**—**	**—**	**—**	**—**
FUND BALANCES (DEFICITS):							
Reserved for:							
Encumbrances	778	1,220	126	—	—	—	—
Other specified purposes	31	1	—	—	—	—	—
Unreserved	12	(1,724)	(14)	5	5	14	15
Total fund balances (deficits)	**821**	**(503)**	**112**	**5**	**5**	**14**	**15**
Total liabilities and fund balances (deficits)	**$ 1,051**	**$ 77**	**$ 126**	**$ 5**	**$ 5**	**$ 14**	**$ 15**

See independent auditors' report.

Accelerated Capacity and Transportation Improvements Bond	Federal Capital Projects	Clean Water/ Clean Air Implementation	Housing Program	DOT Engineering Services	Mental Hygiene Facilities Capital Improvement	Correctional Facilities Capital Improvement	Miscellaneous	Total
$ 7	$ —	$ 92	$ —	$ —	$ 72	$ 177	$ 50	**$ 1,566**
—	—	—	—	—	—	—	—	**65**
—	336	—	—	—	—	—	—	**336**
—	12	—	—	—	—	—	—	**62**
—	6	—	—	—	—	—	1	**8**
—	—	—	—	—	—	—	—	**9**
$ 7	**$ 354**	**$ 92**	**$ —**	**$ —**	**$ 72**	**$ 177**	**$ 51**	**$ 2,046**
$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	**$ 16**
—	1	—	—	18	—	—	5	**42**
—	39	—	—	—	—	—	1	**53**
—	71	—	—	34	13	22	4	**416**
—	232	—	77	115	1	57	8	**971**
—	1	—	—	—	—	—	1	**26**
—	**344**	**—**	**77**	**167**	**14**	**79**	**19**	**1,524**
—	2,066	—	5	327	57	97	16	**4,692**
—	—	—	—	—	—	—	—	**32**
7	(2,056)	92	(82)	(494)	1	1	16	**(4,202)**
7	**10**	**92**	**(77)**	**(167)**	**58**	**98**	**32**	**522**
$ 7	**$ 354**	**$ 92**	**$ —**	**$ —**	**$ 72**	**$ 177**	**$ 51**	**$ 2,046**

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

OTHER GOVERNMENTAL FUNDS—CAPITAL PROJECTS FUNDS

Year Ended March 31, 2003

(Amounts in millions)

	State Capital Projects	Dedicated Highway & Bridge Trust	Environmental Protection	Transportation Capital Facilities Bond	Environmental Quality Protection Bond	Transportation Infrastructure Renewal Bond	Environmental Quality Bond
REVENUES:							
Taxes:							
Consumption and use	$ —	$ 1,004	$ —	$ —	$ —	$ —	$ —
Business	—	563	—	—	—	—	—
Other	—	—	112	—	—	—	—
Federal grants	—	—	—	—	—	—	—
Miscellaneous	24	29	12	—	—	—	—
Total revenues	**24**	**1,596**	**124**	**—**	**—**	**—**	**—**
EXPENDITURES:							
Local assistance grants:							
Social services	2	—	—	—	—	—	—
Education	54	—	—	—	—	—	—
Mental hygiene	19	—	—	—	—	—	—
Health and environment	92	—	1	—	—	—	—
Transportation	807	100	—	—	—	—	—
Criminal justice	—	—	—	—	—	—	—
Miscellaneous	156	—	9	—	—	—	—
Capital construction	367	1,165	80	—	—	—	—
Total expenditures	**1,497**	**1,265**	**90**	**—**	**—**	**—**	**—**
Excess (deficiency) of revenues over expenditures	**(1,473)**	**331**	**34**	**—**	**—**	**—**	**—**
OTHER FINANCING SOURCES (USES):							
Transfers from other funds	491	—	30	—	—	—	—
Transfers to other funds	(36)	(1,187)	(376)	—	(6)	(5)	(42)
General obligation bonds issued	—	—	—	—	6	1	27
Financing arrangements issued	1,596	465	118	—	—	—	—
Net other financing sources (uses)	**2,051**	**(722)**	**(228)**	**—**	**—**	**(4)**	**(15)**
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	**578**	**(391)**	**(194)**	**—**	**—**	**(4)**	**(15)**
Fund balances (deficits) at April 1, 2002, as restated	**243**	**(112)**	**306**	**5**	**5**	**18**	**30**
Fund balances (deficits) at March 31, 2003	**$ 821**	**$ (503)**	**$ 112**	**$ 5**	**$ 5**	**$ 14**	**$ 15**

See independent auditors' report.

Accelerated Capacity and Transportation Improvements Bond	Federal Capital Projects	Clean Water/ Clean Air Implementation	Housing Program	DOT Engineering Services	Mental Hygiene Facilities Capital Improvement	Correctional Facilities Capital Improvement	Miscellaneous	Eliminations	Total
$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ 1,004
—	—	—	—	—	—	—	—		563
—	—	—	—	—	—	—	—	—	112
—	1,613	—	—	—	—	—	—	—	1,613
—	—	—	—	—	35	6	30	—	136
—	**1,613**	**—**	**—**	**—**	**35**	**6**	**30**	**—**	**3,428**
—	—	—	4	—	—	—	—	—	6
—	—	—	—	—	—	—	—	—	54
—	—	—	—	—	16	—	—	—	35
—	215	—	—	—	—	—	—	—	308
—	239	—	—	—	—	—	—	—	1,146
—	—	—	—	—	—	10	—	—	10
—	—	—	158	—	—	—	4	—	327
—	853	—	26	588	70	191	22	—	3,362
—	**1,307**	**—**	**188**	**588**	**86**	**201**	**26**	**—**	**5,248**
—	**306**	**—**	**(188)**	**(588)**	**(51)**	**(195)**	**4**	**—**	**(1,820)**
—	—	—	1	649	1	—	5	(929)	248
(6)	(306)	(139)	—	—	—	—	(37)	929	(1,211)
3	—	209	—	—	—	—	—	—	246
—	—	—	237	—	—	477	35	—	2,928
(3)	**(306)**	**70**	**238**	**649**	**1**	**477**	**3**	**—**	**2,211**
(3)	**—**	**70**	**50**	**61**	**(50)**	**282**	**7**	**—**	**391**
10	**10**	**22**	**(127)**	**(228)**	**108**	**(184)**	**25**	**—**	**131**
$ 7	**$ 10**	**$ 92**	**$ (77)**	**$ (167)**	**$ 58**	**$ 98**	**$ 32**	**$ —**	**$ 522**

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

OTHER GOVERNMENTAL FUNDS—CAPITAL PROJECTS FUNDS

Year Ended March 31, 2003
(Amounts in millions)

	State Capital Projects			Dedicated Highway and Bridge Trust		
	Financial Plan	Actual	Favorable (Unfavorable) Variance	Financial Plan	Actual	Favorable (Unfavorable) Variance
RECEIPTS:						
Taxes	$ —	$ —	$ —	$ 1,574	$ 1,578	$ 4
Miscellaneous	903	538	(365)	918	494	(424)
Federal grants	—	—	—	—	—	—
Total receipts	**903**	**538**	**(365)**	**2,492**	**2,072**	**(420)**
DISBURSEMENTS:						
Local assistance grants	791	232	559	—	56	(56)
Capital projects	546	654	(108)	1,226	1,179	47
Total disbursements	**1,337**	**886**	**451**	**1,226**	**1,235**	**(9)**
Excess (deficiency) of receipts over disbursements	**(434)**	**(348)**	**86**	**1,266**	**837**	**(429)**
OTHER FINANCING SOURCES (USES):						
Bond and note proceeds, net	—	—	—	—	—	—
Transfers from other funds	441	364	(77)	—	—	—
Transfers to other funds	(7)	(16)	(9)	(1,236)	(1,221)	(15)
Net other financing sources (uses)	**434**	**348**	**(86)**	**(1,236)**	**(1,221)**	**(15)**
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	**$ —**	**$ —**	**$ —**	**$ 30**	**$ (384)**	**$ (444)**

See independent auditors' report.

Federal Capital Projects			Department of Transportation Engineering Services		
Financial Plan	Actual	Favorable (Unfavorable) Variance	Financial Plan	Actual	Favorable (Unfavorable) Variance
$ —	$ —	$ —	$ —	$ —	$ —
—	1	1	—	—	—
1,482	1,567	85	—	—	—
1,482	**1,568**	**86**	**—**	**—**	**—**
217	456	(239)	—	—	—
1,034	913	121	625	632	(7)
1,251	**1,369**	**(118)**	**625**	**632**	**(7)**
231	**199**	**(32)**	**(625)**	**(632)**	**(7)**
—	—	—	—	—	—
—	—	—	625	693	68
(231)	(316)	(85)	—	—	—
(231)	**(316)**	**(85)**	**625**	**693**	**68**
$ —	**$ (117)**	**$ (117)**	**$ —**	**$ 61**	**$ 61**

(Continued)

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

OTHER GOVERNMENTAL FUNDS—CAPITAL PROJECTS FUNDS

Year Ended March 31, 2003

(Amounts in millions)

	Other			Eliminations	
	Financial Plan	Actual	Favorable (Unfavorable) Variance	Financial Plan	Actual
RECEIPTS:					
Taxes	$ 112	$ 112	$ —	$ —	$ —
Miscellaneous	634	645	11	—	—
Federal grants	—	—	—	—	—
Total receipts	**746**	**757**	**11**	**—**	**—**
DISBURSEMENTS:					
Local assistance grants	153	111	42	—	—
Capital projects	439	417	22	—	—
Total disbursements	**592**	**528**	**64**	**—**	**—**
Excess (deficiency) of receipts over disbursements	**154**	**229**	**75**	**—**	**—**
OTHER FINANCING SOURCES (USES):					
Bond and note proceeds, net	222	245	23	—	—
Transfers from other funds	37	55	18	(908)	(929)
Transfers to other funds	(665)	(612)	53	908	929
Net other financing sources (uses)	**(406)**	**(312)**	**94**	**—**	**—**
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	**$ (252)**	**$ (83)**	**$ 169**	**$ —**	**$ —**

See independent auditors' report.

Total		
Financial Plan	Actual	Favorable (Unfavorable) Variance
$ 1,686	$ 1,690	$ 4
2,455	1,678	(777)
1,482	1,567	85
5,623	**4,935**	**(688)**
1,161	855	306
3,870	3,795	75
5,031	**4,650**	**381**
592	**285**	**(307)**
222	245	23
195	183	(12)
(1,231)	(1,236)	(5)
(814)	**(808)**	**6**
$ (222)	**$ (523)**	**$ (301)**

STATE OF NEW YORK

EXCELSIOR

COMPTROLLER

Fiduciary Funds

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

Private Purpose Trust Funds:

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

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

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

Agency Funds:

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

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

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

Combining Statement of Fiduciary Net Assets

PRIVATE PURPOSE TRUSTS

March 31, 2003
(Amounts in millions)

	Agriculture Producer's Security	Milk Producer's Security	Abandoned Property	Tuition Savings Program	Total
ASSETS:					
Cash and investments	$ 4	$ 6	$ 101	$ 1,408	**$ 1,519**
Receivables, net of allowances for uncollectibles	—	—	69	21	**90**
Due from other funds	—	—	441	—	**441**
Total assets	**4**	**6**	**611**	**1,429**	**2,050**
LIABILITIES:					
Accrued liabilities	—	—	611	6	**617**
Total liabilities	**—**	**—**	**611**	**6**	**617**
NET ASSETS:					
Reserved for other specified purposes	4	6	—	1,423	**1,433**
Total net assets	**$ 4**	**$ 6**	**$ —**	**$ 1,423**	**$ 1,433**

See independent auditors' report.

Combining Statement of Changes in Fiduciary Net Assets

PRIVATE PURPOSE TRUSTS

March 31, 2003

(Amounts in millions)

	Agriculture Producer's Security	Milk Producer's Security	Abandoned Property	Tuition Savings Program	Total
Additions:					
Investment income	$ —	$ —	$ —	$ 18	$ 18
Dividend income	—	—	—	25	25
Escheated property	—	—	430	—	430
Net unrealized gain on investments	—	—	—	13	13
Total investment and other income	**—**	**—**	**430**	**56**	**486**
Less:					
Net realized loss on investments	—	—	—	(150)	(150)
Investment expenses	—	—	—	(5)	(5)
Net investment and other income	**—**	**—**	**430**	**(99)**	**331**
Contributions:					
College savings	—	—	—	685	685
Total contributions	**—**	**—**	**—**	**685**	**685**
Total additions	**—**	**—**	**430**	**586**	**1,016**
Deductions:					
College aid redemptions	—	—	—	78	78
Claims paid	—	—	68	—	68
Net transfers to General Fund	—	—	362	—	362
Total deductions	**—**	**—**	**430**	**78**	**508**
Net increase	**—**	**—**	**—**	**508**	**508**
Net assets held in trust at April 1, 2002	**4**	**6**	**—**	**915**	**925**
Net assets held in trust at March 31, 2003	**$ 4**	**$ 6**	**$ —**	**$ 1,423**	**$ 1,433**

See independent auditors' report.

Combining Statement of Fiduciary Net Assets

AGENCY FUNDS

March 31, 2003
(Amounts in millions)

	School Capital Facilities Financing Reserve	Employees Health Insurance	Social Security Contribution	NYS Employee Payroll Withholding	Employees Dental Insurance
ASSETS:					
Cash and investments	$ 40	$ 191	$ 18	$ 10	$ 6
Receivables, net of allowances for uncollectibles	—	14	—	—	—
Due from other funds	—	1	—	—	1
Other assets	—	141	—	—	—
Total assets	**$ 40**	**$ 347**	**$ 18**	**$ 10**	**$ 7**
LIABILITIES:					
Payable to local governments	$ —	$ 141	$ —	$ —	$ —
Accrued liabilities	40	205	17	—	7
Accounts payable	—	—	1	10	—
Due to other funds	—	1	—	—	—
Total liabilities	**$ 40**	**$ 347**	**$ 18**	**$ 10**	**$ 7**

See independent auditors' report.

Management Confidential Group Insurance	CUNY Senior College Operating	MMIS Statewide Escrow	Sole Custody	Miscellaneous	Total
$ 1	$ 32	$ 259	$ 3,371	$ 427	$ 4,355
—	—	—	4	59	77
—	2	162	9	31	206
—	—	—	—	—	141
$ 1	**$ 34**	**$ 421**	**$ 3,384**	**$ 517**	**$ 4,779**
$ —	$ —	$ 6	$ 2,470	$ 11	$ 2,628
1	9	414	914	443	2,050
—	16	1	—	6	34
—	9	—	—	57	67
$ 1	**$ 34**	**$ 421**	**$ 3,384**	**$ 517**	**$ 4,779**

STATE OF NEW YORK

EXCELSIOR

COMPTROLLER

Statistical Section

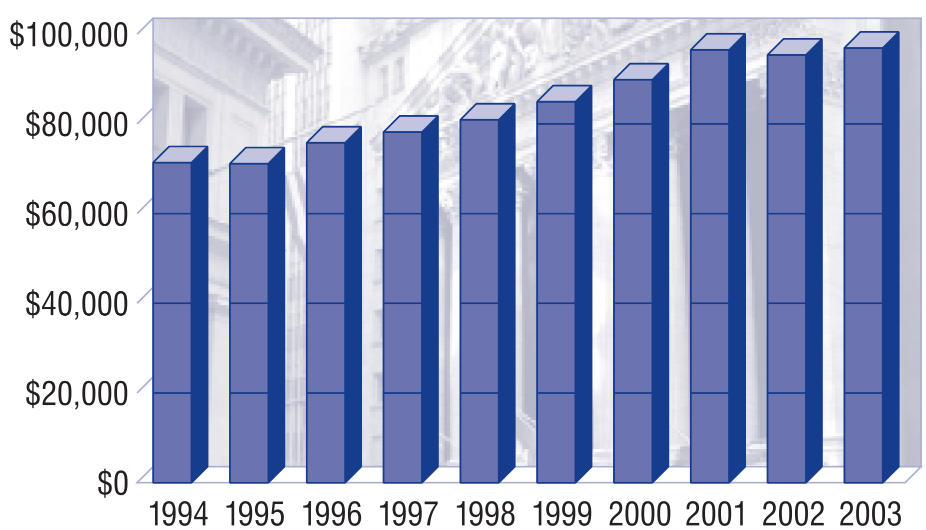
Schedule of Revenues, Expenditures and Other Financing Sources (Uses)

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

	1993-94	1994-95	1995-96
REVENUES:			
Taxes	$ 32,974	$ 32,994	$ 33,507
Miscellaneous revenues	5,158	5,997	6,942
Federal grants	18,627	21,481	22,272
Total revenues	**56,759**	**60,472**	**62,721**
EXPENDITURES:			
Grants to local governments	37,716	42,551	43,219
Operations of state departments and agencies	12,074	13,082	13,221
Debt service	2,039	2,132	2,334
Capital projects	2,523	3,122	3,004
Total expenditures	**54,352**	**60,887**	**61,778**
Excess (deficiency) revenues over expenditures	**2,407**	**(415)**	**943**
OTHER FINANCING SOURCES (USES):			
Bond proceeds	458	325	188
Proceeds from financing arrangements	6,301	2,352	3,326
Transfers from other funds	7,909	8,051	9,588
Transfers to other funds	(11,317)	(11,495)	(12,865)
Payments on advance refundings	(4,707)	(609)	(747)
Net other financing sources (uses)	**(1,356)**	**(1,376)**	**(510)**
Excess (deficiency) of operating revenues and other financing sources over (under) expenditures and other financing uses	**$ 1,051**	**$ (1,791)**	**$ 433**

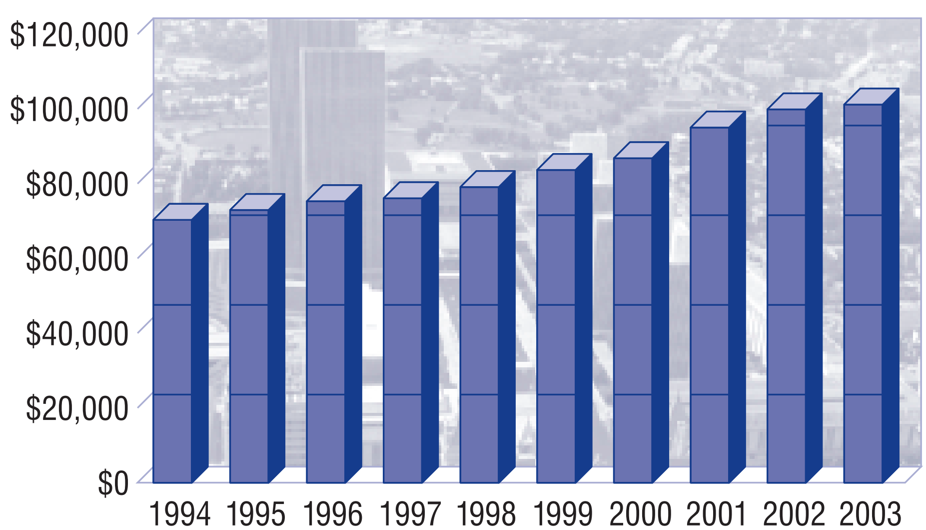
Source: Office of the State Comptroller

REVENUES & OTHER FINANCING SOURCES
(AMOUNTS IN MILLIONS)



	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03
	$ 35,000	$ 36,374	$ 38,985	$ 41,888	$ 45,153	$ 41,676	$ 39,636
	8,084	7,698	7,700	10,014	10,866	11,368	9,751
	22,329	23,268	24,133	25,367	26,722	29,942	35,312
	65,413	**67,340**	**70,818**	**77,269**	**82,741**	**82,986**	**84,699**
	43,463	44,667	47,548	51,386	56,093	60,761	68,890
	14,055	13,730	13,929	14,426	15,881	16,909	15,925
	2,387	2,728	2,889	3,317	3,679	3,392	2,970
	2,773	2,983	3,393	3,442	3,448	3,397	3,362
	62,678	**64,108**	**67,759**	**72,571**	**79,101**	**84,459**	**91,147**
	2,735	**3,232**	**3,059**	**4,698**	**3,640**	**(1,473)**	**(6,448)**
	439	485	358	349	264	211	246
	3,446	3,354	3,875	2,010	2,398	1,537	9,778
	8,912	9,773	9,972	10,294	11,152	10,751	2,238
	(12,193)	(13,223)	(13,964)	(14,221)	(15,636)	(15,473)	(3,637)
	(1,279)	(1,821)	(1,977)	(100)	(370)	—	(6,481)
	(675)	**(1,432)**	**(1,736)**	**(1,668)**	**(2,192)**	**(2,974)**	**2,144**
	$ 2,060	**$ 1,800**	**$ 1,323**	**$ 3,030**	**$ 1,448**	**$ (4,447)**	**$ (4,304)**

EXPENDITURES & OTHER FINANCING USES
(AMOUNTS IN MILLIONS)



Schedule of Collections of Principal State Taxes

LAST TEN FISCAL YEARS

(Amounts in millions)

Fiscal Year	Personal Income	Sales and Use	Motor Fuel	Corporate Franchise	Cigarette	Corporate & Utility	Other Miscellaneous	Total Taxes Collected By Year
1993-94	$ 16,034	$ 6,322	$ 500	$ 2,163	$ 708	$ 1,823	$ 5,007	$ 32,557
1994-95	17,589	6,789	485	2,198	727	1,705	4,420	33,913
1995-96	16,998	6,954	502	2,002	693	1,756	4,623	33,528
1996-97	16,371	7,261	472	2,306	667	1,789	4,573	33,439
1997-98	17,759	7,562	492	2,343	676	1,745	4,814	35,391
1998-99	20,662	7,912	502	2,262	667	1,728	4,848	38,581
1999-2000	21,533	8,532	519	2,168	643	1,692	4,642	39,729
2000-2001	26,892	8,732	510	2,631	528	1,009	4,306	44,608
2001-2002	27,414	8,540	489	1,702	532	1,218	4,420	44,315
2002-2003	23,698	8,796	544	1,612	447	1,091	4,488	40,676

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

Schedule of State-Related Debt Per Capita

LAST TEN FISCAL YEARS

Fiscal Year	General Obligation Debt	State Guaranteed Authority Debt	Lease/Purchase and Contractual Obligation Debt	Moral Obligation Debt	Certificates Of Participation	Local Government Assistance Corporation	Total Debt
1993-94	$ 283	$ 23	$ 828	$ 399	$ 32	$ 245	$ 1,810
1994-95	277	20	914	386	30	262	1,889
1995-96	262	17	1,051	355	27	290	2,002
1996-97	260	15	1,164	180	28	288	1,935
1997-98	258	14	1,259	76	26	284	1,917
1998-99	255	10	1,360	35	30	282	1,972
1999-2000	248	7	1,435	33	28	268	2,019
2000-2001	229	6	1,418	29	24	249	1,955
2001-2002	218	6	1,442	27	17	243	1,953
2002-2003	209	—	1,551	—	13	239	2,012

Source: Office of the State Comptroller

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

LAST TEN FISCAL YEARS
(Amounts in millions)

Fiscal Year	Principal	Interest	Total Debt Service	Total General Governmental Expenditures	Ratio of Debt Service to General Governmental Expenditures
1994	$ 444	$ 317	$ 761	$ 54,352	1.40%
1995	467	312	779	60,887	1.28%
1996	483	281	764	61,778	1.24%
1997	475	265	740	62,678	1.18%
1998	481	258	739	64,108	1.15%
1999	487	252	739	67,759	1.09%
2000	478	240	718	72,571	0.99%
2001	451	226	677	79,101	0.86%
2002	415	209	624	84,459	0.74%
2003	390	182	572	91,147	0.63%

Source: Office of the State Comptroller

Schedule of Demographic Statistics

LAST TEN FISCAL YEARS

Years	Population (1000s)	% of U.S. Population	Per Capita Personal Income	Unemployment (1000s)	Unemployment %
1993	18,153	7.0	$ 24,824	663	7.8
1994	18,169	7.0	25,276	593	6.9
1995	18,178	6.9	26,782	498	6.3
1996	18,185	6.9	27,264	495	6.3
1997	18,137	6.8	30,909	514	6.4
1998	18,175	6.7	31,796	461	5.6
1999	18,197	6.7	33,945	431	5.1
2000	18,976	6.7	35,002	397	4.6
2001	19,011	6.7	35,884	370	4.9
2002	19,158	6.6	36,043	542	5.8

Prior to 2000, population numbers were based on estimates.

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

Schedule of City Populations Within New York State

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

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

Schedule of Ten Largest Industrial & Commercial Employers

Firm	Location
The Chase Manhattan Bank	New York City
Consolidated Edison	New York City
Eastman Kodak Company	Rochester
Federated Corporate Services, Inc (1)	New York City
International Business Machines Corporation	Endicott
Verizon	New York City
United Parcel Services, Inc	New York City
Wal-Mart Associates, Inc	Various
Wegman's Food Markets, Inc	Rochester
Xerox Corporation	Rochester

(1) Macy's, Bloomingdales, Bon Marche, Sterns, and other stores

Source: New York State Empire State Development Corporation

Schedule of Nonagricultural Employment by Categories

	Percentage Composition of Employment (2001)	
	United States	**New York**
Construction	5.2%	3.9%
Manufacturing and Mining	12.4%	7.9%
Trade, Transportation & Utilities	19.3%	17.6%
Information	2.6%	3.7%
Financial Activities	5.8%	8.7%
Professional and Business Services	12.4%	12.9%
Educational and Health Services	11.7%	16.3%
Leisure and Hospitality	9.0%	7.4%
Other Services	4.8%	4.9%
Government	16.8%	16.7%
Total	**100.0%**	**100.0%**

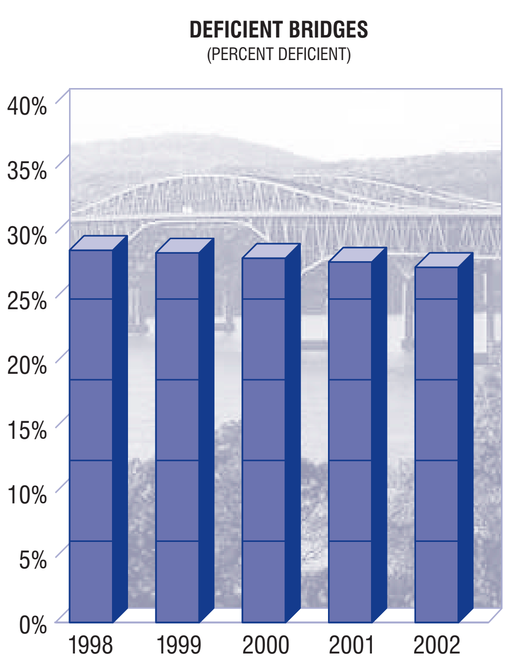
Source: U.S. & N.Y.S. Departments of Labor, U.S. Department of Commerce

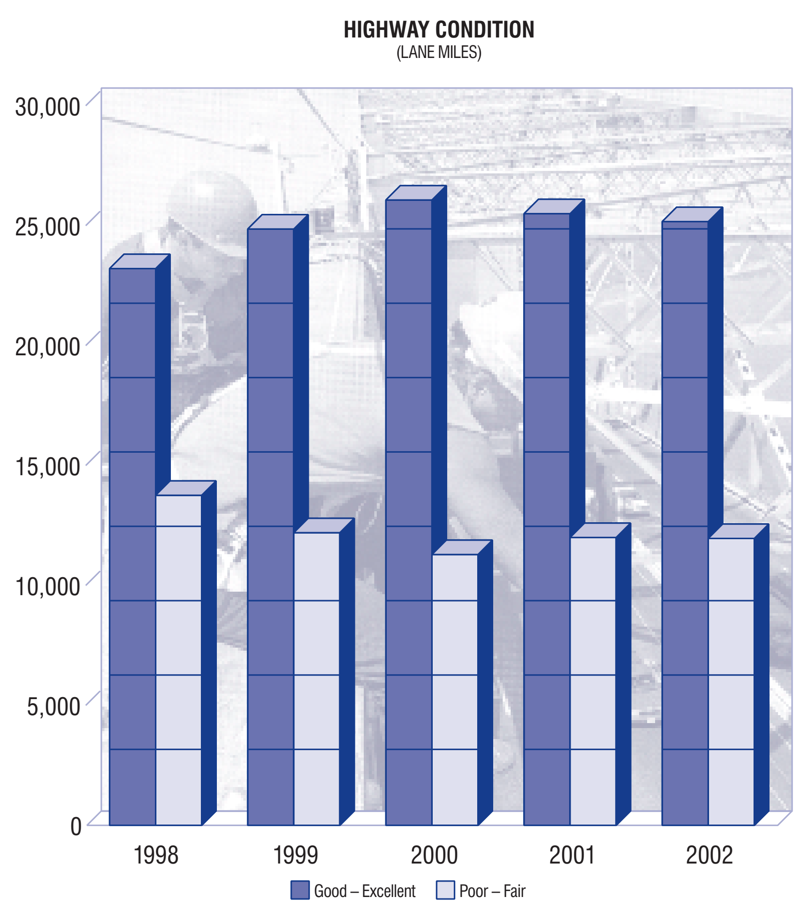
Schedule of Miscellaneous Statistics

March 31, 2003

Date Entered Union	July 26, 1788
Form of Government	Legislative—Executive—Judicial
Land Area	49,576 square miles
Miles of Roads in NYS	42,455
Number of State Bridges	7,700
State Police Protection:	
Number of Troops	11
Number of State Police Employees	5,453
State University of New York (All Campuses):	
Number of Campuses in State	64
Annual Salaried Positions	36,700
Number of Students	402,000
Recreation:	
Number of State Parks & Historic Sites	202
Expected Visitors 2003-2004	60 million

Source: 2003-2004 N.Y.S. Executive Budget





Revenue and Other Financing Sources by Type as Percent of Total

COMBINED GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

Type	1994	1995	1996	1997
Taxes:				
Personal income	23.12%	23.34%	22.86%	22.95%
Consumption and use	12.07%	12.81%	11.88%	11.86%
General business	9.43%	8.64%	8.01%	8.34%
Other	1.55%	1.56%	1.45%	1.59%
Total taxes	**46.17%**	**46.35%**	**44.20%**	**44.74%**
Federal grants	26.08%	30.17%	29.37%	28.55%
Lottery	3.32%	4.28%	4.76%	5.10%
Patient fees	0.44%	0.52%	0.51%	0.52%
Miscellaneous	3.46%	3.63%	3.88%	4.71%
Total other than taxes	**33.30%**	**38.60%**	**38.52%**	**38.88%**
Total financing sources	20.53%	15.05%	17.28%	16.38%
Total revenue and financing sources	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Source: Office of the State Comptroller

1998	1999	2000	2001	2002	2003
23.09%	24.71%	26.24%	28.31%	25.33%	22.66%
12.02%	11.95%	11.90%	11.56%	11.58%	11.77%
8.20%	7.51%	6.82%	5.77%	5.17%	5.21%
1.62%	1.68%	1.62%	1.17%	1.57%	1.25%
44.93%	**45.85%**	**46.58%**	**46.81%**	**43.65%**	**40.89%**
28.74%	28.38%	28.21%	27.64%	31.36%	36.42%
4.87%	4.35%	4.04%	4.33%	4.98%	—
0.49%	0.45%	0.42%	0.44%	0.44%	3.43%
4.15%	4.25%	6.68%	6.49%	6.48%	6.63%
38.25%	**37.43%**	**39.35%**	**38.90%**	**43.26%**	**46.48%**
16.82%	16.72%	14.07%	14.29%	13.09%	12.63%
100.00%	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Expenditures and Other Financing Uses by Type as Percent of Total

COMBINED GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

Type	1994	1995	1996	1997
Local assistance grants:				
Social services	30.37%	34.64%	32.96%	32.45%
Education	17.31%	17.57%	17.78%	17.99%
General purpose	1.27%	0.95%	1.10%	1.07%
Mental hygiene	1.48%	1.56%	1.55%	1.50%
Health and environment	1.14%	1.20%	1.74%	1.79%
Transportation	0.56%	0.90%	0.58%	0.64%
Criminal justice	0.35%	0.36%	0.36%	0.35%
Other programs	1.11%	1.13%	1.25%	1.28%
Total local assistance grants	**53.59%**	**58.31%**	**57.32%**	**57.07%**
Personal service	9.28%	9.40%	8.77%	8.48%
Non-personal service	5.59%	6.01%	6.26%	6.82%
Pension and other fringe benefits	2.28%	2.52%	2.50%	3.16%
Capital construction	3.59%	4.28%	3.98%	3.64%
Debt service	2.90%	2.92%	3.09%	3.13%
Disaster assistance—WTC	—	—	—	—
Total other than grants	**23.64%**	**25.13%**	**24.60%**	**25.23%**
Total financing uses	22.77%	16.56%	18.08%	17.70%
Total expenditures and financing uses	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Source: Office of the State Comptroller

1998	1999	2000	2001	2002	2003
32.38%	31.16%	32.38%	31.85%	31.99%	35.77%
18.07%	19.14%	20.05%	20.41%	20.73%	21.02%
0.73%	1.09%	1.06%	1.03%	0.96%	0.84%
1.33%	1.29%	1.32%	1.27%	1.34%	1.31%
1.65%	1.92%	2.32%	2.71%	2.87%	3.01%
0.76%	0.76%	0.81%	0.38%	0.48%	3.33%
0.40%	0.39%	0.39%	0.38%	0.28%	0.30%
1.11%	1.06%	0.92%	0.94%	1.14%	2.46%
56.43%	**56.80%**	**59.25%**	**58.97%**	**59.79%**	**68.04%**
8.36%	8.13%	8.17%	7.96%	7.75%	7.94%
6.69%	6.22%	6.20%	6.54%	6.65%	5.34%
2.30%	2.30%	2.11%	2.20%	2.52%	2.45%
3.77%	4.05%	3.96%	3.63%	3.40%	3.32%
3.44%	3.45%	3.82%	3.87%	3.39%	2.93%
—	—	—	—	1.02%	—
24.56%	**24.14%**	**24.26%**	**24.20%**	**24.73%**	**21.98%**
19.01%	19.05%	16.48%	16.83%	15.48%	9.98%
100.00%	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

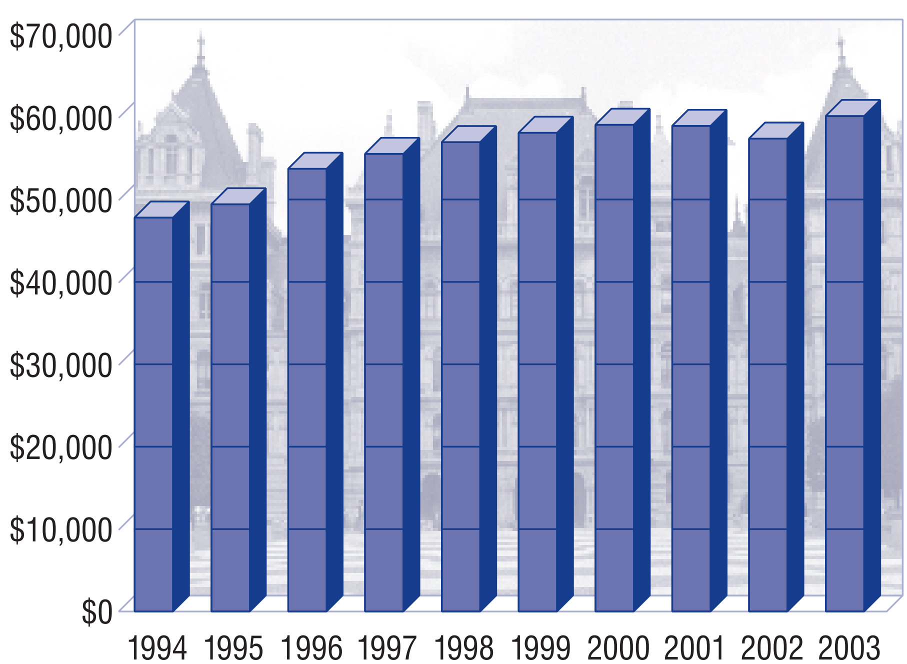
State Supported Long-Term Debt By Type Principal and Interest

LAST TEN FISCAL YEARS
(Amounts in millions)

Type	1994	1995	1996	1997
General Obligation				
Total Debt	$ 7,604	$ 7,263	$ 6,780	$ 6,726
Percent of Total	15.89%	14.68%	12.60%	12.09%
Change from Prior Year	–1.20%	–4.48%	–6.65%	–0.80%
Lease/Purchase and Other Financing Arrangements				
Total Debt	$ 30,283	$ 31,860	$ 35,797	$ 38,145
Percent of Total	63.26%	64.39%	66.55%	68.56%
Change from Prior Year	2.81%	5.21%	12.36%	6.56%
Certificates of Participation				
Total Debt	$ 797	$ 738	$ 658	$ 635
Percent of Total	1.67%	1.49%	1.22%	1.14%
Change from Prior Year	–10.82%	–7.40%	–10.84%	–3.50%
Local Government Assistance Corporation				
Total Debt	$ 9,183	$ 9,619	$ 10,556	$ 10,128
Percent of Total	19.18%	19.44%	19.62%	18.20%
Change from Prior Year	11.11%	4.75%	9.74%	–4.05%
Total Debt				
Total Debt	**$ 47,867**	**$ 49,480**	**$ 53,791**	**$ 55,634**
Percent of Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**
Change from Prior Year	**3.86%**	**3.37%**	**8.71%**	**3.43%**

Source: Office of the State Comptroller

STATE SUPPORTED LONG-TERM DEBT
PRINCIPAL & INTEREST
(AMOUNTS IN MILLIONS)



1998	1999	2000	2001	2002	2003
$ 6,743	$ 6,488	$ 6,383	$ 6,038	$ 5,450	$ 5,190
11.82%	11.15%	10.79%	10.23%	9.48%	8.62%
0.25%	–3.78%	–1.62%	–5.40%	–9.74%	–4.77%
$ 40,049	$ 41,748	$ 43,433	$ 44,112	$ 44,285	$ 47,970
70.19%	71.76%	73.43%	74.76%	77.05%	79.64%
4.99%	4.24%	4.04%	1.56%	0.39%	8.32%
$ 573	$ 648	$ 593	$ 522	$ 364	$ 288
1.00%	1.11%	1.00%	0.88%	0.63%	0.48%
–9.76%	13.09%	–8.49%	–11.97%	–30.27%	–20.88%
$ 9,693	$ 9,292	$ 8,742	$ 8,336	$ 7,380	$ 6,785
16.99%	15.98%	14.78%	14.13%	12.84%	11.26%
–4.30%	–4.14%	–5.92%	–4.64%	–11.47%	–8.06%
$ 57,058	**$ 58,176**	**$ 59,151**	**$ 59,008**	**$ 57,479**	**$ 60,233**
100.00%	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**
2.56%	**1.96%**	**1.68%**	**–0.24%**	**–2.59%**	**4.79%**

STATE OF NEW YORK

EXCELSIOR

COMPTROLLER

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Office of the State Comptroller Organization

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