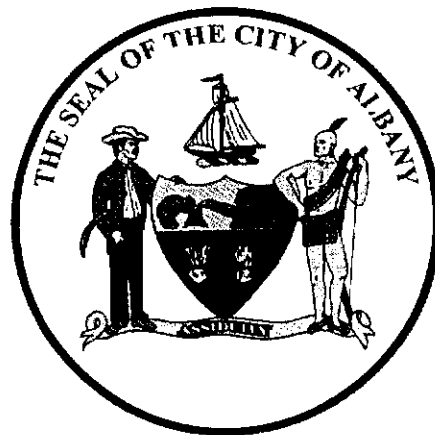


**CITY OF ALBANY,
NEW YORK**

**AUDITED FINANCIAL STATEMENTS
AND
SUPPLEMENTARY INFORMATION**

Year ended December 31, 2004



CITY OF ALBANY, NEW YORK

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INDEPENDENT AUDITOR'S REPORT

Members of the City Council
City of Albany, New York

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Albany, New York (the "City"), as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements, as listed in the accompanying table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. We did not audit the financial statements of the Albany Parking Authority, Albany Industrial Development Agency, Downtown Albany Restoration Program, Inc., Lark Street Area District Management Association, Inc., and Central District Management Association, Inc., which represent approximately 20 percent and 21 percent, respectively, of the assets and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those entities, is based on the reports of the other auditors.

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

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

The accompanying Management's Discussion and Analysis and required supplementary information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

UHY LLP

Albany, New York
July 22, 2005

Management Discussion & Analysis

OVERVIEW

The Management Discussion and Analysis (MD&A) of the City of Albany, New York is an introduction to the major activities affecting the operation of the City of Albany and an overview and analysis of the financial statements of the City of Albany for the calendar year that ended December 31, 2004. It also provides comparative analysis of the City's overall financial position and results of operations as compared to those reported in the City's financial statements for the calendar year ending December 31, 2003.

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

The City's government-wide financial statements are included here in conformance with Government Accounting Standards Board Statements (GASB) No. 34 "*State and Local Government Financial Statements and MD&A*"; GASB No. 37 "*Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments: Omnibus*"; and GASB No. 38 "*Certain Financial Statement Disclosures*".

FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

The intent of the government-wide financial statements is to present an overview of the City's overall financial position. The government-wide financial statements include two parts: the *statement of net assets* and the *statement of activities*. Both statements are prepared using generally accepted accounting principles and an economic basis of accounting similar to that used by commercial enterprises. The *statement of net assets* and the *statement of activities* delineate between the primary government (the City of Albany, plus the Albany Community Development Agency) and the component units¹, which are separate entities for which the city has some responsibility.

The *statement of net assets* is an attempt to report all assets held and liabilities owed by the City on December 31, 2004. The City reports all assets when it takes ownership and reports liabilities at the time they are incurred. The City reports roads, buildings, and equipment as assets, even though they are not available to pay current obligations. The City reports capital assets based on historical costs, which may not reflect fair market value. Similarly, the City records the cost of accumulated vacation time as a liability, even though it will be paid over many years.

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

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

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

The City's government-wide financial statements distinguish between primary government and component units. Component units are legally separate from the City, but because the City has some financial accountability for them, they are reported in the City's financial statements. The government-wide financial statements are presented on pages 17-18.

Governmental Funds Financial Statements

Governmental funds financial statements consist of a *balance sheet* and *statement of revenue, expenditures, and change in fund balances*. Governmental financial statements have traditionally been presented in this format. These statements measure and account for cash and other assets that can easily be converted to cash. The *balance sheet* includes items such as cash, but not capital assets such as land and buildings. Fund liabilities include amounts that are to be paid within a short period after the end of the fiscal year. For example, amounts reported on the balance sheet include items such as accounts payable, and interest and principal on long term debt payable during that period, but not total long-term debt obligations. The difference between a fund's total assets and total liabilities is labeled as the fund balance, and indicates the amount that is available to finance subsequent years' activities. Likewise the operating statement for governmental funds reports only those revenues and expenditures that were collected in cash or paid with cash during the current period or shortly after the end of the year. The governmental funds financial statements are included on pages 19-20.

Reconciliation of the Government-Wide Financial Statements with the Governmental Funds Financial Statements.

Many financial transactions are treated differently on the governmental fund statement and the government-wide statements. The basic financial statements contain a reconciliation of these items and a full explanation of these differences is contained in Note 2 of the Notes to Financial Statements.

Reconciliation of Balance Sheet with Statement of Net Assets

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

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

A more complete reconciliation between financial statements is presented on pages 21 and 22 and in Note 2.

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

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

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

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

OVERVIEW OF THE CITY'S FINANCIAL POSITION

Government-Wide Financial Statements

Statement of Net Assets

Primary government net assets exceed total liabilities by approximately \$41.4 million, a decrease of \$4.1 million from 2003. (Liabilities increased by \$16.0 million while assets increased by \$11.9 million.) Of these assets, \$49.7 million is invested in capital assets, net of related debt, and \$1.2 million is restricted for debt service, leaving a deficit balance of (\$9.5) million in unrestricted net assets. This reflects a decrease from 2003 of \$2.5 million, caused in large part by the increased contribution to the NYS Retirement system of \$12 million, which was offset by \$10.7 million of revenue from the issue of pension bond anticipation notes. Other increases to long term debt obligations specifically the landfill closure post closure cost estimate and compensated absences also contributed to the decrease in the unrestricted net asset balance. Net capital assets increased by approximately \$100,000.

For the Component Units, net assets total approximately \$11.4 million and decreased from 2003 by \$1.6 million. After investment in capital assets, and restricted for debt service and program specific activities, unrestricted net assets total approximately \$40.2 million, which is an increase from 2003 of \$6.5 million.

Total capital assets, including property and equipment after depreciation are valued at \$158.8 million, an increase from 2003 of \$8.8 million. Additions to infrastructure of \$6.8 million account for most of the increase. Of the approximately \$42.4 million of assets not subject to depreciation, approximately \$41 million is construction in progress, particularly state and federally funded transportation projects. In 2004 the City donated property to the Albany Public Library. The net book value of the property was \$1.46 million. A more detailed description of capital assets is found in Footnote 7.

Governmental Activities - Primary Government Net Assets at December 31, 2004 (in Millions)

	<u>2004</u>	<u>2003</u>	<u>Increase/ (Decrease)</u>
Total Assets	\$ 237.89	\$ 225.93	\$ 11.96
Total Liabilities	<u>196.48</u>	<u>180.47</u>	<u>16.01</u>
Excess (deficiency) of assets over (under) liabilities	41.41	45.46	(4.05)
Invested in capital assets, net of related debt	49.75	49.65	0.10
Restricted for debt service and program activities	1.16	2.86	(1.70)
Unrestricted net assets	<u>(9.50)</u>	<u>(7.05)</u>	<u>(2.45)</u>
Total Net Assets	<u>\$ 41.41</u>	<u>\$ 45.46</u>	<u>\$ (4.05)</u>

Governmental Activities - Component Units
Net Assets at December 31, 2004
(in Millions)

	<u>2004</u>	<u>2003</u>	<u>Increase/ (Decrease)</u>
Total Assets	\$ 144.37	\$ 148.59	\$ (4.22)
Total Liabilities	<u>132.94</u>	<u>135.59</u>	<u>(2.65)</u>
Excess (deficiency) of assets over (under) liabilities	11.43	13.00	(1.57)
Invested in capital assets, net of related debt	(34.20)	(26.23)	(7.97)
Restricted for debt service and program activities	5.47	5.53	(0.06)
Unrestricted net assets	<u>40.16</u>	<u>33.70</u>	<u>6.46</u>
Total Net Assets	<u>\$ 11.43</u>	<u>\$ 13.00</u>	<u>\$ (1.57)</u>

Statement of Activities

The *Statement of Activities* describes the cost of the major governmental functions and compares the costs of these functions with revenue attributable to these activities. This statement further delineates the major sources of revenue, which in the case of the City consists of property taxes, sales tax, landfill revenue, grants (including State Aid), and Payments in Lieu of Taxes (PILOTs).

General fund expenses increased from 2003 by \$19.5 million. Public safety expenses increased from 2003 by \$11 million (16.7%). This increase reflects contractual salary increases, overtime spending in excess of budget, increases in costs of retirement and health care. Most importantly it includes a \$6.4 million expense of moving firefighters into a new retirement plan pursuant to the past service cost section 384-e of the NYS Retirement and Social Security Law. Public Safety expenses of \$77.1 million are offset by \$9.7 million in charges for services, an increase from 2003 of \$1.1 million. The increase is a result of increased traffic fines and federal law enforcement grants.

General Government expenses of \$29.3 million increased from 2003 by \$2.5 million (9.5%). The increase reflects a \$1.4 million increase in Judgments and Claims expense due to a single large settlement, salary increases as well as increases in costs of health care and retirement. Expenses are offset by \$2.2 million in charges for services, which is a reduction from 2003 by \$1.1 million. Several revenue categories decreased in 2004.

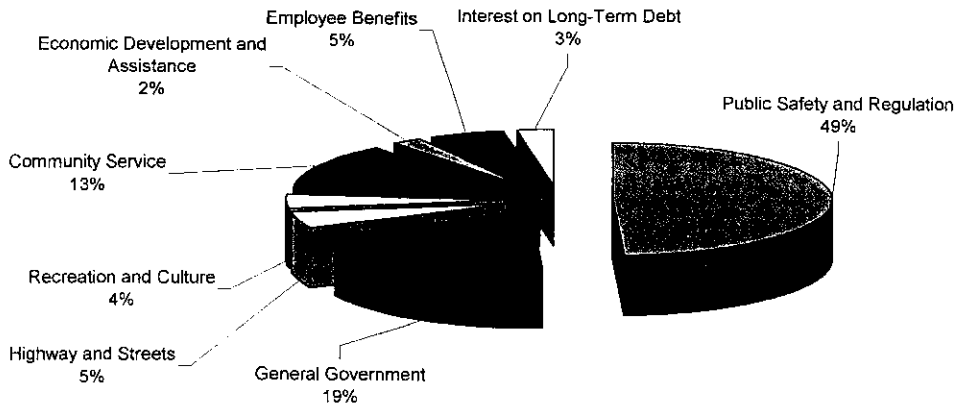
Highways and Streets expenses decreased by \$435,000 (5.7%). The decrease is a result of lower snow removal expense, which offset increased costs of street lighting, contractual salary wage increases, and increased costs of health care and retirement.

Community Service expenses of \$20.3 million are offset by \$15.4 million in revenues, of which the largest part is revenue generated from operation of the regional landfill.

Governmental Activities - Expenses
(in Millions)

<u>Governmental Functions</u>	<u>2004</u>	<u>2003</u>	<u>Increase / (Decrease)</u>	<u>% of Change</u>
Public Safety and Regulation	\$ 77.07	\$ 66.05	\$ 11.02	16.68%
General Government	29.26	26.72	2.54	9.51%
Highway and Streets	7.08	7.51	(0.43)	-5.73%
Recreation and Culture	6.41	5.78	0.63	10.90%
Community Service	20.39	15.91	4.48	28.16%
Economic Development and Assistance	3.30	3.42	(0.12)	-3.51%
Employee Benefits	8.59	7.49	1.10	14.69%
Interest on Long-Term Debt	<u>4.10</u>	<u>3.85</u>	<u>0.25</u>	<u>6.49%</u>
Total	<u>\$ 156.20</u>	<u>\$ 136.73</u>	<u>\$ 19.47</u>	<u>14%</u>

2004
Functional Expenses - Primary Government



Governmental Activities - Revenues
(in Millions)

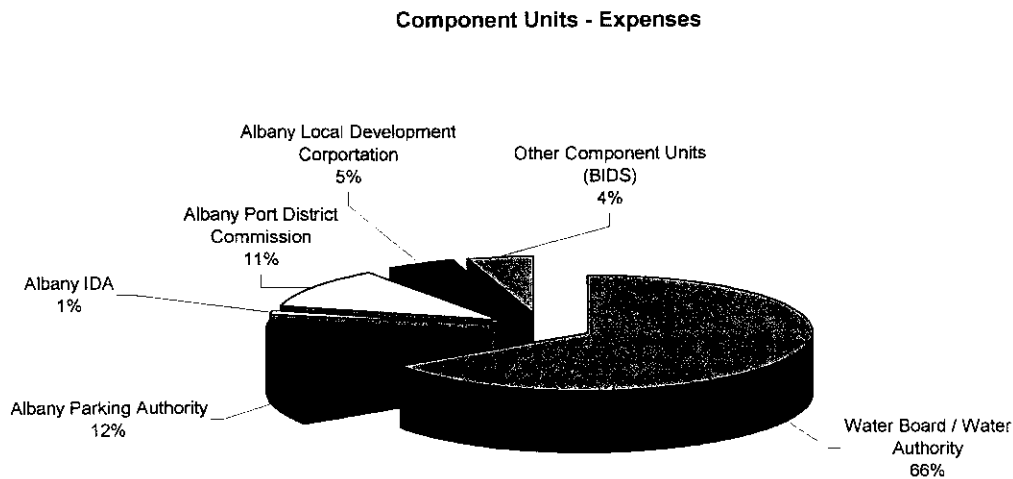
<u>Governmental Functions</u>	<u>2004</u>	<u>2003</u>	<u>Increase/ (Decrease)</u>	<u>% of Change</u>
Public Safety and Regulation	\$ 9.79	\$ 8.74	\$ 1.05	12%
General Government	2.20	3.31	(1.11)	-34%
Highway and Streets	8.32	9.56	(1.24)	-13%
Recreation and Culture	2.04	1.63	0.41	25%
Community Service	15.40	15.85	(0.45)	-3%
Economic Development and Assistance	<u>3.55</u>	<u>3.01</u>	<u>0.54</u>	<u>18%</u>
Total	<u>\$ 41.30</u>	<u>\$ 42.10</u>	<u>\$ (0.80)</u>	<u>-2%</u>

The overall expenses of the Component Units total \$38 million, an increase from 2003 of \$.8 million. The Water Board/Water Authority spending increased as a result of increased salaries (including overtime), increased cost of benefits, and increased taxes paid to other municipalities. IDA spending declined by \$.4 million from 2003. The following is a summary of the relative expenses of the component units, which excludes the Albany Community Development Agency, because it is a blended component unit and is therefore included with the Primary Government in the *statement of activities*.

Component Units - Expenses
(in Millions)

<u>Component Units</u>	<u>2004</u>	<u>2003</u>	<u>Increase/ (Decrease)</u>
Water Board / Water Authority	\$ 24.92	\$ 24.08	\$ 0.84
Albany Parking Authority	4.67	4.65	0.02
Albany IDA	0.44	0.80	(0.36)
Albany Port District Commission	4.31	4.69	(0.38)
Albany Local Development Corporation	1.93	1.58	0.35
Other Component Units (BIDS)	<u>1.76</u>	<u>1.42</u>	<u>0.34</u>
Total	<u>\$ 38.03</u>	<u>\$ 37.22</u>	<u>\$ 0.81</u>

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



Revenue

Property tax revenue increased from 2003 by \$4.5 million or 12 percent. Citywide reassessment effective for the 2004 tax roll resulted in an increase in the total taxable value. The increase is a result of relatively constant rate of taxation combined with an overall increase in property values.

Payments in Lieu of Taxes (PILOTS) increased from \$11.7 million to \$18.8 million because of a change in state law that accelerated payment from the State of New York for the Empire State Plaza state office complex from \$10 million to \$16.85 million.

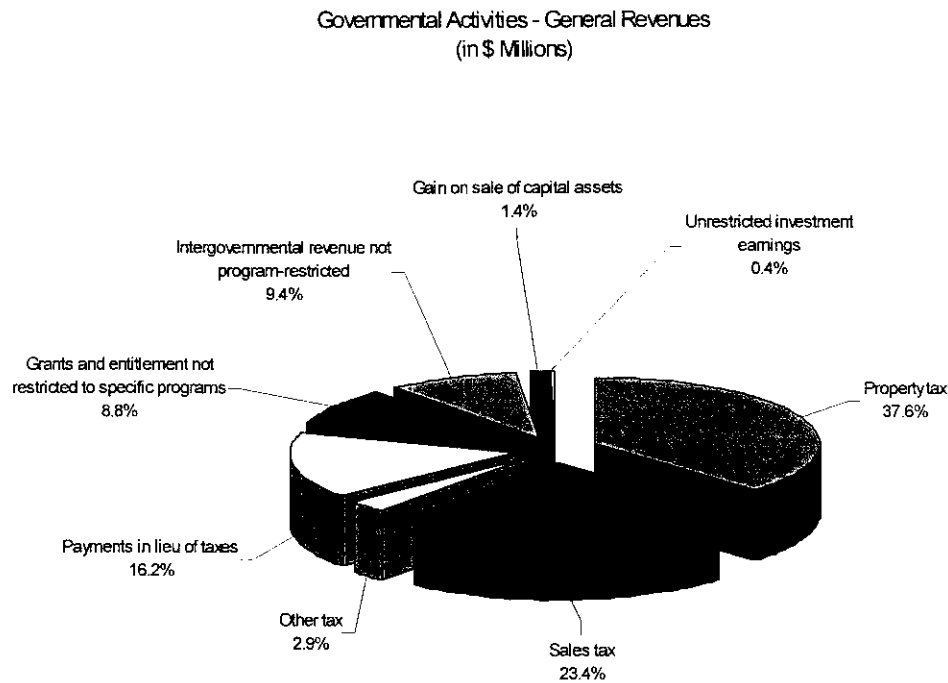
Albany Community Development Agency Grants and entitlements not restricted to specific programs decreased from \$8.1 million to \$8.0 million.

Gain on sale of capital assets declined by \$3.2 million or 184% because the City donated buildings to the Albany Public Library during 2004, which resulted in a loss of \$1.3 million. In 2003, the City recorded \$1.5 million in revenue for the sale of property to the Port Authority, which resulted in a gain of \$1.5 million.

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

Governmental Activities - General Revenues <i>(in Millions)</i>				
<u>REVENUES</u>	<u>2004</u>	<u>2003</u>	<u>Increase/ (Decrease)</u>	<u>%</u>
Property tax	\$ 43.62	\$ 39.12	\$ 4.50	12%
Sales tax	27.14	26.07	1.07	4%
Other tax	3.35	3.37	(0.02)	-1%
Payments in lieu of taxes	18.77	11.70	7.07	60%
Grants and entitlement not restricted to specific programs	8.03	8.06	(0.03)	0%
Intergovernmental revenue not program-restricted	10.95	10.30	0.65	6%
Gain (loss) on sale of capital assets	(1.44)	1.72	(3.16)	-184%
Unrestricted investment earnings	<u>0.44</u>	<u>0.25</u>	<u>0.19</u>	<u>76%</u>
Total General Revenues	<u>\$ 110.86</u>	<u>\$ 100.59</u>	<u>\$ 10.27</u>	<u>10%</u>

The following chart indicates the relative percentages of general revenues:



Governmental Funds Financial Statements

Combined Statement of Revenue Expenditures Budget to Actual

General Fund revenue including other financing sources totals \$144.5 million and General fund expenses \$138.3 and results in a general fund gain of \$4.7 million. Unrestricted fund balance is \$9.9 million and total fund balance is \$11.5 million or 7.2% and 8.3% of actual expenditures respectively as of 12/31/04.

CITY OF ALBANY, NEW YORK

COMBINED STATEMENT OF REVENUES, EXPENDITURES, MODIFIED BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS (in Millions)

	<u>Governmental Fund Types</u>				<u>Special Revenue Funds*</u>			
	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Original Budget</u>	<u>Original Budget</u>	<u>Modified Budget</u>	<u>Actual</u>	<u>Actual Over (Under) Original Budget</u>
REVENUES								
Real property taxes	\$ 44.73	\$ 44.73	\$ 43.62	\$ (1.11)	\$ -	\$ -	\$ -	\$ -
Sales and use taxes	27.28	27.28	27.14	(0.14)	-	-	-	-
Other taxes	3.19	3.19	3.35	0.16	-	-	-	-
Payments in lieu of taxes	12.49	14.59	18.77	6.28	-	-	-	-
Intergovernmental revenue	13.70	17.91	15.42	1.72	2.95	3.43	2.81	(0.14)
Charges for services	12.66	12.66	13.92	1.26	-	-	-	-
Fines, interest and penalties	3.22	3.23	4.07	0.85	-	-	-	-
Use of money and properties	0.71	0.71	0.53	(0.18)	-	-	-	-
Licenses and Permits	1.27	1.27	1.16	(0.11)	-	-	-	-
Other revenues	3.67	3.80	4.45	0.78	-	-	0.01	0.01
Total revenues	122.92	129.37	132.43	9.51	2.95	3.43	2.82	(0.13)
EXPENDITURES								
Public Safety and Regulation	61.86	73.53	73.05	11.19	-	-	-	-
General government	19.64	21.91	21.57	1.93	-	-	-	-
Highways and streets	6.42	6.21	6.10	(0.32)	-	-	-	-
Recreation and culture	5.91	5.95	5.77	(0.14)	-	-	-	-
Community service	5.94	6.90	6.83	0.89	-	-	-	-
Employee benefits	11.80	12.74	12.43	0.63	-	-	-	-
Economic development and assistance	-	0.14	0.11	0.11	2.95	3.43	2.81	(0.62)
Debt Service	12.85	12.78	12.49	(0.36)	-	-	-	-
Total expenditures	124.42	140.16	138.35	13.93	2.95	3.43	2.81	(0.62)
Excess (deficiency) of revenues and appropriated fund balance over expenditures	(1.50)	(10.79)	(5.92)	(4.42)	-	-	0.01	0.49
Proceeds from bonds	-	8.80	10.88	10.88	-	-	-	-
Transfers	-	(2.97)	(1.66)	(1.66)	-	-	-	-
Proceeds from sale of property	1.50	1.50	1.44	(0.06)	-	-	-	-
Total other financing sources (uses)	1.50	7.33	10.66	9.16	-	-	-	-
Excess (deficiency) of revenues, appropriated fund balance and other financing sources over expenditures and other financing uses	\$ (0.00)	\$ (3.46)	\$ 4.74	\$ 4.74	\$ -	\$ -	\$ 0.01	\$ 0.49

* Includes special grant and miscellaneous special revenue funds only.

Spending in excess of budget on public safety overtime, increased expenses for employee benefits (health and pension) and lower than anticipated sales tax revenue exceeds the increased revenue from the acceleration of PILOT (19-a) payments from the State of New York and the savings from bonding a portion of the pension benefit.

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

Revenues

General Fund revenues were approximately \$9.5 million more than budget. The most significant variances in revenue include the following:

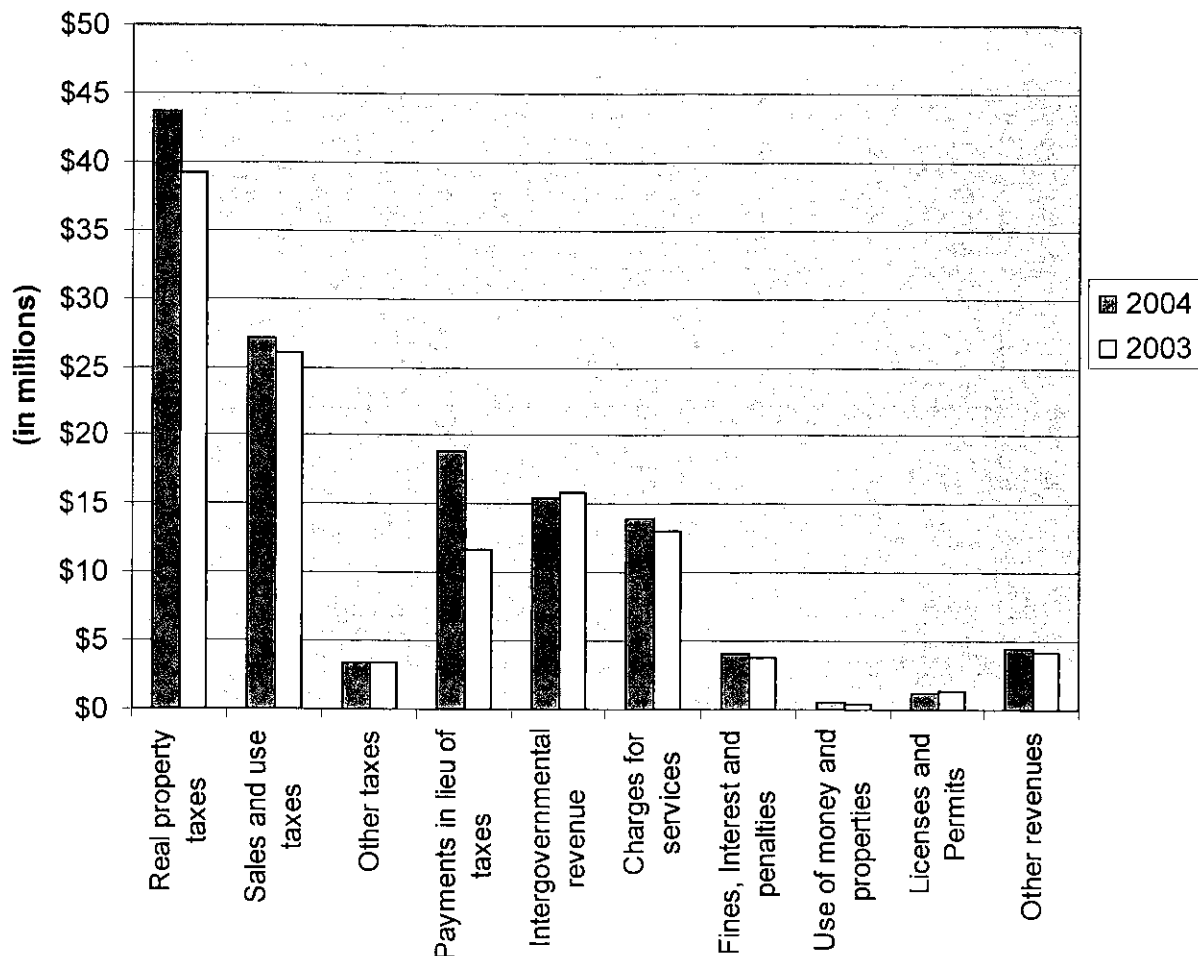
- Real property taxes were under budget by \$1.1 million and \$4.5 million more than in 2003. An increase in the property tax levy caused the increase relative to 2003. Property tax challenges caused the reduction relative to budget.
- Payments in Lieu of Taxes (PILOTs) were \$6.3 million over budget and \$7.1 million more than 2003. The increase is caused by a statutory change that accelerated payments by the State of New York for the Empire State Plaza complex.²
- Sales tax revenue was \$132 thousand under budget and \$1 million more than 2003.
- Intergovernmental revenue was \$1.7 million more than budget and \$451 thousand less than in 2003. The mortgage recording tax was \$1.2 million more than budget and \$881 thousand less than 2003.
- Charges for services revenue was \$1.3 million over budget and \$859 thousand more than 2003.
- Fines, interest and penalties revenue was \$844 thousand more than budget and \$282 thousand more than 2003. The increase is largely caused by increases in penalties for parking violations.

Governmental Activities - General Revenues
(in Millions)

<u>REVENUES</u>	<u>2004</u>	<u>2003</u>	<u>Increase/ (Decrease)</u>	<u>%</u>
Property tax	\$ 43.62	\$ 39.12	\$ 4.50	12%
Sales tax	27.14	26.07	1.07	4%
Other tax	3.35	3.37	(0.02)	-1%
Payments in lieu of taxes	18.77	11.70	7.07	60%
Grants and entitlement not restricted to specific programs	8.03	8.06	(0.03)	0%
Intergovernmental revenue not program-restricted	10.95	10.30	0.65	6%
Gain (loss) on sale of capital assets	(1.44)	1.72	(3.16)	-184%
Unrestricted investment earnings	<u>0.44</u>	<u>0.25</u>	<u>0.19</u>	<u>76%</u>
Total General Revenues	<u>\$ 110.86</u>	<u>\$ 100.59</u>	<u>\$ 10.27</u>	<u>10%</u>

² Payments are made pursuant to Section 19-a of the Public Lands Law.

**Governmental Funds - General Fund Revenues 2004 to 2003
Variance**



Expenses

Expenditures total \$138.3 million, which is \$13.9 million more than budget and \$15.6 million more than 2003.

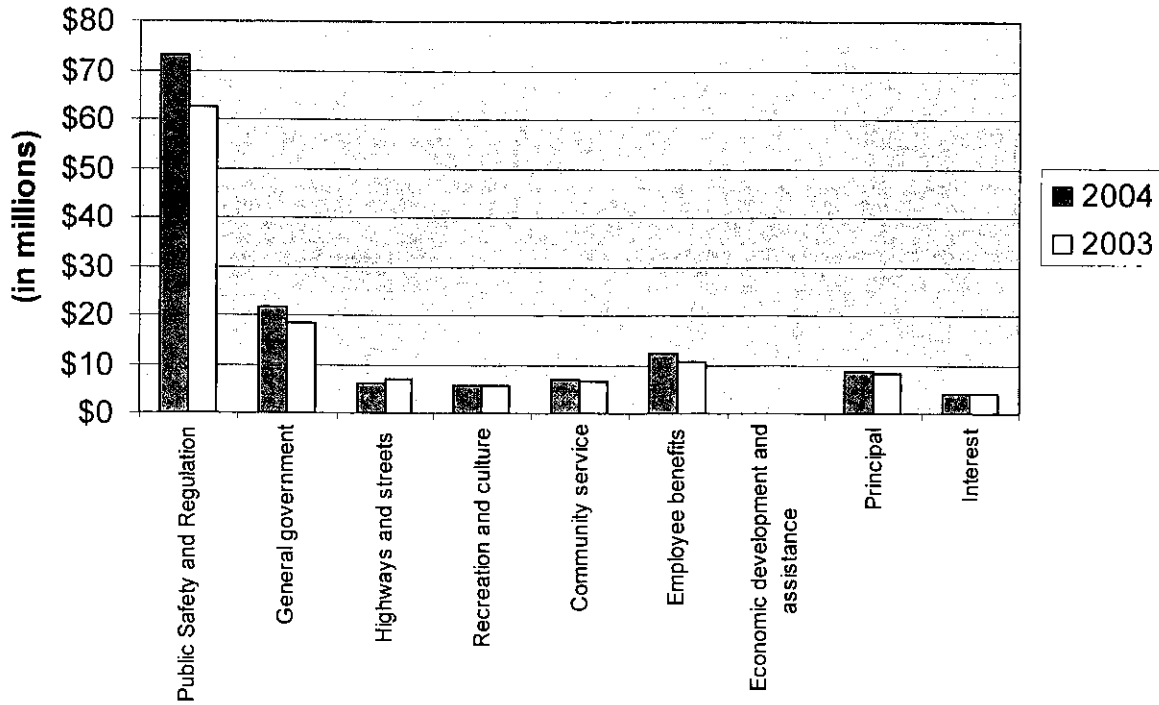
- Public Safety spending was \$11.2 million over budget and \$10.7 million more than 2003, which is largely the result of spending in excess of budget on police and fire department overtime and contractual salary and benefit increases. The increase of \$10.7 million from 2003 also reflects the \$6.3 million buy-in cost of moving firefighters to a new pension plan pursuant to Section 384-E of the New York State Retirement and Social Security Law.
- General Government spending was \$1.9 million more than budget and \$3.3 million more than 2003. Judgments and claims account for \$1.3 million of the increase in 2004 due to a single large settlement. The cost of litigation, summer help, and overtime from Central Maintenance make up the balance of the increase.
- Transportation (Highway and Street) spending was \$300 thousand less than budget and \$1 million less than in 2003 mainly due to decreased snow plowing and removal costs.
- Recreation and Culture spending was under budget by \$133 thousand.

- Home and Community Services spending, which includes the expenses of the landfill, was \$892 thousand more than original budget and \$215 thousand more than 2003. Landfill overtime was \$92 thousand over original budget.
- Undistributed Employee Benefits expense was \$892 thousand over original budget and \$2 million more than 2003. Most of the increase is the result of retirement costs for non-police and non-fire personnel.
- Debt Service payments were \$379 thousand under the original budget, and \$278 thousand more than 2003. The increase reflects the cost from the 2003 bond issue.

Governmental Funds - General Fund Expenditures 2004 to 2003

			2004 Over / (Under) 2003
<u>EXPENDITURES</u>	<u>2004</u>	<u>2003</u>	<u>2003</u>
Public Safety and Regulation	\$ 73.05	\$ 62.39	\$10.66
General government	21.57	18.26	3.31
Highways and streets	6.09	7.11	(1.02)
Recreation and culture	5.77	5.70	0.07
Community service	6.83	6.61	0.22
Employee benefits	12.43	10.43	2.00
Economic development and assistance	0.11	-	0.11
Principal	8.50	8.29	0.21
Interest	<u>3.98</u>	<u>3.91</u>	<u>0.07</u>
Total expenditures	<u>\$ 138.33</u>	<u>\$ 122.70</u>	<u>\$15.63</u>
Deficiency of operating revenues under expenditures	<u>\$ (5.89)</u>	<u>\$ (3.72)</u>	<u>\$ (2.17)</u>

**General Government - General Fund Expenditures 2004 to
2003 Variance**



Other Financing Sources

Proceeds from the sale of property (including payments received from the Albany Water Board for the sale of Six-Mile Water Works) account for \$1.4 million. Proceeds from notes taken out to finance part of the City's NYS Retirement fund obligation account for \$10.7 million.

**Governmental Funds - General Fund Other Financing
Sources (Uses) 2004 to 2003 Variance**

<u>OTHER FINANCING SOURCES (USES)</u>	<u>2004</u>	<u>2003</u>	<u>2004 over / (under) 2003</u>
Proceeds from bonds	\$ 0.17	\$ 0.12	\$ 0.05
Transfers in	1.30	0.29	1.01
Transfers out	(2.96)	(1.63)	(1.33)
Other Debt - NYS Pension bond	10.70	-	10.70
Proceeds from sale of property	1.44	4.60	(3.16)
Total other financing sources	10.65	3.38	7.27
Excess (deficiency) of revenues over expenditures and other financing sources and uses	4.76	(0.34)	5.10
FUND BALANCE, beginning of year	6.79	7.13	(0.34)
FUND BALANCE, end of year	\$ 11.55	\$ 6.79	\$ 4.76

Other Financing Sources Revenues (Uses) 2004 to 2003 Variance

