STATE OF NEW YORK

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For Fiscal Year Ended
March 31, 2006

Prepared by the Office of the State Comptroller

Alan G. Hevesi

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Introductory Section

ALAN G. HEVESI
State Comptroller

ALAN G. HEVESI
COMPTROLLER

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STATE OF NEW YORK
OFFICE OF THE STATE COMPTROLLER

September 2006

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

I am pleased to present the Comprehensive Annual Financial Report for the State of New York for the fiscal year ending March 31, 2006.

As the current administration ends its tenure, the State faces significant financial challenges. The 2006-07 enacted budget contains an estimated two-year budget gap of as much as $13.9 billion, with spending projected to grow twice as fast as revenues between 2005-06 and 2008-09. The final budget authorized a total of $16.5 billion in new debt this year alone, including $11.8 billion of State debt, with the remainder supported by the City of New York for school construction.

Clearly, this type of fiscal management is not sustainable for the long-term. However, a new governor will take office in January, which will provide an opportunity for the Executive and Legislature to initiate a commitment to fiscal responsibility.

The new administration must make significant changes to strengthen New York's financial future. There have been many calls for reform of the State's budgeting practices. The Legislature acted upon some changes this year, but more should be done.

My Office released a fiscal reform agenda this year to improve responsibility, enhance transparency and accountability, provide the public with better information, and foster public participation. While the momentum for change has begun, it must culminate in real reforms that provide the public with assurances that their tax dollars are being protected, and that long-term fiscal stability is not sacrificed for short-term political gain.

Stronger fiscal practices are essential to make New York State economically competitive. Too many areas of the State are still marked by stagnant job growth and high local taxes which make it difficult to attract or retain businesses and jobs. While this year brought significant investments by certain industries in some regions, notably the commitment to high tech jobs in the capital region, the State's leaders should send a strong message to the business community that they are serious about making New York State hospitable to growth for the future.

It took many years for the State to develop unhealthy fiscal practices, and it will take some time to institute all the reforms needed to put our fiscal house in order. Currently, New York State is on a dangerous fiscal course that will make change inevitable. The future for many generations to come will be defined by whether New York State makes needed reforms before a crisis occurs, or waits to respond to a crisis, which will make the cost of repairs higher and the time for recovery longer. Clearly, the time to act is now.

Signed,

Alan G. Hevesi

Alan G. Hevesi

FINANCIAL OVERVIEW

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

The basic financial statements contained in this report have been audited by KPMG, LLP. Their audit was conducted in accordance with generally accepted governmental auditing standards (GAGAS) and their auditor report precedes the basic financial statements. An independent audit provides reasonable assurance that the State's basic financial statements for the year ended March 31, 2006 are free of material misstatement. Independent audit procedures include examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall basis financial statement presentation. An audit also includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control over financial reporting. Accordingly, the independent auditor expressed no opinion with respect to internal control over financial reporting. The independent auditor believed that their audit provided a reasonable basis for rendering an unqualified opinion that the State's basic financial statements for the fiscal year ended March 31, 2006, are fairly presented in conformity with GAAP.

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

Profile of New York State

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

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

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

Economic Condition and Outlook

In 2005 New York State's recovery from the recession of the early 2000s continued. The State's economy is heavily concentrated in the information, finance, and business service sectors—more than half of the State's economic output comes from these sectors. This makes the State sensitive to national economic trends, so as the national economy slowed in 2005, so did the State's economy. The State's relative performance also slipped, moving from 21st among all the states in 2004 to 25th in 2005. While the pace of employment growth in New York did increase slightly in 2005, it did not improve as much as it did in the nation. New York had the 42nd highest rate of job growth among the states in 2005, compared with a rank of 41st in 2004. Unlike the nation, New York State has yet to recover all of the jobs it lost during the last recession—employment in 2005 was nearly 107,000 jobs below the level in 2000.

While employment levels in the State have recovered at a relatively slow rate, personal income growth has expanded more rapidly. Although the nation's rate of increase in personal income eased in 2005 compared to 2004, New York's growth accelerated. The State's relative performance also improved, rising from 25th in the nation in 2004 to 15th in 2005.

The quicker recovery for income growth in New York State is due to the importance of the securities industry—which has emerged from its recent bear market with sharp increases in income, particularly year-end bonuses. Bonuses are now at record highs, having exceeded prior peak levels in 2000 when the downturn in the financial markets began.

The Reporting Entity and Its Services

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

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

Component Units

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

Corporations submit annual reports to the Governor, the Legislature and the State Comptroller on their operations and finances accompanied by an independent auditor's report. Corporations are generally supported by revenues derived from their activities, although in recent years the State has provided financial assistance, in some cases of a recurring nature, to certain Corporations for operating and other expenses, and in fulfillment of its commitments on moral obligation indebtedness. The Corporations have been presented in the accompanying financial statements as component units of the State. The amounts presented in this report were derived from the Corporations' most recent audited financial statements. At year-end these entities reflected net assets of $34.3 billion. For further information refer to Note 13 of the Notes to the Basic Financial Statements.

Budgetary and Other Control Systems

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

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

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

Cash Management

Cash deposits into the State Treasury are controlled jointly by the State Comptroller and the Commissioner of Taxation and Finance. Cash is managed in pooled investment funds to maximize interest earnings. Investments are made in accordance with the State Finance Law. Cash is primarily invested in repurchase agreements involving United States Treasury obligations and remaining funds are invested in United States Treasury bills and commercial paper. For the fiscal year ended March 31, 2006, the average daily balance of pooled investment funds was $10.1 billion with an average yield of 3.82 percent and total investment income of $387 million. Cash deposits not held in the State Treasury and controlled by various other State officials are generally held in interest bearing accounts.

Risk Management

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

State and Local Retirement System

The State and Local Retirement System, covering most non-teaching State employees and local government employees outside of New York City, reported combined net assets available for retirement benefits of $142.6 billion as compared to the previous year-end amount of $128.0 billion. For further information refer to Note 12 of the Notes to the Basic Financial Statements.

General Governmental Results

An operating surplus of $1.6 billion is reported in the General Fund for fiscal year 2005-06. As a result, the General Fund now has an accumulated fund balance of $2.2 billion. The State completed its fiscal year ended March 31, 2006 with a combined Governmental Funds operating surplus of $3.8 billion as compared to a combined Governmental Funds operating surplus in the preceding fiscal year of $2.1 billion. The combined 2005-06 operating surplus of $3.8 billion included operating surpluses in the General Fund of $1.6 billion and Other Governmental Funds of $2.8 billion offset by an operating deficit in the General Obligation Debts Service Fund of $608 million. For further information refer to the MD&A which immediately follows the auditors' report.

The State's financial position as shown in its Governmental Funds Balance Sheet as of March 31, 2006 includes a fund balance of $12.2 billion represented by liabilities of $19.9 billion and by assets available to liquidate such liabilities of $32.1 billion. The Governmental Funds fund balance includes a $2.2 billion accumulated General Fund balance.

Report Layout

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

Certificate of Achievement

The Office of the State Comptroller was honored for the sixteenth consecutive year to receive the Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association for the State's 2005 Comprehensive Annual Financial Report. This prestigious award represents the highest form of recognition in the area of governmental financial reporting and reflects a commitment to clearly communicate the State's financial results and position to the taxpayers through public disclosure.

Acknowledgements

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

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of New York

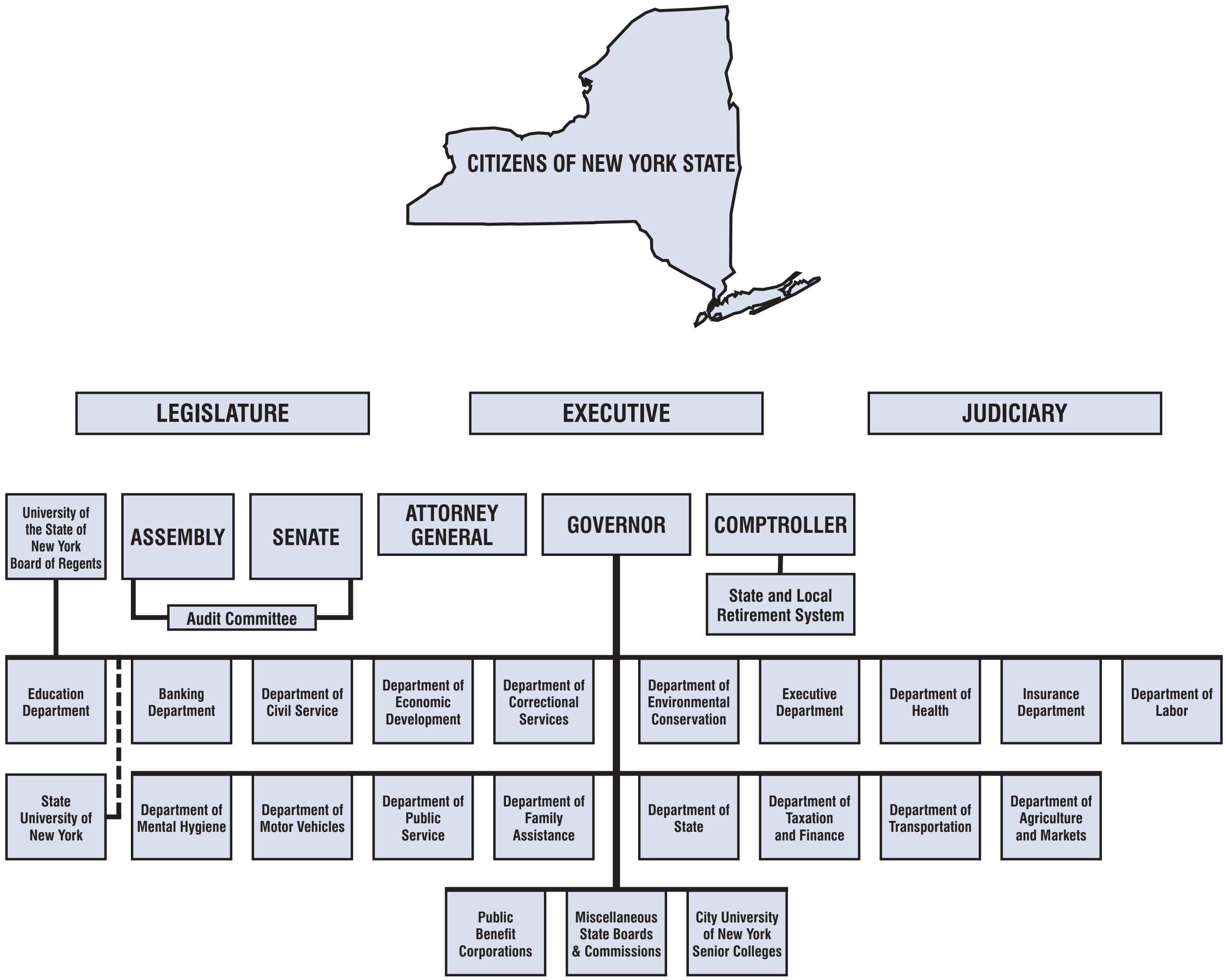
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
March 31, 2005

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 • **James N. Tedisco,** Assembly Minority Leader

STATE OF NEW YORK
EXCELSIOR
COMPTROLLER

Financial Section

KPMG LLP
515 Broadway
Albany, NY 12207

Independent Auditors' Report

To the Audit Committee of the New York State Legislature

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of New York (the "State"), as of and for the year ended March 31, 2006, which collectively comprise the State's basic financial statements as listed in the table of contents. These basic financial statements are the responsibility of the State's management. Our responsibility is to express opinions on these basic financial statements based on our audit. We did not audit the financial statements of certain discretely presented component units identified in Note 13, the State and Local Retirement System, the Tuition Savings Program or the Port Authority of New York and New Jersey. The certain discretely presented component units represent 63% of the total assets and 72% of the total revenues of the aggregate discretely presented component unit amounts. The State and Local Retirement System and the Tuition Savings Program represent 92% of the total assets and 48% of the total revenues (including additions) of the aggregate remaining fund information, and the Port Authority of New York and New Jersey represents 100% of the information disclosed in Note 14. Those financial statements were audited by other auditors whose reports thereon have been furnished to us and, our opinions, insofar as they relate to the amounts and disclosures included for those component units, the State and Local Retirement System, the Tuition Savings Program, 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, a major enterprise fund, and of certain discretely presented component units identified in Note 13, were not audited in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the State's internal control over financial reporting. Accordingly, we express no opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements, assessing the accounting principles used and the 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 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, 2006, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated July 21, 2006 on our consideration of the State's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 U.S. generally accepted accounting principles. 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.

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 in the audit of the basic financial statements and, in our opinion, based on our audit and the reports of the other auditors, are fairly stated in all material respects in relation to the basic financial statements. The introductory section and statistical section have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

July 21, 2006

STATE OF NEW YORK

EXCELSIOR

COMPTROLLER

MANAGEMENT'S DISCUSSION AND ANALYSIS

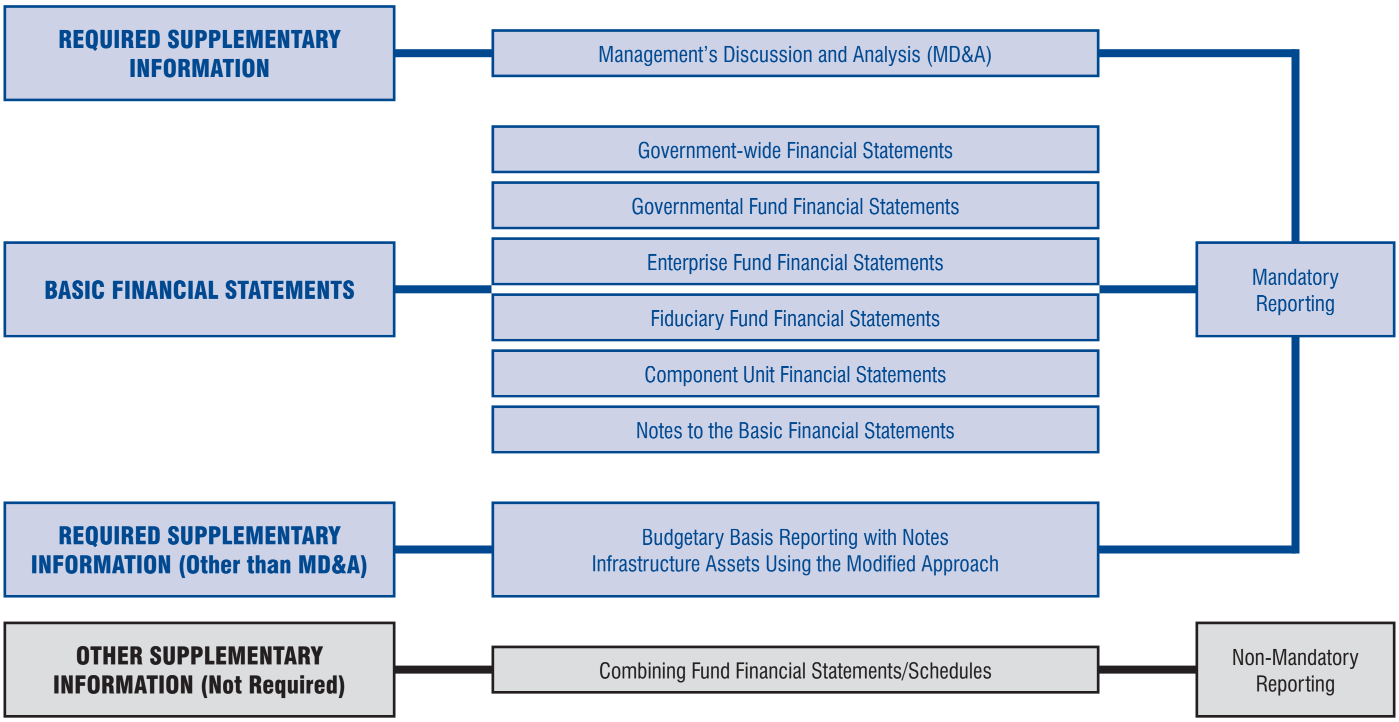
The management discussion and analysis (MD&A) provides a narrative overview and analysis of the financial activities of the State of New York for the fiscal year ended March 31, 2006. The MD&A is intended to serve as an introduction to the State's basic financial statements, which have the following components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The MD&A is designed to (a) assist the reader in focusing on significant financial matters, (b) provide an overview of the State's financial activities, (c) identify any material changes from the original budget, and (d) highlight individual fund matters. The following presentation is by necessity highly summarized, and in order to gain a thorough understanding of the State's financial condition, the following financial statements, notes and required supplementary information should be reviewed in their entirety.

FINANCIAL HIGHLIGHTS

- New York State reported net assets of $49.1 billion, comprised of $124.2 billion in total assets offset by $75.1 billion in total liabilities.
- The State's net assets increased by $5.3 billion as a result of this year's operations. The net assets for governmental activities increased by $4.8 billion (11.7 percent) and net assets of business-type activities increased by $491 million (18.6 percent) (Table 2). The increase in net assets for governmental activities is attributed in large part to the $4.1 billion in proceeds received by the State as a result of the WellChoice and WellPoint merger.
- The State's governmental activities had total revenues of $107.4 billion which exceeded total expenses of $101.1 billion, excluding transfers to business-type activities of $1.5 billion, by $6.3 billion (Table 2).
- The total cost of all the State's programs, which includes $15.7 billion in business-type activities, was $116.8 billion (Table 2).
- The General Fund reported an operating surplus this year of $1.6 billion which increased the accumulated fund balance to $2.2 billion.
- Total debt outstanding at year-end was $47.1 billion, comprised of $39.3 billion in governmental activities and $7.8 billion in business-type activities (Table 5).
- On December 28, 2005 when the consummation of the WellChoice and WellPoint merger was completed, the State received cash and stock valued at $4.1 billion which has been reported in the Other Governmental Funds.

USING THIS ANNUAL REPORT

This annual report consists of a series of financial statements and supplementary information. The Statement of Net Assets and the Statement of Activities (on pages 31 and 32, respectively) provide information about the activities of the State as a whole and present a longer-term view of the State's finances. Fund financial statements start on page 34. For governmental activities, these statements show how services were financed in the short term as well as how much may remain for future spending. Fund financial statements also report the State's operations in more detail than the government-wide statements by providing information about the State's most significant funds. The remaining statements provide financial information about activities for which the State acts solely as a trustee for the benefit of those outside the government and public benefit corporations for which the State is accountable. The layout and relationship of the 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. One 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. One 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 regulation of 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 43 separate legal entities in its report, as disclosed in Notes 1 and 13 of the notes to the basic financial statements. Although legally separate, these "component units" are important because the State is financially accountable for them and may be affected by their financial well-being. In addition, the State blends two other component units in the governmental activities because they provide services exclusively to the State.

Reporting the State's Most Significant Funds

Fund Financial Statements

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

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

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

Reporting the State's Fiduciary Responsibilities

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

Component Units of the State

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

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

Governmental entities are required by GAAP to report on their net asset condition. The statement of net assets presents the value of all of New York State's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of changes in a government's financial position. The State reported net assets of $49.1 billion, which was comprised of $62.1 billion in capital assets net of related debt, $7.3 billion in restricted net assets offset by an unrestricted net assets deficit of $20.3 billion.

Net assets reported for governmental activities increased by $4.8 billion from a year ago, increasing from $41.2 billion to $46.0 billion. Unrestricted net assets—the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements—had a deficit of $20.9 billion at March 31, 2006. The following table (Table 1) was derived from the current and prior year government-wide *Statements of Net Assets.*

Table 1
Net Assets as of March 31, 2006 and 2005
(Amounts in millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Assets:						
Non-capital assets:						
Cash and investments	$ 13,911	$ 9,609	$ 5,474	$ 5,858	$ 19,385	$ 15,467
Receivables, net	15,417	15,851	3,364	3,438	18,781	19,289
Other	927	866	194	176	1,121	1,042
Total non-capital assets	**30,255**	**26,326**	**9,032**	**9,472**	**39,287**	**35,798**
Capital assets	78,008	77,691	6,927	6,499	84,935	84,190
Total assets	**108,263**	**104,017**	**15,959**	**15,971**	**124,222**	**119,988**
Liabilities:						
Liabilities due within one year	19,747	19,808	3,107	3,553	22,854	23,361
Liabilities due in more than one year	42,519	43,019	9,716	9,773	52,235	52,792
Total liabilities	**62,266**	**62,827**	**12,823**	**13,326**	**75,089**	**76,153**
Net assets (deficit):						
Invested in capital assets, net of related debt	62,071	61,375	9	63	62,080	61,438
Restricted	4,836	3,195	2,517	1,851	7,353	5,046
Unrestricted (deficit)	(20,910)	(23,380)	610	731	(20,300)	(22,649)
Total net assets	**$ 45,997**	**$ 41,190**	**$ 3,136**	**$ 2,645**	**$ 49,133**	**$ 43,835**

The deficit in unrestricted governmental net assets, which declined by nearly $2.5 billion in 2006, exists primarily because the State has issued debt for purposes not resulting in a capital asset related to governmental activities. Such outstanding debt included securitizing the State's future tobacco settlement receipts ($4.3 billion), eliminating the need for seasonal borrowing by the Local Government Assistance Corporation ($4.3 billion), local highway and bridge projects ($3.1 billion), local mass transit projects ($2.3 billion), and a wide variety of grants and other expenditures not resulting in governmental capital assets ($7.2 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 increased by $491 million (18.6 percent), $3.1 billion in 2006 compared to $2.6 billion in 2005. The increase in net assets for business-type activities was caused primarily by employer contributions and other revenues exceeding unemployment benefit payments for the Unemployment Insurance Fund ($534 million), SUNY and CUNY Senior College operating revenues and State support exceeding operating expenses ($29 and $2 million, respectively), and offset by Lottery losses of $74 million. As of June 30, 2005, $7.8 billion in debt had been issued and was outstanding to finance capital assets of the State's colleges and universities.

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

Table 2
Changes in Net Assets for the Fiscal Years Ended March 31, 2006 and 2005

(Amounts in millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	**2005**	**2006**	**2005**	**2006**	**2005**
Revenues:						
Program revenues:						
Charges for services	$ 11,739	$ 6,892	$ 9,966	$ 9,434	$ 21,705	$ 16,326
Operating grants and contributions	35,333	36,020	4,736	4,762	40,069	40,782
Capital grants and contributions	1,277	1,423	388	256	1,665	1,679
General revenues:						
Taxes	54,329	49,540	—	—	54,329	49,540
Other	4,740	4,790	632	534	5,372	5,324
Total revenues	**107,418**	**98,665**	**15,722**	**14,986**	**123,140**	**113,651**
Expenses:						
Education	25,303	24,023	—	—	25,303	24,023
Public health	41,631	39,540	—	—	41,631	39,540
Public welfare	10,669	10,697	—	—	10,669	10,697
Public safety	5,001	5,597	—	—	5,001	5,597
Transportation	5,836	4,614	—	—	5,836	4,614
Other	12,692	10,872	—	—	12,692	10,872
Lottery	—	—	4,721	4,298	4,721	4,298
Unemployment insurance	—	—	2,507	2,638	2,507	2,638
State University of New York	—	—	6,396	6,138	6,396	6,138
City University of New York	—	—	2,056	1,903	2,056	1,903
Total expenses	**101,132**	**95,343**	**15,680**	**14,977**	**116,812**	**110,320**
Increase in net assets before transfers	**6,286**	**3,322**	**42**	**9**	**6,328**	**3,331**
Transfers	**(1,479)**	**(1,218)**	**449**	**548**	**(1,030)**	**(670)**
Changes in net assets	**4,807**	**2,104**	**491**	**557**	**5,298**	**2,661**
Net assets, beginning of year	**41,190**	**39,086**	**2,645**	**2,088**	**43,835**	**41,174**
Net assets, end of year	**$ 45,997**	**$ 41,190**	**$ 3,136**	**$ 2,645**	**$ 49,133**	**$ 43,835**

Governmental Activities

The State's total revenues for governmental activities of $107.4 billion exceeded its total expenses of $101.1 billion by $6.3 billion (Table 2). However, as shown in the Statement of Activities on page 32, the amount that State taxpayers ultimately financed for activities through State taxes and other State revenue was $59.1 billion including education aid transfers from the State Lottery of $2.2 billion, grants and contributions of $36.6 billion, and revenues derived by those who directly benefited from the programs of $11.7 billion. Overall, the State's governmental program revenues, including intergovernmental aid, fees for services and capital grants were $48.3 billion in 2006. The State paid for the remaining "public benefit" portion of governmental activities with $54.3 billion in taxes and $4.7 billion in other revenues including investment earnings.

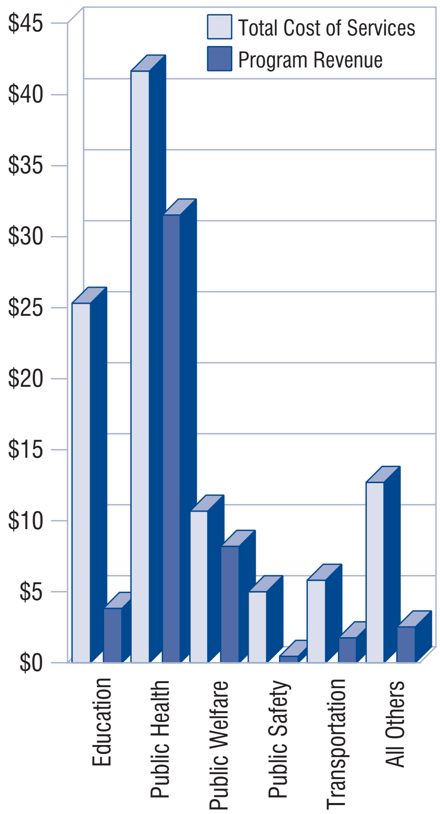
Table 3 presents the cost of State support for each of the State's five largest programs: education, public health, public welfare, public safety, and transportation, as well as each program's net cost (total cost less revenues generated by the activities). The net cost shows the financial obligation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

Table 3
Governmental Activities for the Years Ended March 31, 2006 and 2005

(Amounts in millions)

	2006			2005
	Total Cost of Services	**Program Revenue**	**Net Cost of Services**	**Net Cost of Services**
Education	$ 25,303	$ 3,833	$ 21,470	$ 20,543
Public health	41,631	31,526	10,105	12,662
Public welfare	10,669	8,204	2,465	3,019
Public safety	5,001	480	4,521	4,145
Transportation	5,836	1,782	4,054	2,741
All others	12,692	2,524	10,168	7,898
Totals	**$ 101,132**	**$ 48,349**	**$ 52,783**	**$ 51,008**

PROGRAM COSTS VS. PROGRAM REVENUE
(AMOUNTS IN MILLIONS)



Business-type Activities

The cost of all business-type activities this year was $15.7 billion (Table 2). The increase in business-type activities' expenses was caused primarily by increases in payments for Lottery prizes and personal service and fringe benefit costs required by negotiated labor agreements. As shown in the Statement of Activities on page 32, the amount that taxpayers ultimately financed for activities reported as transfers was $449 million because some activity costs were paid by: those directly benefiting from the programs ($10.0 billion), grants and contributions ($5.1 billion) and other miscellaneous revenue ($632 million). The increase in charges for services revenues was primarily caused by increases in Lottery ticket sales and tuition paid by out of state residents and an increase in student enrollment.

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 $12.2 billion. Included in this year's total change in fund balance is an operating surplus of $1.6 billion in the State's General Fund. The General Fund operating surplus is attributable to several factors including an increase of $2.6 billion in personal income tax revenue, a $1.0 billion increase in business and other taxes and a $1.0 billion increase in miscellaneous revenues, offset by a $234 million decline in consumption and use tax revenue. Much of the increase in tax revenues is related to improvement in the national economy and tax increases enacted for personal income and sales taxes. The improvement in the national economy favorably affected the State's economy in the form of job growth, increased business profitability and increased consumer spending. The increase in General Fund revenues was offset by a $3.2 billion increase in expenditures. Local assistance expenditures increased by nearly $2.3 billion due primarily to increased spending for medical assistance and income maintenance programs. State operations increased $963 million due primarily to negotiated salary increases, increased health insurance costs and employer pension costs.

The State ended the 2005-06 fiscal year with a General Fund accumulated balance of $2.2 billion. The increase of the fund balance is due primarily to an increase in tax revenues as a result of an increase in the personal income tax rate and an improving State economy.

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

General Fund Budgetary Highlights

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

General Fund receipts exceeded expenditures by $711 million in 2005-06. The General Fund ended the fiscal year with a closing cash fund balance of $3.26 billion, which consisted of $944 million in the Tax Stabilization Reserve Account (the State's "rainy day" reserve), $251 million in the Community Projects Account, $21 million in the Contingency Reserve Account, and $2.04 billion in general reserves.

Actual operating results were $894 million more favorable than anticipated in the original financial plan, but fell below the projections in the final financial plan by $44 million. The original financial plan, reflected the inclusion of the Personal Income Tax Reserve in the General Fund, projected that expenditures would exceed receipts by $184 million in 2005-06. During the fiscal year, actual receipts surpassed the level forecast in the original financial plan, growing at an annual rate of nearly 11 percent. Higher spending reflected, among other things, Medicaid and Mass transportation payments in 2005-06 that would normally be paid in 2006-07, the transfer of General Fund resources to the Video Lottery Terminal education account, and an increase in departmental operations spending driven by negotiated labor settlements and arbitration awards, partially offset the growth in receipts.

The final financial plan (issued on February 9, 2006) projected positive General Fund operating results of $755 million, or $44 million above actual results. The most significant variances from the final financial plan occurred in miscellaneous receipts and local assistance grants. Miscellaneous receipts were lower than projected due to expected payments that were not received in 2005-06 including a payment from New York City and abandoned property revenues. Local assistance grants reflect a less than planned 2005-06 payment to New York City related to CUNY costs and a delay in various local education aid and public health spending.

The State's General Fund GAAP operating surplus of $1.6 billion reported on page 36 differs from the General Fund's budgetary basis operating surplus of $711 million reported in the reconciliation found under Budgetary Basis Reporting on page 90. This variation results from differences in basis of accounting, entity and perspective differences between budgetary reporting versus those established as GAAP and followed in preparation of this financial statement.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of 2006, the State has $84.9 billion invested in a broad range of capital assets, including equipment, buildings, construction in progress, land preparation, and infrastructure which includes primarily roads and bridges (Table 4). This amount represents a net increase (including additions and deductions) of $745 million, over last year.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Land and land improvements	$ 3,570	$ 3,447	$ 460	$ 425	$ 4,030	$ 3,872
Land preparation	2,856	2,786	—	—	2,856	2,786
Buildings	4,398	4,312	4,456	4,125	8,854	8,437
Equipment and library books	244	252	695	608	939	860
Construction in progress	3,577	3,790	1,127	1,173	4,704	4,963
Infrastructure	63,363	63,104	181	160	63,544	63,264
Artwork and historical treasures	—	—	8	8	8	8
Totals	**$ 78,008**	**$ 77,691**	**$ 6,927**	**$ 6,499**	**$ 84,935**	**$ 84,190**

The State owned roads and bridges that are maintained by the Department of Transportation are being reported using the modified approach. As allowed by the reporting provisions in Governmental Accounting Standards Board Statement No. 34 infrastructure assets that meet prescribed criteria do not have to be depreciated but must be maintained at levels defined by State policy. The State is responsible for maintaining more than 42,495 lane miles of highway and 7,809 bridges. Pavement condition rating parameters for the current year are expected to be between 6.7 and 7.2, while bridge pavement condition parameters are expected to be between 5.3 and 5.6. Capital spending for highway and bridge maintenance and preservation projects was approximately $1.2 billion in 2006.

Highway condition is rated using a scale of A1 (very poor) to A10 (excellent) based on the prevalence of surface-related pavement distress. For bridges, 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. Refer to Required Supplementary Information (RSI) for additional information regarding infrastructure assets using the modified approach.

The State's 2006-07 fiscal year capital budget calls for it to spend $6.1 billion for capital projects, of which $3.5 billion is for transportation projects. To pay for these capital projects the State plans to use $204 million in general obligation bond proceeds, $3.1 billion in other financing arrangements with public authorities, $1.8 billion in Federal funds, and $1.0 billion in funds on hand or received during the year. More detailed information about the State's capitalization policy for capital assets is presented in Note 1 of the notes to the basic financial statements.

Debt Administration

The State has obtained long-term financing in the form of voter-approved General Obligation debt (voter approved debt) and other obligations that are authorized by legislation but not approved by the voters (non-voter approved debt), including lease-purchase and contractual obligations where the State's legal obligation to make payments is subject to and paid from annual appropriations made by the Legislature or assignment of revenue in the case of Tobacco Settlement Revenue Bonds. One minor exception, Equipment Capital Leases and Building Capital Leases which represent $369 million as of March 31, 2006, do not require Legislature or voter approval. Other obligations include certain bonds issued through state public authorities, certificates of participation, and capital leases obtained through vendors. The State administers its long-term financing needs as a single portfolio of state-supported debt that includes general obligation bonds and other obligations of both its governmental activities and business-type activities. Most of the debt reported under business-type activities, all of which was issued for capital assets used in those activities, is supported by payments from resources generated by the State's Governmental Activities—thus it is not expected to be repaid from resources generated by business-type activities. The State Finance Law allows the bonded portion of this single combined debt portfolio, which includes debt reported in both governmental and business-type activities combined, to include debt instruments which result in a net variable rate exposure in an amount that does not exceed 15 percent of total outstanding State-supported debt, and interest rate exchange agreements (swaps) that do not exceed 15 percent of total outstanding State-supported debt. At March 31, 2006 the State had $2.1 billion in State-supported (net) variable rate bonds outstanding and $6.0 billion in interest rate exchange agreements, where the State issues variable rate bonds and enters into a swap agreement that converts the rate effectively to a fixed rate. Risks related to these transactions are explained in Note 7 of the financial statements.

In addition, the State had $2.4 billion in convertible bonds, which bear a fixed rate until future mandatory tender dates in 2009, 2011, 2012 and 2013 at which time they can convert to either a fixed or variable rate. The interest rate mode will be determined close to the conversion date. Similar to the convertible bonds, the State also entered into approximately $693 million in swaps that create synthetic variable rate exposure in the future. In these transactions, the State issued fixed rate bonds and entered into forward starting swaps in which it receives a fixed rate that exceeds the rate it pays on the bonds and pays the Bond Market Association (BMA) variable rate, resulting in the State paying net variable rates. The net result is the State will be paying interest at a fixed rate through 2014, and a variable rate between 2014 and 2030.

At March 31, 2006, variable rate bonds, net of those subject to the fixed rate swaps, were equal to 5.1 percent of the State-supported debt portfolio. Variable to fixed rate swap agreements of $6 billion were equal to 14.5 percent of the total State-supported debt portfolio. Additionally, the State had $970 million in fixed to variable rate swap agreements outstanding, which are excluded from the statutory cap because at the time the transaction was completed, they offset specific risks in the State's swap portfolio.

At March 31, 2006 the State had $47.1 billion in bonds, notes, and other financing agreements outstanding compared with $47.5 billion last year, a decrease of $442 million as shown below in Table 5.

Table 5

Outstanding Debt at Year-End

(Amounts in millions)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
General obligation bonds (voter approved)	$ 3,511	$ 3,692	$ —	$ —	$ 3,511	$ 3,692
Tobacco Settlement Financing Corporation bonds	4,278	4,495	—	—	4,278	4,495
MBBA Special Purpose School Aid bonds	504	507	—	—	504	507
Capital Lease Obligations	178	184	191	192	369	376
Mortgage Loan Commitments	—	—	62	—	62	—
Unamortized Bond Premiums (Discounts)	1,217	1,085	(108)	(134)	1,109	951
Accumulated Accretion on Capital Appreciation bonds	319	287	—	—	319	287
State-supported debt as defined by the State Finance Law	29,267	29,353	7,680	7,880	36,947	37,233
Totals	**$ 39,274**	**$ 39,603**	**$ 7,825**	**$ 7,938**	**$ 47,099**	**$ 47,541**

During the 12 month period reported, the State issued $5.7 billion in bonds, of which $3.7 billion were for refunding and $2 billion were for new borrowing. See Note 15 for State debt issued subsequent to the reporting period.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	**2005**	**2006**	**2005**	**2006**	**2005**
Voter approved debt:						
General obligation:						
New issues	$ 159	$ 176	$ —	$ —	$ 159	$ 176
Refunding issues	—	338	—	—	—	338
Total voter approved debt	159	514	—	—	159	514
Non-voter approved debt:						
Other financing arrangements:						
New issues	1,746	2,078	102	369	1,848	2,447
Refunding issues	2,956	1,684	764	—	3,720	1,684
Total non-voter approved debt	4,702	3,762	866	369	5,568	4,131
Totals	**$ 4,861**	**$ 4,276**	**$ 866**	**$ 369**	**$ 5,727**	**$ 4,645**

The State's assigned general obligation bond ratings are as follows: AA by Standard & Poor's Investor Services, Aa3 by Moody's Investor Services, and AA- by Fitch 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 $3.6 billion in authorized but unissued bond capacity that can be used to issue bonds for specifically approved purposes. The State may issue short-term debt without voter approval in anticipation of the receipt of taxes and revenues or proceeds from duly authorized but not issued general obligation bonds.

The State Finance Law, through the Debt Reform Act of 2000 (the Act), also imposes phased-in caps on new State-supported debt issued and related debt service costs. The Act also limits the use of debt to capital works and purposes, and establishes a maximum length of term for repayment of 30 years. The Act applies to all State-supported debt. The Debt Reform Act does not apply to debt issued prior to April 1, 2000 or to other obligations issued by public authorities where the State is not the direct obligor.

SIGNIFICANT FACTS

On September 27, 2005, WellPoint and WellChoice announced that the two companies had agreed to merge. Under the terms of the merger, Wellpoint agreed to provide WellChoice stockholders a blend of cash and stock. On December 28, 2005, when the consummation of the WellChoice and WellPoint merger was completed, the State received cash and stock valued at $4.1 billion. During the fiscal year ended March 31, 2006, nearly $2.0 billion of the proceeds from this merger were transferred to the Health Care Reform Act (HCRA) Resources Fund.

ECONOMIC FACTORS AFFECTING THE STATE

In 2005 New York State's recovery from the recession of the early 2000s continued—although compared to 2004 the pace of economic output slowed slightly, while the pace of employment growth increased. Conditions in the national economy have a significant influence on New York State's economy, and New York's pattern in 2005 paralleled the nation's economic performance that year. Nationwide, the Gross Domestic Product (GDP) grew by 3.5 percent in 2005, compared to a 4.2 percent gain in 2004, as the rate of increase in both consumer and business spending slowed somewhat. The rate of employment growth, however, increased to 1.5 percent in 2005, compared to 1.1 percent in 2004. Despite the improvement in the pace of job growth, personal income growth has eased somewhat, to 5.6 percent in 2005 after a 6 percent gain in 2004.

The New York State economy is heavily concentrated in the information, finance, and business service sectors—more than half of the State's economic output comes from these sectors. This makes the State sensitive to national economic trends, and in 2005 the pace of economic output slowed in the State the way it did in the nation. New York's inflation-adjusted Gross State Product (GSP) increased by 3.3 percent in 2005, compared to a 4.5 percent gain in 2004. The State's relative performance also slipped, moving from 21st among all the states in 2004 to 25th in 2005. Nonetheless, this was better than during the recession years of 2002 and 2003, when the State ranked 49th.

The pace of employment growth in New York did not improve as much as it did in the nation. In 2005, State employment increased by 0.8 percent, compared with a 0.7 percent gain in 2004. New York had the 42nd highest rate of job growth among the states in 2005, compared with a rank of 41st in 2004. The State's employment performance relative to the rest of the nation is similar to where it performed during the recession, when it ranked 40th for growth in 2002 and 2003. Unlike the nation, New York State has yet to recover all of the jobs it lost during the last recession—employment in 2005 was nearly 107,000 jobs below the level in 2000 (whereas employment in the nation in 2005 was 1.6 million jobs above its 2000 level).

While employment levels in the State have recovered at a relatively slow rate, personal income growth has expanded more rapidly. Nonetheless, the rate of personal income growth eased for both the nation and New York State in 2005 compared to 2004, with New York growing by 5.7 percent in 2005 compared to 6.7 percent in 2004. The State's relative performance fell from 15th in the nation in 2004 to 25th in 2005. (By comparison, New York ranked 49th among the states for growth during 2002 and 2003.) The quicker recovery for income growth is due to the importance of the securities industry to the State. Although the industry accounts for only 2.2 percent of all jobs in New York, it provides 11.2 percent of the wages paid. As the securities industry has emerged from its recent bear market, incomes—and most notably year-end bonuses—have risen sharply. The bonuses for 2004 (paid in early 2005) rose by more than 15 percent, and a similar increase is estimated for 2005 bonuses (paid in early 2006). Bonuses are now at record highs, having exceeded prior peak levels in 2000 when the downturn in the financial markets began.

During 2005, interest rates and inflation (most notably for energy) moved upward. The Federal Reserve continued to increase short-term interest rates at a steady pace, as part of a process that started in June 2004, and by early 2006 long-term rates had begun to respond. The rise in long-term rates has pushed mortgage rates higher (although they remain relatively low by historical standards), and real estate price appreciation has slowed as the market has cooled. Inflationary concerns have been fueled by continued growth in the economy and a sharp rise in energy prices, which accelerated in the aftermath of supply disruptions caused by hurricanes Katrina and Rita in the fall of 2005. Nationally, energy prices rose by 16.9 percent in 2005, and by nearly 21 percent in the first quarter of 2006 compared to the same period in 2005. Core inflation, which excludes food and energy, rose by 1.8 percent in 2004, 2.2 percent in 2005, and by 2.1 percent in the first quarter of 2006.

Geographically, the downstate portions of New York State performed better than the upstate regions in 2005, as they had in 2004. Virtually all of the job growth in the State during 2005 occurred in New York City, Long Island, the Hudson Valley, Albany, and Syracuse. The rate of job growth in New York City (1.4 percent) exceeded the rates in other regions and in the State overall. New York City's job gains were centered in the sectors of trade, financial activities, professional and business services, health care and education, and accommodation and food services. Tourism also remained strong in New York City in 2005, with rising hotel occupancy and airport passenger traffic.

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 Communications Office 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, 2006

(Amounts in millions)

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS:				
Cash and investments	$ 13,911	$ 5,474	$ 19,385	$ 34,659
Receivables, net of allowances for uncollectibles:				
Taxes	9,354	—	9,354	—
Due from Federal government	3,962	92	4,054	—
Loans, leases and notes	—	—	—	31,345
Other	2,286	3,005	5,291	2,965
Internal balances	(185)	267	82	—
Other assets	927	194	1,121	4,417
Intangible assets	—	—	—	3,084
Capital assets:				
Land, infrastructure and construction in progress	73,181	1,594	74,775	6,249
Buildings, equipment, land improvements and infrastructure, net of depreciation	4,827	5,333	10,160	43,792
Total assets	**108,263**	**15,959**	**124,222**	**126,511**
LIABILITIES:				
Tax refunds payable	6,444	—	6,444	—
Accounts payable	805	371	1,176	644
Accrued liabilities	5,990	656	6,646	14,413
Due to Federal government	—	594	594	—
Payable to local governments	2,970	—	2,970	—
Interest payable	499	344	843	—
Pension contributions payable	96	—	96	207
Deferred revenues	456	319	775	1,163
Long-term liabilities:				
Due within one year	2,487	823	3,310	2,360
Due in more than one year:				
Tax refunds payable	726	—	726	—
Accrued liabilities	4,455	1,114	5,569	359
Payable to local governments	294	—	294	—
Lottery prizes payable	—	1,128	1,128	—
Pension contributions payable	581	—	581	60
Obligations under lease/purchase and other financing arrangements	34,194	7,474	41,668	—
Deferred loss on refunding	(892)	—	(892)	(16)
Notes payable	—	—	—	697
Bonds payable	3,161	—	3,161	63,956
Other long-term liabilities	—	—	—	8,361
Total liabilities	**62,266**	**12,823**	**75,089**	**92,204**
NET ASSETS:				
Invested in capital assets, net of related debt	62,071	9	62,080	19,012
Restricted for:				
Unemployment benefits	—	1,130	1,130	—
Debt service	2,270	—	2,270	2,875
Other specified purposes	2,566	1,387	3,953	7,159
Unrestricted (deficit)	(20,910)	610	(20,300)	5,261
Total net assets	**$ 45,997**	**$ 3,136**	**$ 49,133**	**$ 34,307**

See accompanying notes to the basic financial statements.

Statement of Activities

For the Year Ended March 31, 2006

(Amounts in millions)

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Primary Government:				
Governmental activities:				
Education	$ 25,303	$ 123	$ 3,710	$ —
Public health	41,631	8,273	23,253	—
Public welfare	10,669	702	7,502	—
Public safety	5,001	198	263	19
Transportation	5,836	216	315	1,251
Environment and recreation	1,193	227	194	7
Support and regulate business	1,507	276	23	—
General government	8,280	1,724	73	—
Interest on long-term debt	1,712	—	—	—
Total governmental activities	**101,132**	**11,739**	**35,333**	**1,277**
Business-type activities:				
Lottery	4,721	6,803	—	—
Unemployment insurance	2,507	—	2,754	—
State University of New York	6,396	2,700	1,330	111
City University of New York	2,056	463	652	277
Total business-type activities	**15,680**	**9,966**	**4,736**	**388**
Total primary government	**$ 116,812**	**$ 21,705**	**$ 40,069**	**$ 1,665**
Total component units	**$ 24,327**	**$ 15,501**	**$ 2,379**	**$ 1,253**

General revenues:
- Taxes:
  - Personal income
  - Consumption and use
  - Business
  - Other
- Grants and contributions not restricted to specific programs
- Investment earnings
- Miscellaneous
- Payments from the primary government

Total general revenues

Transfers

Total general revenues and transfers

Change in net assets

Net assets—beginning of year, as restated

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
$ (21,470)	$ —	$ (21,470)	$ —
(10,105)	—	(10,105)	—
(2,465)	—	(2,465)	—
(4,521)	—	(4,521)	—
(4,054)	—	(4,054)	—
(765)	—	(765)	—
(1,208)	—	(1,208)	—
(6,483)	—	(6,483)	—
(1,712)	—	(1,712)	—
(52,783)	**—**	**(52,783)**	**—**
—	2,082	2,082	—
—	247	247	—
—	(2,255)	(2,255)	—
—	(664)	(664)	—
—	**(590)**	**(590)**	**—**
(52,783)	**(590)**	**(53,373)**	**—**
			(5,194)
31,694	—	31,694	—
13,837	—	13,837	—
6,901	—	6,901	—
1,897	—	1,897	—
—	—	—	1,715
685	127	812	974
4,055	505	4,560	1,830
—	—	—	2,241
59,069	**632**	**59,701**	**6,760**
(1,479)	449	(1,030)	—
57,590	**1,081**	**58,671**	**6,760**
4,807	**491**	**5,298**	**1,566**
41,190	**2,645**	**43,835**	**32,741**
$ 45,997	**$ 3,136**	**$ 49,133**	**$ 34,307**

Balance Sheet

GOVERNMENTAL FUNDS

March 31, 2006
(Amounts in millions)

	Major Funds					
	General	Federal Special Revenue	General Obligation Debt Service	Other Governmental Funds	Eliminations	Total
ASSETS:						
Cash and investments	$ 4,225	$ 298	$ 1,402	$ 7,986	$ —	**$ 13,911**
Receivables, net of allowances for uncollectibles:						
Taxes	7,101	—	1,891	362	—	**9,354**
Due from Federal government	—	3,607	—	355	—	**3,962**
Other	403	15	384	800	—	**1,602**
Due from other funds	2,011	332	—	650	(155)	**2,838**
Other assets	331	72	2	42	—	**447**
Total assets	**$ 14,071**	**$ 4,324**	**$ 3,679**	**$ 10,195**	**$ (155)**	**$ 32,114**
LIABILITIES:						
Tax refunds payable	$ 5,012	$ —	$ 1,246	$ 186	$ —	**$ 6,444**
Accounts payable	292	46	1	466	—	**805**
Accrued liabilities	2,883	2,585	1	85	—	**5,554**
Payable to local governments	2,227	438	119	186	—	**2,970**
Due to other funds	978	543	528	881	(155)	**2,775**
Pension contributions payable	96	—	—	—	—	**96**
Deferred revenues	401	711	50	152	—	**1,314**
Total liabilities	**11,889**	**4,323**	**1,945**	**1,956**	**(155)**	**19,958**
FUND BALANCES:						
Reserved for:						
Encumbrances	577	1,027	—	5,152	—	**6,756**
Debt service	—	—	1,729	540	—	**2,269**
Tax stabilization	944	—	—	—	—	**944**
Other specified purposes	277	—	—	2,829	—	**3,106**
Unreserved:						
General	384	—	—	—	—	**384**
Federal special revenue	—	(1,026)	—	—	—	**(1,026)**
Special revenue	—	—	—	3,938	—	**3,938**
Debt service	—	—	5	324	—	**329**
Capital projects	—	—	—	(4,544)	—	**(4,544)**
Total fund balances	**2,182**	**1**	**1,734**	**8,239**	**—**	**12,156**
Total liabilities and fund balances	**$ 14,071**	**$ 4,324**	**$ 3,679**	**$ 10,195**	**$ (155)**	**$ 32,114**

See accompanying notes to the basic financial statements.

Reconciliation of the Balance Sheet

GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS

March 31, 2006
(Amounts in millions)

Total fund balances—governmental funds	**$**	**12,156**
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds		78,008
Some of the State's revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds		859
Deferred charges related to bond issuance costs		420
Medicaid cost recoveries not available soon enough to reduce current period expenditures		59
Some liabilities (listed below) are not due and payable in the current period and therefore are not reported in the funds:		
Interest payable		(499)
Long-term liabilities due within one year		(2,487)
Tax refunds payable		(726)
Accrued liabilities		(4,455)
Payable to local governments		(294)
Pension contributions payable		(581)
Lease/purchase and other financing arrangements		(34,194)
Deferred loss on refunding		892
Bonds payable		(3,161)
Total net assets—governmental activities	**$**	**45,997**

See accompanying notes to the basic financial statements.

Statement of Revenues, Expenditures and Changes in Fund Balances

GOVERNMENTAL FUNDS

Year Ended March 31, 2006
(Amounts in millions)

	Major Funds					
	General	Federal Special Revenue	General Obligation Debt Service	Other Governmental Funds	Eliminations	Total
REVENUES:						
Taxes:						
Personal income	$ 21,060	$ —	$ 7,422	$ 3,213	$ —	$ 31,695
Consumption and use	8,454	—	—	5,405	—	13,859
Business	4,970	—	—	1,959	—	6,929
Other	1,028	—	—	870	—	1,898
Federal grants	—	34,785	—	1,739	—	36,524
Public health/patient fees	—	—	—	3,149	—	3,149
Tobacco settlement	—	—	—	110	—	110
Miscellaneous	5,579	149	486	7,717	(602)	13,329
Total revenues	**41,091**	**34,934**	**7,908**	**24,162**	**(602)**	**107,493**
EXPENDITURES:						
Local assistance grants:						
Social services	12,490	24,822	—	2,687	—	39,999
Education	16,745	3,521	—	5,193	—	25,459
Mental hygiene	1,130	160	—	132	—	1,422
General purpose	1,047	—	—	—	—	1,047
Health and environment	1,181	957	—	2,083	—	4,221
Transportation	474	19	—	2,604	—	3,097
Criminal justice	198	80	—	59	—	337
Miscellaneous	413	536	—	585	—	1,534
Departmental operations:						
Personal service	7,599	548	—	258	—	8,405
Non-personal service	3,082	621	110	2,964	(569)	6,208
Pension contribution	885	58	—	21	—	964
Other fringe benefits	3,077	153	—	60	(33)	3,257
Capital construction	—	—	—	4,048	—	4,048
Debt service, including payments on financing arrangements	—	—	3,362	653	—	4,015
Total expenditures	**48,321**	**31,475**	**3,472**	**21,347**	**(602)**	**104,013**
Excess (deficiency) of revenues over expenditures	**(7,230)**	**3,459**	**4,436**	**2,815**	**—**	**3,480**
OTHER FINANCING SOURCES (USES):						
Transfers from other funds	13,993	—	2,648	5,414	(19,760)	2,295
Transfers to other funds	(5,381)	(3,458)	(7,695)	(7,140)	19,760	(3,914)
General obligation bonds isssued	—	—	—	159	—	159
Premiums on general obligation bonds isssued	—	—	—	1	—	1
Financing arrangements/advance refundings issued	254	—	3,152	1,623	—	5,029
Payments to escrow agents for advance refundings	—	—	(3,149)	(52)	—	(3,201)
Net other financing sources (uses)	**8,866**	**(3,458)**	**(5,044)**	**5**	**—**	**369**
Net change in fund balances	**1,636**	**1**	**(608)**	**2,820**	**—**	**3,849**
Fund balances at April 1, 2005	**546**	**—**	**2,342**	**5,419**	**—**	**8,307**
Fund balances at March 31, 2006	**$ 2,182**	**$ 1**	**$ 1,734**	**$ 8,239**	**$ —**	**$ 12,156**

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, 2006
(Amounts in millions)

Net change in fund balances—total governmental funds		**$ 3,849**
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 is recorded as revenue 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	$ (262)	
Disposal of assets	(1,588)	
Purchase of assets	2,167	
		317
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	$ 2,382	
Long-term debt proceeds	(5,188)	
Payments to refunding agent	3,201	
		395
Increase in revenues in the statement of activities that do not reduce current financial resources and are not reported in the funds.		33
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	$ 235	
Departmental operations	(20)	
Other	(2)	
		213
Change in net assets of governmental activities		**$ 4,807**

See accompanying notes to the basic financial statements.

Statement of Net Assets

ENTERPRISE FUNDS

March 31, 2006
(Amounts in millions)

	Lottery	Unemployment Insurance Benefit	June 30, 2005 SUNY	June 30, 2005 CUNY	Total
ASSETS:					
Current assets:					
Cash and cash equivalents	$ 331	$ 73	$ 772	$ 262	**$ 1,438**
Investments	189	—	137	74	**400**
Deposits with trustees	—	—	—	179	**179**
Receivables, net of allowance for uncollectibles:					
Due from Federal government	—	92	—	—	**92**
Other	451	1,608	686	143	**2,888**
Due from other funds	—	—	433	102	**535**
Other assets	11	—	42	26	**79**
Total current assets	**982**	**1,773**	**2,070**	**786**	**5,611**
Noncurrent assets:					
Restricted cash and cash equivalents	—	—	73	8	**81**
Long-term investments	1,166	—	1,074	132	**2,372**
Deposits with trustees	—	—	680	324	**1,004**
Receivables, net of allowance for uncollectibles:					
Other	—	—	112	5	**117**
Due from other funds	—	—	121	—	**121**
Capital assets:					
Land, construction in progress and artwork	—	—	836	758	**1,594**
Buildings and equipment, net of depreciation	—	—	3,629	1,704	**5,333**
Other assets	8	—	62	45	**115**
Total noncurrent assets	**1,174**	**—**	**6,587**	**2,976**	**10,737**
Total assets	**2,156**	**1,773**	**8,657**	**3,762**	**16,348**
LIABILITIES:					
Current liabilities:					
Accounts payable	17	—	251	103	**371**
Accrued liabilities	189	49	482	212	**932**
Due to Federal government	—	594	—	—	**594**
Lottery prizes payable	196	—	—	—	**196**
Due to other funds	389	—	—	—	**389**
Interest payable	—	—	267	77	**344**
Deferred revenues	9	—	198	112	**319**
Obligations under lease/purchase and other financing arrangements	2	—	227	122	**351**
Total current liabilities	**802**	**643**	**1,425**	**626**	**3,496**
Noncurrent liabilities:					
Accrued liabilities	5	—	1,036	73	**1,114**
Lottery prizes payable	1,128	—	—	—	**1,128**
Obligations under lease/purchase and other financing arrangements	5	—	4,734	2,735	**7,474**
Total noncurrent liabilities	**1,138**	**—**	**5,770**	**2,808**	**9,716**
Total liabilities	**1,940**	**643**	**7,195**	**3,434**	**13,212**
NET ASSETS:					
Invested in capital assets, net of related debt	—	—	207	(198)	**9**
Restricted for:					
Nonexpendable purposes	—	—	207	33	**240**
Expendable purposes	—	—	647	370	**1,017**
Unemployment benefits	—	1,130	—	—	**1,130**
Future prizes	130	—	—	—	**130**
Unrestricted	86	—	401	123	**610**
Total net assets	**$ 216**	**$ 1,130**	**$ 1,462**	**$ 328**	**$ 3,136**

See accompanying notes to the basic financial statements.

Statement of Revenues, Expenses and Changes in Fund Net Assets

ENTERPRISE FUNDS

Year Ended March 31, 2006
(Amounts in millions)

	Lottery	Unemployment Insurance Benefit	June 30, 2005 SUNY	June 30, 2005 CUNY	Total
OPERATING REVENUES:					
Ticket sales	$ 6,803	$ —	$ —	$ —	$ 6,803
Employer contributions	—	2,754	—	—	2,754
Tuition and fees, net	—	—	861	448	1,309
Government grants and contracts	—	—	1,111	541	1,652
Private grants and contracts	—	—	203	79	282
Hospitals and clinics	—	—	1,251	—	1,251
Auxiliary enterprises	—	—	588	15	603
Other	—	—	95	53	148
Total operating revenues	**6,803**	**2,754**	**4,109**	**1,136**	**14,802**
OPERATING EXPENSES:					
Benefits paid	—	2,507	—	—	2,507
Prizes	3,854	—	—	—	3,854
Commissions and fees	599	—	—	—	599
Educational and general	—	—	3,941	1,772	5,713
Hospitals and clinics	—	—	1,382	—	1,382
Auxiliary enterprises	—	—	572	13	585
Instant game ticket costs	32	—	—	—	32
Depreciation and amortization	2	—	291	127	420
Other	149	—	21	—	170
Total operating expenses	**4,636**	**2,507**	**6,207**	**1,912**	**15,262**
Operating income (loss)	**2,167**	**247**	**(2,098)**	**(776)**	**(460)**
NONOPERATING REVENUES (EXPENSES):					
Investment earnings	47	—	55	25	127
Other income (loss)	—	287	(12)	6	281
Private gifts,grants,contracts	—	—	51	4	55
Federal and City appropriations	—	—	16	32	48
Net realized and unrealized gains	—	—	83	9	92
Plant and equipment write-off	—	—	(15)	—	(15)
Interest expense	(85)	—	(257)	(153)	(495)
Total nonoperating revenues (expenses)	**(38)**	**287**	**(79)**	**(77)**	**93**
Income (loss) before other revenues and transfers	**2,129**	**534**	**(2,177)**	**(853)**	**(367)**
State transfers	—	—	2,076	606	2,682
Education aid transfer	(2,203)	—	—	—	(2,203)
Transfer to the State	—	—	—	(30)	(30)
Capital appropriations	—	—	31	277	308
Capital gifts and grants	—	—	80	—	80
Additions to permanent endowments	—	—	19	2	21
Increase (decrease) in net assets	**(74)**	**534**	**29**	**2**	**491**
Net assets—beginning of year	**290**	**596**	**1,433**	**326**	**2,645**
Net assets—end of year	**$ 216**	**$ 1,130**	**$ 1,462**	**$ 328**	**$ 3,136**

See accompanying notes to the basic financial statements.

Statement of Cash Flows

ENTERPRISE FUNDS

Year Ended March 31, 2006
(Amounts in millions)

	Lottery	Unemployment Insurance Benefit	June 30, 2005 SUNY	June 30, 2005 CUNY	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Receipts from:					
Contributions	$ —	$ 2,739	$ —	$ —	$ 2,739
Ticket sales	6,736	—	—	—	6,736
Tuition and fees	—	—	866	436	1,302
Government grants and contracts	—	—	1,134	630	1,764
Private grants and contracts	—	—	254	—	254
Hospitals and clinics	—	—	1,305	—	1,305
Auxiliary enterprises	—	—	573	15	588
Other	—	—	6	59	65
Payments for:					
Claims	—	(2,514)	—	—	(2,514)
Prizes	(3,957)	—	—	—	(3,957)
Commissions and fees	(658)	—	—	—	(658)
Operating expenses	(126)	—	(5,013)	(1,682)	(6,821)
Other	—	—	(89)	(119)	(208)
Net cash provided (used) by operating activities	**1,995**	**225**	**(964)**	**(661)**	**595**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfer to education	(2,094)	—	—	—	(2,094)
Temporary loan from Federal government	—	1,529	—	—	1,529
Repayment of temporary loan from Federal government	—	(1,733)	—	—	(1,733)
Government transfers	130	—	1,267	602	1,999
Other, net	—	—	67	—	67
Net cash provided (used) by noncapital financing activities	**(1,964)**	**(204)**	**1,334**	**602**	**(232)**
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:					
Proceeds from capital debt	—	—	151	478	629
Capital appropriations	—	—	46	277	323
Purchase of capital assets	—	—	(272)	(228)	(500)
Payments to contractors	—	—	(373)	—	(373)
Principal payments on capital leases	—	—	(220)	(499)	(719)
Interest payments on capital leases	—	—	(278)	(151)	(429)
Other, net	(3)	—	408	137	542
Net cash provided (used) by capital financing activities	**(3)**	**—**	**(538)**	**14**	**(527)**

(Continued)

Statement of Cash Flows (cont'd)

ENTERPRISE FUNDS

Year Ended March 31, 2006
(Amounts in millions)

	Lottery	Unemployment Insurance Benefit	June 30, 2005 SUNY	June 30, 2005 CUNY	Total
CASH FLOWS FROM INVESTING ACTIVITIES:					
Interest, dividends and realized gains on investments	15	1	123	26	165
Proceeds from sales and maturities of investments	204	—	4,814	310	5,328
Purchases of investments	(90)	—	(4,854)	(276)	(5,220)
Other, net	—	—	—	8	8
Net cash provided by investing activities	**129**	**1**	**83**	**68**	**281**
Net increase (decrease) in cash and cash equivalents	**157**	**22**	**(85)**	**23**	**117**
Cash and cash equivalents, beginning of year	174	51	930	247	1,402
Cash and cash equivalents, end of year	**$ 331**	**$ 73**	**$ 845**	**$ 270**	**$ 1,519**
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	$ 2,167	$ 247	$ (2,098)	$ (776)	$ (460)
Adjustments to reconcile operating income to net cash provided (used) by nonoperating and noncash activities:					
Depreciation and amortization	2	—	291	127	420
Nonoperating and noncash items	—	—	812	—	812
Change in assets and liabilities:					
Receivables, net	(60)	(14)	12	(19)	(81)
Other assets	2	—	(6)	(6)	(10)
Lottery prizes payable	(86)	—	—	—	(86)
Unclaimed and future prizes	(21)	—	—	—	(21)
Accrued liabilities	(9)	—	62	(6)	47
Deferred revenues	—	—	(37)	19	(18)
Other payables	—	(8)	—	—	(8)
Net cash provided (used) by operating activities	**$ 1,995**	**$ 225**	**$ (964)**	**$ (661)**	**$ 595**

See accompanying notes to the basic financial statements.

Statement of Fiduciary Net Assets

FIDUCIARY FUNDS

March 31, 2006
(Amounts in millions)

	Pension Trust	Private-Purpose Trusts	Agency
ASSETS:			
Cash and investments	$ —	$ 5,033	$ 2,826
Retirement system investments	140,453	—	—
Receivables, net of allowances for uncollectibles	2,761	129	671
Due from other funds	—	383	53
Other assets	22,484	—	305
Total assets	**165,698**	**5,545**	**$ 3,855**
LIABILITIES:			
Accounts payable	—	—	$ 22
Accrued liabilities	23,078	932	1,764
Payable to local governments	—	—	1,385
Due to other funds	—	—	684
Total liabilities	**23,078**	**932**	**$ 3,855**
NET ASSETS:			
Held in trust for pension benefits and other purposes	**$ 142,620**	**$ 4,613**	

See accompanying notes to the basic financial statements.

Statement of Changes in Fiduciary Net Assets

FIDUCIARY FUNDS

Year Ended March 31, 2006
(Amounts in millions)

	Pension Trust	Private-Purpose Trusts
Additions:		
Investment earnings:		
Investment income	$ 1,475	$ 1
Dividend income	1,308	112
Securities lending income	812	—
Other income	528	—
Net change in fair value on investments	14,450	(159)
Net realized gain on investments	—	243
Total investment earnings	**18,573**	**197**
Less:		
Securities lending expenses	(772)	—
Investment expenses	(185)	(19)
Net investment earnings	**17,616**	**178**
Contributions:		
College savings	—	1,810
Employers	2,782	—
Employees	241	—
Interest on accounts	17	—
Other	78	—
Total contributions	**3,118**	**1,810**
Net transfers from General Fund	—	146
Total additions	**20,734**	**2,134**
Deductions:		
College aid redemptions	—	834
Benefits paid:		
Retirement allowances	5,868	—
Death benefits	161	—
Other benefits	44	—
Administrative expenses	79	—
Claims paid	—	146
Total deductions	**6,152**	**980**
Net increase	**14,582**	**1,154**
Net assets held in trust for pension benefits and other purposes at April 1, 2005	**128,038**	**3,459**
Net assets held in trust for pension benefits and other purposes at March 31, 2006	**$ 142,620**	**$ 4,613**

See accompanying notes to the basic financial statements.

Combining Statement of Net Assets

DISCRETELY PRESENTED COMPONENT UNITS

March 31, 2006
(Amounts in millions)

	Major Component Units				
	Power Authority	Housing Finance Agency	Thruway Authority	Metropolitan Transportation Authority	Dormitory Authority
ASSETS:					
Cash and investments	$ 1,650	$ 1,517	$ 524	$ 6,400	$ 5,839
Receivables, net of allowances for uncollectibles:					
Loans, leases, and notes	189	6,057	—	—	27,945
Other	244	40	55	2,876	721
Other assets	862	—	50	1,450	—
Intangible assets	—	—	—	—	—
Capital assets:					
Construction in progress	111	—	182	5,641	—
Land and buildings, net of depreciation	3,333	—	3,912	30,259	17
Total assets	**6,389**	**7,614**	**4,723**	**46,626**	**34,522**
LIABILITIES:					
Accounts payable	—	9	—	431	—
Accrued liabilities	380	104	89	1,559	1,138
Pension contributions payable	—	—	—	207	—
Deferred revenues	—	127	38	324	85
Notes payable	242	—	—	—	—
Bonds payable	132	145	42	306	1,258
Current portion of other long-term liabilities	—	—	—	7	2
Due in more than one year:					
Accrued liabilities	—	8	—	—	169
Pension contributions payable	—	—	—	60	—
Deferred revenues	755	29	—	—	—
Notes payable	696	—	—	—	—
Bonds payable	1,245	6,759	1,896	21,653	31,130
Deferred loss from refunding debt	—	(7)	—	—	—
Other long-term liabilities	1,043	—	15	4,086	111
Total liabilities	**4,493**	**7,174**	**2,080**	**28,633**	**33,893**
NET ASSETS:					
Invested in capital assets, net of related debt	1,653	—	2,398	14,044	17
Restricted for:					
Debt service	—	327	50	1,069	—
Other specified purposes	23	—	124	—	548
Unrestricted	220	113	71	2,880	64
Total net assets	**$ 1,896**	**$ 440**	**$ 2,643**	**$ 17,993**	**$ 629**

See accompanying notes to the basic financial statements.

Major Component Units							
Long Island Power Authority	Urban Development Corporation	State Insurance Fund	SONY Mortgage Agency	Environmental Facilities Corporation	Non-Major Component Units	Eliminations	Total
$ 471	$ 2,397	$ 10,181	$ 1,575	$ 3,578	$ 3,257	$ (2,730)	$ 34,659
155	5,916	—	2,790	6,829	664	(19,200)	31,345
368	274	214	23	141	351	(2,342)	2,965
1,631	183	11	73	—	180	(23)	4,417
3,080	—	—	—	—	4	—	3,084
111	—	—	—	—	204	—	6,249
3,894	562	—	—	—	2,052	(237)	43,792
9,710	9,332	10,406	4,461	10,548	6,712	(24,532)	126,511
—	—	—	—	—	204	—	644
676	425	9,010	208	220	638	(34)	14,413
—	—	—	—	—	—	—	207
—	—	430	—	—	159	—	1,163
100	—	—	—	—	15	—	357
202	365	—	103	284	59	(1,040)	1,856
122	—	—	—	—	16	—	147
27	—	—	—	20	135	—	359
—	—	—	—	—	—	—	60
—	—	—	—	—	68	(27)	825
—	—	—	—	—	1	—	697
6,686	6,798	—	2,768	5,992	2,484	(23,455)	63,956
—	—	—	(7)	—	—	(2)	(16)
1,845	346	—	—	—	129	(39)	7,536
9,658	7,934	9,440	3,072	6,516	3,908	(24,597)	92,204
(476)	563	—	—	—	1,050	(237)	19,012
—	—	—	1,388	—	39	2	2,875
—	808	—	—	4,017	1,639	—	7,159
528	27	966	1	15	76	300	5,261
$ 52	$ 1,398	$ 966	$ 1,389	$ 4,032	$ 2,804	$ 65	$ 34,307

Combining Statement of Activities

DISCRETELY PRESENTED COMPONENT UNITS

Year Ended March 31, 2006

(Amounts in millions)

	Major Component Units				
	Power Authority	Housing Finance Agency	Thruway Authority	Metropolitan Transportation Authority	Dormitory Authority
Expenses:					
Program operations	$ 2,283	$ 107	$ 371	$ 7,321	$ 83
Interest on long-term debt	70	216	71	984	1,477
Other interest	8	—	—	—	—
Depreciation and amortization	147	—	196	1,474	—
Other expenses	—	21	—	2	176
Total expenses	**2,508**	**344**	**638**	**9,781**	**1,736**
Program revenues:					
Charges for services	2,506	251	526	4,811	1,497
Operating grants and contributions	—	62	12	134	—
Capital grants and contributions	—	—	45	1,050	—
Total program revenues	**2,506**	**313**	**583**	**5,995**	**1,497**
Net program expenses	**(2)**	**(31)**	**(55)**	**(3,786)**	**(239)**
General revenues:					
Payments from primary government	—	—	—	1,895	—
Non-State grants and contributions not restricted to specific programs	—	—	—	1,615	—
Investment earnings:					
Restricted	—	30	—	—	107
Unrestricted	42	4	3	—	2
Miscellaneous	18	8	25	673	90
Total general revenues	**60**	**42**	**28**	**4,183**	**199**
Change in net assets	**58**	**11**	**(27)**	**397**	**(40)**
Net assets—beginning of year, as restated	**1,838**	**429**	**2,670**	**17,596**	**669**
Net assets—end of year	**$ 1,896**	**$ 440**	**$ 2,643**	**$ 17,993**	**$ 629**

See accompanying notes to the basic financial statements.

Major Component Units							
Long Island Power Authority	Urban Development Corporation	State Insurance Fund	SONY Mortgage Agency	Environmental Facilities Corporation	Non-Major Component Units	Eliminations	Total
$ 2,749	$ 483	$ 1,843	$ 39	$ 174	$ 3,381	$ —	$ 18,834
309	298	—	141	299	82	(1,166)	2,781
23	—	—	—	—	11	—	42
238	—	—	2	—	133	(21)	2,169
—	57	—	3	—	244	(2)	501
3,319	**838**	**1,843**	**185**	**473**	**3,851**	**(1,189)**	**24,327**
3,281	66	1,599	162	15	1,510	(723)	15,501
—	343	—	—	7	1,821	—	2,379
—	—	—	—	124	34	—	1,253
3,281	**409**	**1,599**	**162**	**146**	**3,365**	**(723)**	**19,133**
(38)	**(429)**	**(244)**	**(23)**	**(327)**	**(486)**	**466**	**(5,194)**
—	451	—	—	14	338	(457)	2,241
—	—	—	—	—	100	—	1,715
—	—	483	34	161	13	—	828
18	26	—	—	—	51	—	146
40	215	48	131	301	281	—	1,830
58	**692**	**531**	**165**	**476**	**783**	**(457)**	**6,760**
20	**263**	**287**	**142**	**149**	**297**	**9**	**1,566**
32	**1,135**	**679**	**1,247**	**3,883**	**2,507**	**56**	**32,741**
$ 52	**$ 1,398**	**$ 966**	**$ 1,389**	**$ 4,032**	**$ 2,804**	**$ 65**	**$ 34,307**

STATE OF NEW YORK
COMPTROLLER
EXCELSIOR

NOTES TO THE BASIC FINANCIAL STATEMENTS

March 31, 2006

Note 1 Summary of Significant Accounting Policies

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

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

a. Reporting Entity

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

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

Blended Component Units

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

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

Discretely Presented Component Units

Public Benefit Corporations (Corporations) listed in Note 13 were established by State statute with full corporate powers. The Governor, with the approval of the State Senate, appoints most members of the board of directors of most Corporations and either the Governor or the board of directors selects the chairman and chief operating officer. Corporations generally submit annual reports to the Governor, the Legislature, and the State Comptroller on their operations and finances accompanied by an independent auditors' report thereon. Corporations also submit to the Governor and the Legislature annual budget information on operations and capital construction. The State Comptroller is empowered to conduct financial and management audits of the Corporations. Financial assistance was provided in the fiscal year ended March 31, 2006 to certain Corporations and such assistance is expected to be required in future years. Accordingly, the fiscal condition of the State is related to the fiscal stability of the Corporations. Since the Corporations are legally separate organizations for which the Governor and Legislature are financially accountable, they are discretely presented as component units of the State.

Related Organizations and Joint Ventures

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

b. Government-Wide and Fund Financial Statements

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

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

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

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

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

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

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

The State reports the following major and other governmental funds:

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

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

General Obligation Debt Service Fund—accounts 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.

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, 2005.

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, 2005.

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

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

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

Private-Purpose Trust Funds—are used to account for resources legally held in trust as escheat property and resources held in trust to facilitate savings for higher education expenses, pursuant to the New York State tuition savings program. There is no requirement that any portion of these resources be preserved as capital. Information reported for the tuition savings program is obtained from the audited financial statements prepared by the program for the fiscal year ended December 31, 2005.

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, except for the State Insurance Fund, 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 $22 million are included in cash and investments at March 31, 2006. At various times during the year, compensating balances could be substantially higher. Cash balances not held in the State Treasury and controlled by various State officials are generally deposited in interest-bearing accounts or other legally stipulated investments. Additional information about the State's cash and investments is provided in Note 2.

Generally, for purposes of reporting cash flows, cash includes cash and cash equivalents. Cash equivalents are composed of liquid assets with maturities of 90 days or less. The Enterprise Funds Statement of Cash Flows uses the direct method of reporting cash flows. All investments with a maturity of more than a year are recorded on the Statement of Net Assets and the balance sheet at fair value and all investment income, including changes in the fair value of investments, is reported as revenue. Investments of the short-term investment pool have a maturity of one year or less and are recorded at cost. Fair values were determined using market values at March 31, 2006.

e. Receivables

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

f. Internal Balances

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

g. Other Assets

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

h. Capital Assets

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

Equipment that has a cost in excess of $40 thousand at the date of acquisition and has an expected useful life of two or more years is capitalized. All initial building costs and building improvements and land and land improvements in excess of $100 thousand are capitalized. Infrastructure assets in excess of $1 million are also capitalized. Software is not capitalized. The State chose the option in GASB 34 of not recording non-major infrastructure assets at transition except for Department of Transportation (DOT) infrastructure assets. Therefore, non-DOT infrastructure assets acquired prior to April 1, 2002 were deemed to be non-major relative to total infrastructure and are not reported. However, prospective reporting of non-DOT depreciable infrastructure acquired subsequent to April 1, 2002 is included in the capital asset balances for 2005-2006.

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

Assets	Governmental Activities (Years)	Business-type Activities (Years)
Buildings and building improvements	12-60	5-50
Equipment and vehicles . . .	4-30	5-50
Land improvements	12-30	5-50

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

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

Supplementary Information (RSI) for additional information regarding infrastructure using the modified approach.

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

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

i. Long-Term Obligations

In the government-wide financial statements and Enterprise Funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type activities Statement of Net Assets. Bond premiums, discounts, issuance costs, and deferred loss on refunding are deferred and amortized over the life of the bonds using the straight-line method for Governmental Activities. In previous years, amortization of bond discounts, premiums, issuance costs, and deferred loss on refunding was computed by the bonds outstanding method. The effect of the change at March 31, 2006 was not material to the financial statements taken as a whole.

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

j. Compensated Absences

The estimated vacation leave liability for State employees at March 31, 2006 is $764 million and represents an increase of $6 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 $199 million and $45 million for SUNY and CUNY, respectively, at June 30, 2005.

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 percent of the value of their accumulated sick leave as of the date of retirement from CUNY. The sick leave liability for State employees is $1.291 billion and represents an increase of $85 million from the prior year. SUNY and CUNY reported a liability of $386 million and $32 million, respectively, for sick leave credits in accrued liabilities.

k. Accounting for Lease Purchase and Other Financing Arrangements

The construction of certain State office buildings, campus facilities, and other public facilities has been financed through bonds and notes issued by public benefit corporations pursuant to lease/purchase and other financing arrangements with the State. The State has also entered into financing arrangements with public benefit corporations that have issued bonds to finance past State budgetary deficits and grants to local governments for both capital and operating purposes (See Note 7).

These lease/purchase and other financing arrangements which the State will repay 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 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 and uncollected ticket sales at March 31, 2006 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, 2006, the prize liabilities of approximately $2 billion were reported at a discounted value of approximately $1.3 billion (at interest rates ranging from 1.49 percent to 10.70 percent).

m. Net Assets

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

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

Enabling legislation authorizes the State to assess, levy, charge, or otherwise mandates 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. A legally enforceable requirement is one that an outside party (such as citizens, public interest groups or the judiciary) can compel the government to honor. At March 31, 2006, $2.6 billion was reported as restricted net assets because of restrictions imposed by enabling legislation. When both restricted and unrestricted resources are available for use, it is the State's policy to use restricted resources first, then unrestricted resources as they are needed.

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 ($847 million for 115,155 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 $10.6 million was paid on behalf of 3,558 retirees and recorded as an expenditure in the General Fund.

p. Deficit Fund Balances

As of March 31, 2006, fund deficits were reported in the following Capital Projects Funds: the Dedicated Highway and Bridge Trust Fund ($292 million), the Housing Program Fund ($120 million), and the Department of Transportation Engineering Services Fund ($38 million).

The deficits related to the Capital Projects Funds are the result of differences in cash flow timing relating to the reimbursement of capital project costs and contractual commitments from bond proceeds and are routinely resolved during subsequent fiscal years.

q. Estimates

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

r. New Accounting Changes and Guidance

During the fiscal year ended March 31, 2006, the State adopted several new accounting standards issued by the GASB:

GASBS No. 40, *Deposit and Investment Risk Disclosures*; GASBS No. 40 amended GASBS No. 3, *Deposits With Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements*, by establishing and modifying disclosures regarding risks associated with deposits and investments. These disclosures address common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk (including disclosures of investments that have fair values that are highly sensitive to interest rates) and foreign currency risk. Implementation of GASBS No. 40 only required footnote modifications.

GASBS No. 46, *Net Assets Restricted by Enabling Legislation*; GASBS No. 46 clarified the definition of "legally enforceable" with respect to identifying and reporting net assets restricted by enabling legislation. Implementation of GASBS No. 46 did not require modifications to the financial statements.

Note 2 Cash and Investments

Information on cash and investments of the Pension Trust Fund is presented in Note 12.

Deposits

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.

The custodial credit risk is the risk that, in the event of the failure of a depository financial institution, the State will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party.

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 $425 million and the average available bank balance was $437 million; the total amount of certificates of deposits on deposit was $624 million. Total securities held by the State's fiscal agent was $1.2 billion and a surety bond in the amount of $45 million was used as collateral) at fiscal year-end, except for accounts with a total book balance of $174 million, and bank balance of $224 million. At March 31, 2006, primary government deposits totaling $224 million were exposed to custodial credit risk because they were uninsured and uncollateralized.

Governmental Activities, Private Purpose and Agency Funds

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.

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, certificates of deposit, savings bank trust company notes, bankers' acceptance, repurchase agreements, corporate bonds and commercial paper.

As of March 31, 2006 (except for the Tuition Savings Program which is as of December 31, 2005), the State had the following investments and maturities (amounts in millions):

		Investment Maturities (in Years)			
Investment Type	**Fair Value**	**Less than 1**	**1-5**	**6-10**	**More than 10**
U.S. Treasury bills	$ 1,342	$ 1,085	$ 257	$ —	$ —
U.S. Treasury notes	711	346	365	—	—
U.S. Treasury strips	368	363	5	—	—
Government sponsored agencies	607	586	17	4	—
Repurchase agreements	1,037	993	—	2	42
Commercial paper	7,941	7,941	—	—	—
Certificates of deposit	133	133	—	—	—
Money markets	255	255	—	—	—
Forward purchase agreements	449	—	—	—	449
Other	9	9	—	—	—
Subtotal	**12,852**	**$ 11,711**	**$ 644**	**$ 6**	**$ 491**
Mutual funds	4,574				
Equity securities	2,090				
Investments held in an agent or trust capacity	562				
Total	**$ 20,078**				

Included in the table are securities which either were not acquired for investment purposes or cannot be classified or categorized and are being held by the State in an agent or trust capacity. 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 $48 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 $425 million at March 31, 2006. The State holds cash and securities deposited by contractors in lieu of retainage on contract payments (carrying amount and fair value of $89 million).

Credit Risk

State law limits investments in commercial paper, repurchase agreements and corporate bonds to the highest ratings issued by two nationally recognized statistical rating organizations (NRSROs). Investments in commercial paper and repurchase agreements are limited to a rating of A-1 by Standard & Poor's Corporation and P-1 by Moody's Investors Services, Inc. If an investment in commercial paper drops in rating below the legal requirements during the year, the State consults with appropriate investment staff and advisors to determine what action, if any, should be taken. Repurchase agreements are collateralized with U.S. Treasury obligations. Investments in money market funds are unrated.

The Tuition Savings Program, a Private Purpose Trust Fund, has certain underlying mutual funds invested in fixed-income securities which are subject to classification of risk under GASB Statement 40. Investing in fixed-income securities may involve certain risks, including the credit quality of individual issuers, possible prepayments, market or economic developments and yields and share price fluctuations due to changes in interest rates. The underlying mutual funds in which the Tuition Savings Program invests are not rated by any nationally recognized statistical rating organization. Certain mutual funds in the Tuition Savings Program invest primarily in bonds rated Ba or B by Moody's Investors Service, Inc. or BB or B by Standard & Poor's Corporation. These lower rated bonds, commonly referred to as "junk bonds", are subject to greater credit risk, and are generally less liquid, than higher-rated, lower yielding bonds.

Custodial Credit Risk

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government and are held either by: (a) the counterparty or (b) the counterparty's trust department or agent but not in the government's name. The risk being that the State will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party if the counterparty fails. The investments listed below are exposed to custodial credit risk because they are not held by the State but are held by a public benefit corporation in the public benefit corporation's name. The following table presents the fair value of investments by type (amounts in millions):

Investment Type	**Fair Value**
U.S. Treasury bills	$ 1,078
U.S. Treasury notes	452
U.S. Treasury strips	87
Government sponsored agencies	607
Repurchase agreements	177
Forward purchase agreements	449
Other	9
Total	**$ 2,859**

Interest Rate Risk

The fair values of the State's fixed-maturity investments fluctuate in response to changes in market interest rates. Increases in prevailing interest rates generally translate into decreases in fair values of those instruments. Fair values of interest rate-sensitive instruments may be affected by the creditworthiness of the issuer, prepayment options, relative values of alternative investments, the liquidity of the instrument, and other general market conditions.

The State manages its interest rate risk by limiting the majority of its investments to a maturity structure of one year or less. Additionally, the State holds its investments to maturity, which minimizes the occurrence of a loss on an investment.

The State's investments in mutual funds and equity securities have no stated maturity and have not been allocated on the preceding table to a time period.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of the State's investment in a single issuer (five percent or more of total investments). At March 31, 2006, the Public Asset Fund (an Other Governmental Fund) held 98.7 percent of its investments in WellPoint, Inc. common stock representing approximately $2.1 billion.

Foreign Currency Risk

The Tuition Savings Plan has certain underlying mutual funds which invest in foreign securities. There are certain additional risks involved when investing in foreign securities that are not inherent with investments in domestic securities. These risks may involve foreign currency exchange rate fluctuations, adverse political and economic developments and the possible prevention of currency exchange or other foreign governmental laws or restrictions. In addition, the liquidity of foreign securities may be more limited than that of domestic securities.

Business-type Activities

Deposits

SUNY does not have a formal policy for collateral requirements for cash deposits. Deposits not held in the State treasury that are not covered by depository insurance are: uncollateralized ($51 million); collateralized with securities held by a pledging financial institution ($2 million); or collateralized with securities held by a pledging financial institution's trust department or agency, but not in SUNY or affiliates name ($3 million).

CUNY's cash and cash equivalents were held by depositories and amounted to $220 million, of which $9 million was insured and $211 million was uninsured and uncollateralized, or collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in CUNY's name.

The Unemployment Insurance Benefit Fund has $73 million on deposit with the State Comptroller which is invested in the STIP and is subject to the same collateralization requirements as the State.

Investments

Generally, SUNY and CUNY are allowed to invest in a diverse investment portfolio. Permitted investments include, but are not limited to, obligations of the U.S. government and its agencies, municipal debt securities, repurchase agreements, corporate bonds, commercial paper, equity securities, mutual funds, asset-backed securities, money market funds, and security lending transactions.

The Lottery is authorized by state statute to invest in U.S. Government-backed obligations (U.S. Treasury Strips) that provide for payment of prizes payable.

As of June 30, 2005 (except for the State Lottery which is as of March 31, 2006), the Business-type Activities had the following investments and maturities (amounts in millions):

		Investment Maturities (in Years)			
Investment Type	**Fair Value**	**Less than 1**	**1-5**	**6-10**	**More than 10**
U.S. Treasury bills	$ 309	$ 304	$ 2	$ 1	$ 2
U.S. Treasury notes/bonds	331	263	49	10	9
U.S. Treasury Strips	2,298	555	650	479	614
U.S. Government TIPS	16	4	3	2	7
U.S. agency mortgage-backed securities	41	28	—	—	13
Government sponsored agencies	89	79	3	1	6
State and Municipal Bonds	20	3	4	4	9
Repurchase Agreements	11	10	—	—	1
Commercial Paper	11	3	2	1	5
Certificates of deposit	3	2	1	—	—
Asset-backed securities	63	2	5	2	54
Corporate bonds	59	13	11	15	20
Mutual funds non-equities	134	69	30	17	18
International funds non-equities	13	4	2	2	5
Subtotal	**3,398**	**$ 1,339**	**$ 762**	**$ 534**	**$ 763**
Cash equivalents	197				
Equity securities	639				
Mutual funds	106				
Money market funds	37				
International equities	144				
Other	8				
Total	**$ 4,529**				

Credit Risk
Generally, SUNY individual fixed income investment securities must be of investment grade. SUNY maintains a portfolio which possesses an overall weighted average rating by Moody's and Standard and Poor's (S&P) of at least A. Private placement securities must be rated A3 or higher by Moody's or A- or higher by S&P. Parameters exist that allow some limited investments in non-investment grade securities, however, investments rated below B3 by Moody's or B- by S&P are prohibited.

CUNY's investment policy requires that overall average quality of each foreign fixed income portfolio be AA or higher. Non-rated foreign fixed income securities may be purchased provided the investment manager considers them to have an overall portfolio quality of AA or higher. Foreign issues below investment grade (BBB) may be purchased up to a maximum of 15 percent of the portfolio. CUNY's policy does not otherwise place formal limitations on credit risk. CUNY does not have any international fixed income securities in its portfolio. CUNY holds $3 million in U.S. mortgage-backed securities which are not rated by S & P; however, there is an implied AAA rating in the market.

As of June 30, 2005, SUNY and CUNY had the following investments with ratings (amounts in millions):

Investment Type	AAA	AA	A	BBB	BB	B	Not Rated
U.S. agency mortgage-backed securities	$ —	$ —	$ —	$ —	$ —	$ —	$ 3
Government sponsored agencies	88	1	—	—	—	—	—
Repurchase Agreements	—	—	—	—	—	—	3
Asset-backed securities	19	1	2	—	—	—	41
State and municipal bonds	2	1	—	—	—	—	—
Corporate bonds	6	4	21	9	6	1	12
Commercial Paper	—	—	4	—	3	—	4
Mutual funds non-equities	91	—	—	—	—	13	29
International non-equities	8	1	—	2	2	—	—
Debt mutual funds	—	—	—	—	—	—	1
Total	**$ 214**	**$ 8**	**$ 27**	**$ 11**	**$ 11**	**$ 14**	**$ 93**

Custodial Credit Risk
At June 30, 2005, SUNY had $680 million in cash and investments held by DASNY, which represents bond proceeds needed to finance capital projects and to establish required building and equipment replacement and debt service reserves. These cash and investments are registered in SUNY's name and held by an agent or in trust in SUNY's name.

At June 30, 2005, CUNY's $15 million in securities lending transactions are held in the investment's counterparty, not in CUNY's name. CUNY held repurchase agreements in the amount of $9 million, which are collateralized by obligations guaranteed by the United State of America, by an agency, corporation or other instrumentality thereof. CUNY also has $511 million held by DASNY or the bond trustee, not in CUNY's name. CUNY's investment policy does not formally address custodial credit risk.

Securities Lending
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 percent 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 $19 million). The custodian may not invest the collateral in any securities which cause the dollar-weighted average portfolio maturity of the cash collateral to exceed 45 days or the dollar-weighted average mismatch (the relationship between the maturities of the invested collateral and the maturities of the securities loaned) to exceed 30 days.

The University Senior Colleges are indemnified against borrowers who fail to return securities, provide inadequate collateral to replace the securities, or fail to pay distributions by securities' issuers while the securities are on loan. Further, CUNY cannot pledge or sell any of the collateral received unless the borrower defaults. At June 30, 2005, CUNY had no credit risk resulting from securities lending transactions.

At June 30, 2005, investments include $15 million of repurchase agreements that have been lent out in accordance with securities lending contracts for which cash collateral has been received. Further, at June 30, 2005, CUNY also received securities, having a fair value of $4 million as collateral on securities lending contracts.

Interest Rate Risk
SUNY has policies in place that limit fixed income investment duration within certain benchmarks and a highly diversified portfolio is maintained which limits interest rate exposure. CUNY's investment policy does not formally limit investment maturities as a means of managing exposure to fair market value losses arising from increased interest rates. The Lottery's policy for managing interest rate risk is to hold investment securities to maturity, at which time the fair value of the investment is equal to the stated maturity value.

Foreign Currency Risk

SUNY's exposure to foreign currency risk for investments held at June 30, 2005, by currency denomination, was as follows (amounts in millions):

Currency	Fair Value
Euro	$ 24
British Sterling Pound	19
Japanese Yen	19
Turkish Lira	7
Australian Dollar	5
Taiwanese Dollar	4
South Korean Won	3
Hong Kong Dollar	2
Singapore Dollar	2
Swiss Franc	2
South African Rand	1
Swedish Krona	1
New Zealand Dollar	1
Malaysian Ringgit	1
Brazil Real Cruzeiro	1
Other	2
Total	**$ 94**

Investment Pool

CUNY has certain assets included with investments in the accompanying financial statements which are pooled on a fair value basis, with each individual fund subscribing to or disposing of units on the basis of the fair value per unit determined quarterly. At June 30, 2005, the investment pool consisted of 82 million units with a fair value of $126 million.

Note 3 Taxes Receivable and Tax Refunds Payable

Taxes Receivable

Taxes receivable represent amounts owed by taxpayers for the 2005 calendar year and the first quarter of the 2006 calendar year, including prior year assessments for underpayments, penalties and interest. Taxes receivable are accrued when they become both measurable and available based on actual collections or estimates of amounts to be collected during the next 12 months.

Personal income tax (PIT) revenues are reported as income is earned by the taxpayers. The primary components of the PIT receivable are the estimated and withholding payments that relate to the first quarter of the 2006 calendar year, payments with final returns which relate to the 2005 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, 2006 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, 2006 for the governmental funds totaled $9.4 billion. The following table summarizes taxes receivable by major tax type for the governmental funds (amounts in millions):

	General	General Obligation Debt Service	Other Governmental Funds	Total Governmental Funds
Current taxes receivable:				
Personal income	$ 5,566	$ 1,855	$ —	$ 7,421
Consumption and use	595	—	308	903
Business	159	—	39	198
Other	668	—	21	689
Subtotal	**6,988**	**1,855**	**368**	**9,211**
Long-term taxes receivable:				
Personal income	150	50	—	200
Consumption and use	36	—	13	49
Business	32	—	—	32
Other	2	—	—	2
Subtotal	**220**	**50**	**13**	**283**
Allowance for uncollectibles	(107)	(14)	(19)	(140)
Total	**$ 7,101**	**$ 1,891**	**$ 362**	**$ 9,354**

Tax Refunds Payable

Tax refunds payable primarily represent amounts owed to taxpayers because of overpayments of their 2005 calendar year and first quarter 2006 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 (2006) tax liability and payments of 2005 calendar and prior year refunds. The remaining portion of tax refunds payable is comprised of payments made subsequent to the end of the fiscal year and estimates of a remaining refund liability.

Tax refunds payable at March 31, 2006 are summarized as follows (amounts in millions):

	Current			Total	
	General	General Obligation Debt Service	Other Governmental Funds	Current	Long-term
Governmental Activities:					
Personal income	$ 3,738	$ 1,246	$ —	$ 4,984	$ 330
Consumption and use	54	—	29	83	187
Business	1,185	—	157	1,342	194
Other	35	—	—	35	15
Total	**$ 5,012**	**$ 1,246**	**$ 186**	**$ 6,444**	**$ 726**

Note 4 Other Receivables

Other receivables at March 31, 2006 are summarized as follows (amounts in millions):

	General	Federal Special Revenue	General Obligation Debt Service	Other Governmental Funds	Total Governmental Activities
Governmental activities:					
Other current receivables:					
Public health/patient fees	$ —	$ —	$ —	$ 526	$ 526
State of New York Mortgage Agency	122	—	—	—	122
Other	276	15	384	300	975
Subtotal	**398**	**15**	**384**	**826**	**1,623**
Other long-term receivables:					
Public health/patient fees	—	—	—	5	5
Other	21	—	—	190	211
Subtotal	**21**	**—**	**—**	**195**	**216**
Gross receivables	419	15	384	1,021	1,839
Allowance for uncollectibles	(16)	—	—	(221)	(237)
Total governmental funds receivable	**$ 403**	**$ 15**	**$ 384**	**$ 800**	**1,602**
Receivable from fiduciary funds					684
Total					**$ 2,286**

	Lottery	Unemployment Insurance Benefits	SUNY	CUNY	Total
Enterprise Funds:					
Other current receivables:					
Ticket sales	$ 452	$ —	$ —	$ —	$ 452
Public health/patient fees	—	—	403	—	403
Student loans	—	—	154	20	174
Contributions	—	2,318	—	—	2,318
Benefit overpayments	—	194	—	—	194
State Agencies/Municipalities	—	24	—	—	24
Other	—	4	238	139	381
Subtotal	**452**	**2,540**	**795**	**159**	**3,946**
Allowance for uncollectibles	(1)	(932)	(109)	(16)	(1,058)
Net current receivables	**451**	**1,608**	**686**	**143**	**2,888**
Other long-term receivables:					
Other	—	—	134	22	156
Allowance for uncollectibles	—	—	(22)	(17)	(39)
Net long-term receivables	**—**	**—**	**112**	**5**	**117**
Total receivables	**$ 451**	**$ 1,608**	**$ 798**	**$ 148**	**$ 3,005**

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 section 2429-b(2) of the Public Authorities Law, the State of New York Mortgage Agency has certified that there was an excess balance of $122 million in the Mortgage Insurance Fund at March 31, 2006 which was reported in the General Fund. As required by law, this amount was remitted to the General Fund during June 2006.

Note 5 Capital Assets

Capital asset activity for the year ended March 31, 2006 was as follows (amounts in millions):

	Balance April 1, 2005	Additions	Retirements	Balance March 31, 2006
Governmental activities:				
Depreciable assets:				
Buildings and building improvements	$ 8,407	$ 420	$ 97	$ 8,730
Land improvements	379	30	3	406
Infrastructure	50	22	9	63
Equipment	617	46	55	608
Total depreciable assets	**9,453**	**518**	**164**	**9,807**
Less accumulated depreciation:				
Buildings and building improvements	(4,095)	(249)	(12)	(4,332)
Land improvements	(256)	(27)	(2)	(281)
Infrastructure	(2)	(1)	—	(3)
Equipment	(365)	(48)	(49)	(364)
Total accumulated depreciation	**(4,718)**	**(325)**	**(63)**	**(4,980)**
Total depreciable assets, net	**4,735**	**193**	**101**	**4,827**
Non-depreciable assets:				
Land	3,324	133	12	3,445
Land preparation	2,786	70	—	2,856
Construction in progress (buildings)	687	246	478	455
Construction in progress (roads and bridges)	3,103	795	776	3,122
Infrastructure (roads and bridges)	63,056	405	158	63,303
Total non-depreciable assets	**72,956**	**1,649**	**1,424**	**73,181**
Governmental activities, capital assets, net	**$ 77,691**	**$ 1,842**	**$ 1,525**	**$ 78,008**

	Balance July 1, 2004	Additions	Retirements	Balance June 30, 2005
Business-type activities:				
State University of New York:				
Depreciable assets:				
Infrastructure and land improvements	$ 448	$ 21	$ 1	$ 468
Buildings	4,835	479	43	5,271
Equipment, library books, artwork	1,728	242	103	1,867
Total depreciable assets	**7,011**	**742**	**147**	**7,606**
Less accumulated depreciation:				
Infrastructure & land improvements	(289)	(13)	—	(302)
Buildings	(2,340)	(134)	(27)	(2,447)
Equipment and library books	(1,174)	(140)	(86)	(1,228)
Total accumulated depreciation	**(3,803)**	**(287)**	**(113)**	**(3,977)**
Total depreciable assets, net	**3,208**	**455**	**34**	**3,629**
Non-depreciable assets:				
Land	224	30	4	250
Construction in progress	701	393	508	586
Total non-depreciable assets	**925**	**423**	**512**	**836**
SUNY capital assets, net	**$ 4,133**	**$ 878**	**$ 546**	**$ 4,465**
City University of New York:				
Depreciable assets:				
Buildings and building improvements	$ 2,673	$ 96	$ 1	$ 2,768
Land improvements	49	—	—	49
Equipment	310	30	26	314
Infrastructure	3	15	—	18
Total depreciable assets	**3,035**	**141**	**27**	**3,149**
Less accumulated depreciation:				
Buildings and building improvements	(1,043)	(93)	—	(1,136)
Land improvements	(48)	—	—	(48)
Equipment	(256)	(28)	(26)	(258)
Infrastructure	(2)	(1)	—	(3)
Total accumulated depreciation	**(1,349)**	**(122)**	**(26)**	**(1,445)**
Total depreciable assets, net	**1,686**	**19**	**1**	**1,704**
Non-depreciable assets:				
Land	200	9	—	209
Construction in progress	472	121	52	541
Artwork and historical treasures	8	—	—	8
Total non-depreciable assets	**680**	**130**	**52**	**758**
CUNY capital assets, net	**2,366**	**149**	**53**	**2,462**
Business-type activities, capital assets, net	**$ 6,499**	**$ 1,027**	**$ 599**	**$ 6,927**

For year ended March 31, 2006, depreciation expense was charged to the following governmental functions (amounts in millions):

	Governmental Activities
Allocation of depreciation:	
Education	$ 2
Public health	99
Public welfare	8
Public safety	113
Transportation	29
Environment and recreation	24
Support and regulate business	2
General government	48
Total depreciation expense	**$ 325**

For year ended June 30, 2005, depreciation expense was charged to the following business-type functions (amounts in millions):

	Business-type Activities
Allocation of depreciation:	
SUNY	$ 287
CUNY	122
Total depreciation expense	**$ 409**

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 or substantially level or declining debt service payments 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, 2005	Issued	Redeemed	Outstanding March 31, 2006
Accelerated capacity and transportation improvements of the nineties	$ 1,001	$ 8	$ 93	$ 916
Clean water/clean air	955	51	78	928
Environmental quality:				
Land acquisition	107	1	12	96
Solid waste management	686	47	49	684
Environmental quality protection:				
Air	40	—	4	36
Land and wetlands	83	1	10	74
Water	194	—	18	176
Higher education	1	—	1	—
Housing:				
Low income	106	—	13	93
Middle income	64	—	4	60
Pure waters	145	3	17	131
Rail preservation	42	—	7	35
Transportation capital facilities:				
Mass transportation	78	—	14	64
Aviation	49	—	6	43
Energy conservation through improved transportation	42	—	5	37
Rebuild New York—transportation infrastructure renewal:				
Highways, parkways, bridges	10	1	2	9
Ports, canals, waterways	2	—	1	1
Rapid transit, rail, aviation	47	—	7	40
Rebuild and renew New York transportation:				
Highway facilities	—	7	—	7
Mass transit - MTA	—	40	—	40
Total	**$ 3,652**	**$ 159**	**$ 341**	**$ 3,470**

Debt service expenditures related to the above general obligation bonds during the year were $487 million. The total amount of general obligation bonds authorized but not issued at March 31, 2006 was $3.6 billion. At March 31, 2006 approximately $498 million of bonds defeased by refunding transactions in prior years remain outstanding.

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

Fiscal Year	Principal	Interest	Total
2007	$ 348	$ 142	$ 490
2008	342	131	473
2009	329	115	444
2010	315	100	415
2011	300	86	386
2012-2016	1,114	266	1,380
2017-2021	447	95	542
2022-2026	165	38	203
2027-2031	82	15	97
2032-2036	28	3	31
Total	**$ 3,470**	**$ 991**	**$ 4,461**

Debt service requirements on approximately $669 million in general obligation variable rate bonds were calculated using the variable rates in effect as of March 31, 2006 which ranged from 2.6 percent to 4.7 percent. Debt service requirements for fixed rate issues were calculated based upon actual rates ranging from 2 percent to 6.75 percent.

During the fiscal year ended March 31, 2006, no general obligation refundings were issued.

Note 7 Obligations Under Lease/Purchase and Other Financing Arrangements

Governmental Activities Debt

The State has entered into contractual financing arrangements with certain public benefit corporations and other entities for various capital assets, local assistance payments and deficit financing. Under these agreements, generally 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 that have issued bonds to finance past State budgetary deficits and grants to local governments for both capital and operating purposes. The terms of these arrangements require the State to fund the debt service requirements of the specific debt issued by these entities.

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

In 2001 the State enacted legislation providing for the issuance of State Personal Income Tax Revenue Bonds (PIT) to be issued by several State Public Benefit Corporations. The legislation provides that 25 percent 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 the Revenue Bond Tax Fund which is an account of the General Obligation Debt Service Fund. These deposits are used to make debt service payments on PIT bonds with excess amounts returned to the General Fund. In the event that the State Legislature fails to appropriate amounts required to make debt service payments on the PIT bonds or if required payments have not been made when due, the legislation requires that deposits continue to be made to the Revenue Bond Tax Fund until amounts on deposit equal the greater of 25 percent of personal income tax receipts or $6 billion. Amounts in excess of that needed for current debt service are subsequently transferred to the General Fund. The first PIT bonds were issued on May 9, 2002 and approximately $6.3 billion were outstanding as of March 31, 2006.

Prior to 1996 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 percent 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.

Chapter 62 and Chapter 63 of the Laws of 2003 enacted, among other provisions, the Municipal Assistance Refinancing Act (Act), effective July 1, 2003 and deemed repealed July 1, 2034. The Act created an incentive for the State to seek an appropriation to provide $170 million per year, from Other Governmental Funds (Local Government Assistance Tax Fund (Fund)) to the City of New York (City) for each of the City's fiscal years beginning July 1, 2003 and ending

June 30, 2034. The Act requires the Corporation to annually certify $170 million so that the State, subject to annual State appropriation by the legislature, can provide for a series of payments to the City or the Mayor's assignee in each City fiscal year beginning July 1, 2003 and ending June 30, 2034 totaling $5.27 billion. Based on current law, until the legislature enacts an appropriation of $170 million, the Corporation certifies the release of the funds, and the $170 million State payment is made, and the Corporation receives the amount it has certified for its needs, no excess sales tax receipts can be transferred from the Fund to the State's General Fund. During the fiscal year ended March 31, 2006, the Corporation certified the release for the State payment of $170 million to the City.

The State has authorized the New York State Thruway Authority to issue up to $16.5 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, motor fuel tax, highway and fuel use tax, motor vehicle registration fees, auto rental tax, transmission and transportation tax, and certain miscellaneous revenues.

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

Issuer	Outstanding April 1, 2005	Issued	Redeemed	Outstanding March 31, 2006
Public Benefit Corporations (PBCs):				
Dormitory Authority	$ 5,665	$ 441	$ 329	$ 5,777
Environmental Facilities Corporation	607	159	56	710
Energy Research & Development Authority	30	—	13	17
Housing Finance Agency	1,317	163	82	1,398
Local Government Assistance Corporation	4,449	—	132	4,317
Municipal Bond Bank Agency	507	—	3	504
Metropolitan Transportation Authority	2,354	—	43	2,311
Tobacco Settlement Financing Corporation	4,495	—	217	4,278
Triborough Bridge & Tunnel Authority	242	—	28	214
Thruway Authority	8,895	3,119	3,407	8,607
Urban Development Corporation	5,791	820	695	5,916
Total PBCs	**34,352**	**4,702**	**5,005**	**34,049**
Certificates of Participation	3	—	3	—
Total	**$ 34,355**	**$ 4,702**	**$ 5,008**	**$ 34,049**

Debt service expenditures for the aforementioned obligations during the year were $3.5 billion. These expenditures were financed primarily by the revenues reported in the governmental funds.

Certain of the underlying bond indentures require the maintenance of various reserves. Such amounts were $1.0 billion at March 31, 2006 and are reported as cash of the General Obligation Debt Service Fund and 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 fixed rate interest at rates ranging from 1.9 percent to 10.0 percent and variable rate interest at rates ranging from 2.6 percent to 6.0 percent (amounts in millions):

Fiscal Year	Principal	Interest	Net Swap Amount	Total
2007	$ 1,481	$ 1,645	$ 10	$ 3,136
2008	1,464	1,594	10	3,068
2009	1,410	1,536	10	2,956
2010	1,442	1,438	10	2,890
2011	2,903	1,921	10	4,834
2012-2016	9,173	4,751	52	13,976
2017-2021	9,094	2,621	43	11,758
2022-2026	4,976	918	21	5,915
2027-2031	1,700	294	6	2,000
2032-2036	406	32	—	438
Total	**$ 34,049**	**$ 16,750**	**$ 172**	**$ 50,971**

Future debt service is calculated using rates in effect at March 31, 2006 for variable rate bonds. The net swap payment amounts were calculated by subtracting the future variable rate interest payment subject to swap agreements from the synthetic fixed rate amount intended to be achieved by the swap agreements.

The actual future amounts of future interest to be paid are affected by changes in variable interest rates. The actual amounts of future net swap payments are also affected by change in published indexes—the London Interbank Offered Rate (LIBOR) and the Bond Market Associate Rate (BMA) which are floating rates.

The State is also committed under numerous capital leases covering EDP and telecommunications equipment. Debt service expenditures for these obligations during the year were $29 million. Included with these capital leases are several real property capital leases which will require principal payments in the amount of $178 million and interest payments in the amount of $98 million throughout the lives of the leases. Following is a summary of the principal and interest payments, some of which are financed by transfers from the General Fund to the General Obligation Debt Service Fund, for the remaining lease periods of these capital leases (amounts in millions):

Fiscal Year	Principal	Interest	Total
2007	$ 20	$ 9	$ 29
2008	18	8	26
2009	12	7	19
2010	6	7	13
2011	6	6	12
2012-2016	30	28	58
2017-2021	34	20	54
2022-2026	31	11	42
2027-2031	21	2	23
Total	**$ 178**	**$ 98**	**$ 276**

Refunding

During the fiscal year ended March 31, 2006, the State, acting through its public authorities, refunded $3.280 billion in existing fixed rate bonds related to lease/purchase and other financing arrangements by issuing refunding bonds in a par amount of $2.956 billion at a $249 million premium and releasing a net amount of $306 million from reserves and debt service accounts. The result will produce an estimated loss of $243 million in future cash flow with an estimated present value gain of $74 million. The deferred loss was $146 million of which $137 million will be amortized into interest expense in future years. The impact of the refunding issues is presented in the following table (amounts in millions):

Issue Description	Refunding Amount	Refunded Amount	Cash Flow Gain (Loss)	Present Value Gain
NYS Dormitory Authority Department of Health Revenue Bond Series 2005A	$ 51	$ 49	$ 2	$ 2
NYS Dormitory Authority Albany County Airport Service Contract Series 2005	21	20	1	1
NYS Housing Finance Agency PIT Economic Development Bond Series 2006C	32	32	1	1
NYS Urban Development Corporation Service Contract Series 2005A	289	304	22	14
NYS Urban Development Corporation Service Contract Series 2005B	57	59	5	4
NYS Thruway Authority Dedicated Highway and Bridge Series 2005B	2,409	2,722	(277)	49
NYS Thruway Authority PIT Transportation Series 2005A	97	94	3	3
Total	**$ 2,956**	**$ 3,280**	**$ (243)**	**$ 74**

In prior years, the State refunded certain of its obligations under lease/purchase and other financing arrangements. At March 31, 2006, approximately $5.6 billion of such obligations were outstanding. The assets and liabilities related to these obligations are not reported in the accompanying basic financial statements.

Interest Rate Exchange Agreements (Swaps)

Article 5-D of the State Finance Law authorized the use of a limited amount of swaps equal to 15 percent of statutorily defined state-supported debt. Starting in November 2002, the State began to enter into swap agreements to "synthetically" change the interest cost associated with bonds it issued from either variable rate to fixed rate or from fixed rate to variable rate. The intention of each of the swaps was to lower the cost of borrowing to the State below what could have been achieved on bonds without the use of the associated swap agreements.

The statutory authorization for the use of swaps also requires that each of the swaps entered into meet the following requirements:

- Counterparties have a credit rating from at least one nationally recognized statistical rating agency that is within the two highest investment grade categories;

- A finding by an independent financial advisor certifying that the terms and conditions of all swaps reflect a fair value;
- Utilization of a standardized interest rate exchange agreement;
- Issuance of monthly reports by the public benefit corporations to provide monitoring and swap performance assessment; and
- Compliance with uniform interest rate exchange guidelines.

The State manages the swaps as a single portfolio although they affect debts reported under both Governmental Activities and Business Type Activities.

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

The swap contracts use 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 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. The State may also terminate the swaps at its option. If a swap agreement is terminated, the synthetically created fixed or variable interest rate will cease to exist and the State's only interest payment will be based upon the rate required by the bonds as issued. When a termination occurs, a mark-to-market (or fair market value) calculation is performed to determine whether the State owes money or must pay money to close out a swap position. A negative fair market value means the State would incur a loss and need to make a termination payment to settle the swap position. A positive fair market value means the State would realize a gain and receive a termination payment to settle the swap position. The terms of the synthetic fixed rate swaps are coterminous with the underlying bonds.

Swap Variable Rate to Fixed Rate (Synthetic Fixed Rate)

At March 31, 2006 the State had $6 billion of swaps ($5 billion of which related to Governmental Activities) outstanding that were issued to synthetically create fixed rate debt from variable rate debt.

The table below summarizes the terms and fair values at March 31, 2006 of the State's swaps that synthetically create fixed interest rates on $5 billion in debt reported under Governmental Activities. The average intended fixed rate of the $5 billion in variable to fixed rate swaps was approximately 3.3 percent including support costs and bond insurance fees on the underlying variable rate bonds, as displayed in the following table (amounts in millions):

Issuer	Notional Amount	Origination Dates	Average Swap Rate	Final Maturity Dates	Fair Value
NYS Dormitory Authority	$ 1,486	4/10/2003-3/2/2005	3.2%	2/15/2021-3/15/2032	$ 51
NYS Urban Development Corporation	1,299	11/21/2002-12/22/2004	3.6%	1/1/2030-3/17/2033	(10)
NYS Housing Finance Agency	468	2/13/2003-3/10/2005	3.4%	9/15/2021-3/15/2033	5
NY Local Government Assistance Corporation	1,210	2/20/2003-2/26/2004	3.2%	4/1/2021-4/1/2024	32
NYS Thruway Authority	531	10/21/2003-11/6/2003	3.4%	3/15/2021	5
Total	**$ 4,994**				**$ 83**

The bonds and the related synthetic fixed rate swap agreements have final maturities occurring through March 17, 2033 and the swaps' total notional amount of $5 billion matches the $5 billion variable-rate bonds. Under the swap agreements, the State pays the counterparties a fixed payment at rates ranging from 2.86 percent to 3.66 percent and receives a variable payment computed as 65 percent of the one month LIBOR rate. 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.

Swap agreements expose the State to basis risk, which is the possibility that the underlying variable rate payments received by the State (65 percent of LIBOR) in the swap are less than the variable rate payments made by the State on the underlying bonds issued.

Based on market conditions, the synthetic fixed rate swap portfolio reported under Governmental Activities at March 31, 2006 has an estimated fair market value of $83 million, indicating the size of the payment the State would receive if these existing swaps were terminated at March 31, 2006. The fair market value, which fluctuates significantly based on market conditions, is monitored closely by the Division of the Budget (Division) and Public Authorities that issue swaps on behalf of the State. The Division reviews the actual mark-to-market (or fair market value) of each outstanding swap on a monthly basis and obtains an estimate of maximum counterparty exposure on at least an annual basis. Maximum counterparty exposure represents the fair market value owed to the State in a worst case scenario. Exposure to counterparties is well diversified among nine counterparties, who have total notional amounts ranging from $188 million to $981 million. Each counterparty had a credit rating from at least one nationally recognized statistical rating agency that is within the two highest investment grade categories as of March 31, 2006.

Swap Fixed Rate to Variable Rate (Synthetic Variable Rate)

At March 31, 2006 the State also had an additional $970 million in swaps outstanding, $647 million of which related to Governmental Activities that were issued to synthetically create variable rate debt. Synthetic variable rate debt is being utilized because it can provide variable rate debt at a lower cost than traditional (or natural) variable rate debt because it does not require additional support costs (liquidity agreements, insurance, brokerage dealer fees, and remarketing fees).

The table below summarizes the terms and fair values at March 31, 2006 of the State's swaps that synthetically create variable interest rates on $647 million in debt reported under Governmental Activities (amounts in millions):

Issuer	Notional Amount	Origination Dates	Average Swap Rate	Final Maturity Dates	Fair Value
NYS Dormitory Authority	$ 131	2/24/2005-3/24/2005	N/A	3/15/2008-3/15/2030	$ (1)
NYS Urban Development Corporation	363	12/22/2004	N/A	3/15/2010-3/15/2025	3
NYS Housing Finance Agency	153	4/19/2005	N/A	3/15/2013-3/15/2015	(4)
Total	**$ 647**				**$ (2)**

Approximately $369 million of the $647 million in synthetic variable rate swaps reported in the table above are forward starting with beginning effective dates that range from March 15, 2014 to March 15, 2017. Because a significant portion of the synthetic variable rate swaps are forward starting with no rate in effect at March 31, 2006, an average swap rate in effect at March 31, 2006 is not presented for synthetic variable rate swaps. The balance, $278 million, creates synthetic variable rate exposure immediately.

Under the synthetic variable rate swap agreements, the State issues fixed rate bonds (and pays a fixed rate of interest over the life of the bonds), but converts the debt to a variable rate mode via a variable rate payment to the counterparty. On the effective date of the synthetic variable rate swap the State begins to receive a fixed rate payment that exceeds the fixed rate on the underlying bonds, and pays a variable rate of interest. The variable rate of interest is based on the Municipal Swap Index published by the Bond Market Association (BMA). Because the synthetic variable rate swaps require the State to pay a variable rate of interest to the counterparties based upon the BMA Municipal Swap Index the State is exposed to interest rate risk during the swaps effective term. As the BMA Municipal Swap Index increases, the net payments the State would have to make on the swaps will increase. Since the swaps are effective for the full term intended, the State is not exposed to any rollover risk. The fair market values of the swaps at March 31, 2006 were not material and therefore the State was not exposed to significant credit risk. Each counterparty had a credit rating from at least one nationally recognized statistical rating agency that is within the two highest investment grade categories as of March 31, 2006.

Business-type Activities 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 $6.8 billion is funded by payments from the State's General Fund. The remainder of the debts of the Universities ($969 million) is funded from student fees and other operating aid paid by the State.

The following represents year-end principal balances (June 30, 2005 for SUNY and CUNY and March 31, 2006 for Lottery) for Business-type Activities lease/purchase and other financing arrangements (amounts in millions):

	Beginning Outstanding	Issued	Redeemed	Ending Outstanding
Dormitory Authority:				
SUNY Educational Facilities	$ 4,287	$ 387	$ 527	$ 4,147
SUNY Dormitory Facilities	590	63	19	634
CUNY Education Facilities	2,896	400	486	2,810
Unamortized discount	(134)	16	(10)	(108)
Total Dormitory Authority	**7,639**	**866**	**1,022**	**7,483**
Lottery Capital Lease Commitments	10	—	3	7
SUNY Capital Lease Commitments	178	42	40	180
SUNY Certificates of Participation	3	—	3	—
CUNY Capital Lease and Mortgage Loan Commitments	4	62	—	66
CUNY Certificates of Participation	104	—	15	89
Total (See note 8)	**$ 7,938**	**$ 970**	**$ 1,083**	**$ 7,825**

The following represents June 30, 2005 year-end summary of future minimum debt service payments on the bonds issued by the Dormitory Authority for the State University of New York including interest rates ranging from 1.9 percent to 7.5 percent (amounts in millions):

Fiscal Year	Principal	Interest	Total
2006	$ 179	$ 272	$ 451
2007	176	268	444
2008	178	270	448
2009	185	262	447
2010	173	249	422
2011-2015	1,296	914	2,210
2016-2020	1,186	519	1,705
2021-2025	758	279	1,037
2026-2030	519	100	619
2031-2035	131	9	140
Total	**$ 4,781**	**$ 3,142**	**$ 7,923**

The following represents June 30, 2005 year-end summary of future minimum debt service payments on the bonds issued by the Dormitory Authority for the City University of New York Senior Colleges including interest rates ranging from 1.95 percent to 7.5 percent (amounts in millions):

Fiscal Year	Principal	Interest	Net Swap Amount	Total
2006	$ 115	$ 124	$ 11	$ 250
2007	108	115	11	234
2008	153	108	11	272
2009	110	101	11	222
2010	165	93	11	269
2011-2015	712	352	54	1,118
2016-2020	631	187	33	851
2021-2025	507	82	19	608
2026-2030	278	23	7	308
2031-2032	31	1	—	32
Total	**$ 2,810**	**$ 1,186**	**$ 168**	**$ 4,164**

The following represents June 30, 2005 year-end summary for SUNY and CUNY and March 31, 2006 year-end summary for the Lottery of future minimum debt service payments on certificates of participation, capital lease commitments and mortgage loan payable for the Business-type activities (amounts in millions):

	Lottery		SUNY		CUNY		Total	
Fiscal Year	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**	**Principal**	**Interest**
2006	$ —	$ —	$ 48	$ 5	$ 16	$ 4	$ 64	$ 9
2007	2	—	43	4	18	4	63	8
2008	2	—	28	3	19	2	49	5
2009	2	—	21	2	20	2	43	4
2010	1	—	11	2	21	1	33	3
2011-2015	—	—	11	6	61	—	72	6
2016-2020	—	—	12	3	—	—	12	3
2021-2025	—	—	4	—	—	—	4	—
2026-2030	—	—	1	—	—	—	1	—
2031-2035	—	—	1	—	—	—	1	—
Total	**$ 7**	**$ —**	**$ 180**	**$ 25**	**$ 155**	**$ 13**	**$ 342**	**$ 38**

The liabilities for lease/purchase debt, certificates of participation, mortgage loan 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, 2005 totaled $737 million.

In March 2005, DASNY issued $175.8 million of PIT bonds to refinance $184.8 million of existing PIT obligations for SUNY. The refinancing resulted in an accounting loss of $14.5 million. SUNY reduced its future aggregate debt service payments by $19.3 million through lower interest costs, resulting in an economic gain of $13.7 million. Also in March 2005, SUNY entered into agreements with DASNY to issue obligations totaling $172 million to refinance $188.6 million of SUNY's existing educational facility obligations. The refinancing resulted in an accounting loss of $12.6 million. SUNY reduced its future aggregate debt service payments by $19 million through lower interest costs, resulting in an economic gain of $13.3 million.

In prior years, SUNY defeased certain of its obligations under lease/purchase and other financing arrangements for educational facilities. At March 31, 2005, approximately $1.4 billion of such obligations were outstanding. SUNY also defeased various obligations for residence halls totaling $274.6 million at March 31, 2005. The assets and liabilities related to these obligations are not reported in the accompanying basic financial statements.

During the fiscal year ended June 30, 2005, CUNY entered into agreements with DASNY to issue refunding bonds having a par value of $399.9 million and original issued premium of $54.0 million. Bond proceeds of $448.4 million were used to defease $411.5 million of existing debt. Under the terms of the resolutions for the defeased bonds, investments have been deposited in irrevocable trusts with bond trustee to provide all future debt service on the refunded debt. As a result, the refunded debt is considered to be defeased and the trust account assets and liabilities from those bonds have been removed from the statement of net assets of CUNY. The economic gain related to the defeased bonds amounted to $27.1 million. The excess of the amount deposited with the bond trustee over the amount of debt defeased of $36.9 million and remaining unamortized bond issue costs, underwriter discounts, and other related costs from the existing bond issue of $1.8 million are deferred and amortized in a systematic and rational manner over the remaining life of the old debt or new debt, whichever is shorter.

At June 30, 2005, $1.3 billion of CUNY's bonds outstanding are considered defeased.

As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance, at various times, DASNY, on behalf of CUNY, issued certain variable interest rate bonds, and concurrently entered into 46 separate pay-fixed, receive-variable interest swaps with four counterparties. During the year ended June 30, 2005, DASNY issued fixed rate bonds and concurrently entered into three separate pay-variable, receive-fixed rate swaps with 3 counterparties, for which swap payments commence at future dates. The swaps are undertaken as a part of the State's overall debt management program. The notional amounts of the swaps match the principal amounts of the associated debt. The swap was entered into at the same time the bonds were issued. The swap agreements contain scheduled reductions to outstanding notional amounts that are expected to approximately follow scheduled or anticipated reductions in the associated "bond payable" category. The terms, including the fair values and credit ratings of the outstanding swaps as of June 30, 2005, were as follows (amounts in millions):

Counterparty	Notional Amount	Termination Date	Swap Fixed Rate Paid	Variable Swap Rate Received*	Swap Fair Value	Counterparty Credit Rating**	Swap Insured
Pay-Fixed, Receive-Variable Swaps:							
City University System Consolidated Revenue Bonds Series 2003:							
Citibank	$ 309	7/1/2014-7/1/2031	3.36%	65% of LIBOR	$ (16)	Aa1/AA/AA+	Yes
Lehman	179	7/1/2014-7/1/2032	3.36%	65% of LIBOR	(9)	Aaa/AAA/NA	Yes
Merrill	179	7/1/2014-7/1/2033	3.36%	65% of LIBOR	(9)	Aa3/A+/AA–	Yes
UBS	179	7/1/2014-7/1/2034	3.36%	65% of LIBOR	(9)	Aa2/AA+/AA+	Yes
City University System Consolidated Revenue Bond Series 2005B:							
Lehman	19	7/1/2025	3.17%	65% of LIBOR	(1)	Aaa/AAA/AAA	Yes
PIT Series 2005C:							
Lehman	19	3/15/2032	3.09%	65% of LIBOR	(1)	Aaa/AAA/AAA	No
Total Pay-Fixed	**884**				**(45)**		
Future Pay-Variable, Receive-Fixed Swaps:							
City University System Consolidated Revenue Bonds Series 2005A:							
Citbank	98	7/1/2014	4.44%	BMA	—	Aa1/AA/AA+	No
PIT Education 2005B:							
JP Morgan	40	3/15/2030	4.34%	BMA	—	—	—
UBS	40	3/15/2030	4.34%	BMA	—	—	—
Total Pay-Variable	**178**				**—**		
Total	**$ 1,062**				**$ (45)**		

**London Interbank Offered Rate (LIBOR)/Bond Market Association Municipal Swap Index (BMA)*

***Moody's/S&P/ Fitch, respectively*

As of June 30, 2005, the swaps had a negative fair value of $45.1 million. Interest rates have changed since the swaps were entered into, the pay-fixed, receive-variable swaps had a negative fair value of $44.8 million (the fixed swap payment rate is higher than current comparable fixed rates), and the pay-variable, receive-fixed swaps had a negative fair value of $285 thousand (the fixed swaps receive rate is lower than current comparable fixed rates). The fair values of pay-fixed, receive-variable rate swaps generally move in the opposite direction from the fair values of pay-variable, receive-fixed rate swaps, mitigating exposure in the swap portfolio resulting from changes in interest rates. The fair values were estimated using the zero coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swaps.

As of June 30, 2005, the swap agreements were not exposed to credit risk on those swaps with negative fair values. However, should interest rate change and the fair values of those swaps become positive, then the swap agreements would be exposed to credit risk in the amount of the swaps' fair value.

Swap agreements were entered into with four counterparties during 2005. The swap agreements entered into during 2005 contain set-off provisions and amended existing swap agreements with those four counterparties to include such set-off provisions. Under the terms of these agreements, should an agreement terminate, close-out set-off provisions permit all outstanding transactions with the related counterparty to terminate and net the transaction's fair values so that a single sum will be owed by, or owed to, DASNY. Should the counterparties fail to perform according to the terms of the swap agreements, the maximum possible loss is equivalent to the related swap's net positive fair value, assuming set-off. The set-off provisions currently cover 4 out of the 5 counterparties.

The guidelines set forth by DASNY require that the counterparties have credit ratings from at least one nationally recognized statistical rating agency that is within the two highest investment grade categories and rating which are obtained from any other nationally recognized statistical rating agency 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.

To further mitigate credit risk, all swap agreements contain varying collateral agreements with the counterparties. The swaps require collateralization of 102 percent of the swap termination value payable by the counterparty, at any time that the counterparty does not have at least one rating in the second highest rating category or any of the ratings assigned to the counterparty are below the three highest rating categories. Collateral on all swaps is to be held by a third-party custodian and be in the form of direct obligations or obligations the principal and interest on which are guaranteed by the United States of America, or other securities permitted by law and agreed upon in writing by DASNY and the counterparty.

The pay-variable, receive-fixed interest rate swaps increase the exposure to interest rate risk. The variable interest rate to the counterparties is based on the Bond Market Association Municipal Swap Index (BMA). As BMA increases, the net payment on the swaps increases.

The pay-fixed, receive-variable swap agreements are exposed to basis risk. DASNY is paying a fixed rate of interest to the counterparties and the counterparties are paying a variable rate representing 65 percent of the one–month LIBOR rate. The amount of the variable rate swap payments received from the counterparties does not necessarily exactly equal the actual variable rate payable to the bondholders. Should the relationship between LIBOR and actual variable rate payments converge, the expected cost savings may not materialize.

The swap contracts use the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay, default on any other debt in an aggregate amount greater than the agreed-upon thresholds and bankruptcy. The schedule to the Master Agreement includes additional termination events, providing that the swap may be terminated if either the downgrade of the applicable state supported bonds or the debt of the counterparty falls below certain levels. DASNY or the counterparty may terminate any of the swaps if the other party fails to perform under the term of the contract. If the counterparty to the swap defaults or if the swap is terminated, the related variable rate bonds would no longer be hedged and DASNY would no longer effectively be paying a synthetic fixed rate with respect to those bonds. A termination of the swap agreement may also result in DASNY making or receiving a termination payment. If at the time of termination, the swap has a negative fair value, DASNY would incur a loss and would be required to settle with the other party at the swap's fair value. If the swap has a positive value at the time of termination, DASNY would realize a gain that the other party would be required to pay.

Since the terms of the individual swaps correlate to match the final maturity of the associated debt, the authority is not exposed to rollover risk.

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, 2006 under such operating leases totaled $177 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	Governmental Activities
2007	$ 179
2008	159
2009	143
2010	127
2011	88
2012-2016	274
2017-2021	71
2022-2026	28
2027-2031	16
Total	**$ 1,085**

Business-type Activities reported the following future minimum rental commitments under real property and equipment leases with terms exceeding one year at year-end (June 30, 2005 for SUNY and CUNY and March 31, 2006 for Lottery) (amounts in millions):

Fiscal Year	Business-type Activities
2006	$ 49
2007	42
2008	36
2009	34
2010	31
2011-2015	91
2016-2020	20
Total	**$ 303**

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	**$ 655**	**$ 71**	**$ —**	**$ 726**	**$ —**
Accrued liabilities:					
Payroll and fringe benefits	$ 177	$ —	$ 19	$ 158	—
Compensated absences	1,964	1,149	1,058	2,055	120
Medicaid	533	242	110	665	123
Health insurance	192	—	—	192	—
Litigation	290	—	171	119	72
Workers' compensation reserve	1,757	278	230	1,805	240
Miscellaneous	338	—	309	29	13
Total	**$ 5,251**	**$ 1,669**	**$ 1,897**	**$ 5,023**	**568**
Payable to local governments:					
Education aid—prior year adjustment	$ 88	$ 37	$ —	$ 125	—
Handicapped pupil aid	152	—	56	96	—
Yonkers school settlement	20	—	20	—	—
Temporary and disability assistance programs	52	2	—	54	—
Miscellaneous	4	18	3	19	—
Total	**$ 316**	**$ 57**	**$ 79**	**$ 294**	**—**
Pension contributions payable	**$ 516**	**$ 65**	**$ —**	**$ 581**	**—**
General obligation bonds payable:					
General obligation bonds payable	$ 3,652	$ 159	$ 341	$ 3,470	348
Plus or minus deferred amounts:					
For unamortized premiums	40	1	—	41	2
Net Amount	**3,692**	**160**	**341**	**3,511**	**350**
Deferred loss on refunding	(53)	—	(3)	(50)	—
Total	**$ 3,639**	**$ 160**	**$ 338**	**$ 3,461**	**350**
Other financing arrangements:					
Capital leases	$ 184	$ 11	$ 17	$ 178	20
Other financing arrangements	34,355	4,702	5,008	34,049	1,481
Plus deferred amounts:					
For unamortized premiums	1,085	327	195	1,217	68
For accreted discount on bonds	287	57	25	319	—
Net Amount	**35,911**	**5,097**	**5,245**	**35,763**	**1,569**
Deferred loss on refunding	(799)	(146)	(103)	(842)	—
Total	**$ 35,112**	**$ 4,951**	**$ 5,142**	**$ 34,921**	**1,569**
Total due within one year					**$ 2,487**

CHANGES IN LONG-TERM LIABILITIES—BUSINESS-TYPE ACTIVITIES

Description	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Accrued liabilities:					
Compensated absences	$ 616	$ 202	$ 151	$ 667	$ 176
Litigation	162	92	86	168	47
Interfund loan	163	3	17	149	17
Miscellaneous	328	97	19	406	36
Total	**$ 1,269**	**$ 394**	**$ 273**	**$ 1,390**	**276**
Lottery prizes payable	**$ 1,324**	**$ 205**	**$ 205**	**$ 1,324**	**196**
Other financing arrangements:					
Lottery	$ 10	$ —	$ 3	$ 7	2
SUNY (June 30, 2005)	5,058	492	589	4,961	227
CUNY (June 30, 2005)	3,004	462	501	2,965	122
Minus deferred amounts for unamortized discounts (June 30, 2005)	(134)	16	(10)	(108)	—
Total	**$ 7,938**	**$ 970**	**$ 1,083**	**$ 7,825**	**351**
Total due within one year					**$ 823**

Litigation and the workers'compensation liabilities will be liquidated by the General Fund. Medicaid accrued liabilities will be liquidated by the General and the Federal Special Revenue Fund. 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. Payable to local governments liabilities will be liquidated by the General Fund and the Federal Special Revenue Fund. Pension contributions payable will be liquidated by the General Fund, Federal Special Revenue Fund and Other Governmental Funds.

Accrued Liabilities—Governmental activities

The following table summarizes accrued liabilities at March 31, 2006 for governmental activities (amounts in millions):

Description	General	Federal Special Revenue	General Obligation Debt Service	Other Governmental Funds	Total Governmental Activities
Payroll	$ 725	$ 33	$ —	$ 50	$ 808
Fringe benefits	183	14	—	23	220
Medicaid	1,906	2,532	—	—	4,438
Health programs	48	—	—	—	48
Miscellaneous	21	6	1	12	40
Total governmental funds	**$ 2,883**	**$ 2,585**	**$ 1**	**$ 85**	**5,554**
Payable to fiduciary funds					436
Total					**$ 5,990**

Payable to Local Governments—Governmental Funds

The following table summarizes payable to local governments at March 31, 2006 for governmental funds (amounts in millions):

Description	General	Federal Special Revenue	General Obligation Debt Service	Other Governmental Funds	Total
Education programs	$ 928	$ 36	$ —	$ —	$ 964
Temporary and disability assistance	128	205	—	2	335
Local health programs	527	53	—	61	641
Mental hygiene programs	89	8	—	—	97
Criminal justice programs	32	6	—	—	38
Children and family services programs	81	66	—	—	147
Local share of tax revenues	359	—	119	—	478
Yonkers school settlement	20	—	—	—	20
Miscellaneous	63	64	—	123	250
Total	**$ 2,227**	**$ 438**	**$ 119**	**$ 186**	**$ 2,970**

Accrued Liabilities—Business-type activities

The following table summarizes accrued liabilities at March 31, 2006 for Enterprise Funds (amounts in millions):

Description	Lottery	Unemployment Insurance Benefit	SUNY	CUNY	Total
Payroll	$ —	$ —	$ 123	$ 47	$ 170
Fringe benefits	—	—	38	39	77
Compensated absences	5	—	585	77	667
Litigation	—	—	168	—	168
Interfund loan	—	—	149	—	149
Employer overpayments	—	41	—	—	41
Benefits due claimants	—	8	—	—	8
Unclaimed and future prizes	189	—	—	—	189
Miscellaneous	—	—	455	122	577
Total	**$ 194**	**$ 49**	**$ 1,518**	**$ 285**	**$ 2,046**

Note 9 Interfund Transactions and Other Transfers

Interfund Transfers

Interfund transfers for the year ended March 31, 2006 consisted of the following (amounts in millions):

	Transfers To Other Funds							
Transfers From Other Funds	General	General Obligation Debt Service	Other Governmental	Elimination	Total Governmental Funds	Business-type Activities	Fiduciary	Total
General	$ —	$ 1,750	$ 618	$ —	$ 2,368	$ 2,867	$ 146	$ 5,381
Federal Special Revenue	764	1	2,525	—	3,290	168	—	3,458
General Obligation Debt Service	7,055	—	3	—	7,058	637	—	7,695
Other Governmental	6,111	868	65	—	7,044	96	—	7,140
Elimination	—	—	—	(19,760)	(19,760)	—	—	(19,760)
Total Governmental Funds	13,930	2,619	3,211	(19,760)	—	3,768	146	3,914
Business-type Activities	56	29	2,203	—	2,288	—	—	2,288
Fiduciary	7	—	—	—	7	—	—	7
Total	**$ 13,993**	**$ 2,648**	**$ 5,414**	**$ (19,760)**	**$ 2,295**	**$ 3,768**	**$ 146**	**$ 6,209**

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 funds representing excess revenues not needed in those funds. Transfers to the General Fund from the General Obligation Debt Service Fund for excess funds not needed for debt service on revenue bonds backed by personal income tax revenues of $6.5 billion. Transfers to the General Fund from Other Governmental Funds include: mental health patient fees in excess of debt service and rental reserve requirements of $2.6 billion, excess sales tax receipts not needed for LGAC debt service requirements of $2.1 billion, and excess real property transfer tax receipts from clean water and clean air programs of $715 million. The transfers from the General Fund to Fiduciary Funds ($146 million) represented unclaimed funds needed to pay claims. Transfers from the General Fund to Other Governmental Funds are made for State capital projects ($258 million), for State debt service payments ($1.7 billion), and to the Enterprise Funds as State support to SUNY and CUNY Funds ($3.3 billion). Transfers from the Federal Special Revenue Fund and Other Governmental Funds are comprised of the Federal share of Medicaid payments for a variety of purposes including transfers to the Mental Health Services Fund for recipients residing in State-operated mental health and retardation facilities ($2.5 billion). Transfers from the Lottery to Other Governmental Funds represent Lottery support for school aid payments ($2.2 billion). The eliminations of $19.8 billion represent 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, 2005. 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 $871 million.

Due To/From Other Funds

The following is a summary of due to other funds and due from other funds at March 31, 2006 (amounts in millions):

	Due From Other Funds							
Due To Other Funds	General	Federal Special Revenue	Other Governmental	Elimination	Total Governmental Funds	Business-type Activities	Fiduciary	Total
General	$ —	$ 12	$ 26	$ —	$ 38	$ 504	$ 436	$ 978
Federal Special Revenue	359	—	184	—	543	—	—	543
General Obligation Debt Service	522	—	6	—	528	—	—	528
Other Governmental	752	—	45	—	797	84	—	881
Elimination	—	—	—	(155)	(155)	—	—	(155)
Total Governmental Funds	1,633	12	261	(155)	1,751	588	436	2,775
Business-type Activities	14	—	389	—	403	—	—	403
Fiduciary	364	320	—	—	684	—	—	684
Total	**$ 2,011**	**$ 332**	**$ 650**	**$ (155)**	**$ 2,838**	**$ 588**	**$ 436**	**$ 3,862**

The more significant balances due to/from other funds include $729 million due to the General Fund to cover cash overdrafts in the short-term investment pool. These temporary interfund loans include $222 million to the Federal Special Revenue Fund and $507 million to Other Governmental Funds. Due to other funds in the General Obligation Debt Service Fund for amounts owed to the General Fund for $522 million for excess personal income revenues. The Federal Special Revenue Fund has a due to the Fiduciary Funds for $203 million for the Medicaid Drug Rebate Program.

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, 2005. 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 $82 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 $837 million outstanding of Secured Hospital Revenue Bonds for financing mortgage loans to various hospitals in New York City. The hospitals are committed to pay the debt service, and reserves have been established to cover deficiencies incurred by the hospitals. However, if both of these funding sources are inadequate, the State may be called upon to pay the debt service. Any such payments would require authorization by the State Legislature.

The New York State Constitution provides that the State may guarantee repayment of certain borrowings of the Job Development Authority (JDA) to carry out designated projects. The State has never been called upon to make any direct payments pursuant to such guarantees. However, in 1996 the State entered into an agreement with JDA and the New York State Urban Development Corporation (UDC) whereby UDC will provide funding needed by JDA to meet its debt service obligations through March 31, 2010. JDA required no financial assistance to meet debt service obligations during the State Fiscal year ended March 31, 2006. As of March 31, 2006, JDA had $63 million of State-guaranteed bonds and notes outstanding (with an additional $687 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, 2006, approximately $67 million in moral obligation bonds were outstanding. During the year, the State was not called on to make any payments.

Health care providers have a right to appeal Medicaid reimbursement rates. Based on an analysis of appeals, a liability of $482 million has been recognized.

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

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

Workers' compensation is provided with the State Insurance Fund acting as the State's administrator and claims processing agent. Under an agreement with the State Insurance Fund, the State pays only what is necessary to fund claims. Based on actuarial calculations, discounted at 4.174 percent as of March 31, 2006, the State is liable for unfunded claims and incurred but not reported claims totaling $1.8 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 2005 and 2006 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
2004-2005	$ 1,987	$ 896	$ 836	$ 2,047
2005-2006	$ 2,047	$ 261	$ 383	$ 1,925

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, 2006, the Fund included $425 million of securities not yet liquidated that were not subject to transfer to the General Fund. Net collections from inception (1942) to March 31, 2006 of approximately $7.8 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 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, 2006, the amount reported in the Fund for claimant liability is $899 million and the amount reported in the General Fund as due to the Fund is $383 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 $146 million.

The State is liable for costs relating to the closure and post-closure of landfills totaling $23 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 a number of significant threats in actual hazardous waste disposal sites in New York State for which the State may be financially responsible if responsible parties do not perform the cleanup. The costs associated with the cleanup of these sites cannot be determined.

In a decision dated June 26, 2003, the Court of Appeals (Court) ruled that the State's financing system for New York City public schools was unconstitutional and remitted the case to the Supreme Court, New York County for further proceedings in accordance with the Court's decision. On March 15, 2005, the Supreme Court, based on the recommendation of three referees it appointed, issued an order directing the State to take all steps necessary to provide additional funding for New York City schools in the amount of $14.1 billion over the next four years for operations and $9.2 billion over the next five years for capital improvements beginning July 1, 2005. Although it is the State's responsibility to ensure that sufficient funds are made available to the City, the State Legislature is required to make the funding allocation between the State and the City. On March 15, 2005 the State appealed the Supreme Court's decision.

On March 23, 2006, the Appellate Division, First Department, by a three-member majority, vacated the March 15, 2005 order of the Supreme Court, New York County, confirming the referee's report and directed the Governor and the Legislature to:

(1) "Consider, as within the range of constitutionally required [operational] funding for the New York City School District," between $4.7 billion and $5.63 billion, phased in over four years, and "that they appropriate such amount" in order to remedy the constitutional deprivations found in the Court of Appeals' June 26, 2003 decision; and
(2) "Implement a capital improvement plan that expends $9.179 billion over the next five years or otherwise satisfies the City schools' constitutionally recognized capital needs."

In so directing the Governor and the Legislature, the First Department noted that "in the final analysis it is for the Governor and the Legislature to make the determination as to the constitutionally mandated amount of funding, including such considerations as how the funds shall be raised, how additional expenditures will affect other necessary appropriations and the economic viability of the State, and how the funding shall be allocated between the State and the City."

On April 17, 2006, the plaintiffs appealed to the Court of Appeals from the March 23, 2006 decision of the First Department. The State defendants cross appealed on April 21, 2006.

The 2006-07 Budget includes $700 million in Sound Basic Education Operating Aid in the 2006-07 school year, of which approximately 60 percent is for New York City (an increase of roughly $225 million in 2006-07). Approximately 40 percent of "traditional" school aid is also provided to New York City. To directly address the New York City school construction funding directed by the Court, the 2006-07 Budget further authorizes (1) $1.8 billion in capital grants for New York City school construction, and (2) the City's Transitional Finance Authority to issue $9.4 billion in bonds for school construction.

Legislation enacted in 2003 authorized the State to securitize all of its tobacco settlement payments to the Tobacco Settlement Financing Corporation through an asset-backed securitization transaction. To lower costs, the legislation authorized the State to enter into contingency contracts obligating the State to pay debt service, subject to annual appropriations, on the TSFC bonds in the event that tobacco receipts and bond reserves are insufficient. To ensure that State contractual payments will not be required and that tobacco receipts and bond reserves are sufficient to pay debt service, the TSFC bonds were structured to meet or exceed all rating agency tobacco bonds stress tests. The bonds carry a final nominal maturity of 20 years and an expected final maturity of 13 years, based on optional redemptions. The expected final maturity may deviate due to the optional nature of the redemptions and adjustments to tobacco settlement payments due from participating manufacturers. Various manufacturers, including the original participating manufacturers, have adjusted payments downward or indicated that they plan on adjusting subsequent payments downward to states and territories, or otherwise have deposited or will deposit payments into a special disputed payments account awaiting determination of entitlement to adjustments.

In April of 2006, the State and local share was reduced by $100 million by the participating manufacturers based on adjustment provisions. Subsequently, a lawsuit was filed by the Attorney General of New York in April 2006 to recover the settlement payments that were withheld from the State. The portion of the payment that the State received was sufficient to cover the 2006-07 debt service requirements without having to rely on State funding.

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.

With respect to pending and threatened litigation, the State has reported, in the governmental activities, liabilities of $119 million for awarded and anticipated unfavorable judgments. In addition, the State is party to other claims and litigation that its legal counsel has advised may result in possible adverse court decisions with estimated potential losses of nearly $295 million.

In 2002, Empire Blue Cross Blue Shield (EBCBS) converted from a not-for-profit health insurance provider to a for-profit corporation (WellChoice, Inc.). In contemplation of the conversion the State passed legislation requiring 95 percent 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 (the Fund). The remaining 5 percent of the stock will go to the New York Charitable Asset

Foundation (Foundation), 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 would receive from the conversion within 10 years with minimum divestiture at earlier dates. Pursuant to the agreement, the State did 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.

On June 20, 2005 the New York State Court of Appeals issued a judgment that supported the State's position and allowed the State to use the proceeds from the conversion of EBCBS to finance Healthcare Reform Act (HCRA) programs. As a result of the June 20, 2005 judgment and in accordance with Chapter 62, of the Laws of 2005 the State received $775 million in proceeds from the EBCBS conversion which were recorded as a miscellaneous revenue in the Other Governmental Funds (Special Revenue Funds) in the State's March 31, 2005 Basic Financial Statements. In addition, the State held approximately 52 million restricted shares of WellChoice, Inc. in the Other Governmental Funds (Special Revenue Funds) which were to be sold in future periods.

On September 27, 2005, WellPoint and WellChoice announced that the two companies had agreed to merge. Under the terms of the merger, WellPoint agreed to provide WellChoice stockholders a blend of cash and stock. On December 28, 2005, when the consummation of the WellChoice and WellPoint merger was completed, the State received cash and stock valued at approximately $4.1 billion which were recorded as miscellaneous revenues in the Other Governmental Funds (Special Revenue Funds). During the fiscal year ended March 31, 2006, nearly $2.0 billion of the proceeds from this merger were transferred to the Other Governmental Funds (HCRA Resources Fund).

Note 12 State and Local Retirement System

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

The State Comptroller is sole trustee and administrative head of the System. The System is a cost sharing multiple-employer defined benefit pension plan. On March 31, 2006, there were 3,001 participating government employers. Employees of the State constituted about 36 percent and 17 percent of the members for the ERS and PFRS, respectively, during the 2005-2006 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 percent 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 percent 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. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Employer contributions are recognized when billed. Investments are reported at fair value. Stocks traded on a national or international exchange are valued at market value at current exchange rates. Bonds are primarily reported at market values obtained from independent pricing services. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals made every three years or according to the fund agreement. Investments that do not have an established market are reported at estimated fair value. The System trades in foreign exchange contracts in the normal course of its investing activities in order to manage exposure to market risks. Such contracts, which are generally for a period of less than one year, are used to purchase and sell foreign currency at a guaranteed future price. These contracts are recorded at market value using foreign currency exchange rates. The System is exposed to various investment risks as follows:

***Investment Custodial Credit Risk*—**Equity and fixed income investments owned directly by the System which trade in the United States (US) markets are held at the System's custodian, in separate accounts, in the name of the Comptroller of the State of New York in Trust for the Common Retirement Fund. These securities are typically held in electronic form by the Depository Trust Company (DTC) and its' subsidiaries acting as an agent of the System's custodian bank. Securities held directly by the System, which trade in markets outside the US, are held by a subsidiary of the System's custodian bank in the local market, a bank performing custodial services in the local market acting as an agent for the System's custodian bank, and in some foreign markets, the securities are held in electronic format by a DTC subsidiary or an organization similar to DTC. Directly held investments include: short-term and long-term fixed income, and domestic and international equity separately managed accounts. The aforementioned investments have the lowest custodial risk. Equity investments held indirectly by the System via limited partnerships, commingled investment funds, joint ventures and other similar vehicles are held in custody by an organization contracted with by the general partner and/or the investment management firm responsible for the management of each investment organization. Title to real property invested in by the System is either held by a real estate holding company or a real estate investment fund. Ownership of mortgage assets is documented by the System's holding of original mortgage and note documents by the Office of the State Comptroller (OSC), Division of Pension Investment and Cash Management.

78.3 percent of the System's investment portfolio is held in the name of the System by the System's custodian bank, 17 percent of the System's investment portfolio is in custody arrangement's contracted by fund managers or by general partners and 4.7 percent is held by title to real estate held in the name of the holding entity or as directed by the fund manager or ownership is established by legal documents.

***Credit Risk*—**New York State Statutes and the System's investment policies require that corporate fixed income obligations must be investment grade at the time of their acquisition.

54.50 percent of the System's $29 billion long-term bond portfolio are explicated guaranteed by the Federal government and have no credit risk. The remainder of the portfolio is exposed to credit risk as follows; 32.80 percent were rated A3 or higher by Moody's, 6.30 percent were rated between Baa1 and B3 by Moody's and 6.4 percent were not rated but were invested grade at the time of purchase.

***Interest Rate Risk*—**Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of the System's fixed income securities. The price volatility of the System's fixed income holdings are measured by duration. The System attempts to mitigate price volatility by matching the duration of the assets with the duration of the retired lives liabilities so that any change in the market value of the assets resulting from a change in interest rates will result in a similar change in the value of the liabilities. The average duration of the System's fixed income portfolio is 8.98 years.

***Concentration of Credit Risk*—**Issuer limits for investments held by the System are established for each investment area by new York State Retirement and Social Security Law, Article 2, Section 13 and Article 4A, Sections 176, 177, and 313, and policy guidelines adopted by the Comptroller.

Restrictions are placed on short-term fixed income investments such that any one issuer of commercial paper must have the highest rating by two nationally recognized rating services and can be a maximum of 15 percent or $500 million of the short term portfolio, which ever is greater. In addition, simultaneous purchase and sales of US Treasury obligations may be executed with primary government dealers; however, a maximum of $200 million may be invested with any one primary dealer.

Restrictions are placed on fixed income investments with maturities longer than one year such that obligations payable in US dollars of any one department, agency or political subdivision of the US Government or issued by any corporation, company of other issuer of any kind or description created or existing under the laws of the United States, any state of the United States, District of Columbia, Commonwealth of Puerto Rico and obligations of Canada or any province or city of Canada provided each obligation is rated investment grade by two nationally recognized rating services and shall not exceed 2 percent of the assets of the System or 5 percent of the direct liabilities of the issuer. In addition, the aggregate amount invested in interest bearing obligations payable in US dollars which at the time of investment are rated one of the three highest grades by each rating service may not exceed 1 percent of the assets of the System and bonds issued or guaranteed by the State of Israel payable in US dollars may not exceed 5 percent of the assets of the System.

Securities Lending—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 the year ended March 31, 2006 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 percent of fair market value for domestic securities and 105 percent 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 market rate 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, 2006, 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 22 days. To provide sufficient liquidity, the policy of the System is to maintain a minimum of 10 percent of collateral in overnight investments.

Foreign Currency Risk—The System's investment policies permit it to invest up to 15 percent of its assets in publicly traded international equity investments. The System's current position in such equity securities invested in directly and through commingled funds, are 14.6 percent of invested assets or approximately $20.2 billion. The System also has foreign denominated deposits of $39 million, net forward foreign currency contracts of $551 thousand, net spot currency contracts of $42 thousand, $2.75 billion in alternate investments in non-US dollar based companies, and $440 million in real property owned, made, or located outside the United States. The approximate total market value of investments made outside of the United States is $23.5 billion.

FUNDING STATUS

Participating employers are required under the New York State Retirement and Social Security Law to contribute annually to the System. Annual bills for employer contributions accrue interest at the actuarial interest rate applicable during the year. For fiscal year ended March 31, 2006, the applicable interest rate was 8 percent.

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, the 10-year amortization part of their fiscal year ended 2005 bill and deficiency payments (which an employer may incur when joining the System and are payable for up to 25 years). The average employer contribution rate, excluding the 10-year and 17-year amortization, for ERS and PFRS for the fiscal year ended March 31, 2006 was approximately 11.3 percent and 16.3 percent of payroll, respectively.

Employers' contributions receivable are presented net of withdrawals, refunds, advance employer payments, and credits due employers. Incentive program costs receivable from the State as of March 31, 2006 totaled $37.4 million. In addition, receivable amounts from participating employers include $33.2 million for the incentive program and $79.8 million for new plan adoptions and retroactive membership.

Chapter 260 of the Laws of 2004 authorized employers to amortize over ten years, at 5 percent interest, the portion of their annual bill for fiscal year ended 2005 that exceeded 7 percent of payroll. The amortized amount receivable from New York State as of March 31, 2006 is $473.1 million and from participating employers is $119 million.

Chapter 260 of the Laws of 2004 authorized employers to amortize over ten years, at 5 percent interest, the portion of their annual bill for fiscal year ended 2006 that exceeded 9.5 percent of payroll. The amortized amount receivable from New York State as of March 31, 2006 is $155.1 million and from participating employers is $32 million.

The State's contribution to the System for years ended March 31, 2006, 2005, and 2004 were $965 million, $654 million, and $485 million, respectively, which equaled 102 percent, 100 percent, and 100 percent of the required contributions for each respective year.

Changes to employer contribution requirements during the year ended March 31, 2006, were as follows:

- Allowed all employers to amortize over 10 years certain amounts of their fiscal year ended 2006 bill that are over 9.5 percent of payroll.
- Allows local employers to amortize over 10 years certain amounts of their fiscal year ending 2007 bill that are over 10.5 percent of payroll.

The following presentation displays the Statement of Plan Net Assets for the System as of March 31, 2006 (amounts in millions):

STATEMENT OF PLAN NET ASSETS
March 31, 2006

	Employees' Retirement System	Police & Fire Retirement System	Total
Assets:			
Investments:			
Short-term investments	$ 5,622	$ 997	$ 6,619
Government bonds	16,797	2,978	19,775
Corporate bonds	7,741	1,372	9,113
Domestic stocks	58,210	10,320	68,530
International stocks	17,006	3,015	20,021
Alternative investments	8,325	1,476	9,801
Real property owned	4,613	818	5,431
Mortgage loans	988	175	1,163
Total investments	**119,302**	**21,151**	**140,453**
Securities lending collateral, invested	18,387	3,260	21,647
Forward foreign exchange contracts	676	120	796
Receivables	2,417	344	2,761
Other assets	35	6	41
Total assets	**140,817**	**24,881**	**165,698**
Liabilities:			
Securities lending collateral, due to borrowers	18,387	3,260	21,647
Forward foreign exchange contracts	675	120	795
Investment purchases	261	46	307
Benefits payable	95	15	110
Other liabilities	190	29	219
Total liabilities	**19,608**	**3,470**	**23,078**
Net assets held in trust for pension benefits	**$ 121,209**	**$ 21,411**	**$ 142,620**

The System issues a publicly available financial report that includes financial statements, expanded disclosures, and required supplementary information for the System. The report may be obtained by writing to the New York State and Local Retirement System, Office of the State Comptroller, 110 State Street, Albany, New York, 12244-0001.

EMPLOYER ACCOUNTING

The pension contribution expenditure of $964 million reported in the Governmental Funds includes pension costs related to employee services rendered during the year, retirement incentive programs and employer amortizations authorized by Chapter 260 of the Laws of 2004. Pension contributions payable reported in the General Fund of $96 million is for accrued retirement incentive programs and the employer amortization. In addition, $581 million of the retirement incentive programs and the employer amortization 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 Metropolitan Transportation Authority, the Roswell Park Cancer Institute, and the Urban Development Corporation was provided in the fiscal year ended March 31, 2006 and such assistance is expected to be required in future years. Accordingly, the fiscal condition of the State is related to the fiscal stability of the Corporations.

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

Entities Audited by KPMG LLP:	Fiscal Year-End
Battery Park City Authority	October 31, 2005*
Dormitory Authority of the State of New York	March 31, 2006*
Health Research, Inc.	March 31, 2006*
Long Island Power Authority	December 31, 2005*
New York State Higher Education Services Corporation	March 31, 2006*

Entities Audited by Other Auditors:	Fiscal Year-End
Aggregate Trust Fund	December 31, 2005
Agriculture and New York State Horse Breeding Development Fund Corporation	December 31, 2005*
Capital District Transportation Authority	March 31, 2006*
Central New York Regional Transportation Authority	March 31, 2006*
City University of New York—Senior College Foundations	June 30, 2005
Homeless Housing and Assistance Corporation	March 31, 2006*
Housing Trust Fund Corporation	March 31, 2006*
Hudson River-Black River Regulating District	June 30, 2005*
Industrial Exhibit Authority	March 31, 2006
Metropolitan Transportation Authority	December 31, 2005*
MTA Excess Loss Trust Fund	December 31, 2005
Metro-North Commuter Railroad Company	December 31, 2005
The Long Island Rail Road Company	December 31, 2005
Triborough Bridge and Tunnel Authority	December 31, 2005
Metropolitan Suburban Bus Authority	December 31, 2005*
New York City Transit Authority	December 31, 2005*
Staten Island Rapid Transit Operating Authority	December 31, 2005*
Municipal Bond Bank Agency	October 31, 2005
Natural Heritage Trust	March 31, 2006*
Nelson A. Rockefeller Empire State Plaza Performing Arts	March 31, 2006*
New York Convention Center Operating Corporation	March 31, 2006*
New York State Affordable Housing Corporation	March 31, 2006
New York State Bridge Authority	December 31, 2005*
New York State Energy Research and Development Authority	March 31, 2006*
New York State Environmental Facilities Corporation	March 31, 2006*
New York State Health Foundation	December 31, 2005
New York State Housing Finance Agency	October 31, 2005
New York State Job Development Authority	March 31, 2006*
New York State Olympic Regional Development Authority	March 31, 2006*
New York State Project Finance Agency	February 27, 2005
New York State Theatre Institute	March 31, 2006*
New York State Thoroughbred Breeding and Development Fund Corporation	December 31, 2005*
New York State Thruway Authority	December 31, 2005*
Niagara Frontier Transportation Authority	March 31, 2006*
Ogdensburg Bridge and Port Authority	March 31, 2006*
Port of Oswego Authority	March 31, 2006*
Power Authority of the State of New York	December 31, 2005*
Research Foundation for Mental Hygiene, Inc	March 31, 2006*
Rochester-Genesee Regional Transportation Authority	March 31, 2006*
Roosevelt Island Operating Corporation	March 31, 2006*
Roswell Park Cancer Institute	March 31, 2006*
State Insurance Fund	December 31, 2005
State of New York Mortgage Agency	October 31, 2005
State University of New York Foundations	June 30, 2005
Urban Development Corporation	March 31, 2006*

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

Financial Information

Substantially all of the financial data was derived from audited annual financial statements and summarized into the combining statement format in the basic financial statements. The Corporations follow the accrual basis of accounting. A few of the individual component units, primarily, the State Insurance Fund, do not fully conform to the accrual basis; however, the impact of these variances is not material to the Corporations in total. Ten of the forty-three discrete entities presented comprise 96 percent of the combined assets and 84 percent of the combined program revenues (before eliminations). The remaining portion of this note contains a brief description of the operations of the ten largest entities. A presentation of their accounts is included in the Combining Statement of Net Assets and Combining Statement of Activities. Beginning net assets were lowered by $14 million on the Combining Statement of Activities for Discretely Presented Component Units to reflect the restatement of beginning net assets for certain Component Units as reported in their respective audited financial statements. 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, 2006 the liability reported for such debt was approximately $18.2 billion. At March 31, 2006 EFC's balance sheet did not include $267 million in bonds it issued for certain private companies and $710 million it issued for the State. ERDA has issued conduit debt for participating gas and electric companies and other third party entities, the principal of which totaled approximately $3.7 billion at March 31, 2006, 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 have the capability of producing 2,400,000 and 800,000 kilowatts, respectively. The individual financial statements of the Authority are available on the web at *www.nypa.gov*.

Housing Finance Agency

The Housing Finance Agency (Agency) was created as a public benefit corporation in 1960 under Article III of the Private Housing Finance Law. The Agency is empowered to finance or contract for the financing of the construction, acquisition, or refinancing of loans for: low to moderate income housing, municipal health facilities, non-profit health care facilities, 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, through its Capital Grant Low Rent Assistance Program, rents housing to low and middle income persons and families. The Agency also participates in Federal housing assistance programs which provide interest reduction and rental assistance subsidies to eligible projects and tenants. The Agency administers the State's Housing Project Repair and Infrastructure Trust Fund Programs.

To finance low income housing, the Agency raises funds through the issuance of municipal securities and the making of mortgage loans to eligible borrowers. The Agency is authorized to issue bonds in the amount of approximately $9.3 billion to finance housing projects, and approximately $1.6 billion in Service Contract Obligation Revenue Bonds, Service Contract Revenue Bonds and Personal Income Tax Revenue Bonds. Total bond indebtedness reported as of October 31, 2005 is $6.3 billion. The individual financial statements of the agency can be obtained by contacting them at *www.nyhomes.org*.

Thruway Authority

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

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

Metropolitan Transportation Authority

The Metropolitan Transportation Authority (MTA) was created to continue, develop and improve public transportation and to develop and implement a unified public transportation policy in the New York metropolitan area. The accounts presented as the MTA are the combined accounts of the nine subsidiaries. The MTA operates the largest transit and commuter rail transportation system in North America and one of the largest in the world. The MTA is dependent upon the State for a portion of its revenues. During the MTA fiscal year ended December 31, 2005, the MTA reported $1.9 billion in payments from the State. A significant portion of that aid was in payments from the State's Mass Transportation Operating Assistance Fund, a Special Revenue Fund, which derives a major portion of its receipts from taxes imposed in the Metropolitan Transportation District for this purpose. The State also provides funding to pay the debt service on approximately $2.3 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. Capital assets acquired prior to April 1982 for the New York City Transit Authority (NYCTA) were funded primarily by New York City through capital grants. New York City has title to a substantial portion of such assets and they are not included among the assets reported under MTA. In certain instances, title to real property used by the Triborough Bridge and Tunnel Authority (TBTA) may revert to New York City in the event TBTA determines it is not needed for corporate purposes. The Federal government has a contingent equity interest in assets acquired by the MTA with Federal funds, and upon disposal of such assets, the Federal government may have a right to its share of the proceeds from the sale.The 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 $32 billion consist mainly of debt issued for health care facilities ($8.9 billion), independent institutions ($6.3 billion), State University projects ($5.9 billion), City University projects ($3.6 billion) and New York State Agency projects ($4.9 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 delivers electricity to customers in Nassau, Suffolk and a small portion of Queens counties.

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

Urban Development Corporation

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

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

UDC's efforts in economic development projects are funded by State appropriations and are primarily directed at several activities involving civic, commercial, high technology, and industrial development within the State. UDC also provides financial assistance, including low cost project financing in the form of loans, loan guarantees and interest subsidy grants;

planning and feasibility studies; and technical assistance in management, financing and design of a project. UDC was also appropriated $700 million by the United States Department of Housing and Urban Development (HUD) to assist in the recovery and revitalization of lower Manhattan.

In November of 2001, the Board of Directors authorized the creation of the Lower Manhattan Development Corporation (LMDC) as a subsidiary of UDC. The purpose of LMDC is to assist in the economic recovery of lower Manhattan. LMDC was appropriated $2.8 billion by HUD for economic recovery and revitalization of lower Manhattan. Approximately $1.7 billion was disbursed through March 31, 2006. In fiscal 2005, HUD funds were used to purchase the former Deutsche Bank Building for $90 million.

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 fund balance of approximately $966 million.

The Fund's financial statements are prepared in conformity with the accounting practices prescribed or permitted by the Insurance Department of the State of New York, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Major departures from GAAP include: the contingent receivable from the State of $1.3 billion would be discounted for collectibility and imputed interest; the Fund established a reserve for security fluctuations to provide for the difference between amortized cost and fair value where under GAAP no such reserve would be allowed. Bonds are generally carried at amortized cost. Under GAAP, bonds are classified into "held to maturity" and reported at amortized cost, "trading" and reported at fair value with unrealized gains and losses included in earnings, or "available for sale" and reported at fair value with unrealized gains and losses reported as a separate component of surplus. The net unrealized gains and losses from investments in common stock are reported in unassigned surplus and dividend income generally is reported when received. Under GAAP, common stocks are classified as either "trading" and reported at fair value with unrealized gains and losses included in earnings, or "available for sale" and reported at fair value with unrealized gains and losses reported as a separate component of surplus. Policy acquisition costs are expensed as incurred, whereas under GAAP they would be deferred and amortized to income on the same basis as premium income is recognized; certain assets designated as non-admitted assets (principally premiums in the course of collection over 90 days and office furniture and equipment) are charged directly against the surplus, where under GAAP they would be included in total assets less valuation allowances; and comprehensive income and its components are not presented in the Fund's financial statements. A more complete list of departures from GAAP is 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, 2005, the Agency had issued guarantees of approximately $1.68 billion, of which a minimum of 20 percent has been provided as part of the fund balance, for potential claims. When an insured mortgage is in default, the insured amount is established as a liability reserve. The financial statements of the Agency can be obtained by contacting them at *www.nyhomes.org.*

Environmental Facilities Corporation

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

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

Eliminations

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

Note 14 Joint Ventures

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

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

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

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

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

The liabilities of the Port Authority include $9.6 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*.

Consolidated financial statements of the Port Authority for the fiscal year ended December 31, 2005 disclosed the following (amounts in millions):

Financial Position		
Total assets	$	19,786
Total liabilities		(12,670)
Net assets	**$**	**7,116**
Operating Results		
Operating revenues	$	3,001
Operating expenses		(2,088)
Depreciation and amortization		(687)
Expenses Related to September 11, 2001		(3)
Income from operations		**223**
Passenger facility charges		134
Financial income (expense), net		(317)
Contribution in Aid of Construction and Grants		122
Net income	**$**	**162**
Changes in Net Assets		
Balance at January 1, 2005	$	6,954
Net income		162
Balance at December 31, 2005	**$**	**7,116**

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, 2006 except for Business-type Activities related to the SUNY and CUNY Enterprise Funds reported as of June 30, 2005. Subsequent to those dates, the following bonds and other financing arrangements were issued (amounts in millions):

BONDS AND OTHER FINANCING ARRANGEMENTS ISSUED SUBSEQUENT TO DATE OF THE STATEMENT OF NET ASSETS

Issuer	Purpose	Date	Series	Par Amount
Dormitory Authority	SUNY Dormitory Facilities	10/20/2005	SUNY Dormitory Facilities, Series 2005 B	$ 72
Dormitory Authority	Revenue Refunding	10/20/2005	SUNY Dormitory Facilities Revenue Refunding Bonds, Series 2005 C	$ 34
Dormitory Authority	SUNY Dormitory Facilities	10/20/2005	SUNY Dormitory Facilities Series 2003 C Remarketing, Series 2005 C	$ 6
Dormitory Authority	CUNY Senior Colleges	12/7/2005	Personal Income Tax, CUNY Senior Colleges, Series 2005 F	$298
Dormitory Authority	SUNY Education Facilities	12/7/2005	Personal Income Tax, SUNY Education Facilities, Series 2005 F	$439
Dormitory Authority	SUNY Education Facilities	12/7/2005	Personal Income Tax, SUNY Education Facilities, Series 2005 G	$ 86
Housing Finance Agency	Revenue Refunding	3/16/2006	Personal Income Tax Revenue Refunding Bonds, Series 2006 C	$ 32
Dormitory Authority	SUNY Education Facilities	3/20/2006	Personal Income Tax, Series 2006 B	$135
Dormitory Authority	SUNY Education Facilities	3/30/2006	Personal Income Tax, Series 2006 A	$ 34
New York State	General Obligation Bond Refunding	4/19/2006	Tax Exempt Refunding Bonds, Series 2006 C and D	$162
State of New York Mortgage Agency	Homeowner Mortgage Revenue Bonds	6/21/2006	SONYMA Homeowner Mortgage Revenue Bonds, Series 127-132	$211
Housing Finance Agency	Various Housing Projects	Various	Various Non-Refunding Bonds	$540

Chapter 9 of the laws of 2006 authorized the Lottery to advance a maximum of $20 million to the New York Racing Association (NYRA) to finance racetrack operations. These advances are anticipated to occur between April and June 2006, and are considered prepayments of the vendor's fee and marketing allowance for operating a future video gaming facility at the Aqueduct Racetrack (Aqueduct). As of May 31, 2006 an advance of $6 million has been distributed to NYRA. Repayment of any advances, including 4 percent interest assessment on the advances, will be made from proceeds of the video games once operational at Aqueduct and must be completed by December 31, 2007.

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, 2006

(Amounts in millions) (Unaudited)

	General			
	Financial Plan Amounts		Actual (Budgetary Basis)	Favorable (Unfavorable) Variance with Final Budget
	Original	Final		
RECEIPTS:				
Taxes	$ 34,004	$ 35,382	$ 35,305	$ (77)
Miscellaneous	2,348	2,591	2,028	(563)
Federal grants	4	9	—	(9)
Total receipts	**36,356**	**37,982**	**37,333**	**(649)**
DISBURSEMENTS:				
Local assistance grants	31,448	32,079	31,288	791
Departmental operations*	8,067	8,207	8,160	47
General state charges	4,049	4,003	3,975	28
Capital Projects	—	—	—	—
Total disbursements	**43,564**	**44,289**	**43,423**	**866**
Excess (deficiency) of receipts over disbursements	**(7,208)**	**(6,307)**	**(6,090)**	**217**
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	9,667	9,999	9,873	(126)
Transfers to other funds	(2,643)	(2,937)	(3,072)	(135)
Net other financing sources (uses)	**7,024**	**7,062**	**6,801**	**(261)**
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	**$ (184)**	**$ 755**	**$ 711**	**$ (44)**

**Spending authority has not been exceeded by $66 million in the Federal Special Revenue Fund because the Final Financial Plan (published approximately 6 weeks before fiscal year-end) does not reflect an increase in spending authority of $66 million approved for departmental operations through March 31, 2006.*

See notes to required supplementary information.

Federal Special Revenue

Financial Plan Amounts: Original	Financial Plan Amounts: Final	Actual (Budgetary Basis)	Favorable (Unfavorable) Variance with Final Budget
$ —	$ —	$ —	$ —
49	134	149	15
34,568	34,414	33,362	(1,052)
34,617	**34,548**	**33,511**	**(1,037)**
29,503	29,499	28,306	1,193
1,325	1,283	1,349	(66)
212	209	205	4
1	1	—	1
31,041	**30,992**	**29,860**	**1,132**
3,576	**3,556**	**3,651**	**95**
1	—	—	—
(3,644)	(3,556)	(3,409)	147
(3,643)	**(3,556)**	**(3,409)**	**147**
$ (67)	**$ —**	**$ 242**	**$ 242**

NOTES TO BUDGETARY BASIS REPORTING

Budgetary Basis Reporting

The State Constitution requires the Governor to submit annually an Executive Budget, which contains plans for all funds of expenditures and disbursements 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 and disbursements accompany the Executive Budget. Reappropriations are commonly used for federally funded programs and capital projects, where the funding amount is intended to support activities that may span several fiscal years. 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 also 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 containing those parts of the Executive Budget it has approved or modified. The Legislature may also enact supplemental appropriation or special appropriation bills after it completes action on the Executive Budget. Further, when the Legislature convenes in January, it may enact deficiency appropriations to meet actual or anticipated obligations not foreseen when the annual budget and any supplemental budgets were enacted and for which the costs would exceed available spending authorizations. It might add to a previously authorized appropriation anticipated to be inadequate, or provide a new appropriation to finance an existing or anticipated liability for which no appropriation exists. A deficiency appropriation usually applies to the fiscal year during which it is made. Pursuant to State law, once the Legislature has completed action on the appropriation and revenue bills and they are approved by the Governor, the cash basis and the GAAP basis financial plans must be 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, provides a summary of projected receipts, disbursements and fiscal year-end balances. Such plans are updated quarterly throughout the fiscal year by the Governor and include 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. Projected disbursements are based on agency staffing levels, program caseloads, levels of service needs, formulas contained in State and Federal law, inflation and other factors. All projections account for the timing of payments, since not all the amounts appropriated in the Budget are disbursed in the same fiscal year.

The State's central accounting system includes controls over expenditures to ensure that the maximum spending authority is not exceeded during the life of the appropriation. Expenditures are controlled at the major object level within each program/project of each State agency in accordance with the underlying appropriation purpose. Compliance with the level of legal control is reported in a separate document entitled, *"Appropriation/Segregation Accounts."* This document reports both expenditures and encumbrances, which reserve a portion of the applicable appropriation, thereby ensuring that the appropriations are not exceeded. Encumbrances are not considered a disbursement in the financial plan or an expenditure and expense in the basic financial statements. Generally, appropriations are available for liabilities incurred during the fiscal year. Following the end of the fiscal year, a 'lapse period' is provided to liquidate prior year liabilities. Unless reappropriated, most state operations appropriations cease on June 30th and local assistance, debt service, capital projects and federal fund appropriations cease on September 15th—following the end of the fiscal year. Disbursements made during the lapse period from prior year appropriations are included, together with disbursements from new year appropriations, in the subsequent fiscal year financial plan. Many appropriations enacted are not intended to be used, although required by law. These types of appropriations will generally cause total appropriation authorizations to exceed cash basis financial plan disbursement amounts. Actual disbursements for certain spending categories exceeded financial plan estimates (as reported in the Budgetary Basis—Financial Plan and Actual) but did not exceed total enacted appropriations authority. Most Capital Projects and Federal fund appropriations and many State operations appropriations are reappropriated each year by the Legislature and therefore the life of such appropriations may be many years. If the budget is not enacted by April 1, the legislature enacts special emergency appropriations to continue government functions, as was done from April to August 2004.

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

	General	Federal Special Revenue
Receipts and other financing sources over disbursements and other financing uses per schedule	$ 711	$ 242
Entity differences:		
Receipts and other financing sources over disbursements and other financing uses for funds and accounts not included in the cash basis financial plan	402	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	425	—
Temporary interfund cash loans	2	(42)
Basis of accounting differences:		
Revenue accrual adjustments	616	(725)
Expenditure accrual adjustments	(520)	525
Net Change in Fund Balances	**$ 1,636**	**$ 1**

The entity differences relate to the inclusion of certain funds considered to be Proprietary Funds for purposes of the cash basis financial plan. 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 GAAP, the State has adopted an alternative method for 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 42,495 lane miles of roads.

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

Bridges

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

The State conducts biennial 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 for each bridge. A rating of 6 to 7 is excellent, which indicates that no repairs are necessary. A rating of 3 to 5 is fair to good, which indicates that minor repairs are required. A rating of 1 to 2 is deficient, which indicates major repairs or replacement are necessary. The State has approximately 7,809 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 2005-2006 (amounts in millions):

	2006	2005	2004	2003
Estimated	$ 1,002	$ 925	$ 1,001	$ 1,041
Actual	$ 1,109	$ 1,179	$ 1,096	$ 1,069

Pavement and Bridge Condition Summary as of December 31:

Year	Pavement Average Surface Rating	Bridges Average Condition Rating
2005	6.81	5.43
2004	6.82	5.44
2003	6.86	5.45
2002	7.00	5.44

Actual Preservation/Maintenance Costs as of March 31:

(Amounts in millions)

	2006	2005	2004	2003
Total Roads	$ 931	$ 936	$ 807	$ 857
Total Bridges	178	243	289	212
Total	**$ 1,109**	**$ 1,179**	**$ 1,096**	**$ 1,069**

STATE OF NEW YORK

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Other Supplementary Information

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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 percent 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 percent of the General Fund expenditures.

Combining Schedule of Balance Sheet Accounts

GENERAL FUND

March 31, 2006
(Amounts in millions)

	Local Assistance	State Purposes	Tax Stabilization Reserve	Contingency Reserve	Community Projects
ASSETS:					
Cash and investments	$ 99	$ 211	$ 944	$ 21	$ 251
Receivables, net of allowance for uncollectibles:					
Taxes	—	7,101	—	—	—
Other	12	289	—	—	—
Due from other funds	265	793	—	—	—
Other assets	194	132	—	—	—
Total assets	**$ 570**	**$ 8,526**	**$ 944**	**$ 21**	**$ 251**
LIABILITIES:					
Tax refunds payable	$ —	$ 5,012	$ —	$ —	$ —
Accounts payable	—	200	—	—	—
Accrued liabilities	1,879	925	—	—	1
Payable to local governments	1,790	366	—	—	23
Due to other funds	308	613	—	—	—
Pension contributions payable	—	96	—	—	—
Deferred revenues	2	219	—	—	—
Total liabilities	**3,979**	**7,431**	**—**	**—**	**24**
FUND BALANCES (DEFICITS):					
Reserved for:					
Encumbrances	208	100	—	—	73
Tax stabilization	—	—	944	—	—
Other specified purposes	99	1	—	21	154
Unreserved	(3,716)	994	—	—	—
Total fund balances (deficits)	**(3,409)**	**1,095**	**944**	**21**	**227**
Total liabilities and fund balances (deficits)	**$ 570**	**$ 8,526**	**$ 944**	**$ 21**	**$ 251**

See independent auditors' report.

Fringe Benefit Escrow	Earmarked Revenue	Miscellaneous	Eliminations	Totals	
				2006	**2005**
$ —	$ 1,402	$ 1,297	$ —	**$ 4,225**	$ 2,685
—	—	—	—	**7,101**	6,393
3	89	10	—	**403**	250
323	16	796	(182)	**2,011**	2,178
—	3	2	—	**331**	278
$ 326	**$ 1,510**	**$ 2,105**	**$ (182)**	**$ 14,071**	**$ 11,784**
$ —	$ —	$ —	$ —	**$ 5,012**	$ 4,966
—	49	43	—	**292**	301
—	65	13	—	**2,883**	2,400
—	48	—	—	**2,227**	2,524
—	177	62	(182)	**978**	582
—	—	—	—	**96**	96
—	177	3	—	**401**	369
—	**516**	**121**	**(182)**	**11,889**	**11,238**
—	161	35	—	**577**	457
—	—	—	—	**944**	872
—	—	2	—	**277**	444
326	833	1,947	—	**384**	(1,227)
326	**994**	**1,984**	**—**	**2,182**	**546**
$ 326	**$ 1,510**	**$ 2,105**	**$ (182)**	**$ 14,071**	**$ 11,784**

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

GENERAL FUND

Year Ended March 31, 2006

(Amounts in millions)

	Local Assistance	State Purposes	Tax Stabilization Reserve	Contingency Reserve	Community Projects
REVENUES:					
Taxes:					
Personal income	$ —	$ 21,060	$ —	$ —	$ —
Consumption and use	—	8,446	—	—	—
Business	—	4,970	—	—	—
Other	—	1,028	—	—	—
Federal grants	—	—	—	—	—
Miscellaneous	1	2,284	—	—	—
Total revenues	**1**	**37,788**	**—**	**—**	**—**
EXPENDITURES:					
Local assistance grants:					
Social services	10,720	—	—	—	24
Education	16,666	—	—	—	24
Mental hygiene	1,084	—	—	—	7
General purpose	1,047	—	—	—	—
Health and environment	728	—	—	—	23
Transportation	472	—	—	—	2
Criminal justice	158	—	—	—	13
Miscellaneous	308	—	—	—	82
Departmental operations:					
Personal service	—	5,255	—	—	—
Non-personal service	—	2,264	—	—	—
Pension contribution	—	885	—	—	—
Other fringe benefits	—	2,177	—	—	—
Total expenditures	**31,183**	**10,581**	**—**	**—**	**175**
Excess (deficiency) of revenues over expenditures	**(31,182)**	**27,207**	**—**	**—**	**(175)**
OTHER FINANCING SOURCES (USES):					
Transfers from other funds	31,583	10,421	72	—	100
Transfers to other funds	(962)	(38,168)	—	—	(1)
Proceeds from financing arrangements	254	—	—	—	—
Net other financing sources (uses)	**30,875**	**(27,747)**	**72**	**—**	**99**
Net change in fund balances	**(307)**	**(540)**	**72**	**—**	**(76)**
Fund balances (deficits) at April 1, 2005	**(3,102)**	**1,635**	**872**	**21**	**303**
Fund balances (deficits) at March 31, 2006	**$ (3,409)**	**$ 1,095**	**$ 944**	**$ 21**	**$ 227**

See independent auditors' report.

Fringe Benefit Escrow	Earmarked Revenue	Miscellaneous	Eliminations	Totals	
				2006	2005
$ —	$ —	$ —	$ —	$ 21,060	$ 18,429
—	8	—	—	8,454	8,688
—	—	—	—	4,970	3,972
—	—	—	—	1,028	1,035
—	—	—	—	—	2
993	2,543	558	(800)	5,579	4,535
993	**2,551**	**558**	**(800)**	**41,091**	**36,661**
—	1,746	—	—	12,490	10,777
—	55	—	—	16,745	15,810
—	39	—	—	1,130	1,035
—	—	—	—	1,047	1,016
—	429	1	—	1,181	1,810
—	—	—	—	474	416
—	27	—	—	198	187
—	22	1	—	413	373
—	2,231	113	—	7,599	7,261
63	770	464	(479)	3,082	2,829
—	—	—	—	885	637
890	279	52	(321)	3,077	2,953
953	**5,598**	**631**	**(800)**	**48,321**	**45,104**
40	**(3,047)**	**(73)**	**—**	**(7,230)**	**(8,443)**
—	3,649	2,145	(33,977)	13,993	14,244
—	(185)	(42)	33,977	(5,381)	(5,348)
—	—	—	—	254	374
—	**3,464**	**2,103**	**—**	**8,866**	**9,270**
40	**417**	**2,030**	**—**	**1,636**	**827**
286	**577**	**(46)**	**—**	**546**	**(281)**
$ 326	**$ 994**	**$ 1,984**	**$ —**	**$ 2,182**	**$ 546**

STATE OF NEW YORK

EXCELSIOR

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Federal Special Revenue Fund

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

The Federal Special Revenue Fund is divided into several accounts. The Fund accounts for federal grants received by the State that are earmarked for specific programs. The need to satisfy federal accounting and reporting requirements dictates 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, 2006
(Amounts in millions)

	Federal USDA-FNS	Federal DHHS	Federal Education	Federal DHHS Block Grant	Federal Operating Grants
ASSETS:					
Cash and investments	$ —	$ —	$ —	$ 2	$ 269
Receivables, net of allowance for uncollectibles:					
Due from Federal government	42	3,399	71	47	27
Other	—	15	—	—	—
Due from other funds	—	321	1	1	1
Other assets	7	39	2	4	2
Total assets	**$ 49**	**$ 3,774**	**$ 74**	**$ 54**	**$ 299**
LIABILITIES:					
Accounts payable	$ 1	$ 23	$ 2	$ 3	$ 10
Accrued liabilities	2	2,546	9	3	8
Payable to local governments	32	320	31	32	22
Due to other funds	7	421	32	16	31
Deferred revenues	7	464	—	—	227
Total liabilities	**49**	**3,774**	**74**	**54**	**298**
FUND BALANCES:					
Reserved for encumbrances	—	166	96	17	714
Unreserved	—	(166)	(96)	(17)	(713)
Total fund balances	**—**	**—**	**—**	**—**	**1**
Total liabilities and fund balance	**$ 49**	**$ 3,774**	**$ 74**	**$ 54**	**$ 299**

See independent auditors' report.

Unemployment Insurance Administration	Unemployment Insurance Occupational Training	Federal Employment and Training Grants	Totals 2006	Totals 2005
$ 23	$ 4	$ —	**$ 298**	$ 98
—	—	21	**3,607**	4,050
—	—	—	**15**	4
8	—	—	**332**	389
18	—	—	**72**	34
$ 49	**$ 4**	**$ 21**	**$ 4,324**	**$ 4,575**
$ 5	$ —	$ 2	**$ 46**	$ 59
17	—	—	**2,585**	2,764
—	—	1	**438**	756
18	—	18	**543**	520
9	4	—	**711**	476
49	**4**	**21**	**4,323**	**4,575**
24	—	10	**1,027**	768
(24)	—	(10)	**(1,026)**	(768)
—	**—**	**—**	**1**	**—**
$ 49	**$ 4**	**$ 21**	**$ 4,324**	**$ 4,575**

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

FEDERAL SPECIAL REVENUE FUND

Year Ended March 31, 2006
(Amounts in millions)

	Federal USDA-FNS	Federal DHHS	Federal Education	Federal DHHS Block Grant	Federal Operating Grants
REVENUES:					
Federal grants	$ 3,632	$ 26,296	$ 3,094	$ 754	$ 508
Miscellaneous	93	—	—	—	8
Total revenues	**3,725**	**26,296**	**3,094**	**754**	**516**
EXPENDITURES:					
Local assistance grants:					
Social services	2,496	21,929	—	392	5
Education	598	13	2,904	1	5
Mental hygiene	—	14	9	130	7
Health and environment	558	351	—	48	—
Transportation	—	—	—	—	19
Criminal justice	—	4	—	—	76
Miscellaneous	—	116	—	103	128
Departmental operations:					
Personal service	16	147	69	34	116
Non-personal service	30	251	68	29	108
Pension contribution	2	18	8	3	10
Other fringe benefits	6	47	23	8	27
Total expenditures	**3,706**	**22,890**	**3,081**	**748**	**501**
Excess of revenues over expenditures	**19**	**3,406**	**13**	**6**	**15**
OTHER FINANCING USES:					
Transfers to other funds	(19)	(3,406)	(13)	(6)	(14)
Other financing uses	**(19)**	**(3,406)**	**(13)**	**(6)**	**(14)**
Net change in fund balances	**—**	**—**	**—**	**—**	**1**
Fund balances at April 1, 2005	**—**	**—**	**—**	**—**	**—**
Fund balances at March 31, 2006	**$ —**	**$ —**	**$ —**	**$ —**	**$ 1**

See independent auditors' report.

Unemployment Insurance Administration	Unemployment Insurance Occupational Training	Federal Employment and Training Grants	Totals 2006	Totals 2005
$ 250	$ 22	$ 229	**$ 34,785**	$ 35,639
48	—	—	**149**	136
298	**22**	**229**	**34,934**	**35,775**
—	—	—	**24,822**	25,385
—	—	—	**3,521**	3,191
—	—	—	**160**	171
—	—	—	**957**	984
—	—	—	**19**	27
—	—	—	**80**	127
3	—	186	**536**	1,497
156	—	10	**548**	529
88	22	25	**621**	568
15	—	2	**58**	38
36	—	6	**153**	150
298	**22**	**229**	**31,475**	**32,667**
—	**—**	**—**	**3,459**	**3,108**
—	—	—	**(3,458)**	(3,108)
—	**—**	**—**	**(3,458)**	**(3,108)**
—	**—**	**—**	**1**	**—**
—	**—**	**—**	**—**	**—**
$ —	**$ —**	**$ —**	**$ 1**	**$ —**

STATE OF NEW YORK COMPTROLLER

EXCELSIOR

General Obligation Debt Service Fund

The General Obligation Debt Service Fund is a major fund that is used 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.

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

GENERAL OBLIGATION DEBT SERVICE FUND

Year Ended March 31, 2006
(Amounts in millions)

	Financial Plan	Actual	Favorable (Unfavorable) Variance
RECEIPTS:			
Taxes	$ 6,942	$ 6,900	$ (42)
Total receipts	**6,942**	**6,900**	**(42)**
DISBURSEMENTS:			
Departmental operations	41	31	10
Debt service	3,036	3,015	21
Total disbursements	**3,077**	**3,046**	**31**
Excess of receipts over disbursements	**3,865**	**3,854**	**(11)**
OTHER FINANCING SOURCES (USES):			
Transfers from other funds	2,676	2,646	(30)
Transfers to other funds	(6,541)	(6,500)	41
Net other financing sources (uses)	**(3,865)**	**(3,854)**	**11**
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	**$ —**	**$ —**	**$ —**

See independent auditors' report.

Other Governmental Funds

Combining Balance Sheet

OTHER GOVERNMENTAL FUNDS

March 31, 2006
(Amounts in millions)

	Special Revenue	Debt Service	Capital Projects	Totals 2006	Totals 2005
ASSETS:					
Cash and investments	$ 5,789	$ 633	$ 1,564	**$ 7,986**	$ 4,593
Receivables, net of allowance for uncollectibles:					
Taxes	106	200	56	**362**	461
Due from Federal government	—	—	355	**355**	383
Other	568	95	137	**800**	799
Due from other funds	427	183	40	**650**	1,093
Other assets	9	—	33	**42**	27
Total assets	**$ 6,899**	**$ 1,111**	**$ 2,185**	**$ 10,195**	**$ 7,356**
LIABILITIES:					
Tax refunds payable	$ 158	$ 18	$ 10	**$ 186**	$ 163
Accounts payable	29	5	432	**466**	449
Accrued liabilities	29	—	56	**85**	342
Payable to local governments	127	—	59	**186**	81
Due to other funds	72	184	625	**881**	753
Deferred revenues	72	40	40	**152**	149
Total liabilities	**487**	**247**	**1,222**	**1,956**	**1,937**
FUND BALANCES:					
Reserved for:					
Encumbrances	355	—	4,797	**5,152**	4,738
Debt service	—	540	—	**540**	544
Other specified purposes	2,119	—	710	**2,829**	772
Unreserved	3,938	324	(4,544)	**(282)**	(635)
Total fund balances	**6,412**	**864**	**963**	**8,239**	**5,419**
Total liabilities and fund balance	**$ 6,899**	**$ 1,111**	**$ 2,185**	**$ 10,195**	**$ 7,356**

See independent auditors' report.

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

OTHER GOVERNMENTAL FUNDS

Year Ended March 31, 2006

(Amounts in millions)

	Special Revenue	Debt Service	Capital Projects	Totals 2006	Totals 2005
REVENUES:					
Taxes:					
Personal income	$ 3,213	$ —	$ —	$ 3,213	$ 3,059
Consumption and use	1,518	2,774	1,113	5,405	5,022
Business	1,322	—	637	1,959	1,727
Other	—	758	112	870	786
Federal grants	—	—	1,739	1,739	1,839
Public health/patient fees	2,625	524	—	3,149	3,449
Tobacco settlement	110	—	—	110	113
Miscellaneous	7,380	29	308	7,717	3,763
Total revenues	**16,168**	**4,085**	**3,909**	**24,162**	**19,758**
EXPENDITURES:					
Local assistance grants:					
Social services	2,687	—	—	2,687	2,549
Education	5,189	—	4	5,193	5,204
Mental hygiene	49	—	83	132	130
Health and environment	1,843	—	240	2,083	696
Transportation	2,285	—	319	2,604	2,067
Criminal justice	59	—	—	59	56
Miscellaneous	72	—	513	585	589
Departmental operations:					
Personal service	258	—	—	258	260
Non-personal service	2,943	21	—	2,964	2,211
Pension contribution	21	—	—	21	16
Other fringe benefits	60	—	—	60	53
Capital construction	—	—	4,048	4,048	3,599
Debt service, including payments on financing arrangements	—	653	—	653	639
Total expenditures	**15,466**	**674**	**5,207**	**21,347**	**18,069**
Excess (deficiency) of revenues over expenditures	**702**	**3,411**	**(1,298)**	**2,815**	**1,689**
OTHER FINANCING SOURCES (USES):					
Transfers from other funds	2,463	2,680	271	5,414	5,361
Transfers to other funds	(69)	(6,148)	(923)	(7,140)	(8,065)
General obligation bonds issued	—	—	159	159	178
Premiums on general obligation bonds issued	—	—	1	1	—
Financing arrangements/advance refundings issued	31	53	1,539	1,623	2,529
Payments to escrow agents for advance refundings	—	(52)	—	(52)	(715)
Net other financing sources (uses)	**2,425**	**(3,467)**	**1,047**	**5**	**(712)**
Net change in fund balances	**3,127**	**(56)**	**(251)**	**2,820**	**977**
Fund balances at April 1, 2005	**3,285**	**920**	**1,214**	**5,419**	**4,442**
Fund balances at March 31, 2006	**$ 6,412**	**$ 864**	**$ 963**	**$ 8,239**	**$ 5,419**

See independent auditors' report.

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

OTHER GOVERNMENTAL FUNDS

Year Ended March 31, 2006
(Amounts in millions)

	Special Revenue			Debt Service		
	Financial Plan	Actual	Favorable (Unfavorable) Variance	Financial Plan	Actual	Favorable (Unfavorable) Variance
RECEIPTS:						
Taxes	$ 5,923	$ 6,057	$ 134	$ 3,426	$ 3,441	$ 15
Miscellaneous	13,353	13,618	265	686	745	59
Federal grants	2	—	(2)	—	—	—
Total receipts	**19,278**	**19,675**	**397**	**4,112**	**4,186**	**74**
DISBURSEMENTS:						
Local assistance grants	14,821	14,703	118	—	—	—
Departmental operations	6,778	6,869	(91)	29	27	2
General state charges	560	555	5	—	—	—
Debt service	—	—	—	687	686	1
Capital projects	5	41	(36)	—	—	—
Total disbursements	**22,164**	**22,168**	**(4)**	**716**	**713**	**3**
Excess (deficiency) of receipts over disbursements	**(2,886)**	**(2,493)**	**393**	**3,396**	**3,473**	**77**
OTHER FINANCING SOURCES (USES):						
Bond and note proceeds, net	—	—	—	—	—	—
Transfers from other funds	4,719	4,707	(12)	2,619	2,633	14
Transfers to other funds	(350)	(268)	82	(6,013)	(6,069)	(56)
Net other financing sources (uses)	**4,369**	**4,439**	**70**	**(3,394)**	**(3,436)**	**(42)**
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	**$ 1,483**	**$ 1,946**	**$ 463**	**$ 2**	**$ 37**	**$ 35**

See independent auditors' report.

Capital Projects

Financial Plan	Actual	Favorable (Unfavorable) Variance
$ 1,851	$ 1,941	$ 90
1,687	1,713	26
1,733	1,767	34
5,271	**5,421**	**150**
1,032	739	293
—	—	—
—	—	—
—	—	—
3,950	4,393	(443)
4,982	**5,132**	**(150)**
289	**289**	**—**
131	159	28
244	279	35
(917)	(877)	40
(542)	**(439)**	**103**
$ (253)	**$ (150)**	**$ 103**

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.

Health Care Reform Act Resources—to account for health care initiatives financed with hospital assessments, surcharges, proceeds from the sale of public assets and cigarette tax receipts.

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.

Hazardous Waste Remedial Fund—to account for revenues earmarked for the clean-up of hazardous waste disposal sites.

Mass Transportation Operating Assistance—to account for various taxes earmarked for public mass transportation operating assistance programs.

Public Asset—to account for the assets or monies resulting from the conversion of Empire Blue Cross Blue Shield from a not-for-profit to a pecuniary (financial) profit organization.

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, 2006
(Amounts in millions)

	School Tax Relief (STAR)	Health Care Reform Act Resources	Dedicated Mass Transportation Trust	Conservation	Environmental Protection and Oil Spill Compensation
ASSETS:					
Cash and investments	$ —	$ 1,784	$ 86	$ 31	$ 19
Receivables, net of allowance for uncollectibles:					
Taxes	—	42	10	—	—
Other	—	343	—	—	1
Due from other funds	—	1	1	9	3
Other assets	—	4	—	—	1
Total assets	**$ —**	**$ 2,174**	**$ 97**	**$ 40**	**$ 24**
LIABILITIES:					
Tax refunds payable	$ —	$ —	$ 4	$ —	$ —
Accounts payable	—	4	2	2	4
Accrued liabilities	—	2	—	2	1
Payable to local governments	—	47	61	—	—
Due to other funds	—	21	—	9	1
Deferred revenues	—	44	—	—	—
Total liabilities	**—**	**118**	**67**	**13**	**6**
FUND BALANCES:					
Reserved for:					
Encumbrances	—	122	82	1	—
Other specified purposes	—	—	—	—	—
Unreserved	—	1,934	(52)	26	18
Total fund balances	**—**	**2,056**	**30**	**27**	**18**
Total liabilities and fund balance	**$ —**	**$ 2,174**	**$ 97**	**$ 40**	**$ 24**

See independent auditors' report.

Hazardous Waste Remedial	Mass Transportation Operating Assistance	Public Asset	Miscellaneous	Eliminations	Totals 2006	Totals 2005
$ 82	$ 248	$ 2,119	$ 1,420	$ —	**$ 5,789**	$ 2,244
—	54	—	—	—	**106**	108
23	—	—	201	—	**568**	564
—	—	—	413	—	**427**	939
—	—	—	4	—	**9**	4
$ 105	**$ 302**	**$ 2,119**	**$ 2,038**	**$ —**	**$ 6,899**	**$ 3,859**
$ —	$ 153	$ —	$ 1	$ —	**$ 158**	$ 138
7	—	—	10	—	**29**	17
2	—	—	22	—	**29**	277
—	15	—	4	—	**127**	23
5	4	—	32	—	**72**	47
1	—	—	27	—	**72**	72
15	**172**	**—**	**96**	**—**	**487**	**574**
58	1	—	91	—	**355**	175
—	—	2,119	—	—	**2,119**	—
32	129	—	1,851	—	**3,938**	3,110
90	**130**	**2,119**	**1,942**	**—**	**6,412**	**3,285**
$ 105	**$ 302**	**$ 2,119**	**$ 2,038**	**$ —**	**$ 6,899**	**$ 3,859**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

OTHER GOVERNMENTAL FUNDS—SPECIAL REVENUE FUNDS

Year Ended March 31, 2006

(Amounts in millions)

	School Tax Relief (STAR)	Health Care Reform Act Resources	Dedicated Mass Transportation Trust	Conservation	Environmental Protection and Oil Spill Compensation
REVENUES:					
Taxes:					
Personal income	$ 3,213	$ —	$ —	$ —	$ —
Consumption and use	—	572	267	—	—
Business	—	—	364	—	—
Public health/patient fees	—	2,625	—	—	—
Tobacco settlement	—	110	—	—	—
Miscellaneous	—	39	7	50	55
Total revenues	**3,213**	**3,346**	**638**	**50**	**55**
EXPENDITURES:					
Local assistance grants:					
Social services	—	2,687	—	—	—
Education	3,213	—	—	—	—
Mental hygiene	—	43	—	—	—
Health and environment	—	1,842	—	—	—
Transportation	—	—	680	—	—
Criminal justice	—	—	—	—	—
Miscellaneous	—	1	—	—	—
Departmental operations:					
Personal service	—	29	—	19	10
Non-personal service	—	132	—	12	23
Pension contribution	—	2	—	2	1
Other fringe benefits	—	5	—	6	2
Total expenditures	**3,213**	**4,741**	**680**	**39**	**36**
Excess (deficiency) of revenues over expenditures	**—**	**(1,395)**	**(42)**	**11**	**19**
OTHER FINANCING SOURCES (USES):					
Transfers from other funds	—	2,683	—	1	—
Transfers to other funds	—	(3)	—	(2)	(18)
Proceeds from financing arrangements	—	—	—	—	—
Net other financing sources (uses)	**—**	**2,680**	**—**	**(1)**	**(18)**
Net change in fund balances	**—**	**1,285**	**(42)**	**10**	**1**
Fund balances at April 1, 2005	**—**	**771**	**72**	**17**	**17**
Fund balances at March 31, 2006	**$ —**	**$ 2,056**	**$ 30**	**$ 27**	**$ 18**

See independent auditors' report.

Hazardous Waste Remedial	Mass Transportation Operating Assistance	Public Asset	Miscellaneous	Eliminations	Totals 2006	Totals 2005
$ —	$ —	$ —	$ —	$ —	**$ 3,213**	$ 3,059
—	641	—	38	—	**1,518**	1,256
—	958	—	—	—	**1,322**	1,110
—	—	—	—	—	**2,625**	2,918
—	—	—	—	—	**110**	113
35	6	4,093	3,095	—	**7,380**	3,452
35	**1,605**	**4,093**	**3,133**	**—**	**16,168**	**11,908**
—	—	—	—	—	**2,687**	2,549
—	—	—	1,976	—	**5,189**	5,164
—	—	—	6	—	**49**	55
—	—	—	1	—	**1,843**	418
—	1,604	—	1	—	**2,285**	1,708
—	—	—	59	—	**59**	56
—	—	—	71	—	**72**	79
24	3	—	173	—	**258**	260
43	1	6	2,726	—	**2,943**	2,190
3	—	—	13	—	**21**	16
8	1	—	38	—	**60**	53
78	**1,609**	**6**	**5,064**	**—**	**15,466**	**12,548**
(43)	**(4)**	**4,087**	**(1,931)**	**—**	**702**	**(640)**
30	41	—	2,392	(2,684)	**2,463**	2,847
(31)	—	(1,968)	(731)	2,684	**(69)**	(1,445)
30	—	—	1	—	**31**	71
29	**41**	**(1,968)**	**1,662**	**—**	**2,425**	**1,473**
(14)	**37**	**2,119**	**(269)**	**—**	**3,127**	**833**
104	**93**	**—**	**2,211**	**—**	**3,285**	**2,452**
$ 90	**$ 130**	**$ 2,119**	**$ 1,942**	**$ —**	**$ 6,412**	**$ 3,285**

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

OTHER GOVERNMENTAL FUNDS—SPECIAL REVENUE FUNDS

Year Ended March 31, 2006
(Amounts in millions)

	School Tax Relief			Mass Transportation Operating Assistance		
	Financial Plan	Actual	Favorable (Unfavorable) Variance	Financial Plan	Actual	Favorable (Unfavorable) Variance
RECEIPTS:						
Taxes	$ 3,219	$ 3,213	$ (6)	$ 1,491	$ 1,586	$ 95
Miscellaneous	—	—	—	1	6	5
Federal grants	—	—	—	—	—	—
Total receipts	**3,219**	**3,213**	**(6)**	**1,492**	**1,592**	**100**
DISBURSEMENTS:						
Local assistance grants	3,219	3,213	6	1,608	1,589	19
Departmental operations	—	—	—	4	4	—
General state charges	—	—	—	2	1	1
Capital projects	—	—	—	—	—	—
Total disbursements	**3,219**	**3,213**	**6**	**1,614**	**1,594**	**20**
Excess (deficiency) of receipts over disbursements	**—**	**—**	**—**	**(122)**	**(2)**	**120**
OTHER FINANCING SOURCES (USES):						
Transfers from other funds	—	—	—	41	40	(1)
Transfers to other funds	—	—	—	—	—	—
Net other financing sources (uses)	**—**	**—**	**—**	**41**	**40**	**(1)**
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	**$ —**	**$ —**	**$ —**	**$ (81)**	**$ 38**	**$ 119**

See independent auditors' report.

State Special Revenue Account			Other		
Financial Plan	Actual	Favorable (Unfavorable) Variance	Financial Plan	Actual	Favorable (Unfavorable) Variance
$ —	$ 8	$ 8	$ 1,213	$ 1,250	$ 37
2,180	2,575	395	11,172	11,037	(135)
—	—	—	2	—	(2)
2,180	**2,583**	**403**	**12,387**	**12,287**	**(100)**
1,867	2,148	(281)	8,127	7,753	374
3,245	3,249	(4)	3,529	3,616	(87)
279	277	2	279	277	2
—	—	—	5	41	(36)
5,391	**5,674**	**(283)**	**11,940**	**11,687**	**253**
(3,211)	**(3,091)**	**120**	**447**	**600**	**153**
3,834	3,697	(137)	1,084	996	(88)
(393)	(165)	228	(197)	(129)	68
3,441	**3,532**	**91**	**887**	**867**	**(20)**
$ 230	**$ 441**	**$ 211**	**$ 1,334**	**$ 1,467**	**$ 133**

(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, 2006
(Amounts in millions)

	Eliminations		Total		
	Financial Plan	Actual	Financial Plan	Actual	Favorable (Unfavorable) Variance
RECEIPTS:					
Taxes	$ —	$ —	$ 5,923	$ 6,057	$ 134
Miscellaneous	—	—	13,353	13,618	265
Federal grants	—	—	2	—	(2)
Total receipts	**—**	**—**	**19,278**	**19,675**	**397**
DISBURSEMENTS:					
Local assistance grants	—	—	14,821	14,703	118
Departmental operations	—	—	6,778	6,869	(91)
General state charges	—	—	560	555	5
Capital projects	—	—	5	41	(36)
Total disbursements	**—**	**—**	**22,164**	**22,168**	**(4)**
Excess (deficiency) of receipts over disbursements	**—**	**—**	**(2,886)**	**(2,493)**	**393**
OTHER FINANCING SOURCES (USES):					
Transfers from other funds	(240)	(26)	4,719	4,707	(12)
Transfers to other funds	240	26	(350)	(268)	82
Net other financing sources (uses)	**—**	**—**	**4,369**	**4,439**	**70**
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	**$ —**	**$ —**	**$ 1,483**	**$ 1,946**	**$ 463**

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.

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

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

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

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

Combining Balance Sheet

OTHER GOVERNMENTAL FUNDS—DEBT SERVICE FUNDS

March 31, 2006
(Amounts in millions)

	Mental Health Services	State Housing Debt	Department of Health Income	Clean Water/ Clean Air	Local Government Assistance Tax
ASSETS:					
Cash and investments	$ 70	$ —	$ 54	$ 23	$ 486
Receivables, net of allowance for uncollectibles:					
Taxes	—	—	—	20	180
Other	34	43	17	—	1
Due from other funds	179	—	4	—	—
Total assets	**$ 283**	**$ 43**	**$ 75**	**$ 43**	**$ 667**
LIABILITIES:					
Tax refunds payable	$ —	$ —	$ —	$ —	$ 18
Accounts payable	—	—	3	—	2
Due to other funds	—	—	—	23	161
Deferred revenues	3	23	2	—	12
Total liabilities	**3**	**23**	**5**	**23**	**193**
FUND BALANCES:					
Reserved for debt service	49	—	21	—	470
Unreserved	231	20	49	20	4
Total fund balances	**280**	**20**	**70**	**20**	**474**
Total liabilities and fund balances	**$ 283**	**$ 43**	**$ 75**	**$ 43**	**$ 667**

See independent auditors' report.

Totals	
2006	2005
$ 633	$ 607
200	280
95	120
183	137
$ 1,111	**$ 1,144**
$ 18	$ 15
5	3
184	159
40	47
247	**224**
540	544
324	376
864	920
$ 1,111	**$ 1,144**

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

OTHER GOVERNMENTAL FUNDS—DEBT SERVICE FUNDS

Year Ended March 31, 2006
(Amounts in millions)

	Mental Health Services	State Housing Debt	Department of Health Income	Clean Water/ Clean Air	Local Government Assistance Tax
REVENUES:					
Taxes:					
Consumption and use	$ —	$ —	$ —	$ —	$ 2,774
Other	—	—	—	758	—
Patient fees	251	—	273	—	—
Miscellaneous	2	17	1	—	9
Total revenues	**253**	**17**	**274**	**758**	**2,783**
EXPENDITURES:					
Non-personal service	8	—	5	—	8
Debt service, including payments on financing arrangements	280	24	31	—	318
Total expenditures	**288**	**24**	**36**	**—**	**326**
Excess of revenues over expenditures	**(35)**	**(7)**	**238**	**758**	**2,457**
OTHER FINANCING SOURCES (USES):					
Transfers from other funds	2,631	4	45	—	—
Transfers to other funds	(2,564)	—	(286)	(843)	(2,455)
Financing arrangements/advance refundings issued	—	—	53	—	—
Payments to escrow agents for advance refundings	—	—	(52)	—	—
Net other financing sources (uses)	**67**	**4**	**(240)**	**(843)**	**(2,455)**
Net change in fund balances	**32**	**(3)**	**(2)**	**(85)**	**2**
Fund balances at April 1, 2005	**248**	**23**	**72**	**105**	**472**
Fund balances at March 31, 2006	**$ 280**	**$ 20**	**$ 70**	**$ 20**	**$ 474**

See independent auditors' report.

Totals	
2006	2005
$ 2,774	$ 2,629
758	674
524	531
29	74
4,085	**3,908**
21	21
653	639
674	**660**
3,411	**3,248**
2,680	2,307
(6,148)	(5,512)
53	727
(52)	(715)
(3,467)	**(3,193)**
(56)	**55**
920	**865**
$ 864	**$ 920**

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

OTHER GOVERNMENTAL FUNDS—DEBT SERVICE FUNDS

Year Ended March 31, 2006

(Amounts in millions)

	Mental Health Services			Clean Water/Clean Air		
	Financial Plan	Actual	Favorable (Unfavorable) Variance	Financial Plan	Actual	Favorable (Unfavorable) Variance
RECEIPTS:						
Taxes	$ —	$ —	$ —	$ 818	$ 826	$ 8
Miscellaneous	259	268	9	—	—	—
Total receipts	**259**	**268**	**9**	**818**	**826**	**8**
DISBURSEMENTS:						
Departmental operations	9	8	1	—	—	—
Debt service	281	280	1	—	—	—
Total disbursements	**290**	**288**	**2**	**—**	**—**	**—**
Excess (deficiency) of receipts over disbursements	**(31)**	**(20)**	**11**	**818**	**826**	**8**
OTHER FINANCING SOURCES (USES):						
Transfers from other funds	2,582	2,585	3	—	—	—
Transfers to other funds	(2,565)	(2,564)	1	(818)	(826)	(8)
Net other financing sources (uses)	**17**	**21**	**4**	**(818)**	**(826)**	**(8)**
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	**$ (14)**	**$ 1**	**$ 15**	**$ —**	**$ —**	**$ —**

See independent auditors' report.

Local Government Assistance Tax			Other		
Financial Plan	Actual	Favorable (Unfavorable) Variance	Financial Plan	Actual	Favorable (Unfavorable) Variance
$ 2,608	$ 2,615	$ 7	$ —	$ —	$ —
—	1	1	427	476	49
2,608	**2,616**	**8**	**427**	**476**	**49**
8	8	—	12	11	1
315	313	2	91	93	(2)
323	**321**	**2**	**103**	**104**	**(1)**
2,285	**2,295**	**10**	**324**	**372**	**48**
—	—	—	37	48	11
(2,285)	(2,295)	(10)	(345)	(384)	(39)
(2,285)	**(2,295)**	**(10)**	**(308)**	**(336)**	**(28)**
$ —	**$ —**	**$ —**	**$ 16**	**$ 36**	**$ 20**

(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, 2006

(Amounts in millions)

	Total		
	Financial Plan	Actual	Favorable (Unfavorable) Variance
RECEIPTS:			
Taxes	$ 3,426	$ 3,441	$ 15
Miscellaneous	686	745	59
Total receipts	**4,112**	**4,186**	**74**
DISBURSEMENTS:			
Departmental operations	29	27	2
Debt service	687	686	1
Total disbursements	**716**	**713**	**3**
Excess (deficiency) of receipts over disbursements	**3,396**	**3,473**	**77**
OTHER FINANCING SOURCES (USES):			
Transfers from other funds	2,619	2,633	14
Transfers to other funds	(6,013)	(6,069)	(56)
Net other financing sources (uses)	**(3,394)**	**(3,436)**	**(42)**
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	**$ 2**	**$ 37**	**$ 35**

See independent auditors' report.

Capital Projects Funds

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

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

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

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

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

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

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

Department of Transportation (DOT) 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, 2006
(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	$ 913	$ —	$ 91	$ 3	$ 9	$ 8	$ 13
Receivables, net of allowance for uncollectibles:							
Taxes	—	56	—	—	—	—	—
Due from Federal government	—	—	—	—	—	—	—
Other	133	2	2	—	—	—	—
Due from other funds	28	10	—	—	—	—	—
Other assets	—	26	—	—	—	—	—
Total assets	**$ 1,074**	**$ 94**	**$ 93**	**$ 3**	**$ 9**	**$ 8**	**$ 13**
LIABILITIES:							
Tax refunds payable	$ —	$ 10	$ —	$ —	$ —	$ —	$ —
Accounts payable	165	103	7	—	—	—	—
Accrued liabilities	1	52	—	—	—	—	—
Payable to local governments	2	5	2	—	—	—	—
Due to other funds	42	213	—	—	—	—	—
Deferred revenues	36	3	1	—	—	—	—
Total liabilities	**246**	**386**	**10**	**—**	**—**	**—**	**—**
FUND BALANCES (DEFICITS):							
Reserved for:							
Encumbrances	521	1,188	183	—	—	—	—
Other specified purposes	709	—	—	—	—	—	—
Unreserved	(402)	(1,480)	(100)	3	9	8	13
Total fund balances (deficits)	**828**	**(292)**	**83**	**3**	**9**	**8**	**13**
Total liabilities and fund balances (deficits)	**$ 1,074**	**$ 94**	**$ 93**	**$ 3**	**$ 9**	**$ 8**	**$ 13**

See independent auditors' report.

Accelerated Capacity and Transportation Improvements Bond	Federal Capital Projects	Clean Water/ Clean Air Bond	Housing Program	DOT Engineering Services	Mental Hygiene Facilities Capital Improvement	Correctional Facilities Capital Improvement	Miscellaneous	Totals 2006	Totals 2005
$ 5	$ —	$ 25	$ —	$ —	$ 210	$ 92	$ 195	**$ 1,564**	$ 1,742
—	—	—	—	—	—	—	—	**56**	73
—	355	—	—	—	—	—	—	**355**	383
—	—	—	—	—	—	—	—	**137**	115
—	—	—	—	—	—	—	2	**40**	17
—	—	—	—	7	—	—	—	**33**	23
$ 5	**$ 355**	**$ 25**	**$ —**	**$ 7**	**$ 210**	**$ 92**	**$ 197**	**$ 2,185**	**$ 2,353**
$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	**$ 10**	$ 10
—	104	—	—	6	12	30	5	**432**	429
—	1	—	—	—	—	—	2	**56**	65
—	47	—	—	—	3	—	—	**59**	58
—	203	—	120	39	—	—	8	**625**	547
—	—	—	—	—	—	—	—	**40**	30
—	**355**	**—**	**120**	**45**	**15**	**30**	**15**	**1,222**	**1,139**
—	2,547	—	3	79	96	144	36	**4,797**	4,563
—	—	—	—	—	—	—	1	**710**	772
5	(2,547)	25	(123)	(117)	99	(82)	145	**(4,544)**	(4,121)
5	**—**	**25**	**(120)**	**(38)**	**195**	**62**	**182**	**963**	**1,214**
$ 5	**$ 355**	**$ 25**	**$ —**	**$ 7**	**$ 210**	**$ 92**	**$ 197**	**$ 2,185**	**$ 2,353**

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

OTHER GOVERNMENTAL FUNDS—CAPITAL PROJECTS FUNDS

Year Ended March 31, 2006

(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	$ —	$ 1,113	$ —	$ —	$ —	$ —	$ —
Business	—	637	—	—	—	—	—
Other	—	—	112	—	—	—	—
Federal grants	—	—	—	—	—	—	—
Miscellaneous	—	91	5	—	—	—	—
Total revenues	**—**	**1,841**	**117**	**—**	**—**	**—**	**—**
EXPENDITURES:							
Local assistance grants:							
Education	4	—	—	—	—	—	—
Mental hygiene	26	—	—	—	—	—	—
Health and environment	34	—	1	—	—	—	—
Transportation	26	37	—	—	—	—	—
Miscellaneous	276	—	9	—	—	—	—
Capital construction	577	1,821	112	—	—	—	—
Total expenditures	**943**	**1,858**	**122**	**—**	**—**	**—**	**—**
Excess (deficiency) of revenues over expenditures	**(943)**	**(17)**	**(5)**	**—**	**—**	**—**	**—**
OTHER FINANCING SOURCES (USES):							
Transfers from other funds	448	242	—	—	—	—	—
Transfers to other funds	(47)	(808)	(75)	—	(4)	(2)	(43)
General obligation bonds issued	—	—	—	—	2	—	48
Premiums on general obligation bonds issued	—	—	—	—	—	—	—
Financing arrangements issued	518	404	74	—	—	—	—
Net other financing sources (uses)	**919**	**(162)**	**(1)**	**—**	**(2)**	**(2)**	**5**
Net change in fund balances	**(24)**	**(179)**	**(6)**	**—**	**(2)**	**(2)**	**5**
Fund balances (deficits) at April 1, 2005	**852**	**(113)**	**89**	**3**	**11**	**10**	**8**
Fund balances (deficits) at March 31, 2006	**$ 828**	**$ (292)**	**$ 83**	**$ 3**	**$ 9**	**$ 8**	**$ 13**

See independent auditors' report.

Accelerated Capacity and Transportation Improvements Bond	Federal Capital Projects	Clean Water/ Clean Air Bond	Housing Program	DOT Engineering Services	Mental Hygiene Facilities Capital Improvement	Correctional Facilities Capital Improvement	Miscellaneous	Eliminations	Totals 2006	Totals 2005
$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —	**$ 1,113**	$ 1,137
—	—	—	—	—	—	—	—	—	**637**	617
—	—	—	—	—	—	—	—	—	**112**	112
—	1,738	—	—	—	—	—	1	—	**1,739**	1,839
—	1	—	154	—	1	1	55	—	**308**	237
—	**1,739**	**—**	**154**	**—**	**1**	**1**	**56**	**—**	**3,909**	**3,942**
—	—	—	—	—	—	—	—	—	**4**	40
—	—	—	—	—	57	—	—	—	**83**	75
—	205	—	—	—	—	—	—	—	**240**	278
—	256	—	—	—	—	—	—	—	**319**	359
—	—	—	74	—	—	—	154	—	**513**	510
—	992	1	55	47	130	253	60	—	**4,048**	3,599
—	**1,453**	**1**	**129**	**47**	**187**	**253**	**214**	**—**	**5,207**	**4,861**
—	**286**	**(1)**	**25**	**(47)**	**(186)**	**(252)**	**(158)**	**—**	**(1,298)**	**(919)**
—	—	—	—	86	1	—	5	(511)	**271**	207
(9)	(286)	(70)	—	—	(1)	—	(89)	511	**(923)**	(1,108)
9	—	51	—	—	—	—	49	—	**159**	178
—	—	1	—	—	—	—	—	—	**1**	—
—	—	—	—	—	209	191	143	—	**1,539**	1,731
—	**(286)**	**(18)**	**—**	**86**	**209**	**191**	**108**	**—**	**1,047**	**1,008**
—	**—**	**(19)**	**25**	**39**	**23**	**(61)**	**(50)**	**—**	**(251)**	**89**
5	**—**	**44**	**(145)**	**(77)**	**172**	**123**	**232**	**—**	**1,214**	**1,125**
$ 5	**$ —**	**$ 25**	**$ (120)**	**$ (38)**	**$ 195**	**$ 62**	**$ 182**	**$ —**	**$ 963**	**$ 1,214**

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

OTHER GOVERNMENTAL FUNDS—CAPITAL PROJECTS FUNDS

Year Ended March 31, 2006

(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	$ —	$ —	$ —	$ 1,739	$ 1,829	$ 90
Miscellaneous	766	652	(114)	524	426	(98)
Federal grants	—	—	—	—	—	—
Total receipts	**766**	**652**	**(114)**	**2,263**	**2,255**	**(8)**
DISBURSEMENTS:						
Local assistance grants	624	106	518	—	31	(31)
Capital projects	501	979	(478)	1,861	1,821	40
Total disbursements	**1,125**	**1,085**	**40**	**1,861**	**1,852**	**9**
Excess (deficiency) of receipts over disbursements	**(359)**	**(433)**	**(74)**	**402**	**403**	**1**
OTHER FINANCING SOURCES (USES):						
Bond and note proceeds, net	—	—	—	—	—	—
Transfers from other funds	362	435	73	246	242	(4)
Transfers to other funds	(3)	(2)	1	(817)	(809)	8
Net other financing sources (uses)	**359**	**433**	**74**	**(571)**	**(567)**	**4**
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	**$ —**	**$ —**	**$ —**	**$ (169)**	**$ (164)**	**$ 5**

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	—	—	—
1,733	1,767	34	—	—	—
1,733	**1,768**	**35**	**—**	**—**	**—**
210	458	(248)	—	—	—
1,273	974	299	35	51	(16)
1,483	**1,432**	**51**	**35**	**51**	**(16)**
250	**336**	**86**	**(35)**	**(51)**	**(16)**
—	—	—	—	—	—
—	—	—	68	86	18
(275)	(286)	(11)	—	—	—
(275)	**(286)**	**(11)**	**68**	**86**	**18**
$ (25)	**$ 50**	**$ 75**	**$ 33**	**$ 35**	**$ 2**

(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, 2006
(Amounts in millions)

	Other			Eliminations	
	Financial Plan	Actual	Favorable (Unfavorable) Variance	Financial Plan	Actual
RECEIPTS:					
Taxes	$ 112	$ 112	$ —	$ —	$ —
Miscellaneous	397	634	237	—	—
Federal grants	—	—	—	—	—
Total receipts	**509**	**746**	**237**	**—**	**—**
DISBURSEMENTS:					
Local assistance grants	198	144	54	—	—
Capital projects	280	568	(288)	—	—
Total disbursements	**478**	**712**	**(234)**	**—**	**—**
Excess (deficiency) of receipts over disbursements	**31**	**34**	**3**	**—**	**—**
OTHER FINANCING SOURCES (USES):					
Bond and note proceeds, net	131	159	28	—	—
Transfers from other funds	50	14	(36)	(482)	(498)
Transfers to other funds	(304)	(278)	26	482	498
Net other financing sources (uses)	**(123)**	**(105)**	**18**	**—**	**—**
Excess (deficiency) of receipts and other financing sources over disbursements and other financing uses	**$ (92)**	**$ (71)**	**$ 21**	**$ —**	**$ —**

See independent auditors' report.

Total		
Financial Plan	Actual	Favorable (Unfavorable) Variance
$ 1,851	$ 1,941	$ 90
1,687	1,713	26
1,733	1,767	34
5,271	**5,421**	**150**
1,032	739	293
3,950	4,393	(443)
4,982	**5,132**	**(150)**
289	**289**	**—**
131	159	28
244	279	35
(917)	(877)	40
(542)	**(439)**	**103**
$ (253)	**$ (150)**	**$ 103**

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, 2006

(Amounts in millions)

	Agriculture Producer's Security	Milk Producer's Security	Abandoned Property	Tuition Savings Program	Totals 2006	Totals 2005
ASSETS:						
Cash and investments	$ 4	$ 6	$ 427	$ 4,596	**$ 5,033**	$ 3,862
Receivables, net of allowance for uncollectibles	—	—	89	40	**129**	127
Due from other funds	—	—	383	—	**383**	318
Total assets	**4**	**6**	**899**	**4,636**	**5,545**	**4,307**
LIABILITIES:						
Accrued liabilities	—	—	899	33	**932**	848
Total liabilities	**—**	**—**	**899**	**33**	**932**	**848**
NET ASSETS:						
Reserved for other specified purposes	4	6	—	4,603	**4,613**	3,459
Total net assets	**$ 4**	**$ 6**	**$ —**	**$ 4,603**	**$ 4,613**	**$ 3,459**

See independent auditors' report.

Combining Statement of Changes in Fiduciary Net Assets

PRIVATE PURPOSE TRUSTS

March 31, 2006
(Amounts in millions)

	Agriculture Producer's Security	Milk Producer's Security	Abandoned Property	Tuition Savings Program	Totals 2006	Totals 2005
Additions:						
Investment income	$ —	$ —	$ —	$ 1	$ 1	$ 2
Dividend income	—	—	—	112	112	72
Other income	—	—	—	—	—	1
Net change in fair value on investments	—	—	—	(159)	(159)	144
Net realized gain on investments	—	—	—	243	243	17
Total investment and other income	—	—	—	197	197	236
Less:						
Investment expenses	—	—	—	(19)	(19)	(13)
Net investment and other income	—	—	—	178	178	223
Contributions:						
College savings	—	—	—	1,810	1,810	1,617
Total contributions	—	—	—	1,810	1,810	1,617
Net transfers from General Fund	—	—	146	—	146	129
Total additions	—	—	146	1,988	2,134	1,969
Deductions:						
College aid redemptions	—	—	—	834	834	652
Claims paid	—	—	146	—	146	129
Miscellaneous	—	—	—	—	—	—
Total deductions	—	—	146	834	980	781
Net increase	—	—	—	1,154	1,154	1,188
Net assets held in trust at April 1, 2005	4	6	—	3,449	3,459	2,271
Net assets held in trust at March 31, 2006	$ 4	$ 6	$ —	$ 4,603	$ 4,613	$ 3,459

See independent auditors' report.

Combining Statement of Fiduciary Net Assets

AGENCY FUNDS

March 31, 2006
(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	$ 38	$ 144	$ 11	$ 10	$ 2
Receivables, net of allowance for uncollectibles	—	33	—	—	1
Due from other funds	—	6	—	—	1
Other assets	—	305	—	—	—
Total assets	**$ 38**	**$ 488**	**$ 11**	**$ 10**	**$ 4**
LIABILITIES:					
Accounts payable	$ —	$ —	$ —	$ 10	$ 1
Accrued liabilities	38	182	11	—	2
Payable to local governments	—	305	—	—	1
Due to other funds	—	1	—	—	—
Total liabilities	**$ 38**	**$ 488**	**$ 11**	**$ 10**	**$ 4**

See independent auditors' report.

Management Confidential Group Insurance	CUNY Senior College Operating	MMIS Statewide Escrow	Sole Custody	Miscellaneous	Totals 2006	Totals 2005
$ 1	$ 13	$ 413	$ 1,455	$ 739	**$ 2,826**	$ 3,863
—	—	—	8	629	**671**	834
—	—	—	—	46	**53**	32
—	—	—	—	—	**305**	216
$ 1	**$ 13**	**$ 413**	**$ 1,463**	**$ 1,414**	**$ 3,855**	**$ 4,945**
$ —	$ 3	$ —	$ —	$ 8	**$ 22**	$ 49
1	—	387	423	720	**1,764**	1,887
—	—	3	1,040	36	**1,385**	1,502
—	10	23	—	650	**684**	1,507
$ 1	**$ 13**	**$ 413**	**$ 1,463**	**$ 1,414**	**$ 3,855**	**$ 4,945**

Combining Statement of Changes in Assets and Liabilities

AGENCY FUNDS

March 31, 2006
(Amounts in millions)

	Balance April 1, 2005	Additions	Deductions	Balance March 31, 2006
School Capital Facilities Financing Reserve				
ASSETS:				
Cash and investments	$ 39	$ 24	$ 25	**$ 38**
Due from other funds	—	8	8	**—**
Total assets	**$ 39**	**$ 32**	**$ 33**	**$ 38**
LIABILITIES:				
Accounts payable	$ —	$ 24	$ 24	**$ —**
Accrued liabilities	39	26	27	**38**
Total liabilities	**$ 39**	**$ 50**	**$ 51**	**$ 38**
Employees Health Insurance				
ASSETS:				
Cash and investments	$ 162	$ 5,040	$ 5,058	**$ 144**
Receivables, net of allowance for uncollectibles	17	33	17	**33**
Due from other funds	2	31	27	**6**
Other assets	216	305	216	**305**
Total assets	**$ 397**	**$ 5,409**	**$ 5,318**	**$ 488**
LIABILITIES:				
Accounts payable	$ —	$ 5,021	$ 5,021	**$ —**
Accrued liabilities	180	5,442	5,440	**182**
Payable to local governments	216	305	216	**305**
Due to other funds	1	4	4	**1**
Total liabilities	**$ 397**	**$ 10,772**	**$ 10,681**	**$ 488**
Social Security Contribution				
ASSETS:				
Cash and investments	$ 23	$ 906	$ 918	**$ 11**
Total assets	**$ 23**	**$ 906**	**$ 918**	**$ 11**
LIABILITIES:				
Accounts payable	$ 13	$ 903	$ 916	**$ —**
Accrued liabilities	10	942	941	**11**
Total liabilities	**$ 23**	**$ 1,845**	**$ 1,857**	**$ 11**

(Continued)

See independent auditors' report.

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

AGENCY FUNDS

March 31, 2006
(Amounts in millions)

	Balance April 1, 2005	Additions	Deductions	Balance March 31, 2006
NYS Employee Payroll Withholding				
ASSETS:				
Cash and investments	$ 37	$ 3,409	$ 3,436	**$ 10**
Due from other funds	—	1	1	**—**
Total assets	**$ 37**	**$ 3,410**	**$ 3,437**	**$ 10**
LIABILITIES:				
Accounts payable	$ 19	$ 2,797	$ 2,806	**$ 10**
Accrued liabilities	18	3,607	3,625	**—**
Due to other funds	—	33	33	**—**
Total liabilities	**$ 37**	**$ 6,437**	**$ 6,464**	**$ 10**
Employees Dental Insurance				
ASSETS:				
Cash and investments	$ 5	$ 66	$ 69	**$ 2**
Receivables, net of allowance for uncollectibles	1	1	1	**1**
Due from other funds	1	2	2	**1**
Total assets	**$ 7**	**$ 69**	**$ 72**	**$ 4**
LIABILITIES:				
Accounts payable	$ 1	$ 69	$ 69	**$ 1**
Accrued liabilities	5	55	58	**2**
Payable to local governments	1	1	1	**1**
Total liabilities	**$ 7**	**$ 125**	**$ 128**	**$ 4**
Management Confidential Group Insurance				
ASSETS:				
Cash and investments	$ 2	$ 10	$ 11	**$ 1**
Total assets	**$ 2**	**$ 10**	**$ 11**	**$ 1**
LIABILITIES:				
Accounts payable	$ —	$ 9	$ 9	**$ —**
Accrued liabilities	2	12	13	**1**
Total liabilities	**$ 2**	**$ 21**	**$ 22**	**$ 1**

(Continued)

See independent auditors' report.

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

AGENCY FUNDS

March 31, 2006
(Amounts in millions)

	Balance April 1, 2005	Additions	Deductions	Balance March 31, 2006
CUNY Senior College Operating				
ASSETS:				
Cash and investments	$ 37	$ 1,229	$ 1,253	**$ 13**
Due from other funds	2	111	113	**—**
Total assets	**$ 39**	**$ 1,340**	**$ 1,366**	**$ 13**
LIABILITIES:				
Accounts payable	$ 11	$ 1,203	$ 1,211	**$ 3**
Accrued liabilities	23	1,374	1,397	**—**
Due to other funds	5	80	75	**10**
Total liabilities	**$ 39**	**$ 2,657**	**$ 2,683**	**$ 13**
MMIS Statewide Escrow				
ASSETS:				
Cash and investments	$ 585	$ 38,516	$ 38,688	**$ 413**
Due from other funds	—	1,423	1,423	**—**
Total assets	**$ 585**	**$ 39,939**	**$ 40,111**	**$413**
LIABILITIES:				
Accounts payable	$ —	$ 36,652	$ 36,652	**$ —**
Accrued liabilities	521	26,037	26,171	**387**
Payable to local governments	3	1,412	1,412	**3**
Due to other funds	61	508	546	**23**
Total liabilities	**$ 585**	**$ 64,609**	**$ 64,781**	**$ 413**
Sole Custody				
ASSETS:				
Cash and investments	$ 2,314	$ 1,455	$ 2,314	**$ 1,455**
Receivables, net of allowance for uncollectibles	4	8	4	**8**
Due from other funds	9	—	9	**—**
Total assets	**$ 2,327**	**$ 1,463**	**$ 2,327**	**$ 1,463**
LIABILITIES:				
Accrued liabilities	$ 473	$ 874	$ 924	**$ 423**
Payable to local governments	1,079	1,040	1,079	**1,040**
Due to other funds	775	—	775	**—**
Total liabilities	**$ 2,327**	**$ 1,914**	**$ 2,003**	**$ 1,463**

(Continued)

See independent auditors' report.

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

AGENCY FUNDS

March 31, 2006
(Amounts in millions)

	Balance April 1, 2005	Additions	Deductions	Balance March 31, 2006
Miscellaneous				
ASSETS:				
Cash and investments	$ 659	$ 3,148	$ 3,068	**$ 739**
Receivables, net of allowance for uncollectibles	812	658	841	**629**
Due from other funds	18	857	829	**46**
Total assets	**$ 1,489**	**$ 4,663**	**$ 4,738**	**$ 1,414**
LIABILITIES:				
Accounts payable	$ 5	$ 1,026	$ 1,023	**$ 8**
Accrued liabilities	616	3,775	3,671	**720**
Payable to local governments	203	106	273	**36**
Due to other funds	665	1,213	1,228	**650**
Total liabilities	**$ 1,489**	**$ 6,120**	**$ 6,195**	**$ 1,414**
Total Assets and Liabilities—All Agency Funds				
ASSETS:				
Cash and investments	$ 3,863	$ 53,803	$ 54,840	**$ 2,826**
Receivables, net of allowance for uncollectibles	834	699	862	**671**
Due from other funds	32	2,433	2,412	**53**
Other assets	216	305	216	**305**
Total assets	**$ 4,945**	**$ 57,240**	**$ 58,330**	**$ 3,855**
LIABILITIES:				
Accounts payable	$ 49	$ 47,704	$ 47,731	**$ 22**
Accrued liabilities	1,887	42,144	42,267	**1,764**
Payable to local governments	1,502	2,864	2,981	**1,385**
Due to other funds	1,507	1,838	2,661	**684**
Total liabilities	**$ 4,945**	**$ 94,550**	**$ 95,640**	**$ 3,855**

See independent auditors' report.

STATE OF NEW YORK

EXCELSIOR

COMPTROLLER

Statistical Section

For the fiscal year ended March 31, 2006, the State adopted GASBS No. 44, *Economic Condition Reporting: The Statistical Section*. GASBS No. 44 amended portions of NCGA Statement 1, *Governmental Accounting and Financial Reporting Principles*, related to preparation of the statistical section. Implementation of GASBS No. 44 only required modifications to the presentation of statistical data.

Changes in Fund Balances

GOVERNMENTAL FUNDS
LAST FOUR FISCAL YEARS

(Modified accrual basis of accounting)
(Amounts in millions)

	Fiscal Year 2003	2004	2005	2006
REVENUES:				
Taxes:				
Personal income	$ 21,967	$ 25,150	$ 28,382	$ 31,695
Consumption and use	11,408	12,552	13,710	13,859
Business	5,049	4,879	5,699	6,929
Other	1,212	1,210	1,821	1,898
Federal grants	35,312	38,241	37,480	36,524
Public health/patient fees	3,325	3,439	3,449	3,149
Tobacco settlement	745	317	113	110
Miscellaneous	5,681	6,285	7,937	13,329
Total revenues	**84,699**	**92,073**	**98,591**	**107,493**
EXPENDITURES:				
Local assistance grants:				
Social services	36,220	38,616	38,711	39,999
Education	21,282	23,323	24,205	25,459
Mental hygiene	1,331	1,384	1,336	1,422
General purpose	847	869	1,016	1,047
Health and environment	3,052	3,395	3,490	4,221
Transportation	3,370	2,437	2,510	3,097
Criminal justice	300	519	370	337
Miscellaneous	2,488	2,708	2,459	1,534
Departmental operations:				
Personal service	8,036	7,785	8,050	8,405
Non-personal service	5,404	5,340	5,189	6,208
Pension contribution	177	475	691	964
Other fringe benefits	2,308	2,792	3,147	3,257
Capital construction	3,362	3,608	3,599	4,048
Debt service, including payments on financing arrangements:				
Principal—(General Obligation)	390	349	331	341
Interest—(General Obligation)	182	160	153	146
Other	2,398	2,931	2,996	3,528
Total expenditures	**91,147**	**96,691**	**98,253**	**104,013**
Excess (deficiency) of revenues over expenditures	**(6,448)**	**(4,618)**	**338**	**3,480**
OTHER FINANCING SOURCES (USES):				
Transfers from other funds	2,238	2,628	2,947	2,295
Transfers to other funds	(3,637)	(3,182)	(3,560)	(3,914)
General obligation bonds issued	246	147	178	159
Premiums on general obligation bonds issued	—	—	—	1
Financing arrangements/ advance refundings issued	9,778	12,705	4,344	5,029
Payments on advance refundings	(6,481)	(4,443)	(2,137)	(3,201)
Net other financing sources (uses)	**2,144**	**7,855**	**1,772**	**369**
Net change in fund balances	**$ (4,304)**	**$ 3,237**	**$ 2,110**	**$ 3,849**
Debt Service (principal and interest) as a percentage of non capital expenditures	**0.65%**	**0.55%**	**0.51%**	**0.49%**

Source: Office of the State Comptroller

Net Assets by Component

LAST FOUR FISCAL YEARS

(Accrual basis of accounting)
(Amounts in millions)

	Fiscal Year			
	2003	2004	2005	2006
Governmental activities:				
Invested in capital assets, net of related debt	$ 60,823	$ 60,441	$ 61,375	$ 62,071
Restricted for:				
Debt service	2,278	2,454	2,821	2,270
Other specified purposes	141	240	374	2,566
Unrestricted (deficit)	(20,846)	(24,049)	(23,380)	(20,910)
Total governmental activities net assets	**$ 42,396**	**$ 39,086**	**$ 41,190**	**$ 45,997**
Business-type activities:				
Invested in capital assets, net of related debt	$ (520)	$ 23	$ 63	$ 9
Restricted for:				
Unemployment benefits	659	372	596	1,130
Other specified purposes	1,492	1,224	1,255	1,387
Unrestricted (deficit)	869	469	731	610
Total business-type activities net assets	**$ 2,500**	**$ 2,088**	**$ 2,645**	**$ 3,136**
Primary government:				
Invested in capital assets, net of related debt	$ 60,303	$ 60,464	$ 61,438	$ 62,080
Restricted for:				
Unemployment benefits	659	372	596	1,130
Debt service	2,278	2,454	2,821	2,270
Other specific purposes	1,633	1,464	1,629	3,953
Unrestricted (deficit)	(19,977)	(23,580)	(22,649)	(20,300)
Total primary government net assets	**$ 44,896**	**$ 41,174**	**$ 43,835**	**$ 49,133**

Source: Office of the State Comptroller

Changes in Net Assets

LAST FOUR FISCAL YEARS

(Accrual basis of accounting)
(Amounts in millions)

	Fiscal Year			
	2003	2004	2005	2006
EXPENSES:				
Governmental activities:				
Education	$ 21,215	$ 22,845	$ 24,023	$ 25,303
Public health	35,427	38,013	39,540	41,631
Public welfare	11,230	11,642	10,697	10,669
Public safety	4,948	5,961	5,597	5,001
Transportation	6,043	4,740	4,614	5,836
Environment and recreation	1,163	1,259	1,324	1,193
Support and regulate business	873	1,250	927	1,507
General government	6,467	7,041	6,937	8,280
Interest on long-term debt	1,206	1,851	1,684	1,712
Total governmental activities expenses	**88,572**	**94,602**	**95,343**	**101,132**
Business-type activities:				
Lottery	3,717	3,993	4,298	4,721
Unemployment insurance	4,590	3,877	2,638	2,507
State University of New York	5,484	5,732	6,138	6,396
City University of New York	1,852	1,953	1,903	2,056
Total business-type activities expenses	**15,643**	**15,555**	**14,977**	**15,680**
Total primary government expenses	**$ 104,215**	**$ 110,157**	**$ 110,320**	**$ 116,812**
PROGRAM REVENUES:				
Governmental activities:				
Charges for services:				
Education	$ 144	$ 158	$ 125	$ 123
Public health	3,350	3,305	3,437	8,273
Public welfare	561	708	313	702
Public safety	222	158	193	198
Transportation	203	318	209	216
Environment and recreation	286	321	246	227
Support and regulate business	443	398	247	276
General government	670	1,627	2,122	1,724
Operating grants and contributions	34,383	36,526	36,020	35,333
Capital grants and contributions	1,158	1,047	1,423	1,277
Total governmental activities program revenues	**41,420**	**44,566**	**44,335**	**48,349**
Business-type activities:				
Charges for services:				
Lottery	5,396	5,848	6,271	6,803
State University of New York	2,243	2,152	2,726	2,700
City University of New York	330	373	437	463
Operating grants and contributions	5,551	5,389	4,762	4,736
Capital grants and contributions	342	242	256	388
Total business-type activities program revenues	**13,862**	**14,004**	**14,452**	**15,090**
Total primary government program revenues	**$ 55,282**	**$ 58,570**	**$ 58,787**	**$ 63,439**
NET (EXPENSE)/REVENUE:				
Governmental activities	$ (47,152)	$ (50,036)	$ (51,008)	$ (52,783)
Business-type activities	(1,781)	(1,551)	(525)	(590)
Total primary government net expense	**$ (48,933)**	**$ (51,587)**	**$ (51,533)**	**$ (53,373)**

(Continued)

Changes in Net Assets (cont'd)

LAST FOUR FISCAL YEARS

(Accrual basis of accounting)
(Amounts in millions)

	Fiscal Year			
	2003	2004	2005	2006
GENERAL REVENUES AND OTHER CHANGES IN NET ASSETS:				
Governmental activities:				
Taxes:				
Personal income	$ 21,945	$ 25,129	$ 28,344	$ 31,694
Consumption and use	11,404	12,528	13,703	13,837
Business	5,049	4,832	5,676	6,901
Other	1,214	1,217	1,817	1,897
Grants and contributions not restricted to specific programs	—	645	—	—
Investment earnings	282	444	683	685
Miscellaneous	3,736	3,171	4,107	4,055
Transfers	(1,761)	(1,240)	(1,218)	(1,479)
Total governmental activities	**41,869**	**46,726**	**53,112**	**57,590**
Business-type activities:				
Investment earnings	391	169	81	127
Miscellaneous	188	173	453	505
Transfers	1,015	797	548	449
Total business-type activities	**1,594**	**1,139**	**1,082**	**1,081**
Total primary government	**$ 43,463**	**$ 47,865**	**$ 54,194**	**$ 58,671**
CHANGE IN NET ASSETS:				
Governmental activities	$ (5,283)	$ (3,310)	$ 2,104	$ 4,807
Business-type activities	(187)	(412)	557	491
Total Primary Government	**$ (5,470)**	**$ (3,722)**	**$ 2,661**	**$ 5,298**

Source: Office of the State Comptroller

Fund Balances

GOVERNMENTAL FUNDS
LAST FOUR FISCAL YEARS

(Modified accrual basis of accounting)
(Amounts in millions)

	Fiscal Year			
	2003	2004	2005	2006
General Fund:				
Reserved	$ 1,216	$ 1,782	$ 1,773	$ 1,798
Unreserved	(4,536)	(2,063)	(1,227)	384
Total general fund	**$ (3,320)**	**$ (281)**	**$ 546**	**$ 2,182**
All Other Governmental Funds:				
Reserved	$ 7,611	$ 9,051	$ 9,099	$ 11,277
Unreserved, reported in:				
Federal Special Revenue funds	(496)	(700)	(768)	(1,026)
Special revenue funds	2,917	2,260	3,110	3,938
Capital projects funds	(4,202)	(4,580)	(4,121)	(4,544)
Debt service funds	450	447	441	329
Total all other governmental funds	**$ 6,280**	**$ 6,478**	**$ 7,761**	**$ 9,974**

Source: Office of the State Comptroller

Tax Receipts by Source

GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS

(Modified accrual basis of accounting)
(Amounts in millions)

Fiscal Year	Personal Income	Sales and Use	Motor Fuel	Corporate Franchise	Cigarette	Corporate & Utility	Other Miscellaneous	Total Taxes Collected By Year
1996-1997	$ 16,371	$ 7,261	$ 472	$ 2,306	$ 667	$ 1,789	$ 4,573	$ 33,439
1997-1998	17,759	7,562	492	2,343	676	1,745	4,814	35,391
1998-1999	20,662	7,912	502	2,262	667	1,728	4,848	38,581
1999-2000	21,533	8,532	519	2,168	643	1,692	4,642	39,729
2000-2001	26,892	8,732	510	2,631	528	1,009	4,306	44,608
2001-2002	27,414	8,540	489	1,702	532	1,218	4,420	44,315
2002-2003	23,698	8,796	544	1,612	447	1,091	4,488	40,676
2003-2004	24,050	9,907	516	1,700	419	882	4,780	42,254
2004-2005	27,997	11,016	530	2,110	406	827	5,609	48,495
2005-2006	30,813	11,195	531	3,053	974	832	6,245	53,643

Source: Office of the State Comptroller
New York State Division of the Budget

Program Revenues by Function/Program

LAST FOUR FISCAL YEARS

(Accrual basis of accounting)
(Amounts in millions)

	Program Revenues			
	2003	2004	2005	2006
FUNCTION/PROGRAM:				
Governmental activities:				
Education	$ 2,628	$ 3,259	$ 3,480	$ 3,833
Public health	24,636	26,505	26,878	31,526
Public welfare	9,046	8,321	7,678	8,204
Public safety	1,727	2,170	1,452	480
Transportation	1,554	1,620	1,873	1,782
Environment and recreation	552	538	496	428
Support and regulate business	475	406	266	299
General government	802	1,747	2,212	1,797
Total governmental activities	**41,420**	**44,566**	**44,335**	**48,349**
Business-type activities:				
Lottery	5,396	5,848	6,271	6,803
Unemployment insurance	3,911	3,590	2,727	2,754
State University of New York	3,428	3,532	4,160	4,141
City University of New York	1,127	1,034	1,294	1,392
Total business-type activities	**13,862**	**14,004**	**14,452**	**15,090**
Total primary government	**$ 55,282**	**$ 58,570**	**$ 58,787**	**$ 63,439**

Source: Office of the State Comptroller

New York State and Local Retirement Systems—Changes in Net Assets

LAST SEVEN FISCAL YEARS

(Amounts in thousands)

	Fiscal Year						
	2000	2001	2002	2003	2004	2005	2006
Additions:							
Member contributions	$ 422,743	$ 319,063	$ 210,202	$ 219,192	$ 221,871	$ 227,308	$ 241,173
Employer contributions	164,547	214,766	263,846	651,931	1,286,455	2,964,843	2,782,147
Investment income/loss (net of expenses)	19,276,908	(11,170,822)	2,730,952	(11,235,815)	27,334,752	9,679,979	17,615,876
Other	139,758	116,361	119,366	109,730	77,148	122,767	94,556
Total additions to plan net assets	**20,003,956**	**(10,520,632)**	**3,324,366**	**(10,254,962)**	**28,920,226**	**12,994,897**	**20,733,752**
Deductions:							
Retirement allowances	3,577,390	4,028,018	4,336,455	4,836,206	5,190,147	5,512,849	5,867,718
Death benefits	142,780	152,941	151,796	148,372	157,314	161,857	161,249
Administrative expenses	50,653	57,806	66,612	67,496	69,612	65,324	78,506
Other	66,918	86,449	88,121	45,188	76,816	16,159	43,901
Total deductions from plan assets	**3,837,741**	**4,325,214**	**4,642,984**	**5,097,262**	**5,493,889**	**5,756,189**	**6,151,374**
Change in net assets	**$ 16,166,215**	**$ (14,845,846)**	**$ (1,318,618)**	**$ (15,352,224)**	**$ 23,426,337**	**$ 7,238,708**	**$ 14,582,378**

Source: New York State and Local Retirement System

Notes: For additional information, please see www.osc.state.ny.us/retire/pamphlts.htm

Taxable Sales by Industry

FIVE YEARS STATED

(Amounts in thousands)

Industry	March 1998 to February 1999	March 1999 to February 2000	March 2000 to February 2001	March 2001 to February 2002	March 2002 to February 2003
Utilities (excluding residential energy)	$ 5,496,944	$ 5,764,025	$ 7,003,566	$ 7,481,918	$ 7,264,232
Construction	3,686,658	4,045,868	4,615,326	4,496,170	4,495,756
Manufacturing	5,221,251	5,368,759	5,780,782	5,336,939	5,096,886
Wholesale Trade	16,211,389	16,878,347	18,687,773	16,983,071	16,602,558
Motor Vehicles and Parts	18,875,571	21,521,394	23,150,843	24,907,570	26,042,616
Furniture and Home Furnishings	4,517,121	4,486,670	4,871,694	5,074,304	5,226,201
Electronics and Appliances	4,355,326	5,338,392	5,520,155	5,377,031	5,460,651
Building Materials and Garden Equipment	7,637,170	8,565,781	9,253,080	9,532,223	9,998,490
Food and Beverage	8,732,194	8,429,702	8,719,799	9,532,610	9,626,743
Health and Personal Care	2,644,000	3,312,810	3,343,957	3,379,821	3,450,280
Gasoline Stations	4,921,367	6,302,241	7,234,739	7,101,992	7,463,037
Clothing (excluding local sales)	11,058,437	12,110,125	5,293,760	4,915,264	5,045,338
Sporting Goods, Hobby, Book and Music Stores	4,102,581	4,537,478	4,114,452	4,008,866	3,974,229
General Merchandise	14,481,128	15,139,155	10,684,452	11,062,242	11,641,322
Miscellaneous Retail	7,593,152	5,118,951	5,266,148	5,777,126	5,971,711
Nonstore Retail	2,138,561	2,684,290	2,844,474	2,699,456	2,872,929
Information	13,366,293	14,312,358	15,427,550	15,739,280	15,747,564
Professional, Scientific, and Technical	3,700,982	4,509,175	5,363,624	4,709,711	4,253,090
Administrative/Support Services	5,103,060	5,975,796	6,752,132	6,598,848	6,634,385
Health Care	220,796	217,755	222,060	235,666	243,987
Arts, Entertainment, and Recreation	1,947,055	2,158,918	2,321,148	2,439,366	2,427,310
Accommodation and Food Services:					
Food Services	19,262,375	15,003,033	16,982,576	17,651,930	18,180,033
Accommodation	—	5,957,183	6,513,765	5,435,767	5,646,772
Other Services:					
Repair and Maintenance	3,108,285	3,682,433	4,027,719	3,858,356	3,937,941
Personal and Laundry Services	1,311,739	1,498,095	1,674,343	1,591,677	1,707,882
All Other Services	1,018,080	332,792	404,923	595,553	560,129
Ag., Mining, Trans., FIRE, Educ., Govt	9,923,644	9,260,624	10,348,381	10,567,486	10,357,638
Unclassified by Industry	981,468	5,716,682	2,498,603	369,254	982,602
Total	**$ 181,616,629**	**$ 198,228,832**	**$ 198,921,824**	**$ 197,459,497**	**$ 200,912,312**

Source: New York State Department of Taxation and Finance (www.tax.state.ny.us)

Notes:

(1) Sales tax rates based on statute. Rates subject to change annually based on exemptions granted by law.

(2) Please see 2006-07 Executive Budget Overview—"Sweeping Tax Cuts" for additional information. (www.budget.state.ny.us)

Personal Income Tax Filers and Liability by Income Level

FOR FIVE YEARS STATED

(Dollar data in thousands)

1998
Income Tax Components of Full-Year Residents (All Returns) in 1998

Income Class	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
Under $5,000	1,062,737	14%	$ (27,534)	0%
$ 5,000–9,999	892,294	12%	(99,779)	–1%
10,000–19,999	1,355,408	18%	5,950	0%
20,000–29,999	1,048,161	14%	561,772	3%
30,000–39,999	799,521	10%	889,023	5%
40,000–49,999	576,698	8%	939,646	6%
50,000–59,999	442,064	6%	953,279	6%
60,000–74,999	466,658	6%	1,327,195	8%
75,000–99,999	437,393	6%	1,732,740	11%
100,000–199,999	405,488	5%	2,884,389	18%
200,000 and over	163,656	2%	7,035,085	43%
Total	**7,650,078**	**100%**	**$16,201,766**	**100%**

1999
Income Tax Components of Full-Year Residents by Size of Income (All Returns) in 1999

Income Class	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
Under $5,000	1,067,000	14%	$ (27,952)	0%
$ 5,000–9,999	873,229	11%	(93,715)	–1%
10,000–19,999	1,338,164	17%	(3,093)	0%
20,000–29,999	1,042,293	13%	536,980	3%
30,000–39,999	814,459	10%	891,926	5%
40,000–49,999	588,527	8%	961,664	5%
50,000–59,999	450,140	6%	978,580	5%
60,000–74,999	485,419	6%	1,388,686	8%
75,000–99,999	466,673	6%	1,858,354	10%
100,000–199,999	459,964	6%	3,299,057	18%
200,000 and over	188,129	2%	8,153,678	45%
Total	**7,773,997**	**100%**	**$17,944,165**	**100%**

2000
Income Tax Components of Full-Year Residents by Size of Income (All Returns) in 2000

Income Class	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
Under $5,000	1,082,379	13%	$ (33,430)	0%
$ 5,000–9,999	912,361	11%	(134,835)	–1%
10,000–19,999	1,372,544	17%	(52,310)	0%
20,000–29,999	1,076,279	13%	531,738	3%
30,000–39,999	840,802	10%	916,843	4%
40,000–49,999	615,956	8%	1,002,229	5%
50,000–59,999	468,257	6%	1,014,292	5%
60,000–74,999	513,045	6%	1,472,446	7%
75,000–99,999	505,027	6%	2,015,234	10%
100,000–199,999	519,221	6%	3,735,901	18%
200,000 and over	217,173	3%	10,529,250	50%
Total	**8,123,044**	**100%**	**$20,997,359**	**100%**

2001
Income Tax Components of Full-Year Residents by Size of Income (All Returns) in 2001

Income Class	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
Under $5,000	1,099,726	14%	$ (36,957)	0%
$ 5,000–9,999	865,739	11%	(138,532)	–1%
10,000–19,999	1,335,044	17%	(123,275)	–1%
20,000–29,999	1,052,949	13%	484,510	3%
30,000–39,999	837,757	10%	897,780	5%
40,000–49,999	619,279	8%	996,088	5%
50,000–59,999	464,371	6%	995,479	5%
60,000–74,999	515,464	6%	1,466,090	8%
75,000–99,999	515,543	6%	2,033,086	11%
100,000–199,999	528,198	7%	3,746,962	20%
200,000 and over	203,001	3%	8,507,936	45%
Total	**8,037,071**	**100%**	**$18,829,167**	**100%**

2002(1)
Income Tax Components of Full-Year Residents by Size of Income (All Returns) in 2002

Income Class	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
Under $5,000	1,147,330	14%	$ (46,412)	0%
$ 5,000–9,999	851,799	11%	(144,238)	–1%
10,000–19,999	1,314,760	16%	(188,667)	–1%
20,000–29,999	1,033,443	13%	416,859	2%
30,000–39,999	825,347	10%	858,914	5%
40,000–49,999	621,435	8%	980,604	6%
50,000–59,999	459,327	6%	968,129	6%
60,000–74,999	519,994	6%	1,457,215	8%
75,000–99,999	525,565	7%	2,041,915	12%
100,000–199,999	533,802	7%	3,746,124	21%
200,000 and over	196,969	2%	7,379,544	42%
Total	**8,029,771**	**100%**	**$17,469,989**	**100%**

Source: New York State Department of Taxation and Finance

Notes:

(1) Calendar Years after 2002 are not yet available, please see www.tax.state.ny.us for additional information

(2) Due to rounding, percentages may not total 100 percent.

Personal Income by Industry

LAST FIVE CALENDAR YEARS

(Amounts in millions)

	Calendar Year				
	2001	2002	2003	2004	2005
Total personal income	**$ 679,885**	**$ 677,604**	**$ 691,123**	**$ 737,755**	**$ 805,717**
Farm earnings	851	596	781	805	1,029
Nonfarm earnings	550,299	548,911	557,906	595,910	640,427
Private earnings	474,031	468,952	474,881	508,731	547,340
Agricultural services, forestry, fishing	1,279	1,226	1,214	1,245	1,300
Mining	1,212	942	829	934	1,044
Utilities	5,178	5,483	5,576	5,708	6,056
Construction	22,736	23,097	23,450	24,559	25,880
Manufacturing	42,787	42,360	43,133	43,719	44,750
Wholesale trade	25,344	25,391	26,278	27,831	29,324
Retail trade	27,203	28,185	29,067	30,537	32,704
Transportation and warehousing	11,778	11,648	11,941	12,559	13,368
Information	33,224	33,482	34,470	36,015	37,930
Finance and insurance	102,845	92,368	89,925	102,607	112,614
Real estate, rental and leasing	13,991	13,657	15,570	14,893	16,105
Professional and technical services	61,633	59,209	58,694	62,741	69,610
Management of companies and enterprises	14,707	16,101	15,591	16,591	17,411
Administrative and waste services	16,616	16,698	17,433	18,596	20,562
Educational services	10,553	11,298	12,100	12,880	14,195
Health care and social assistance	51,234	54,547	57,000	60,445	64,775
Arts, entertainment, and recreation	7,012	7,341	7,629	8,300	8,818
Accommodation and food services	11,439	11,832	12,346	13,112	14,150
Other services, except public administration	13,252	14,079	14,806	15,451	16,745
Government and government enterprises	76,268	79,959	83,025	87,179	93,086
Federal, civilian	9,522	10,080	10,189	10,813	11,330
Military	1,719	1,991	2,442	2,626	2,921
State and local	65,027	67,887	70,392	73,738	78,835

Source: Bureau of Economic Analysis

Notes:

(1) Note Deviation between personal income and earnings by industry are due to dividends, interest, rent, personal current transfer receipts, contributions for government social insurance, employee and self-employed contributions for government social insurance, and adjustment for residence.

(2) Calendar year 2006 data is not yet available, for more information please see www.bea.gov

Personal Income Tax Rates

LAST TEN CALENDAR YEARS

Year	Top Rate	Top Income Tax Rate is Applied to Taxable Income in Excess of: Single	Married Filing Jointly	Head of Household	Average Effective Rate(1)
1996	7.13%	$ 13,000	$ 26,000	$ 17,000	3.39%
1997	6.85%	20,000	40,000	30,000	3.10%
1998	6.85%	20,000	40,000	30,000	3.19%
1999	6.85%	20,000	40,000	30,000	3.49%
2000	6.85%	20,000	40,000	30,000	3.47%
2001	6.85%	20,000	40,000	30,000	4.06%
2002	6.85%	20,000	40,000	30,000	4.03%
2003	7.70%	500,000	500,000	500,000	3.50%
2004	7.70%	500,000	500,000	500,000	3.48%
2005	7.70%	500,000	500,000	500,000	3.79%

Source: New York State Department of Taxation and Finance (www.tax.state.ny.us)

Notes:

(1) Fiscal year personal income tax collections divided by prior-year personal income.

(2) See Exhibit Demographic and Economic Statistics for personal income and population data.

(3) See Exhibit Tax Receipts by Source for personal income tax collections.

Legal Debt Margin Information

LAST FIVE FISCAL YEARS

(Amounts in millions)

	Fiscal Year 2002	2003	2004	2005	2006
Authorized Debt Limit—General Obligation Debt:					
Transportation Bonds	$ 7,500	$ 7,500	$ 7,500	$ 7,500	$ 10,400
Environmental Bonds	5,650	5,650	5,650	5,650	5,650
Housing Bonds	1,135	1,135	1,135	1,135	1,135
Education Bonds	250	250	250	250	250
Total General Obligation Debt	**14,535**	**14,535**	**14,535**	**14,535**	**17,435**
Local Government Assistance Corp	4,700	4,700	4,700	4,700	4,700
Other Lease Purchase and Contractual Financing Arrangements	37,144	38,342	38,342	54,375[1]	62,286
Total Authorized Debt	**$ 56,379**	**$ 57,577**	**$ 57,577**	**$ 73,610**	**$ 84,421**
Total debt applicable to limit:					
General Obligation	$ 4,142	$ 3,996	$ 3,804	$ 3,652	$ 3,470
Local Government Assistance Corp	4,621	4,575	4,569	4,449	4,317
Other Lease Purchase and Contractual Financing Arrangements	28,214	30,466	31,943	32,597	33,390
Other State Financings	—	—	—	—	5,749
Debt Reduction Reserve Fund Offsets	(355)	(194)	—	—	—
Total State Supported Debt	**36,622**	**38,843**	**40,316**	**40,698**	**46,926**
Legal Debt Margin	**$ 19,757**	**$ 18,734**	**$ 17,261**	**$ 32,912**	**$ 37,495**
Total net debt applicable to the limit as a percentage of debt limit	**64.96%**	**67.46%**	**70.02%**	**55.29%**	**55.59%**

Source: New York State Division of the Budget, Annual information Statement

Notes:

(1) The increase in 2005 Other Lease Purchase and Contractual Financing Arrangements relates to the increase in authorization of lease purchases for the Thruway Authority and SUNY, resulting in an increase of the Legal Debt margin for 2005.

(2) For additional information please see http://www.budget.state.ny.us/investor/finldisclosure/disclosureCover1.pdf

Ratios of Outstanding Debt by Type

LAST FIVE FISCAL YEARS
(Amounts in millions)

	Governmental Activities			Business Type Activities			
Fiscal Year	General Obligation Bonds	Other Financing Arrangements[1]	Moral Obligation Debt	Other Financing Arrangements[2]	Total Primary Government	Percentage of Personal Income[3]	Debt Per Capita[3]
2001-2002	$ 4,142	$ 25,561	$ 517	$ 7,339	$ 37,559	6%	$ 1,976
2002-2003	3,996	27,880	438	7,444	39,758	6%	2,075
2003-2004	3,803	35,084	376	8,025	47,288	7%	2,464
2004-2005	3,652	35,911	111	7,938	47,612	6%	2,476
2005-2006	3,470	35,763	67	7,825	47,125	6%	2,451

Source: Office of the State Comptroller

Notes:

(1) Other Financing Arrangements for Governmental Activities include, Capital Lease Obligations, Unamortized Bond Premiums and Discounts, and other State Supported debt as defined by the State Finance Law.

(2) Other Financing Arrangements for Business Type Activities include Capital Lease Obligations, Mortgage Loan Commitments and Certificates of Participation.

(3) See Exhibit: Demographic and Economic Statistics for personal income and population data.

Ratios of General Obligation Debt Outstanding and Legal Debt Margin

LAST FIVE FISCAL YEARS
(Amounts in millions)

	Fiscal Year				
	2002	2003	2004	2005	2006
General Obligation Debt Outstanding:					
General obligation bonds	**$ 4,142**	**$ 3,996**	**$ 3,804**	**$ 3,652**	**$ 3,470**
Per capita	**$ 218**	**$ 209**	**$ 198**	**$ 190**	**$ 180**
Legal debt limit	$ 14,535	$ 14,535	$ 14,535	$ 14,535	$ 17,435[1]
Total net debt applicable to debt limit	4,142	3,996	3,804	3,652	3,470
Legal debt margin	**$ 10,393**	**$ 10,539**	**$ 10,731**	**$ 10,883**	**$ 13,965**
Legal debt margin as a percentage of the debt limit	**71.50%**	**72.51%**	**73.83%**	**74.87%**	**80.10%**

Source: New York State Division of the Budget, Annual information Statement

Notes:

(1) The increase in the Legal Debt Limit in 2006 is related to the increase in authorization of Transportation bonds.

(2) For additional information please see http://www.budget.state.ny.us/investor/finldisclosure/disclosureCover1.pdf

Pledged Revenue Coverage

FISCAL YEARS STATED

(Cash basis of accounting)
(Amounts in thousands)

New York Local Government Assistance Corporation Bonds[(a)]

	Sales Tax Revenues				
Fiscal Year	Sales Tax Receipts	Operating Expenses	Net Available Revenues	Annual Debt Service	Debt Service Coverage
1996-97	$ 1,746,576	$ 3,951	$ 1,742,625	$ 329,522	5.29
1997-98	1,813,532	4,000	1,809,532	326,596	5.54
1998-99	1,893,821	3,375	1,890,446	335,744	5.63
1999-00	2,045,844	13,000	2,032,844	315,313	6.45
2000-01	2,091,901	10,676	2,081,225	323,631	6.43
2001-02	2,043,674	4,000	2,039,674	290,125	7.03
2002-03	2,106,477	4,000	2,102,477	183,498	11.46
2003-04	2,266,814	4,000	2,262,814	291,618	7.76
2004-05	2,492,739	6,000	2,486,739	306,023	8.13
2005-06	2,614,565	8,000	2,606,565	313,265	8.32

New York State Personal Income Tax Revenue Bonds[(b)]

	Personal Income Tax Revenues				
Fiscal Year	Revenue Bond Tax Fund Receipts	Operating Expenses	Net Available Revenues	Annual Debt Service	Debt Service Coverage
2003-04	$ 5,456,943	$ 884	$ 5,456,059	$ 257,967	21.15
2004-05	6,260,277	1,069	6,259,208	346,895	18.04
2005-06	6,899,930	2,058	6,897,872	515,627	13.38

Source: Office of the State Comptroller

Notes:

New York Local Government Assistance Corporation Bonds

(a) An amount equal to one-cent of the State's sales tax, less refunds to taxpayers, is to be deposited in the Local Government Assistance Tax Fund. The monies of such Fund are reserved for payment to the New York Local Assistance Corporation to enable it to meet principal and interest on its bonds. Monies in the Local Government Assistance Tax Fund in excess of of debt service requirements and administrative expenses of the New York Local Government Assistance Corporation are required to be transferred to the General Fund.

New York State Personal Income Tax Revenue Bonds

(b) 25% of New York State Personal Income Tax Receipts less refunds to taxpayers, is to be deposited in the Revenue Bond Tax Fund. The monies of such fund are reserved for payment of debt service on Personal Income Tax revenue Bonds, since the Enabling Act originally has been in effect, beginning the 2003-2004 fiscal year. Monies in the Revenue Bond Tax Fund in excess of debt service requirements are required to be transferred to the General Fund.

Ratios of General Bonded Debt Outstanding

LAST FIVE FISCAL YEARS
(Amounts in millions)

	General Bonded Debt Outstanding	
Fiscal Year	General Obligation Bonds	Per Capita[1]
2001-2002	$ 4,142	$ 218
2002-2003	3,996	209
2003-2004	3,804	198
2004-2005	3,652	190
2005-2006	3,470	180

Source: New York State Division of the Budget, Annual information Statement

Notes:

(1) See Exhibit: Demographic and Economic Statistics for population data.

(2) For additional information please see http://www.budget.state.ny.us/investor/finldisclosure/disclosureCover1.pdf

Demographic and Economic Statistics

LAST TEN CALENDAR YEARS

Year	Population (1000s)	Personal Income (1000s)	Per Capita Personal Income	Unemployment Rate (Percent)
1996	18,185	$528,362,604	$ 29,055	6.3
1997	18,137	557,023,833	30,712	6.4
1998	18,175	591,847,125	32,564	5.6
1999	18,197	619,658,834	34,053	5.1
2000	18,976	663,005,163	34,939	4.6
2001	19,011	679,885,648	35,763	4.9
2002	19,158	677,604,314	35,369	5.8
2003	19,190	691,123,302	36,015	6.0
2004	19,227	737,755,932	38,371	5.5
2005	19,255	805,717,000	41,845	4.8

*Sources: Bureau of Economic Analysis, U.S. Department of Commerce, U.S. Census Bureau,
New York State Department of Labor*

Twenty Five Largest Private Sector Employers

FIVE YEARS STATED

2001	2002	2003
The Bank of New York Company, Inc.	The Bank of New York Company, Inc.	The Bank of New York Company, Inc.
J.P. Morgan Chase	Citibank NA	Citibank NA
Citigroup, Inc.	Eastman Kodak Company	Eastman Kodak Company
Eastman Kodak Company	Eckerd (CVS Corporation)	Eckerd (CVS Corporation)
Federated Corporate Services	Fleet National Bank	Fleet National Bank
General Electric Company	General Electric Company	General Electric Company
Goldman Sachs & Company	Goldman Sachs & Company	Goldman Sachs & Company
International Business Machines Corporation	HSBC Bank USA	HSBC Bank USA
J.C.Penny	International Business Machines Corporation	International Business Machines Corporation
K-Mart	J.P. Morgan Chase	J.P. Morgan Chase
Merrill Lynch & Company, Inc.	K-Mart	K-Mart
Pathmark	Macy's (Federated Department Stores)	Macy's (Federated Department Stores)
Republic National Bank of NY	Merrill Lynch	Merrill Lynch
Rite Aid	Pathmark Stores Incorporated	Pathmark Stores Incorporated
Salomon Smith Barney, Inc.	Price Chopper Operating Company, Inc.	Price Chopper Operating Company, Inc.
Sears Roebuck & Company	Salomon Smith Barney	Salomon Smith Barney
The Golub Corporation	Sears Roebuck & Company	Sears Roebuck & Company
The Home Depot	Stop & Shop	Stop & Shop
Tops, Inc.	The Gap, Incorporated	The Gap, Incorporated
The Gap, Inc	The Home Depot	The Home Depot
United Parcel Service, Inc.	Tops Markets (Ahold USA Inc)	Tops Markets (Ahold USA Inc)
Verizon Communications	United Parcel Service, Inc.	United Parcel Service, Inc.
Wal-Mart Stores	Wal-Mart Stores	Wal-Mart Stores
Wegmans Food Markets, Inc	Wegmans Food Markets, Inc.	Wegmans Food Markets, Inc.
Xerox Corporation	Xerox Corporation	Xerox Corporation

Source: New York State Empire State Development Corporation

Notes: Calendar Year 2006 information is not yet available, for more information please go to http://www.nysstatistics.org.

Private sector employers are listed in alphabetical order.

2004

The Bank of New York Company, Inc.
Citibank NA
Eastman Kodak Company
Eckerd (CVS Corporation)
Fleet National Bank
General Electric Company
Goldman Sachs & Company
HSBC Bank USA
International Business Machines Corporation
J.P. Morgan Chase
K-Mart
Macy's (Federated Department Stores)
Merrill Lynch
Pathmark Stores Incorporated
Price Chopper Operating Company, Inc.
Salomon Smith Barney
Sears Roebuck & Company
Stop & Shop
The Gap, Incorporated
The Home Depot
Tops Markets (Ahold USA Inc)
United Parcel Service, Inc.
Wal-Mart Stores
Wegmans Food Markets, Inc.
Xerox Corporation

2005

The Bank of New York Company, Inc.
Citibank NA
Eastman Kodak Company
Eckerd (CVS Corporation)
Fleet National Bank
Goldman Sachs & Company
HSBC Bank USA
International Business Machines Corporation
J.P. Morgan Chase
Macy's (Federated Department Stores)
Pathmark Stores Incorporated
Golub Corporation
Rite-Aid
Salomon Smith Barney
Sears Roebuck & Company
Stop & Shop
Target
The Gap, Incorporated
The Home Depot
Tops Markets (Ahold USA Inc)
United Parcel Service, Inc.
Waldbaum Incorporated (The A&P Company)
Wal-Mart Stores
Wegmans Food Markets, Inc.
Xerox Corporation

Demographic and Economic Statistics

LAST TEN CALENDAR YEARS

Year	Population: U.S. Population (1000s)	Change from Prior Period	State of New York	Change from Prior Period
1996	265,229	0.92%	18,185	0.04%
1997	267,784	0.96%	18,137	–0.26%
1998	270,248	0.92%	18,175	0.21%
1999	272,691	0.90%	18,197	0.12%
2000	282,193	3.48%	18,976	4.28%
2001	285,108	1.03%	19,011	0.18%
2002	287,985	1.01%	19,158	0.77%
2003	290,850	0.99%	19,190	0.17%
2004	293,657	0.97%	19,227	0.19%
2005	296,410	0.94%	19,255	0.15%

Sources: U.S.Census Bureau, Bureau of Economic Analysis, New York State Department of Labor, New York State Department of Motor Vehicles, New York State Education Department

Government Employees by Level of Government

NEW YORK STATE 1995–2004

(Annual averages in thousands)

Fiscal Years	Employees: State	Local
1995	268.6	1,001.6
1996	260.6	995.1
1997	257.4	1,007.6
1998	256.7	1,027.1
1999	258.8	1,045.5
2000	261.7	1,059.0
2001	263.3	1,064.2
2002	267.8	1,086.6
2003	263.7	1,088.9
2004	261.8	1,091.6

Source: 2005 New York State Statistical Yearbook, Rockefeller Institute of Government

Notes:

(1) For State employees annual average of the number of checks issued as of the pay period including the 12th of the month, regardless of funding source, to individuals in: State departments and agencies; Legislature; Judiciary; public authorities; and miscellaneous boards and commissions.

(2) Local government employees includes full- and part-time employees of counties, cities, villages and towns, engaged in educational or noneducational functions.

Per Capita Personal Income			Civilian Labor Force				
U.S.	State of New York	New York as a Percentage of U.S.	Employed (1000s)	Unemployed (1000s)	Unemployment Rate	Public School Enrollment	Motor Vehicles Registered
24,175	29,055	120.2%	8,174	495	6.3%	2,812,031	—
25,334	30,712	121.2%	8,389	514	6.4%	2,829,926	10,027,422
26,883	32,564	121.1%	8,518	461	5.6%	2,843,526	10,173,646
27,939	34,053	121.9%	8,626	431	5.1%	2,850,824	10,436,939
29,845	34,939	117.1%	8,729	397	4.6%	2,844,110	10,661,161
30,574	35,763	117.0%	8,711	370	4.9%	2,839,536	10,706,563
30,810	35,369	114.8%	8,712	542	5.8%	2,832,217	10,445,409
31,484	36,015	114.4%	8,675	556	6.0%	2,875,088	10,414,200
33,050	38,371	116.1%	8,741	506	5.5%	2,857,079	10,449,816
34,586	41,845	121.0%	8,902	444	4.8%	2,864,037	10,476,513

Select State Agency Employment

MARCH 2006

Agency	Actual March 2006
Major Agencies:	
State University	39,195
Correctional Services	31,768
Mental Retardation	21,837
Mental Health	16,180
Transportation	9,687
Health	5,860
State Police	5,591
Taxation and Finance	4,760
Children and Family Services	3,714
Environmental Conservation	3,345
Education	3,013
Temporary and Disability Assistance	2,349
Subtotal	**147,299**
Other Major Agencies	17,388
Minor Agencies	11,486
Other	15,218
GRAND TOTAL	**191,391**

Source: New York State Division of Budget 2005-06 Year End Report, May 2006 (www.budget.state.ny.us)

Notes: Does not include; Legislature; Judiciary; public authorities; and miscellaneous boards and commissions.

Operating Indicators

LAST FIVE YEARS

	2002	2003	2004	2005	2006
State Police Protection:					
Number of Troops	11	11	11	11	11
Number of Employees	5,257	5,453	5,608	5,608	5,977
State University of New York:					
Campuses	64	64	64	64	64
Students	382,000	402,000	410,700	410,700	412,000
Recreation:					
Parks & Historic Sites	199	202	203	203	207
Expected Visitors	60 million	60 million	60 million	60 million	60 million

Source: New York State Executive Budget

Capital Asset Balances by Function

LAST FOUR FISCAL YEARS

(Amounts in thousands)

Function	Fiscal Year 2003	2004	2005	2006
Buildings				
General government	$ 1,930,934	$ 1,990,681	$ 2,108,846	$ 2,167,477
Public safety	2,507,036	2,727,468	2,795,264	2,937,355
Public welfare	176,484	178,303	164,945	170,922
Support/regulate business	33,163	33,152	33,152	33,152
Environment/recreation	272,781	279,273	308,462	334,422
Education	60,901	81,168	89,201	89,538
Public health	2,073,486	2,969,581	2,599,809	2,681,709
Transportation	235,688	251,214	306,960	315,243
Land				
General government	91,060	91,678	91,505	88,847
Public safety	20,065	19,619	19,434	19,572
Public welfare	8,700	8,640	7,619	7,619
Support/regulate business	408	408	408	408
Environment/recreation	829,352	904,993	930,262	1,000,103
Education	1,097	1,097	1,097	1,079
Public health	144,229	143,233	141,431	141,642
Transportation	60,943	60,943	60,943	60,943
Land Improvements				
General government	35,109	36,499	37,288	38,084
Public safety	153,821	164,757	175,874	185,257
Public welfare	13,245	14,968	16,060	16,222
Support/regulate business	6,024	6,024	6,024	6,024
Environment/recreation	84,522	85,723	89,776	100,693
Education	—	—	—	420
Public health	18,943	27,279	41,796	45,153
Transportation	12,559	12,559	12,931	14,640
Equipment				
General government	194,068	174,428	156,977	139,032
Public safety	84,036	84,276	81,574	83,144
Public welfare	41,944	41,323	14,438	13,770
Support/regulate business	8,526	8,302	6,783	4,156
Environment/recreation	32,590	32,951	32,640	36,015
Education	11,402	10,092	9,015	5,331
Public health	61,612	62,844	57,982	60,623
Transportation	208,031	245,761	258,006	265,963
Infrastructure				
Public safety	—	—	5,751	28,369
Environment/recreation	12,120	17,640	19,866	19,445
Public health	—	4,212	23,940	15,053

Source: Office of the State Comptroller

Retired Members by Type of Benefit Plan

AS OF MARCH 31, 2006

Retirement System	Retirement Plan Membership: Tier 1	Tier 2	Tier 3 & 4
New York State and Local Employees Retirement System	29,492	24,263	564,234
New York State and Local Police and Fire Retirement System	1,143	34,159	—

Source: New York State and Local Retirement System

Note: Please see www.osc.state.ny.us/retire/pamphlts.htm for more information

Principal Participating Employers

SEVEN MOST RECENT FISCAL YEARS

Participating Government	2000 Covered Employees	2000 Rank	2000 Percentage of Total System	2001 Covered Employees	2001 Rank	2001 Percentage of Total System	2002 Covered Employees	2002 Rank	2002 Percentage of Total System
State	221,626	1	36.66%	227,877	1	36.37%	222,186	1	34.83%
Counties	121,843	2	20.16%	125,814	2	20.08%	124,347	2	19.49%
Schools	103,695	3	17.15%	110,369	3	17.61%	115,757	3	18.15%
Misc	69,226	4	11.45%	72,098	4	11.51%	83,914	4	13.15%
Towns	40,045	5	6.62%	41,301	5	6.59%	42,254	5	6.62%
Cities	31,808	6	5.26%	32,332	6	5.16%	32,283	6	5.06%
Villages	16,236	7	2.69%	16,774	7	2.68%	17,155	7	2.69%
Total*	604,479		100.00%	626,565		100.00%	637,896		100.00%

Source: New York State and Local Retirement System

Notes: Total includes inactive members identified with their last employer as active members.

Please see www.osc.state.ny.us/retire/pamphlts.htm for more information

Due to rounding, percentages may not total 100 percent.

2003			2004			2005			2006		
Covered Employees	Rank	Percentage of Total System	Covered Employees	Rank	Percentage of Total System	Covered Employees	Rank	Percentage of Total System	Covered Employees	Rank	Percentage of Total System
221,807	1	34.10%	213,539	1	33.28%	214,937	1	33.18%	216,996	1	33.17%
125,220	2	19.25%	123,328	3	19.22%	123,839	3	19.12%	121,322	3	18.54%
121,668	3	18.70%	123,616	2	19.26%	126,068	2	19.46%	126,925	2	19.40%
88,352	4	13.58%	88,249	4	13.75%	89,285	4	13.78%	93,327	4	14.26%
43,628	5	6.71%	44,072	5	6.87%	44,778	5	6.91%	46,654	5	7.13%
32,178	6	4.95%	31,307	6	4.88%	31,092	6	4.80%	31,038	6	4.74%
17,690	7	2.72%	17,610	7	2.74%	17,759	7	2.74%	18,029	7	2.76%
650,543		100.00%	641,721		100.00%	647,758		100.00%	654,291		100.00%

STATE OF NEW YORK

EXCELSIOR

COMPTROLLER

STATE OF NEW YORK COMPTROLLER

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Jennifer Mitchell

Student Intern:
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