

CITY OF ALBUQUERQUE, NEW MEXICO

**Independent Auditors' Report,
Managements' Discussion and Analysis,
Audited Basic Financial Statements,
and Notes to Financial Statements**

as of and for the Fiscal Year ended June 30, 2002

NEFF + RICCI LLP

CERTIFIED PUBLIC ACCOUNTANTS
6100 UPTOWN BLVD. NE SUITE #400
ALBUQUERQUE, NM 87110

Independent Auditors' Report

The Honorable Martin Chavez, Mayor and
Members of City Council

We have audited the accompanying basic financial statements of the City of Albuquerque (the City), as of and for the year ended June 30, 2002. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Albuquerque, as of June 30, 2002, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Albuquerque, New Mexico
December 2, 2002

CITY OF ALBUQUERQUE, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2002

This section of the City of Albuquerque's (the City) Comprehensive Annual Financial Report presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2002. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$1.4 billion (net assets). Of this amount, \$108.5 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$90.1 million during the year.
- As of June 30, 2002, the City's governmental funds reported combined ending fund balances of \$283.6 million. Approximately 71% of this amount, \$201.6 million, is unreserved fund balance available for spending at the government's discretion. Of this amount, approximately \$122.4 million is unreserved fund balance in the Capital Acquisition Fund.
- At the close of the current fiscal year, unreserved fund balance for the general fund was \$19.8 million or 7.2 percent of the total general fund expenditures of \$274.5 million.
- The City's total long-term debt increased by \$26.6 million (three percent) during the current year. The key factors in this increase were issuances of \$92.4 million of general obligations bonds, of which \$39.7 million was issued for street and storm sewer improvements, \$20.7 million was issued for parks and recreation facilities, and \$8.0 million was issued for the construction of a new baseball stadium. \$42.6 million in revenue bonds were issued by the Albuquerque International Airport. Those proceeds plus additional monies were used to advance refund \$46.0 million of revenue bonds. \$30.0 million was issued by the Joint Water and Sewer fund to improve, repair, or extend the City's water and sewer system.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements is comprised of three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the differences between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether or not the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation and sick leave.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include public protection, culture and recreation, public works, health, human services, housing, highways and streets, and special assessments. The business-type activities of the City include an airport, joint water and sewer system, refuse disposal, golf courses, parking facilities, and transit system

The City does not have a relationship with any other government that would cause that government to be considered a component unit of the City.

CITY OF ALBUQUERQUE, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
June 30, 2002

OVERVIEW OF THE FINANCIAL STATEMENTS, continued

Fund Financial Statements

The fund financial statements are designed to report information about groupings of related accounts which are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into the following three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements – i.e. most of the City's basic services are reported in governmental funds. These statements, however, focus on (1) how cash and other financial assets can readily be converted to available resources and (2) the balances left at year-end that are available for spending. Such information may be useful in determining what financial resources are available in the near future to finance the City's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statements of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains several individual governmental funds organized according to their type (special revenue, debt service, capital projects and permanent funds). Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Corrections and Detention, General Obligations Debt Service, and the Capital Acquisition funds, all of which are considered major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The City adopts an annual appropriated budget for the General fund, Corrections and Detention fund, and the General Obligation Debt Service fund. A budgetary comparison statement has been provided for each of these funds. In addition, the City adopts an annual appropriated budget for other non-major funds. A budgetary comparison statement is presented in the aggregate for all of those funds.

Proprietary funds. Proprietary funds are generally used to account for services for which the City charges customers – either outside customers, or internal units or departments of the City. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The City maintains the following two types of proprietary funds:

- **Enterprise funds** are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operations of the Albuquerque International Airport, Joint Water and Sewer system, Refuse Disposal, and Housing Authority, which are considered major funds of the City. In addition the following non-major funds are reported: Golf Course, Parking and Transit are combined into a single, aggregate presentation in the proprietary financial statements and individually in the combining statements elsewhere in this report.
- **Internal Service funds** are used to report activities that provide supplies and services for certain City programs and activities. These funds account for inventory warehousing and issues; worker's compensation, tort and other claims insurance coverage; vehicle maintenance and motor pool services; and communication services to City departments. In addition, these funds provide health insurance coverage to City employees. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. The internal service funds are combined into a single, aggregated presentation in the propriety fund financial statements. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. The City's Trust and Agency fund is reported under the fiduciary funds. Since the resources of this fund are not available to support the City's own programs, it is not reflected in the government-wide financial statements. The accounting used for fiduciary funds is much like that used for proprietary funds.

CITY OF ALBUQUERQUE, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
 June 30, 2002

OVERVIEW OF THE FINANCIAL STATEMENTS, continued

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information (RSI)

The required budgetary comparison statements for the major funds are presented separately and in the basic financial statements. An aggregated budgetary comparison statement for the non-major budgeted funds is also presented there. The city is not required to provide other information in the RSI and therefore, no information is presented there.

Combining Statements

The combining statements referred to earlier in connection with non-major governmental funds, non-major proprietary funds, internal service funds, and fiduciary funds are presented immediately following the Notes to the Financial Statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This is the first year that the City has presented its financial statements under the new reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34), Basic Financial Statements - and Management's Discussion and Analysis (MD&A) - for State and Local Governments. Because this reporting model changes significantly both the recording and presentation of data, the City has not restated prior fiscal years for the purpose of providing comparative information for the MD&A. In future years when prior-year information is available a comparative analysis of government-wide data will be included in this report.

NET ASSETS
 June 30, 2002 (in millions)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Assets:			
Current and other assets	\$ 476.3	\$ 246.9	\$ 723.2
Capital Assets	<u>691.6</u>	<u>1,120.1</u>	<u>1,811.7</u>
Total assets	<u>1,167.9</u>	<u>1,367.0</u>	<u>2,534.9</u>
Liabilities:			
Long-term liabilities outstanding	358.0	544.0	902.0
Other liabilities	<u>161.2</u>	<u>72.6</u>	<u>233.8</u>
Total liabilities	<u>519.2</u>	<u>616.6</u>	<u>1,135.8</u>
Net assets:			
Invested in capital assets, net of related debt	439.6	601.2	1,040.8
Restricted	174.8	75.0	249.8
Unrestricted	<u>34.3</u>	<u>74.2</u>	<u>108.5</u>
Total net assets	<u>\$ 648.7</u>	<u>\$ 750.4</u>	<u>\$ 1,399.1</u>

Analysis of Net Assets

As noted earlier, net assets may serve as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by \$1.4 billion at the close of the year.

The largest portion of the City's net assets (74.4percent) reflects its investment of \$1.04 billion in capital assets (e.g. land, buildings, and equipment less any related outstanding debt used to acquire these assets). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to pay this debt must come from other sources, since the capital assets cannot be liquidated for these liabilities.

CITY OF ALBUQUERQUE, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
 June 30, 2002

GOVERNMENT-WIDE FINANCIAL ANALYSIS, continued

Analysis of Net Assets, continued

At the end of the current fiscal year, the City has positive balances in all three categories of net assets for the government as a whole, as well as for both the government and business-type activities.

Analysis of Changes in Net Asset

CHANGE IN NET ASSETS
 (in millions of dollars)

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
REVENUES			
Program revenues:			
Charges for services	\$ 62.7	\$ 236.7	\$ 299.4
Federal and State grants	52.9	46.5	99.4
General revenues:			
Gross receipts taxes	116.3	-	116.3
Property taxes	72.2	-	72.2
Other taxes	23.7	-	23.7
State shared taxes and fees	146.3	-	146.3
Grants, investment income, and other	<u>28.8</u>	<u>4.5</u>	<u>33.3</u>
Total revenues	<u>502.9</u>	<u>287.7</u>	<u>790.6</u>
EXPENSES			
General government	52.8	-	52.8
Public safety:			
Corrections and detention	35.5	-	35.5
Fire protection	46.0	-	46.0
Police protection	99.0	-	99.0
Cultural and recreation	64.8	-	64.8
Public works	12.0	-	12.0
Health	10.4	-	10.4
Human services	51.7	-	51.7
Housing	2.2	-	2.2
Highways and streets	27.1	-	27.1
Special assessments	15.9	-	15.9
Interest expense	16.8	-	16.8
Airport	-	60.5	60.5
Joint Water and Sewer	-	107.0	107.0
Refuse Disposal	-	35.8	35.8
Housing Authority	-	24.2	24.2
Golf Course	-	4.2	4.2
Parking	-	4.0	4.0
Transit	<u>-</u>	<u>30.6</u>	<u>30.6</u>
Total expenses	<u>434.2</u>	<u>266.3</u>	<u>700.5</u>
Excess (deficiency) before transfers	68.7	21.4	90.1
Transfers	<u>(21.2)</u>	<u>21.2</u>	<u>-</u>
Increase (decrease) in net assets	<u>\$ 47.5</u>	<u>\$ 42.6</u>	<u>\$ 90.1</u>

CITY OF ALBUQUERQUE, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
June 30, 2002

GOVERNMENT-WIDE FINANCIAL ANALYSIS, continued

Analysis of Changes in Net Asset, continued

The City's overall net assets were increased by \$90.1 million during the current fiscal year. However, this does not include depreciation expense on infrastructure assets of governmental activities that have not been capitalized from fiscal years ending after June 30, 1980 through the fiscal year ended June 30, 2001. The increases in net assets are explained in the governmental and business-type activities discussion below.

Governmental activities. Governmental activities increased the City's net assets by \$47.5 million, thereby accounting for 64 percent of the total growth in the net assets of the City. Since the City has not restated the financial statements for fiscal year ended June 30, 2001 to conform those statements to the provisions of GASB 34, the comparability of expenses is not feasible at this time. The City will provide such an analysis of expenses in subsequent annual reports.

Also, since the City has not capitalized infrastructure assets acquired prior to this fiscal year, the change in net assets does not reflect depreciation expense on those assets. City staff estimates that the depreciation expense on roadways could exceed \$40 million. The inclusion of that depreciation expense plus the amount to be recorded for storm sewers and bike trails could result in a very small positive change in net assets or possibly result in a negative change in net assets.

A comparison of revenues with the prior year is provided below:

- Due to a weakened economy, the gross receipts tax revenue and state shared taxes were virtually unchanged from that of the prior year.
- The investment earnings were reduced from \$24.1 million in fiscal year ended June 30, 2001 to 10.4 million in the current year. The primary cause for this reduction was due to the weakened investment market experienced by virtually all governments.
- The intergovernmental revenues from sources other than state shared taxes was reduced for federal and state grants by \$9.8 million that is offset by a \$4.0 million increase from the County of Bernalillo in connection with the joint shared operations of the Bernalillo County Corrections and Detention facilities.
- Other revenues for the current year were virtually unchanged from the previous fiscal year.

Business-type activities. Business-type activities increased the City's net assets by \$42.6 million, accounting for 36 percent of the total growth in the net assets of the City. Key factors of this increase are as follows:

- The Airport fund had a negative change in net assets of \$1.6 million in fiscal year 2002 compared to a \$7.1 million increase in 2001. It incurred an additional \$6.5 million in expenses during fiscal year 2002 over that of fiscal year 2001. However, with an increase in rates, the fund was able to increase its operating revenues by \$2.8 million. The passenger facilities charges (PFC) were reduced from the prior year by \$1.5 million. Much of the increase in expenses and reduction in PFC charges was a result of the September 11, 2001 events. In addition, the weakened investment market rates resulted in reducing investment earnings by \$2.5 million.
- Due to increased rates for water and sewer services, the Joint Water and Sewer fund increased its operating revenues by \$6.0 million over fiscal year 2001. The expenses remained stable and did not materially change from the previous fiscal year. The reduction in investment earnings from fiscal year 2001 was approximately \$1.1 million while interest expense decreased by \$1.9 million. In addition, capital contributions from developers for the current year was \$15.0 million compared to \$12.2 million for fiscal year 2001. The net assets of the fund increased by \$31.4 million during the year compared to \$24.2 million for the previous fiscal year. For this comparison, the "change in net assets" for the previous year was restated for a change required by GASB 34 where capital contributions of \$12.2 million are reported as revenue instead of being reported as a direct increase to fund net assets.
- For the Refuse Disposal fund, the reported change in net assets of \$2.5 million was reduced from \$3.7 million in fiscal year 2001. The primary change was due to reduced investment earnings of approximately \$310 thousand, increased expenses of \$1.4 million, and an increase in transfer to the General Fund by \$546 thousand.
- The Transit fund accounted for most of the change in the non-major funds with an increase of \$4.6 million in transfers from the General fund, Capital Acquisition fund and the Infrastructure Tax fund to \$27.1 million in fiscal year 2002 from \$22.5 million as reported for the previous fiscal year. In addition, capital contributions from the Federal government increased by \$2.2 million.

CITY OF ALBUQUERQUE, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
June 30, 2002

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of Governmental funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds, Capital Project Funds, and Permanent Funds.

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$283.6 million, an increase of \$32.8 million in comparison with the prior year. Approximately 71% of this amount, \$201.6 million, is unreserved fund balance available for spending at the government's discretion. Included in unreserved fund balance is \$122.4 million in the Capital Acquisition Fund. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed; 1) to fund continued programs or projects in future fiscal periods (\$16.1 million), 2) for acquisition and management of open space and urban enhancement (\$39.3 million), and 3) to show that fund balance representing advances to other funds (\$25.9 million) is not available for spending.

Revenues for governmental functions overall totaled approximately \$514.7 million in the fiscal year ended June 30, 2002, which represents a decrease of \$14.2 million from last year. The major causes for the decrease were 1) investment earnings were reduced by \$13.7 million due to lower market rates and a reduction in cash and investments during the year, and 2) intergovernmental revenues decreased by \$4.4 million caused by reduced revenues from federal and state grants of \$9.9 million that is offset by an increase in revenues of \$4.0 million from the County of Bernalillo in connection with the joint operations of the Corrections and Detentions facilities and from state shared taxes of \$1.2 million.

Expenditures, totaling \$560.1 million, of governmental functions decreased by \$48.7 million from the previous year total of \$608.8 million. The primary cause of the decrease was from reduced debt service requirement of \$19.3 million, from reduced capital outlay expenditures of \$30.9 million, and reduced expenditures of \$4.1 million for public works. The decrease was offset by increases in expenditures for Corrections and Detention of \$1.9 million, fire protection of \$3.6 million and police protection of \$1.0 million. These increases generally reflect an increased awareness for security and for emergencies resulting from the September 11, 2001 events.

General Fund.

This is the City's chief operating fund. At the end of the current fiscal year, the total fund balance was \$36.6 million while the unreserved fund balance was \$19.8 million. The reserved fund balance of \$16.8 million is set aside 1) for unanticipated expenditures (\$16.2 million equaling 5.0 percent of recurring revenues), and 2) to indicate that non-current financial resource assets of \$0.6 million are unavailable to spend or already are committed for spending. Included in the unreserved fund balance is \$17.8 million designated for future appropriations and \$0.1 million for unrealized gain on investments since the unrealized gains are not available until the underlying securities are sold. The net change in fund balance for the current fiscal year was a decrease of \$3.6 million.

The total revenues of \$308.6 million for the current fiscal year was \$0.2 million less than for the previous fiscal year. The decrease largely resulted from weakened investment market rates that caused interest revenues to be significantly lower by \$2.2 million. This was largely offset by an increase in taxes of \$0.9 million and a \$1.2 million increase in intergovernmental revenues.

The total expenditures of \$274.5 million represents an increase of \$1.0 million over the previous fiscal year. The expenditures for fire and police protection increased by \$5.2 million due to an increased emphasis for security and emergency responses while the expenditures for highways and streets and health functions increased by \$1.2 million. These increases were offset by reductions in expenditures from the previous fiscal year for general government (\$1.0 million), culture and recreation (\$1.3 million), public works (\$0.6 million) and human services (\$2.5 million). The reductions were necessary due to a weakened economy that resulted in lower revenues than anticipated. See the General Fund budgetary highlights for an analysis with respect to budgets.

CITY OF ALBUQUERQUE, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
June 30, 2002

FINANCIAL ANALYSIS OF THE CITY'S FUNDS, continued

Proprietary funds

The City's proprietary funds provide the same type of information presented in the government-wide financial statements, but in more detail.

At the end of the fiscal year, the unrestricted net assets (in millions) were as follows:

• Airport Fund	\$10.6
• Joint Water and Sewer Fund	48.1
• Refuse Disposal Fund	5.2
• Housing Authority Fund	8.6
• Non-major enterprise funds	<u>1.6</u>
• Total	<u>\$74.2</u>

Included in the non-major enterprise funds amount is the golf course fund with negative unrestricted net assets of \$10,692. The other non-major funds have positive unrestricted net assets.

Internal service funds which are used to account for certain governmental activities had deficit unrestricted net assets of \$8.5 million. The Risk Management fund, an internal service fund, had deficit unrestricted net assets of \$14.1 million resulting from unanticipated judgment awards and claims against the City. The City is currently in a five year recovery plan to reduce the deficit unrestricted net assets to zero by the fiscal year ended June 30, 2007. All other internal service funds had positive unrestricted net assets.

Fiduciary funds

The only fund in this category is the City's Trust and Agency fund. This fund is used by the City to account for funds held for third parties and does not have an equity caption since the net of assets and liabilities are always zero.

General Fund budgetary highlights

The City's final budget differs from the original budget as a change in administration occurred in December 2001, leading to an increased emphasis on public safety. This required an intra-year increase in appropriations in public safety of \$5.1 million.

This requirement for additional public safety resources and economic weakness resulting in reduced operating revenues necessitated a mid-year de-appropriations bill.

In addition to reducing departmental budgets, a partial hiring freeze was in place most of the year. Retirements were encouraged and positions were not filled. Expenses were watched very closely and new disciplinary procedures regarding budgetary responsibility were imposed. All of these actions resulted in actual expenditures being \$4.1 million less than the original budget and \$6.5 million less than the budget as approved mid-year. General government activities actually returned unused monies to the General Fund in the amount of \$0.6 million, based on the mid-year budget. City cultural activities reverted \$1.5 million from the adjusted budget. Public Safety actually reverted \$2.7 million from their budget that was increased mid-year. All General Fund agencies answered the call for budgetary responsibility by carefully monitoring their expenses and returning funds.

Revenues were very hard to predict over this fiscal year as the economy continued to weaken. Revenues were \$12.7 million less than anticipated in the original budget and \$10.1 million less than the budget as projected at mid-year. Gross receipts tax, a major component of the City's operating revenue came in \$5.7 million less than the revised budget estimate and \$8.7 million less than the original budget. Close to a million dollars in revenue was lost in interest earnings as interest rates fell and cash balances declined. Revenues were weaker than budgeted in indirect overhead and CIP funded positions as personnel positions were reduced and construction activity was less than originally anticipated.

CITY OF ALBUQUERQUE, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
June 30, 2002

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2002, amounts to \$1.8 billion (net of accumulated depreciation). Capital assets include land, buildings, infrastructure, improvements other than buildings, and equipment. The total increase in the City's capital assets for the current fiscal year was \$74.7 million or 6.7 percent.

CAPITAL ASSETS
(net of depreciation, in millions of dollars)

	<u>Governmental</u>		<u>Business-type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Land *	\$ 202.8	\$ 198.9	\$ 79.0	\$ 66.7	\$ 281.8	\$ 265.6
Other *	-	-	0.6	0.6	0.6	0.6
Buildings and improvements	50.6	50.0	141.7	132.2	192.3	182.2
Runways and improvements	-	-	118.0	130.8	118.0	130.8
Improvements other than buildings and runways	123.9	129.0	676.1	676.1	799.9	805.1
Equipment	30.5	31.3	52.7	49.3	83.3	80.6
Infrastructure	35.0	-	-	-	35.0	-
Construction in progress *	<u>248.8</u>	<u>219.5</u>	<u>51.9</u>	<u>52.5</u>	<u>300.7</u>	<u>272.0</u>
Total	<u>\$ 691.6</u>	<u>\$ 628.7</u>	<u>\$ 1,120.1</u>	<u>\$ 1,108.2</u>	<u>\$ 1,811.7</u>	<u>\$ 1,737.0</u>

* assets not depreciated

Major capital asset events during the current fiscal year included the following:

- In the *governmental activities*; infrastructure assets of \$35.0 million was added for roadways, storm sewers and bike trails. In addition a police helicopter was purchased for \$1.5 million, land for the Petroglyph park was acquired for \$2.0 million, Explora Science Center was completed costing \$2.2 million, land was acquired for open space costing 1.0 million, and replacement vehicles were acquired for the police (\$1.7 million) and for the fire department (\$2.3 million). The construction work in progress increased by \$29.3 million as a result of a new baseball stadium (\$4.9 million), a new community center, the Balloon Fiesta Park facility development, a new police crime lab and other facilities.
- In the *business-type activities*; parking structures for \$14.0 million, a water treatment site (\$10.9 million) for purifying the San-Juan Chama river water for drinking, water and sewer lines (\$12.9 million), buses (\$9.2 million) for the transit system, and the renovation and improvement of the Sewer treatment plant were added to capital assets. The construction work in progress decreased by \$0.6 million.

Debt Administration

At the end of the current fiscal year, the City had total long-term obligations of \$1.03 billion of which \$131.9 million is due within the next fiscal year. The total bonded debt (net of un-amortized discounts, deferred amount on refunding and including un-amortized premiums) is \$912.7 million. The remaining debt is for loans, accrued vacation and sick leave pay, and claims payable.

During the fiscal year ended June 30, 2002, the City issued \$92.4 million of general obligation bonds for various construction projects including a new baseball stadium, improvements to streets and storm sewers and \$72.6 million of revenue bonds for improvements to the joint water & sewer system and for refunding \$46.0 million of Airport improvement bonds.

CITY OF ALBUQUERQUE, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
June 30, 2002

CAPITAL ASSETS AND DEBT ADMINISTRATION, continued

Debt Administration, continued

The ratio of net general obligation bonded debt to taxable valuation and the amount of bonded debt per capita are useful indicators of the City's debt position to management, citizens, and investors. The State's Constitution provides for a legal debt limit of four percent of taxable valuation. The ratio for the City of Albuquerque is 1.91 percent of the \$7.4 billion taxable value of property within the City's area. The City currently may issue up to an additional \$184.0 million of general obligation bonds. It has \$112.9 million of general obligation debt outstanding subject to the legal debt limit at June 30, 2002. In addition, the net general bonded debt per capita is \$308.01. The highest per capita amount in the last ten fiscal years was \$498.80 in the fiscal year ended June 30, 1994. Since then the City has generally reduced the per capita amount to a low of \$252.67 in fiscal year ended June 30, 2001.

The City's rating on uninsured general obligation bonds as of June 30, 2002 were:

Moody's Investors Service, Inc.	Aa3
Standard & Poor's Ratings Service	AA
Fitch , Inc.	AA

Since the close of the 2002 fiscal year, the City has not issued any general obligation bonds for the governmental activities, nor any revenue bonds for the business-type activities. It has entered into a loan agreement with the New Mexico Finance Authority for \$6.0 million to provide additional financing for the construction of the new baseball stadium.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2003 budget. Inflation and population growth were considered. Many of the revenues are influenced by the economy. Other factors such as known changes in law are factored in as appropriate. The Gross Receipts tax revenue forecast is highly influenced by economic conditions; inflation and employment growth are key indicators of this.

Economic conditions are expected to rebound from the national recession, but construction employment in the area will decline with the completion of the Big-I interchange and Intel's \$2 billion expansion project.

Revenues from charges for entry into City venues are increased from population growth and in some cases increased charges.

Property taxes revenues continue to grow as the economy expands, and for the operating revenues, the State limits growth based on inflation.

Revenues from internal funds are limited by slow growth in the number of City workers and wages in other City funds.

CITY OF ALBUQUERQUE, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
June 30, 2002

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES, continued

The following table presents the underlying assumptions used in the budget process:

TABLE A
ECONOMIC ASSUMPTIONS UNDERLYING THE REVENUE ESTIMATES
as of March 2002

Fiscal Year	<u>2001</u>	<u>2002</u>	<u>2003</u>
NATIONAL ECONOMY:			
% Chg Real GDP	3.8%	0.5%	2.5%
% Chg U.S. Personal Income	6.6%	3.2%	4.5%
% Chg Non-Agric Employment	1.4%	-0.5%	0.7%
U.S. Unemployment Rate	4.2%	5.5%	6.0%
% Chg CPI-U	3.4%	1.9%	2.4%
Federal Funds Rate	5.8%	2.3%	2.9%
Ave. Refiners' Acquisition Price Oil	\$ 27.19	\$ 19.82	\$ 21.21
NEW MEXICO ECONOMY:			
% Chg NM Personal Income	6.1%	5.1%	4.9%
% Chg NM Non-Agric Employment	2.2%	0.8%	1.2%
NM Unemployment Rate	4.7%	5.3%	5.8%
ALBUQUERQUE MSA ECONOMY:			
% Chg Albq Personal Income	5.5%	3.6%	4.3%
% Chg Albq Non-Agric Employ	2.6%	0.3%	1.0%
% Change in Albq Const Employ	10.4%	-3.7%	-7.4%
Albq Unemployment Rate	3.2%	4.3%	4.7%
City Housing Authorizations (Units)			
Single Family Residential	3,812	4,095	4,150
Multi-Family Residential	758	653	447

Source: March 2002 forecasts provided nationally by the WEFA Group and locally by University of New Mexico, Bureau of Business and Economic Research, Economic Forecasting Service

The total original General Fund appropriation was \$336.5 million before interfund eliminations and \$289.7 million after eliminations. The before elimination appropriation was an increase over the fiscal year 2002 budget by \$9.6 million or 2.9%.

The international, national, state and local economies have continued to struggle, and the City has revised its revenue estimates twice. The original budget anticipated revenues of \$339.2. In early October, revenue projections were reduced by \$11.1 million to reflect changing expectations. The General Fund budget was reduced by \$4.6 million. A hiring freeze continues, as does a partial spending freeze. A second de-appropriations bill is now pending before Council to reduce the budget yet again by \$3.3 million.

The revenue outlook has modestly improved since the first appropriation reduction bill. The latest estimates predict an additional \$2.1 million in General Fund revenue, for a total revised revenue shortfall of \$9 million (rather than \$11.1 million).

The City is continually monitoring the revenue and expenditure picture. In this uncertain economic climate, additional changes may be required and the City stands poised to react quickly.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Director's office for the Department of Finance and Administrative Services of the City at Director's Office, DFAS, room 7057, One Civic Plaza N.W., Albuquerque, New Mexico 87102.

CITY OF ALBUQUERQUE
STATEMENT OF NET ASSETS
June 30, 2002

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash, investments and accrued interest	\$ 258,601,191	\$ 32,558,139	\$ 291,159,330
Taxes receivable	60,270,878	-	60,270,878
Accounts receivable	32,253,932	23,643,701	55,897,633
Due from other governments	18,655,799	489,555	19,145,354
Accrued interest	115,661	-	115,661
Deposits	1,786,679	-	1,786,679
Internal balances	25,600,000	(25,600,000)	-
Inventories	2,131,743	1,288,668	3,420,411
Prepaid expenses	<u>464,716</u>	<u>-</u>	<u>464,716</u>
Total current assets	<u>399,880,599</u>	<u>32,380,063</u>	<u>432,260,662</u>
Restricted assets:			
Cash, investments and accrued interest	68,942,490	178,421,899	247,364,389
Accounts receivable	-	5,726,703	5,726,703
Escrow deposits	<u>-</u>	<u>595,250</u>	<u>595,250</u>
Total restricted assets	<u>68,942,490</u>	<u>184,743,852</u>	<u>253,686,342</u>
Capital assets:			
Land and construction in progress	451,588,596	131,580,118	583,168,714
Capital assets being depreciated	536,234,031	1,982,096,538	2,518,330,569
Accumulated depreciation	<u>(296,225,134)</u>	<u>(993,560,296)</u>	<u>(1,289,785,430)</u>
Total capital assets	<u>691,597,493</u>	<u>1,120,116,360</u>	<u>1,811,713,853</u>
Deferred charges and other assets	<u>7,428,060</u>	<u>29,726,834</u>	<u>37,154,894</u>
Total assets	<u>1,167,848,642</u>	<u>1,366,967,109</u>	<u>2,534,815,751</u>

See Notes to Financial Statements

CITY OF ALBUQUERQUE
STATEMENT OF NET ASSETS
June 30, 2002

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
LIABILITIES			
Current liabilities			
Accounts payable	22,189,758	3,926,341	26,116,099
Accrued liabilities	23,454,639	1,165,486	24,620,125
Deposits	793,067	556,494	1,349,561
Due to other governments	343,819	12,640	356,459
Deferred revenues	27,149,261	-	27,149,261
Current portion of non current liabilities:			
Bonds and notes payable	57,022,276	-	57,022,276
Accrued vacation and sick leave pay	15,117,241	4,297,381	19,414,622
Accrued claims payable	13,154,499	-	13,154,499
Water rights contracts and loan agreements	-	3,384,676	3,384,676
Total current liabilities	<u>159,224,560</u>	<u>13,343,018</u>	<u>172,567,578</u>
Liabilities payable from restricted assets:			
Accounts payable	-	6,473,199	6,473,199
Accrued interest	-	10,339,536	10,339,536
Deferred revenue	-	64,868	64,868
Current portion of revenue bonds payable	-	38,910,000	38,910,000
Other	-	1,672,289	1,672,289
Total liabilities payable from restricted assets	<u>-</u>	<u>57,459,892</u>	<u>57,459,892</u>
Noncurrent liabilities:			
Bonds and notes payable, net of unamortized discounts	320,927,124	495,843,907	816,771,031
Water rights contracts and loan agreements	-	45,752,329	45,752,329
Accrued vacation and sick leave pay	10,886,038	2,417,349	13,303,387
Accrued claims payable	26,144,014	-	26,144,014
Total non current liabilities	<u>357,957,176</u>	<u>544,013,585</u>	<u>901,970,761</u>
Deferred credits and other liabilities	<u>1,982,207</u>	<u>1,714,316</u>	<u>3,696,523</u>
Total liabilities	<u>519,163,943</u>	<u>616,530,811</u>	<u>1,135,694,754</u>
NET ASSETS			
Invested in capital assets, net of related debt	439,612,859	601,222,334	1,040,835,193
Restricted for:			
Debt service	48,905,176	31,302,706	80,207,882
Construction	68,496,505	43,705,988	112,202,493
Housing & economic development	15,702,032	-	15,702,032
Federal & state funded programs	2,369,561	-	2,369,561
Open space and urban enhancement:			
Nonexpendable	36,133,420	-	36,133,420
Expendable	3,143,753	-	3,143,753
Unrestricted	<u>34,321,393</u>	<u>74,205,270</u>	<u>108,526,663</u>
Total net assets	<u>\$ 648,684,699</u>	<u>\$ 750,436,298</u>	<u>\$ 1,399,120,997</u>

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF ACTIVITIES
Year ended June 30, 2002

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Indirect Expenses Allocation</u>	<u>Program Revenues Charges for Services</u>
Governmental Activities:			
General government	\$ 52,802,606	\$ (4,268,701)	\$ 31,209,841
Public Safety			
Corrections	35,501,831	1,382,936	2,465,759
Fire	46,020,746	204,238	193,823
Police	98,997,456	947,447	2,446,216
Culture and recreation	64,806,137	415,249	8,012,494
Public works	11,972,156	67,807	-
Health	10,383,352	189,870	2,500,113
Human services	51,672,125	483,878	1,479,662
Housing	2,248,822	17,436	1,682,947
Highways and streets	27,146,590	559,840	1,255,877
Special assessments	15,897,025	-	11,464,228
Interest expense	<u>16,796,249</u>	<u>-</u>	<u>-</u>
Total governmental type activities	<u>434,245,095</u>	<u>-</u>	<u>62,710,960</u>
Business Type Activities:			
Airport	60,524,079	-	57,549,154
Joint Water and Sewer	106,949,587	-	125,968,018
Refuse Disposal	35,836,803	-	39,174,156
Housing Authority	24,215,763	-	1,817,585
Golf Course	4,132,119	-	4,025,110
Parking	4,041,647	-	3,381,458
Transit	<u>30,622,700</u>	<u>-</u>	<u>4,820,111</u>
Total business type activities	<u>266,322,698</u>	<u>-</u>	<u>236,735,592</u>
Total primary government	<u>\$ 700,567,793</u>	<u>\$ -</u>	<u>\$ 299,446,552</u>

General Revenues:

Taxes:

Gross receipts taxes, local option

Property taxes, levied for debt service

Property taxes, levied for general operations

Property taxes, levied for metropolitan redevelopment

Franchise taxes

Lodgers' tax

State shared taxes and fees not restricted to specific programs

Grants and contributions not restricted to specific programs

Investment income

Other general revenues

Transfers between governmental and business type activities

Total general revenues, special items and transfers

Change in net assets

Net assets (deficit), July 1

Net assets (deficit), June 30

<u>Program Revenues, continued</u>		<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Govern- mental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>
\$ 352,044	\$ 194,915	\$ (16,777,105)	\$ -	\$ (16,777,105)
19,546,000	-	(14,873,008)	-	(14,873,008)
11,840	766,415	(45,252,906)	-	(45,252,906)
6,263,133	-	(91,235,554)	-	(91,235,554)
17,583	-	(57,191,309)	-	(57,191,309)
2,370,879	-	(9,669,084)	-	(9,669,084)
887,217	-	(7,185,892)	-	(7,185,892)
15,083,492	-	(35,592,849)	-	(35,592,849)
1,411,483	-	828,172	-	828,172
1,554,150	4,431,007	(20,465,396)	-	(20,465,396)
-	-	(4,432,797)	-	(4,432,797)
-	-	(16,796,249)	-	(16,796,249)
<u>47,497,821</u>	<u>5,392,337</u>	<u>(318,643,977)</u>	<u>-</u>	<u>(318,643,977)</u>
-	375,582	-	(2,599,343)	(2,599,343)
-	14,995,201	-	34,013,632	34,013,632
-	-	-	3,337,353	3,337,353
21,969,722	-	-	(428,456)	(428,456)
-	-	-	(107,009)	(107,009)
-	473,604	-	(186,585)	(186,585)
-	8,694,742	-	(17,107,847)	(17,107,847)
<u>21,969,722</u>	<u>24,539,129</u>	<u>-</u>	<u>16,921,745</u>	<u>16,921,745</u>
<u>\$ 69,467,543</u>	<u>\$ 29,931,466</u>	<u>(318,643,977)</u>	<u>16,921,745</u>	<u>(301,722,232)</u>
		116,252,287	-	116,252,287
		57,188,122	-	57,188,122
		14,563,374	-	14,563,374
		400,000	-	400,000
		15,368,751	-	15,368,751
		8,319,032	-	8,319,032
		146,338,236	-	146,338,236
		12,346,808	-	12,346,808
		11,324,332	4,531,263	15,855,595
		5,179,315	-	5,179,315
		(21,184,079)	21,184,079	-
		<u>366,096,178</u>	<u>25,715,342</u>	<u>391,811,520</u>
		47,452,201	42,637,087	90,089,288
		<u>601,232,498</u>	<u>707,799,211</u>	<u>1,309,031,709</u>
		<u>\$ 648,684,699</u>	<u>\$ 750,436,298</u>	<u>\$ 1,399,120,997</u>

CITY OF ALBUQUERQUE, NEW MEXICO
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2002

	<u>General Fund</u>	<u>Corrections Fund</u>
ASSETS		
Cash, investments, and accrued interest	\$ 25,556,066	\$ -
Cash with fiscal agents	-	-
Taxes receivable, net of allowance for uncollectible:		
Property tax	1,513,715	-
Gross receipts tax	42,364,718	-
Franchise tax	3,108,896	-
Lodger's tax	-	-
Other taxes	550,491	-
Other receivables, net of allowance for uncollectible	2,383,674	46,014
Due from other governments	182,439	4,439,199
Deposits	-	-
Due from other funds	5,602,453	-
Advances to other funds	307,636	-
Inventories of supplies	72,602	210,483
Prepaid items	156,653	7,100
Land held for sale	-	-
TOTAL ASSETS	<u>\$ 81,799,343</u>	<u>\$ 4,702,796</u>

<u>GO Bond Debt Service Fund</u>	<u>Capital Acquisition Fund</u>	<u>Non Major Funds</u>	<u>Total</u>
\$ 13,950,863	\$ 125,096,349	\$ 68,264,308	\$ 232,867,586
54,610,058	-	13,419,209	68,029,267
6,477,799	-	400,000	8,391,514
-	-	5,047,287	47,412,005
-	-	-	3,108,896
-	-	807,972	807,972
-	-	-	550,491
-	21,651	27,773,233	30,224,572
-	5,470,945	8,500,156	18,592,739
-	1,780,000	-	1,780,000
-	-	-	5,602,453
-	-	25,600,000	25,907,636
-	-	-	283,085
-	-	-	163,753
-	-	5,128,528	5,128,528
<u>\$ 75,038,720</u>	<u>\$ 132,368,945</u>	<u>\$ 154,940,693</u>	<u>\$ 448,850,497</u>

CITY OF ALBUQUERQUE, NEW MEXICO
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2002

	<u>General Fund</u>	<u>Corrections Fund</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 3,430,365	\$ 821,367
Contracts and retainage payable	-	-
Accrued employee compensation and benefits	15,358,966	114,409
Due to other funds	-	3,107,113
Due to other governments	-	343,819
Deferred revenue	25,704,841	-
Deposits	705,707	76,360
Advances from other funds	-	-
Matured bonds and interest payable	-	-
Total liabilities	45,199,879	4,463,068
Fund balances:		
Reserved for:		
Encumbrances	83,918	13,373
Inventories of supplies	72,602	210,483
Prepaid items	156,653	7,100
Land held for resale	-	-
Advances to other funds	307,636	-
Acquisition and management of open space land	-	-
Urban enhancement	-	-
Operations	16,161,000	-
Unreserved (deficit)	19,817,655	8,772
Unreserved (deficit) , reported in:		
Special revenue funds	-	-
Debt service funds	-	-
Capital project funds	-	-
Total fund balances	36,599,464	239,728
TOTAL LIABILITIES AND FUND BALANCES	\$ 81,799,343	\$ 4,702,796

<u>GO Bond Debt Service Fund</u>	<u>Capital Acquisition Fund</u>	<u>Non Major Funds</u>	<u>Total</u>
\$ 620,757	\$ -	\$ 2,929,320	\$ 7,801,809
-	8,497,855	3,791,027	12,288,882
-	-	77,700	15,551,075
-	-	2,495,340	5,602,453
-	-	-	343,819
1,578,330	1,329,455	29,139,513	57,752,139
-	-	11,000	793,067
-	112,000	195,636	307,636
<u>54,610,058</u>	<u>-</u>	<u>10,193,562</u>	<u>64,803,620</u>
<u>56,809,145</u>	<u>9,939,310</u>	<u>48,833,098</u>	<u>165,244,500</u>
-	-	42,728	140,019
-	-	-	283,085
-	-	-	163,753
-	-	62,598	62,598
-	-	25,600,000	25,907,636
-	-	28,901,350	28,901,350
-	-	10,375,823	10,375,823
-	-	-	16,161,000
18,229,575	122,429,635	-	160,485,637
-	-	19,120,526	19,120,526
-	-	5,013,003	5,013,003
-	-	16,991,567	16,991,567
<u>18,229,575</u>	<u>122,429,635</u>	<u>106,107,595</u>	<u>283,605,997</u>
<u>\$ 75,038,720</u>	<u>\$ 132,368,945</u>	<u>\$ 154,940,693</u>	<u>\$ 448,850,497</u>

CITY OF ALBUQUERQUE, NEW MEXICO
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2002

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets:

Total fund balance for governmental funds \$ 283,605,997

Total net assets reported for governmental activities in the statement of net assets is different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets at June 30, 2002 consist of:

Land	\$ 202,474,732	
Construction in progress	248,830,022	
Buildings	80,787,939	
Infrastructure	35,599,482	
Improvements	274,919,385	
Equipment	142,061,727	
Accumulated depreciation	<u>(293,962,071)</u>	
Total capital assets		690,711,216

Long-term obligations applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities are reported in the statement of net assets. Balances at June 30, 2002 are:

General Obligation bonds payable	(160,055,000)	
Sales tax revenue bonds and notes payable	(157,633,704)	
Special assessment debt with governmental commitment	(18,051,511)	
Unamortized bond issue costs	369,532	
Unamortized premiums and discounts	<u>14,813,091</u>	
Total bonds and notes payable, net of premiums, discounts and bond issue costs	(320,557,592)	
Accrued vacation and sick pay	(25,336,671)	
Accrued rebatable arbitrage payable reported as deferred credit	<u>(1,982,207)</u>	
		(347,876,470)

Internal service funds are used by the City to charge the cost of tort liability, workers compensation and employee health insurance to other individual funds. In addition, the cost of providing communications, fleet maintenance and supplies warehousing services are also charged. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. Internal service fund net assets (deficit) are: (8,474,583)

Some of the City's taxes will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are reported as deferred revenue in the funds. The taxes are:

Gross receipts tax	27,806,164	
Property taxes	2,039,788	
Other taxes	<u>756,926</u>	
		30,602,878

Interest earned on loans receivable are not available for collection and are not included in the governmental fund financial statements. However, the accrued interest is reported in the government-wide financial statements. 115,661

Total net assets of governmental activities \$ 648,684,699

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
GOVERNMENTAL FUNDS
Year ended June 30, 2002

	General Fund	Corrections Fund
Revenues:		
Taxes	\$ 120,316,259	\$ -
Licenses and permits	8,642,643	-
Intergovernmental	141,518,731	19,546,000
Charges for services	36,637,552	1,977,709
Fines and forfeits	23,650	-
Interest	973,684	(201,618)
Special assessments	-	-
Gain (loss) on disposition of land held for sale	-	-
Proceeds from disposition of capital assets	-	-
Other interest	-	-
Miscellaneous	<u>582,863</u>	<u>488,050</u>
Total revenues	<u>308,695,382</u>	<u>21,810,141</u>
Expenditures:		
Current:		
General government	43,374,594	-
Public safety	127,468,704	36,233,744
Culture and recreation	49,152,049	-
Public works	8,571,052	-
Highways and streets	12,897,560	-
Health	6,288,287	-
Human services	26,795,529	-
Housing	-	-
Debt service:		
Principal retirement	-	-
Interest	-	-
Fiscal agent fees and other fees	-	-
Capital outlay	-	-
Bond issuance costs	-	-
Rebatable arbitrage payments	-	-
Total expenditures	<u>274,547,775</u>	<u>36,233,744</u>
Excess (deficiency) of revenues over expenditures	<u>34,147,607</u>	<u>(14,423,603)</u>
Other financing sources (uses):		
Operating transfers in	8,885,629	17,057,000
Operating transfers out	(46,616,436)	(360,551)
Proceeds of bonds, notes and premiums issued	-	-
Total other financing sources (uses)	<u>(37,730,807)</u>	<u>16,696,449</u>
Net change in fund balances	(3,583,200)	2,272,846
Fund balances (deficit), July 1, as restated	<u>40,182,664</u>	<u>(2,033,118)</u>
Fund balances (deficit), June 30	<u><u>\$ 36,599,464</u></u>	<u><u>\$ 239,728</u></u>

See Notes to Financial Statements

<u>GO Bond Debt Service Fund</u>	<u>Capital Acquisition Fund</u>	<u>Non Major Funds</u>	<u>Total</u>
\$ 62,709,843	\$ -	\$ 35,276,513	\$ 218,302,615
-	-	1,753,516	10,396,159
-	12,330,778	36,025,996	209,421,505
-	-	5,129,677	43,744,938
-	-	645,120	668,770
906,929	3,888,853	4,484,875	10,052,723
-	-	10,277,392	10,277,392
-	-	(209,751)	(209,751)
-	-	344,425	344,425
-	-	358,435	358,435
-	4,187,785	6,127,131	11,385,829
<u>63,616,772</u>	<u>20,407,416</u>	<u>100,213,329</u>	<u>514,743,040</u>
-	-	9,680,804	53,055,398
-	-	8,665,158	172,367,606
-	-	4,164,132	53,316,181
-	-	2,705,635	11,276,687
-	-	6,176,854	19,074,414
-	-	3,737,057	10,025,344
-	-	24,122,041	50,917,570
-	-	2,389,026	2,389,026
49,810,000	-	10,248,006	60,058,006
8,215,773	-	6,612,807	14,828,580
826,234	-	270,000	1,096,234
-	73,208,243	36,829,735	110,037,978
-	361,226	150,571	511,797
-	1,156,167	-	1,156,167
<u>58,852,007</u>	<u>74,725,636</u>	<u>115,751,826</u>	<u>560,110,988</u>
<u>4,764,765</u>	<u>(54,318,220)</u>	<u>(15,538,497)</u>	<u>(45,367,948)</u>
-	6,403,500	14,750,229	47,096,358
-	(7,370,148)	(13,664,302)	(68,011,437)
<u>2,758,041</u>	<u>92,425,000</u>	<u>3,919,861</u>	<u>99,102,902</u>
<u>2,758,041</u>	<u>91,458,352</u>	<u>5,005,788</u>	<u>78,187,823</u>
7,522,806	37,140,132	(10,532,709)	32,819,875
<u>10,706,769</u>	<u>85,289,503</u>	<u>116,640,304</u>	<u>250,786,122</u>
<u>\$ 18,229,575</u>	<u>\$ 122,429,635</u>	<u>\$ 106,107,595</u>	<u>\$ 283,605,997</u>

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the year ended June 30, 2002

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Net Activities:

Net change in fund balances - total governmental funds \$ 32,819,875

The change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay expenditures	\$ 87,178,589	
Depreciation expense	(23,855,476)	
Loss on disposition of capital assets	<u>(284,247)</u>	
		63,038,866

Bond proceeds, premiums, discounts and bond issue costs are reported as financing sources or uses in governmental funds and contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term obligations and does not affect the statement of activities. Repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Proceeds and premiums from issuance of bonds and notes payable	(99,102,902)	
Principal repayments	60,058,006	
Bond issue costs incurred at time of bond issue	773,045	
Amortization of premiums, discounts and bond issue costs	<u>(1,132,683)</u>	
Net adjustment		(39,404,534)

Internal service funds are used by the City to charge the cost of tort liability, workers compensation and employee health insurance to other individual funds. In addition, the cost of providing communications, fleet maintenance and supplies warehousing services are also charged. The net revenue (loss) of the internal service funds is reported with governmental activities.

(2,715,680)

Under the modified accrual basis of accounting used in the governmental funds, revenue is recognized when available to provide financing resources for the current period. Likewise, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, revenues and related receivable and expenses and related liabilities are reported regardless of when financial resources are available. This adjustment combines the net change of balances of the following:

Revenue:		
Gross receipts tax	1,356,846	
Property tax	(6,837,929)	
Other taxes	113,472	
Interest on loans receivable	115,661	
Expenses:		
Accrued vacation and sick leave pay	(2,768,184)	
Rebatable arbitrage	<u>1,733,808</u>	
Net adjustment		<u>(6,286,326)</u>

Change in net assets of governmental activities \$ 47,452,201

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
Year ended June 30, 2002

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Taxes:				
Current property tax	\$ 14,535,000	\$ 14,304,000	\$ 15,233,585	\$ 929,585
Delinquent property tax	600,000	1,648,000	645,997	(1,002,003)
Franchise taxes:				
Telephone	3,955,000	3,955,000	3,923,158	(31,842)
Electric	5,622,000	5,792,000	5,692,827	(99,173)
Gas	2,771,000	1,601,000	1,898,266	297,266
Cable television	2,756,000	3,026,000	3,296,299	270,299
New Mexico Utility	121,000	125,000	135,652	10,652
Telecommunications	557,000	485,000	410,987	(74,013)
LCL Exchange	-	-	11,562	11,562
Gross receipts tax-local option	<u>91,636,000</u>	<u>90,466,000</u>	<u>89,067,926</u>	<u>(1,398,074)</u>
Total taxes	<u>122,553,000</u>	<u>121,402,000</u>	<u>120,316,259</u>	<u>(1,085,741)</u>
Licenses and permits:				
Liquor licenses	235,000	172,000	176,038	4,038
Building inspections/planning	-	-	(43)	(43)
Building permits	2,013,000	2,238,000	2,242,179	4,179
Plumbing/mechanical permits	1,151,000	1,185,000	1,372,140	187,140
Electrical/refrigeration permits	835,000	915,000	984,387	69,387
Plan checking permits	1,420,000	1,541,000	1,457,324	(83,676)
Flood plain certification	138,000	47,000	150,401	103,401
Reroofing permits	61,000	143,000	31,655	(111,345)
Restaurant inspections	486,000	486,000	290,014	(195,986)
Food retailers inspections	83,000	115,000	82,626	(32,374)
Swimming pool inspections	111,000	121,000	71,575	(49,425)
Animal licenses	287,000	287,000	268,613	(18,387)
Right of way usage permits	128,000	185,000	212,522	27,522
Loading zone permits	9,000	9,000	8,789	(211)
Solicitation permits	6,000	6,000	6,970	970
Business registration fees	1,322,000	1,322,000	1,150,511	(171,489)
Other licenses and permits	<u>59,000</u>	<u>72,000</u>	<u>136,942</u>	<u>64,942</u>
Total licenses and permits	<u>8,344,000</u>	<u>8,844,000</u>	<u>8,642,643</u>	<u>(201,357)</u>
Intergovernmental:				
State shared:				
Gross receipts tax	142,847,000	140,992,000	136,655,396	(4,336,604)
Cigarette tax	646,000	580,000	541,317	(38,683)
Motor vehicle license distribution	1,420,000	1,714,000	1,371,930	(342,070)
Municipal road - gas tax	2,295,000	2,360,000	2,438,280	78,280
DWI Fines	-	-	20,567	20,567
Grants:				
Other	21,000	383,000	322,000	(61,000)
Local & Local administered grants:				
Bernalillo County-shared operations	<u>500,000</u>	<u>495,000</u>	<u>169,241</u>	<u>(325,759)</u>
Total intergovernmental	<u>147,729,000</u>	<u>146,524,000</u>	<u>141,518,731</u>	<u>(5,005,269)</u>

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
Year ended June 30, 2002

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues (continued):				
Charges for services:				
General government:				
Photocopying	192,000	192,000	155,870	(36,130)
Engineering fees	1,200,000	1,300,000	1,237,267	(62,733)
Filing of plats and subdivisions	303,000	293,000	285,420	(7,580)
Sign fees	51,000	51,000	57,661	6,661
Zoning fence permit fees	258,000	180,000	167,473	(12,527)
Sale of maps and publications	25,000	25,000	17,148	(7,852)
Records search fees	240,000	260,000	302,935	42,935
Jury duty and witness fees	10,000	13,000	11,384	(1,616)
Planning services	25,940	-	25,940	25,940
Vendor registration fees	52,000	44,000	20,300	(23,700)
Shooting range fees	205,000	160,000	133,808	(26,192)
Building maintenance	227,000	90,000	81,306	(8,694)
Grounds maintenance	521,000	521,000	520,986	(14)
Office services	60,000	33,000	40,258	7,258
Real property services	80,000	80,000	144,212	64,212
Engineering inspections	850,000	700,000	421,044	(278,956)
Engineering surveying	85,000	51,000	84,767	33,767
Legal services	2,382,000	2,382,000	2,219,169	(162,831)
Administrative fees	122,000	42,000	(126,410)	(168,410)
Administrative charges to other funds	20,736,000	21,142,000	19,194,749	(1,947,251)
Other	426,000	473,000	495,412	22,412
Public safety:				
Police services	1,646,000	1,609,000	1,511,894	(97,106)
Fire services	374,000	292,000	193,398	(98,602)
Culture and recreation:				
Community centers	25,000	25,000	17,896	(7,104)
Swimming pools	500,000	525,000	468,713	(56,287)
Sports programs	422,000	422,000	362,017	(59,983)
Other recreation charges	103,000	396,000	408,404	12,404
Tournament/field rental	16,000	16,000	13,635	(2,365)
Latch key program	215,000	215,000	200,489	(14,511)
Extended care fees	29,000	19,000	17,922	(1,078)
Special events	20,000	20,000	24,440	4,440
Museum charges	134,000	98,000	76,211	(21,789)
Zoo admissions	1,369,000	1,400,000	1,319,252	(80,748)
Zoo adopt-an-animal	29,000	29,000	-	(29,000)
Other zoo charges	83,000	83,000	97,647	14,647
Albuquerque aquarium and gardens	1,046,000	850,000	920,150	70,150
Convention center	1,475,000	1,485,000	1,427,674	(57,326)
Facilities concessions	1,010,000	1,219,000	1,180,851	(38,149)
Library services	1,036,000	1,044,000	1,040,723	(3,277)
Cultural affairs	60,000	57,000	43,364	(13,636)

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
Year ended June 30, 2002

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues (continued):				
Charges for services (continued):				
Highways and streets:				
Compaction tests	603,000	384,000	397,499	13,499
Patching and paving	-	-	44,384	44,384
Excavation permits	325,000	325,000	337,202	12,202
Other street division charges	385,000	542,000	468,003	(73,997)
Health:				
Animal control charges	533,000	424,000	265,247	(158,753)
Human services:				
Meal programs	158,000	178,000	163,550	(14,450)
Memberships	55,000	71,000	72,412	1,412
Coffee	14,000	14,000	16,280	2,280
Dances	30,000	30,000	34,621	4,621
Other	113,000	19,000	22,975	3,975
Total charges for services	<u>39,833,000</u>	<u>39,823,000</u>	<u>36,637,552</u>	<u>(3,185,448)</u>
Fines and forfeits:				
Air quality penalties	30,000	40,000	23,650	(16,350)
Total fines and forfeits	<u>30,000</u>	<u>40,000</u>	<u>23,650</u>	<u>(16,350)</u>
Interest:				
Interest on investments	2,462,000	1,506,000	973,684	(532,316)
Miscellaneous:				
Rental of City property	100,000	120,000	131,698	11,698
Community center rentals	174,000	150,000	153,475	3,475
Sales of real property	-	228,000	563,272	335,272
Sales of other property	30,000	30,000	-	(30,000)
Cash overages and shortages, net	-	-	(243)	(243)
Cash discounts earned	50,000	5,000	7,367	2,367
Other miscellaneous	105,000	145,000	(272,706)	(417,706)
Total miscellaneous	<u>459,000</u>	<u>678,000</u>	<u>582,863</u>	<u>(95,137)</u>
Total revenues	<u>321,410,000</u>	<u>318,817,000</u>	<u>308,695,382</u>	<u>(10,121,618)</u>

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
Year ended June 30, 2002

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Expenditures:				
Current:				
General government:				
Accounting	2,827,000	2,723,000	2,700,020	22,980
Chief Administrative Officer	1,262,000	1,262,000	1,171,325	90,675
City buildings	4,184,000	4,184,000	3,933,127	250,873
City wide financial support	623,000	455,000	448,067	6,933
City/County building rental	2,461,000	2,237,000	2,237,000	-
Community revitalization	1,081,000	1,053,000	1,040,496	12,504
Compensation in lieu of sick leave	298,000	298,000	295,116	2,884
Council services	1,560,000	1,490,000	1,483,814	6,186
Culture	19,000	19,000	18,956	44
Dues and memberships	318,000	318,000	316,300	1,700
Early retirement	3,482,000	3,928,000	4,603,690	(675,690)
Economic development	120,000	420,000	385,127	34,873
Information systems	7,131,000	6,974,000	6,897,825	76,175
International trade	15,000	15,000	14,862	138
Legal services	4,889,000	4,492,000	4,450,146	41,854
Legislative coordinator	236,000	283,000	282,833	167
Mayor's office	737,000	718,000	638,105	79,895
Office of capital implementation	1,850,000	1,850,000	1,742,480	107,520
Office of city clerk	1,135,000	1,126,000	1,113,631	12,369
Office of economic development	430,000	430,000	337,970	92,030
Office of internal audit	783,000	753,000	738,487	14,513
Office of management and budget	888,000	888,000	874,944	13,056
Office of management and operational improvement	316,000	316,000	262,363	53,637
Personnel services	1,780,000	1,928,000	1,769,862	158,138
Strategic support - Planning	925,000	864,000	857,013	6,987
Plaza del Sol building	896,000	896,000	896,000	-
Purchasing	1,160,000	1,053,000	933,229	119,771
Real property	588,000	512,000	501,746	10,254
Strategic support - DFAS	390,000	363,000	339,948	23,052
Treasury	1,413,000	1,359,000	1,321,118	37,882
Utility franchising office	393,000	778,000	768,994	9,006
Total general government	<u>44,190,000</u>	<u>43,985,000</u>	<u>43,374,594</u>	<u>610,406</u>

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
Year ended June 30, 2002

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Public safety:				
Police Department:				
Administrative	3,257,000	3,692,077	3,440,492	251,585
Basic sworn overtime	3,731,000	3,938,000	3,547,107	390,893
Central support services	19,363,000	20,220,386	19,488,532	731,854
Community partner/crime prevention	409,000	375,361	368,964	6,397
Investigative services	13,448,000	13,916,278	13,570,780	345,498
Neighborhood Policing	41,944,000	43,116,852	42,636,448	480,404
Off duty police overtime	1,072,000	1,072,000	992,579	79,421
Fire Department:				
AFD headquarters	1,320,000	1,312,684	1,267,363	45,321
Dispatch	1,585,000	1,785,000	1,762,916	22,084
Emergency Management	71,000	39,000	38,236	764
Fire dept/CIP funded employees	83,000	83,000	64,936	18,064
Fire dept/technical services	288,000	306,956	303,595	3,361
Fire prevention/fire marshal's office	2,470,000	2,401,467	2,305,678	95,789
Fire suppression	25,478,000	26,810,000	26,807,744	2,256
Fire training and safety	1,444,000	1,394,000	1,682,918	(288,918)
Logistics	1,020,000	1,128,000	1,106,280	21,720
Paramedic rescue	8,095,000	8,600,000	8,084,136	515,864
Total public safety	<u>125,078,000</u>	<u>130,191,061</u>	<u>127,468,704</u>	<u>2,722,357</u>
	-			
Culture and recreation:				
Biological park	9,213,000	8,780,000	8,663,327	116,673
Community events	1,566,000	1,514,000	1,388,276	125,724
Convention center	3,678,000	3,861,000	3,752,072	108,928
Explora Science Center	544,000	499,000	499,000	-
Museum	2,171,000	2,003,000	1,939,687	63,313
Quality parks & trails system	846,000	846,000	806,817	39,183
Strategic support - Senior Affairs	798,000	768,000	747,762	20,238
Strategic support - PR	752,000	752,000	741,344	10,656
Parks land management	11,299,000	11,173,250	10,565,106	608,144
Promote safe use of firearms	279,000	279,000	260,730	18,270
Provide community recreation	5,801,000	5,548,000	5,316,804	231,196
Provide quality recreation	3,748,000	3,612,865	3,578,924	33,941
Public library	8,255,000	8,036,000	7,903,947	132,053
Strategic support - CS	3,105,000	2,996,500	2,988,253	8,247
Total culture and recreation	<u>52,055,000</u>	<u>50,668,615</u>	<u>49,152,049</u>	<u>1,516,566</u>
Public works:				
Code administration	1,643,000	1,642,000	1,631,443	10,557
Construction management	3,981,000	3,618,000	3,380,550	237,450
Development services	1,223,000	1,219,000	1,165,700	53,300
Storm drainage/maintenance	2,673,000	2,400,000	2,393,359	6,641
Total public works	<u>9,520,000</u>	<u>8,879,000</u>	<u>8,571,052</u>	<u>307,948</u>
Highways and streets:				
GF street services	12,659,000	12,959,000	12,897,560	61,440
Total highways and streets	<u>12,659,000</u>	<u>12,959,000</u>	<u>12,897,560</u>	<u>61,440</u>

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
Year ended June 30, 2002

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Expenditures (continued):				
Current (continued):				
Health:				
Animal services	4,001,000	3,692,000	3,604,485	87,515
Consumer protection	1,094,000	974,000	973,527	473
Environmental services	1,504,000	1,402,000	1,336,158	65,842
Program support	<u>429,000</u>	<u>398,000</u>	<u>374,117</u>	<u>23,883</u>
Total health	<u>7,028,000</u>	<u>6,466,000</u>	<u>6,288,287</u>	<u>177,713</u>
Human services:				
Access to basic services	277,000	263,000	200,395	62,605
Develop affordable housing	617,000	491,000	490,775	225
Develop community based activity	228,000	153,000	153,000	-
Development process & policy	4,737,000	4,677,000	4,662,086	14,914
Plan and coordinate	2,019,000	2,125,000	2,054,441	70,559
Long-range planning	435,000	414,000	409,666	4,334
Offer health & social services	1,914,000	1,693,000	1,576,726	116,274
Partner with public education	5,411,000	5,592,000	5,365,948	226,052
Prevent and reduce youth gangs	1,012,000	1,003,000	1,003,000	-
Prevent neighborhood deterioration	91,000	47,000	44,515	2,485
Provide early childhood education	4,677,000	4,223,000	4,211,365	11,635
Provide emergency shelter	220,000	162,000	161,750	250
Provide mental health	332,000	217,000	216,980	20
Provide transitional housing	218,000	214,000	196,578	17,422
Reduce DWI	93,000	93,000	-	93,000
Substance abuse treatment/prevention	2,789,000	2,770,000	2,726,667	43,333
Supportive services to homeless	362,000	237,000	222,693	14,307
Train lower income persons	601,000	560,000	542,897	17,103
Volunteerism	10,000	10,000	9,999	1
Well-being	<u>2,639,000</u>	<u>2,654,000</u>	<u>2,546,048</u>	<u>107,952</u>
Total human services	<u>28,682,000</u>	<u>27,598,000</u>	<u>26,795,529</u>	<u>802,471</u>
Total expenditures	<u>279,212,000</u>	<u>280,746,676</u>	<u>274,547,775</u>	<u>6,198,901</u>
Excess (deficiency) of revenues over expenditures	<u>42,198,000</u>	<u>38,070,324</u>	<u>34,147,607</u>	<u>(3,922,717)</u>
Other financing sources (uses):				
Operating transfers in	7,051,000	8,962,000	8,885,629	(76,371)
Operating transfers out	<u>(45,305,000)</u>	<u>(46,350,000)</u>	<u>(46,616,436)</u>	<u>(266,436)</u>
Total other financing sources and uses	<u>(38,254,000)</u>	<u>(37,388,000)</u>	<u>(37,730,807)</u>	<u>(342,807)</u>
Net change in fund balance	3,944,000	682,324	(3,583,200)	(4,265,524)
Fund balance, July 1	<u>40,182,664</u>	<u>40,182,664</u>	<u>40,182,664</u>	<u>-</u>
Fund balance, June 30	<u>\$ 44,126,664</u>	<u>\$ 40,864,988</u>	<u>\$ 36,599,464</u>	<u>\$ (4,265,524)</u>

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CORRECTIONS AND DETENTION FUND
Year ended June 30, 2002

	Original Budget	Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Intergovernmental:				
County-shared operations	\$ 15,152,000	\$ 21,278,000	\$ 19,546,000	\$ (1,732,000)
Charges for services:				
Care of prisoners-state	300,000	289,000	212,604	(76,396)
Care of prisoners-other	-	-	73,596	73,596
Commissary	77,000	77,000	81,168	4,168
Community custody program fees	193,000	199,000	145,624	(53,376)
CCP reimbursement	226,000	434,000	437,067	3,067
Detoxification reimbursement	1,006,000	1,018,000	945,650	(72,350)
Recycling services	82,000	82,000	82,000	-
Total charges for services	1,884,000	2,099,000	1,977,709	(121,291)
Interest:				
Interest on investments	-	-	(201,618)	(201,618)
Miscellaneous:				
Telephone royalties	400,000	187,000	113,755	(73,245)
Other	-	-	374,295	374,295
Total miscellaneous	400,000	187,000	488,050	301,050
Total revenues	17,436,000	23,564,000	21,810,141	(1,753,859)
Expenditures:				
Current:				
Public safety:				
Administrative support	3,074,000	3,086,302	3,047,937	38,365
Community custody	448,000	749,000	798,243	(49,243)
Correction and detention	26,046,000	30,003,000	30,090,057	(87,057)
Detoxification program	1,084,000	1,084,000	1,006,443	77,557
Metro criminal justice coordinating council	-	146,000	126,064	19,936
Indirect overhead charge	1,569,000	1,165,000	1,165,000	-
Total expenditures	32,221,000	36,233,302	36,233,744	(442)
(Deficiency) of revenues over expenditures	(14,785,000)	(12,669,302)	(14,423,603)	(1,754,301)
Other financing sources (uses):				
Operating transfers in	15,152,000	17,057,000	17,057,000	-
Operating transfers out	(361,000)	(361,000)	(360,551)	449
Total other financing sources (uses)	14,791,000	16,696,000	16,696,449	449
Net change in fund balance	6,000	4,026,698	2,272,846	(1,753,852)
Fund balance (deficit), July 1	(2,033,118)	(2,033,118)	(2,033,118)	-
Fund balance (deficit), June 30	\$ (2,027,118)	\$ 1,993,580	\$ 239,728	\$ (1,753,852)

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL OBLIGATION BOND DEBT SERVICE FUND
Year ended June 30, 2002

	<u>Original Budget</u>	<u>Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
Revenues:				
Taxes:				
Current property taxes	\$ 59,512,000	\$ 59,512,000	\$ 62,555,114	\$ 3,043,114
Delinquent property taxes	<u>2,050,000</u>	<u>2,050,000</u>	<u>154,729</u>	<u>(1,895,271)</u>
Total taxes	61,562,000	61,562,000	62,709,843	1,147,843
Interest:				
Interest on investments	<u>1,000,000</u>	<u>1,000,000</u>	<u>906,929</u>	<u>(93,071)</u>
Total revenues	<u>62,562,000</u>	<u>62,562,000</u>	<u>63,616,772</u>	<u>1,054,772</u>
Expenditures:				
Debt service:				
Principal	52,810,000	52,810,000	49,810,000	3,000,000
Interest	10,156,000	9,356,000	8,215,773	1,140,227
Commitment and other fees	<u>100,000</u>	<u>900,000</u>	<u>826,234</u>	<u>73,766</u>
Total expenditures	<u>63,066,000</u>	<u>63,066,000</u>	<u>58,852,007</u>	<u>4,213,993</u>
Excess (deficiency) of revenues over expenditures	(504,000)	(504,000)	4,764,765	5,268,765
Other financing sources:				
Premium on bonds sold	<u>-</u>	<u>-</u>	<u>2,758,041</u>	<u>2,758,041</u>
Net change in fund balance	(504,000)	(504,000)	7,522,806	8,026,806
Fund balance, July 1	<u>10,706,769</u>	<u>10,706,769</u>	<u>10,706,769</u>	<u>-</u>
Fund balance, June 30	<u><u>\$ 10,202,769</u></u>	<u><u>\$ 10,202,769</u></u>	<u><u>\$ 18,229,575</u></u>	<u><u>\$ 8,026,806</u></u>

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL - NON MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE AND DEBT SERVICE FUNDS
Year ended June 30, 2002

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Funds with annual budgets:				
Revenues:				
Taxes	\$ 12,865,000	\$ 12,765,000	\$ 12,750,039	\$ (14,961)
Licenses and permits	1,616,000	1,745,000	1,753,516	8,516
Intergovernmental	1,029,000	1,054,000	1,057,163	3,163
Charges for services	5,016,000	4,793,000	4,764,304	(28,696)
Interest	2,041,000	2,089,000	991,033	(1,097,967)
Miscellaneous	-	<u>2,000</u>	<u>5,156</u>	<u>3,156</u>
Total revenues	<u>22,567,000</u>	<u>22,448,000</u>	<u>21,321,211</u>	<u>(1,126,789)</u>
Expenditures:				
Current:				
General government	8,130,000	7,956,000	7,810,061	145,939
Public safety	730,000	830,000	789,077	40,923
Culture and recreation	2,606,000	2,543,000	2,523,063	19,937
Highways and streets	6,047,000	5,284,000	5,196,642	87,358
Health	1,885,000	1,768,000	1,692,310	75,690
Debt service	<u>10,202,000</u>	<u>10,202,000</u>	<u>8,919,735</u>	<u>1,282,265</u>
Total expenditures	<u>29,600,000</u>	<u>28,583,000</u>	<u>26,930,888</u>	<u>1,652,112</u>
Excess (Deficiency) of revenues over expenditures:	<u>(7,033,000)</u>	<u>(6,135,000)</u>	<u>(5,609,677)</u>	<u>525,323</u>
Other financing sources (uses):				
Operating transfers in	11,290,000	10,391,000	10,769,921	378,921
Operating transfers out	<u>(6,609,000)</u>	<u>(6,609,000)</u>	<u>(6,609,000)</u>	<u>-</u>
Net other financing sources (uses)	<u>4,681,000</u>	<u>3,782,000</u>	<u>4,160,921</u>	<u>378,921</u>
Change in fund balances	(2,352,000)	(2,353,000)	(1,448,756)	904,244
Fund balance, July 1	<u>32,012,416</u>	<u>32,012,416</u>	<u>32,012,416</u>	<u>-</u>
Fund balance, June 30	<u>\$ 29,660,416</u>	<u>\$ 29,659,416</u>	<u>30,563,660</u>	<u>\$ 904,244</u>
Funds with other than annual budgets:				
Change in fund balances			(1,462,665)	
Fund balance, July 1			<u>23,881,613</u>	
Fund balance, June 30			<u>22,418,948</u>	
Total Fund balance, June 30			<u>\$ 52,982,608</u>	
Fund balance by type, June 30				
Special revenue funds			\$ 22,307,007	
Debt service funds			<u>30,675,601</u>	
			<u>\$ 52,982,608</u>	

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
June 30, 2002

	Enterprise Funds	
	Airport Fund	Joint Water and Sewer Fund
ASSETS		
Current assets:		
Cash, investments, and accrued interest	\$ 5,192,722	\$ 11,376,071
Receivables, net of allowance for uncollectibles:		
Accounts	3,247,523	17,379,835
Standby charges	-	71,733
Prepaid expenses	-	-
Due from other governments	-	-
Deposits	-	-
Inventories of supplies	-	-
Total current assets	8,440,245	28,827,639
Restricted assets:		
Cash, investments, and accrued interest	61,295,786	36,154,248
Cash with fiscal agents	7,981,004	40,156,598
Accounts receivable	126,275	513,474
Escrow deposits	-	142,497
Total restricted assets	69,403,065	76,966,817
Property and equipment:		
Land	32,916,822	22,389,226
Land and improvements acquired from U.S. Air Force	7,630,077	-
Buildings and improvements	142,068,780	2,257,926
Runways and other improvements	242,350,627	-
Improvements other than buildings	98,789,651	1,213,294,515
Machinery and equipment	11,961,735	36,613,865
Other	640,546	-
	536,358,238	1,274,555,532
Less accumulated depreciation and amortization	240,174,799	624,826,480
Net property and equipment	296,183,439	649,729,052
Construction work in progress	-	27,595,615
Total property and equipment	296,183,439	677,324,667
Other assets		
Capitalized bond issuance costs	1,484,609	540,462
Land - acquired under claim settlement	-	-
Purchased water rights, net of accumulated amortization	-	27,112,946
Total other assets	1,484,609	27,653,408
Total Assets	375,511,358	810,772,531

Enterprise Funds

Refuse Disposal Fund	Housing Authority Fund	Other Enterprise Funds	Totals	Internal Service Funds
\$ 4,216,866	\$ 8,459,109	\$ 3,313,371	\$ 32,558,139	\$ 26,646,828
2,670,984	147,882	125,744	23,571,968	2,029,360
-	-	-	71,733	-
-	-	-	-	300,963
-	489,555	-	489,555	63,060
-	-	-	-	6,679
<u>612,970</u>	<u>139,851</u>	<u>535,847</u>	<u>1,288,668</u>	<u>1,848,658</u>
<u>7,500,820</u>	<u>9,236,397</u>	<u>3,974,962</u>	<u>57,980,063</u>	<u>30,895,548</u>
11,792,050	-	17,322,197	126,564,281	-
3,518,069	-	201,947	51,857,618	-
-	2,094	5,084,860	5,726,703	-
-	<u>452,753</u>	-	<u>595,250</u>	-
<u>15,310,119</u>	<u>454,847</u>	<u>22,609,004</u>	<u>184,743,852</u>	-
5,165,504	3,767,389	7,177,000	71,415,941	283,842
-	-	-	7,630,077	-
31,429,896	47,721,432	49,286,763	272,764,797	406,001
-	-	-	242,350,627	-
-	-	-	1,312,084,166	765,388
53,437,848	327,741	52,555,759	154,896,948	1,694,109
-	-	-	<u>640,546</u>	-
<u>90,033,248</u>	<u>51,816,562</u>	<u>109,019,522</u>	<u>2,061,783,102</u>	<u>3,149,340</u>
<u>42,708,399</u>	<u>33,581,502</u>	<u>52,269,116</u>	<u>993,560,296</u>	<u>2,263,063</u>
47,324,849	18,235,060	56,750,406	1,068,222,806	886,277
<u>3,938,420</u>	<u>986,190</u>	<u>19,373,329</u>	<u>51,893,554</u>	-
<u>51,263,269</u>	<u>19,221,250</u>	<u>76,123,735</u>	<u>1,120,116,360</u>	<u>886,277</u>
165,857	-	422,960	2,613,888	-
-	-	-	-	1,930,000
-	-	-	<u>27,112,946</u>	-
<u>165,857</u>	-	<u>422,960</u>	<u>29,726,834</u>	<u>1,930,000</u>
<u>74,240,065</u>	<u>28,912,494</u>	<u>103,130,661</u>	<u>1,392,567,109</u>	<u>33,711,825</u>

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
June 30, 2002

	Enterprise Funds	
	Airport Fund	Joint Water and Sewer Fund
LIABILITIES		
Current liabilities:		
Accounts payable	332,316	2,353,529
Accrued payroll	72,730	217,585
Accrued vacation and sick leave pay	599,809	1,559,122
Accrued interest	-	545,918
Accrued fuel cleanup costs	-	-
Fare tokens outstanding	-	-
Deposits	-	193,695
Due to other governments	-	-
Current portion of claims and judgements payable	-	-
Current portion of water rights contract and loan agreements	-	3,384,676
Total current liabilities	1,004,855	8,254,525
Liabilities payable from restricted assets:		
Construction contracts	284,289	1,788,606
Retainage	-	294,357
Current portion of revenue bonds payable	4,975,000	31,160,000
Accrued interest	3,298,150	6,096,370
Deferred revenue	55,250	7,524
Other	-	23,040
Total liabilities payable from restricted assets	8,612,689	39,369,897
Non current liabilities excluding current portion:		
Revenue bonds, net of unamortized discounts	219,466,610	240,843,254
Water rights contract and loan agreements	-	45,752,329
Claims and judgements payable	-	-
Accrued vacation and sick leave pay	266,219	730,530
Total non current liabilities	219,732,829	287,326,113
Other liabilities:		
Deferred revenue	198,201	1,507,030
Advances from other funds	-	-
Total other liabilities	198,201	1,507,030
Total liabilities	229,548,574	336,457,565
NET ASSETS		
Invested in capital assets, net of related debt	93,445,989	409,080,380
Restricted:		
Debt service	23,985,101	5,730,725
Construction	17,931,927	11,416,968
Unrestricted	10,599,767	48,086,893
Total net assets	\$ 145,962,784	\$ 474,314,966

See Notes to Financial Statements

<u>Enterprise Funds</u>				
<u>Refuse Disposal Fund</u>	<u>Housing Authority Fund</u>	<u>Other Enterprise Funds</u>	<u>Totals</u>	<u>Internal Service Funds</u>
624,815	357,753	257,928	3,926,341	2,099,067
108,018	-	221,235	619,568	76,641
965,230	286	1,172,934	4,297,381	467,887
-	-	-	545,918	-
-	-	-	-	45,579
-	-	153,763	153,763	-
62,827	146,209	-	402,731	-
-	12,640	-	12,640	-
-	-	-	-	13,154,499
-	-	-	3,384,676	-
<u>1,760,890</u>	<u>516,888</u>	<u>1,805,860</u>	<u>13,343,018</u>	<u>15,843,673</u>
118,031	-	3,874,170	6,065,096	-
-	-	113,746	408,103	-
2,650,000	-	125,000	38,910,000	-
868,069	-	76,947	10,339,536	-
-	2,094	-	64,868	-
1,196,496	452,753	-	1,672,289	-
<u>4,832,596</u>	<u>454,847</u>	<u>4,189,863</u>	<u>57,459,892</u>	<u>-</u>
33,244,203	-	2,289,840	495,843,907	-
-	-	-	45,752,329	-
-	-	-	-	26,144,014
820,795	121,923	477,882	2,417,349	198,721
<u>34,064,998</u>	<u>121,923</u>	<u>2,767,722</u>	<u>544,013,585</u>	<u>26,342,735</u>
-	-	9,085	1,714,316	-
-	-	25,600,000	25,600,000	-
-	-	25,609,085	27,314,316	-
<u>40,658,484</u>	<u>1,093,658</u>	<u>34,372,530</u>	<u>642,130,811</u>	<u>42,186,408</u>
23,248,352	19,221,250	56,226,363	601,222,334	886,277
634,474	-	952,406	31,302,706	-
4,459,866	-	9,897,227	43,705,988	-
5,238,889	8,597,586	1,682,135	74,205,270	(9,360,860)
<u>\$ 33,581,581</u>	<u>\$ 27,818,836</u>	<u>\$ 68,758,131</u>	<u>\$ 750,436,298</u>	<u>\$ (8,474,583)</u>

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUNDS
Year ended June 30, 2002

	Enterprise Funds	
	Airport Fund	Joint Water and Sewer Fund
Operating revenues:		
Charges for services	\$ 50,401,858	\$ 113,780,763
Operating expenses:		
Salaries and fringe benefits	11,158,617	25,432,730
Professional services	159,353	3,950,668
Utilities	2,230,402	7,581,349
Supplies	432,271	1,306,521
Travel	20,141	12,967
Fuels, repairs and maintenance	1,941,528	7,168,651
Contractual services	3,679,740	3,144,879
Claims and judgements	-	-
Insurance premiums	-	-
Other operating expenses	1,830,858	5,780,796
Depreciation	28,417,108	39,355,206
Amortization	-	348,400
Bad debt expense	-	597,741
Total operating expenses	49,870,018	94,679,908
Operating income (loss)	531,840	19,100,855
Non-operating revenues (expenses):		
Interest on investments	950,033	2,031,573
Federal housing grants	-	-
Housing assistance payments	-	-
Passenger facilities charges	7,083,472	-
Gain (loss) on disposition of property and equipment	(10,253)	66,375
Interest expense	(8,274,078)	(12,205,596)
Bond issue costs	(279,327)	(35,013)
City water service expansion charges	-	11,908,616
Fiscal agent fees	(2,100,656)	(29,070)
Other	74,077	212,264
Total non-operating revenues (expenses)	(2,556,732)	1,949,149
Income (loss) before capital contributions and transfers	(2,024,892)	21,050,004
Capital contributions	375,582	14,995,201
Operating transfers in	-	360,551
Operating transfers out	-	(4,962,497)
Change in net assets	(1,649,310)	31,443,259
Net assets (deficit), July 1	147,612,094	442,871,707
Net assets (deficit), June 30	\$ 145,962,784	\$ 474,314,966

See Notes to Financial Statements

<u>Enterprise Funds</u>				
<u>Refuse Disposal Fund</u>	<u>Housing Authority Fund</u>	<u>Other Enterprise Funds</u>	<u>Totals</u>	<u>Internal Service Funds</u>
\$ 39,223,023	\$ 1,564,757	\$ 10,339,857	\$ 215,310,258	\$ 56,935,041
18,684,310	2,595,247	23,134,047	81,004,951	6,960,170
158,709	34,514	2,605	4,305,849	922,688
331,558	519,164	1,389,557	12,052,030	150,714
1,055,555	-	280,041	3,074,388	1,293,244
11,955	-	7,467	52,530	5,313
3,838,928	963,856	3,169,019	17,081,982	2,529,616
1,728,665	-	1,162,114	9,715,398	1,414,231
-	-	-	-	15,939,186
-	-	-	-	28,514,059
3,828,004	1,093,205	3,069,914	15,602,777	2,288,309
4,692,728	2,177,278	6,016,497	80,658,817	167,141
-	-	-	348,400	-
186,696	16,671	18,078	819,186	22,720
<u>34,517,108</u>	<u>7,399,935</u>	<u>38,249,339</u>	<u>224,716,308</u>	<u>60,207,391</u>
<u>4,705,915</u>	<u>(5,835,178)</u>	<u>(27,909,482)</u>	<u>(9,406,050)</u>	<u>(3,272,350)</u>
208,591	264,907	1,076,159	4,531,263	797,513
-	21,969,722	-	21,969,722	-
-	(16,815,828)	-	(16,815,828)	-
-	-	-	7,083,472	-
(61,079)	3,341	-	(1,616)	23,111
(1,266,242)	-	(397,664)	(22,143,580)	-
(53,453)	-	(49,182)	(416,975)	-
-	-	-	11,908,616	-
-	-	(100,281)	(2,230,007)	-
12,212	249,487	1,886,822	2,434,862	5,046
<u>(1,159,971)</u>	<u>5,671,629</u>	<u>2,415,854</u>	<u>6,319,929</u>	<u>825,670</u>
3,545,944	(163,549)	(25,493,628)	(3,086,121)	(2,446,680)
-	-	9,168,346	24,539,129	-
-	-	27,132,157	27,492,708	-
<u>(1,024,323)</u>	<u>-</u>	<u>(321,809)</u>	<u>(6,308,629)</u>	<u>(269,000)</u>
2,521,621	(163,549)	10,485,066	42,637,087	(2,715,680)
31,059,960	27,982,385	58,273,065	707,799,211	(5,758,903)
<u>\$ 33,581,581</u>	<u>\$ 27,818,836</u>	<u>\$ 68,758,131</u>	<u>\$ 750,436,298</u>	<u>\$ (8,474,583)</u>

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year ended June 30, 2002

	Enterprise Funds	
	Airport Fund	Joint Water and Sewer Fund
Cash flows from operating activities:		
Cash received from customers	\$ 51,298,808	\$ 112,715,997
Cash payments to employees for services	(10,971,112)	(25,064,588)
Cash payments to suppliers for goods and services	(8,934,331)	(28,174,027)
Indirect overhead	(1,201,325)	(2,151,304)
Cash payments to claimants and beneficiaries	-	-
Miscellaneous cash received	74,077	156,395
Net cash provided by (used for) operating activities	30,266,117	57,482,473
Cash flow from noncapital financing activities:		
Principal paid on water rights contract	-	(706,800)
Interest paid on water rights contract	-	(670,800)
Purchased water rights	-	(1,549,617)
Operating grants received	-	-
Housing assistance payments	-	-
Interest paid on advance from other funds	-	-
Operating transfers-in from other funds	-	-
Operating transfers-out to other funds	-	(4,962,497)
Net cash provided by (used for) noncapital financing activities	-	(7,889,714)
Cash flows from capital and related financing activities:		
Proceeds from sale of revenue and refunding bonds	43,661,418	30,000,000
Proceeds from notes payable	-	3,063,767
Capitalized bond issuance costs	(675,813)	(335,882)
Principal paid on revenue bond maturities and refunded bonds	(58,266,000)	(31,160,000)
Interest and other expenses paid on revenue bond maturities	(9,621,063)	(10,598,258)
Principal paid on notes payable	-	(2,353,480)
Interest paid on notes payable	-	(1,622,390)
Acquisition and construction of capital assets	(8,660,952)	(35,235,756)
Capital grants received	65,645	481,975
Passenger facilities charges	7,083,472	-
Cash contributions in aid of construction	-	(302,151)
City water service expansion charges	-	11,908,616
Proceeds from sale of property and equipment	15,971	72,942
Net cash used for capital and related financing activities	(26,397,322)	(36,080,618)
Cash flows from investing activities:		
Interest received on investments	950,033	2,021,796
Net cash provided by investing activities	950,033	2,021,796
Net increase (decrease) in cash and cash equivalents	4,818,828	15,533,937
Cash and cash equivalents, July 1	61,669,680	32,138,879
Cash and cash equivalents, June 30	\$ 66,488,508	\$ 47,672,816

See Notes to Financial Statements

Enterprise Funds

Refuse Disposal Fund	Housing Authority Fund	Other Enterprise Funds	Totals	Internal Service Funds
\$ 39,250,184	\$ 1,513,486	\$ 10,371,197	\$ 215,149,672	\$ 61,921,124
(18,369,806)	(2,600,613)	(22,783,616)	(79,789,735)	(6,860,149)
(9,264,266)	(2,566,789)	(7,355,735)	(56,295,148)	(40,656,909)
(1,378,701)	-	(1,606,364)	(6,337,694)	(2,171,082)
-	-	-	-	(10,453,105)
<u>12,212</u>	<u>242,399</u>	<u>908,606</u>	<u>1,393,689</u>	<u>5,045</u>
<u>10,249,623</u>	<u>(3,411,517)</u>	<u>(20,465,912)</u>	<u>74,120,784</u>	<u>1,784,924</u>
-	-	-	(706,800)	-
-	-	-	(670,800)	-
-	-	-	(1,549,617)	-
-	18,319,020	978,216	19,297,236	-
-	(16,815,828)	-	(16,815,828)	-
-	-	(720,263)	(720,263)	-
-	-	27,132,157	27,132,157	-
<u>(1,024,323)</u>	<u>-</u>	<u>(321,809)</u>	<u>(6,308,629)</u>	<u>(269,000)</u>
<u>(1,024,323)</u>	<u>1,503,192</u>	<u>27,068,301</u>	<u>19,657,456</u>	<u>(269,000)</u>
-	-	-	73,661,418	-
-	-	-	3,063,767	-
(9,936)	-	-	(1,021,631)	-
(2,650,000)	-	(125,000)	(92,201,000)	-
(1,199,758)	-	(218,016)	(21,637,095)	-
-	-	-	(2,353,480)	-
-	-	-	(1,622,390)	-
(3,335,550)	(1,030,156)	(25,368,969)	(73,631,383)	(1,006)
-	1,135,246	5,732,967	7,415,833	-
-	-	-	7,083,472	-
-	-	-	(302,151)	-
-	-	-	11,908,616	-
<u>20,091</u>	<u>3,341</u>	<u>-</u>	<u>112,345</u>	<u>23,111</u>
<u>(7,175,153)</u>	<u>108,431</u>	<u>(19,979,018)</u>	<u>(89,523,680)</u>	<u>22,105</u>
<u>1,502,746</u>	<u>264,907</u>	<u>1,175,178</u>	<u>5,914,660</u>	<u>797,513</u>
<u>1,502,746</u>	<u>264,907</u>	<u>1,175,178</u>	<u>5,914,660</u>	<u>797,513</u>
3,552,893	(1,534,987)	(12,201,451)	10,169,220	2,335,542
<u>12,456,023</u>	<u>10,446,849</u>	<u>32,837,019</u>	<u>149,548,450</u>	<u>24,311,286</u>
<u>\$ 16,008,916</u>	<u>\$ 8,911,862</u>	<u>\$ 20,635,568</u>	<u>\$ 159,717,670</u>	<u>\$ 26,646,828</u>

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year ended June 30, 2002

	Enterprise Funds	
	Airport Fund	Joint Water and Sewer Fund
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ 531,840	\$ 19,100,855
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	28,417,108	39,355,206
Amortization	-	348,400
Miscellaneous cash received	74,077	156,395
Provision for claims and judgements	-	-
Decrease (increase) in assets:		
Receivables	833,541	(1,064,766)
Inventories of supplies	-	-
Due from other governments	-	-
Prepaid expenses	-	-
Increase (decrease) in liabilities:		
Accounts payable	158,637	(781,759)
Accrued employee compensation and benefits	187,505	368,142
Fare tokens outstanding and deposits	-	-
Deferred revenue	<u>63,409</u>	<u>-</u>
Net cash provided by (used for) operating activities	<u>\$ 30,266,117</u>	<u>\$ 57,482,473</u>
 Cash and cash equivalents at June 30 consist of:		
Current assets:		
Cash, investments, and accrued interest	\$ 5,192,722	\$ 11,376,071
Restricted assets:		
Cash, investments, and accrued interest	61,295,786	36,154,248
Cash with fiscal agents	7,981,004	40,156,598
Escrow deposits	-	142,497
Less matured principal and interest on revenue bonds	<u>(7,981,004)</u>	<u>(40,156,598)</u>
Total cash and cash equivalents, June 30	<u>\$ 66,488,508</u>	<u>\$ 47,672,816</u>
 Non cash transactions:		
Unrealized gains (losses) on investments	\$ (158,947)	\$ (25,513)
Transfer of fixed assets from the Capital Projects Fund	-	-
HUD payment of third party guaranteed debt	-	-

<u>Enterprise Funds</u>				
<u>Refuse Disposal Fund</u>	<u>Housing Authority Fund</u>	<u>Other Enterprise Funds</u>	<u>Totals</u>	<u>Internal Service Funds</u>
\$ 4,705,915	\$ (5,835,178)	\$ (27,909,482)	\$ (9,406,050)	\$ (3,272,350)
4,692,728	2,177,278	6,016,497	80,658,817	167,141
-	-	-	348,400	-
12,212	242,399	908,606	1,393,689	5,045
-	-	-	-	5,486,081
27,161	(53,217)	18,171	(239,110)	(1,894,836)
103,493	32,069	75,875	211,437	107,596
-	-	-	-	12,797
-	-	-	-	10,872
393,610	11,881	60,821	(156,810)	1,062,557
314,504	(5,366)	350,431	1,215,216	100,021
-	18,617	13,169	31,786	-
-	-	-	63,409	-
<u>\$ 10,249,623</u>	<u>\$ (3,411,517)</u>	<u>\$ (20,465,912)</u>	<u>\$ 74,120,784</u>	<u>\$ 1,784,924</u>
\$ 4,216,866	\$ 8,459,109	\$ 3,313,371	\$ 32,558,139	\$ 26,646,828
11,792,050	-	17,322,197	126,564,281	-
3,518,069	-	201,947	51,857,618	-
-	452,753	-	595,250	-
<u>(3,518,069)</u>	<u>-</u>	<u>(201,947)</u>	<u>(51,857,618)</u>	<u>-</u>
<u>\$ 16,008,916</u>	<u>\$ 8,911,862</u>	<u>\$ 20,635,568</u>	<u>\$ 159,717,670</u>	<u>\$ 26,646,828</u>
\$ (1,570)	\$ -	\$ (340,230)	\$ (526,260)	\$ (16,099)
-	-	98,788	98,788	-
-	446,365	-	446,365	-

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - BUDGET AND ACTUAL
AIRPORT FUND
Year ended June 30, 2002

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Charges for services	\$ 52,752,000	\$ 49,624,000	\$ 50,401,858	\$ 777,858
Passenger Facility Charge	7,450,000	8,390,000	7,083,472	(1,306,528)
Interest on investments	1,418,000	1,198,000	1,095,920	(102,080)
Proceeds of refunding bonds	-	43,662,000	43,661,418	(582)
Other miscellaneous revenue	-	-	99,836	99,836
Transfer from non-restricted cash to cash restricted for debt service	29,452,000	26,914,000	26,240,822	(673,178)
Total revenues	91,072,000	129,788,000	128,583,326	(1,204,674)
Expenses:				
Aviation operations	21,346,000	21,214,000	20,235,349	978,651
Airport capital and deferred maintenance	6,000,000	6,000,000	6,000,000	-
Economic Development	30,000	30,000	-	30,000
Payments for General Fund services	1,208,000	1,208,000	1,201,325	6,675
Transfer from non-restricted cash to cash restricted for debt service	29,452,000	27,461,000	26,240,822	1,220,178
Debt service	30,080,000	27,832,000	22,966,066	4,865,934
Payment to refunded bond escrow agent	-	48,294,000	47,866,000	428,000
Total expenses	88,116,000	132,039,000	124,509,562	7,529,438
Excess of revenues over (under) expenses	\$ 2,956,000	\$ (2,251,000)	4,073,764	\$ 6,324,764
Revenues (expenses) not budgeted:				
Interest on investments of restricted assets			1,138,633	
Depreciation			(28,417,108)	
Amortization			(899,932)	
Bad debt expense			-	
Loss on disposition of property and equipment			(10,253)	
Unrealized losses on investments			(158,947)	
Miscellaneous expense			(25,759)	
Changes to conform to generally accepted accounting principles:				
Bond proceeds			(43,661,418)	
Fiscal agent fees			675,527	
Principal payment on bonds			10,400,000	
Bond escrow agent payment			47,866,000	
Transfer from non-restricted cash to cash restricted for acquisition of property and equipment			6,000,000	
Capital contributions			375,582	
Capitalized interest on long-term debt			994,601	
Change in net assets as reported in Exhibit A-10			\$ (1,649,310)	

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - BUDGET AND ACTUAL
JOINT WATER AND SEWER FUND
Year ended June 30, 2002

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Charges for services	\$ 98,528,000	\$ 98,528,000	\$100,504,719	\$ 1,976,719
City water service expansion charges	8,800,000	8,800,000	11,908,616	3,108,616
Sustainable water supply	13,800,000	13,800,000	13,276,044	(523,956)
Interest on investments	1,420,000	1,420,000	1,296,389	(123,611)
Valley system connection charges	250,000	250,000	254,134	4,134
City system connection charges	900,000	900,000	1,193,015	293,015
Other miscellaneous	970,000	970,000	850,263	(119,737)
Grant revenue	-	-	89,010	89,010
Transfer from unrestricted cash for operations	250,000	250,000	-	(250,000)
Transfer from non-restricted cash to cash restricted for debt service	<u>38,863,000</u>	<u>38,863,000</u>	<u>38,863,000</u>	<u>-</u>
Total revenues	<u>163,781,000</u>	<u>163,781,000</u>	<u>168,235,190</u>	<u>4,454,190</u>
Expenses:				
Water plant facility R&M	2,671,000	2,362,000	2,283,876	78,124
Water plant facility operations	8,997,000	7,830,000	7,316,785	513,215
Water distribution facility maintenance	5,184,000	6,550,000	6,397,150	152,850
Water distribution facility operation	1,960,000	2,014,000	1,864,701	149,299
Water revenue meter maintenance	2,557,000	2,364,000	2,345,171	18,829
Water contract O&M	101,000	75,000	66,010	8,990
Wastewater treatment	11,244,000	11,754,000	11,107,676	646,324
Wastewater pretreatment	911,000	853,000	689,176	163,824
Wastewater collection	4,258,000	4,108,000	3,844,003	263,997
Wastewater laboratory	1,410,000	1,404,000	1,348,486	55,514
Sustainable water supply	7,009,000	7,034,000	7,296,859	(262,859)
Customer services	3,570,000	3,474,000	3,326,650	147,350
Finance	2,790,000	2,756,000	2,708,671	47,329
San Juan-Chama	2,027,000	2,027,000	2,152,407	(125,407)
Strategic support	1,676,000	1,612,000	1,560,608	51,392
State conservation fee	1,170,000	1,100,000	1,081,979	18,021
North I-25 reuse	274,000	118,000	115,554	2,446
Utility development	638,000	560,000	555,040	4,960
Water resources	3,581,000	3,466,000	3,166,704	299,296
Information systems	461,000	391,000	300,901	90,099
Low income utility credit	138,000	228,000	234,250	(6,250)
Debt service	46,089,000	46,089,000	45,855,799	233,201
Transfer to cash restricted for debt service	37,808,000	37,808,000	37,808,000	-
Transfer from cash restricted for debt service to cash restricted for capital acquisition	3,938,000	3,938,000	3,938,000	-
Sustainable water supply - transfer to cash restricted for debt service	1,055,000	1,055,000	1,055,000	-
Transfer to cash restricted for capital acquisition	10,300,000	10,300,000	10,300,000	-
Sustainable water supply - transfer to cash restricted for capital acquisition	5,520,000	5,520,000	5,520,000	-
Sustainable water supply-transfer to unrestricted cash for operations	250,000	250,000	-	250,000
Payment for General Fund services	<u>7,346,000</u>	<u>7,346,000</u>	<u>7,113,801</u>	<u>232,199</u>
Total expenses	<u>174,933,000</u>	<u>174,386,000</u>	<u>171,353,257</u>	<u>3,032,743</u>
Excess of revenues over (under) expenses	<u>\$ (11,152,000)</u>	<u>\$ (10,605,000)</u>	(3,118,067)	<u>\$ 7,486,933</u>
Net expenses over revenues not budgeted (page 2)			(41,741,274)	
Changes to conform to generally accepted accounting principles (page 2)			<u>76,302,600</u>	
Change in net assets as reported in Exhibit A-10			<u>\$ 31,443,259</u>	

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - BUDGET AND ACTUAL
JOINT WATER AND SEWER FUND
Year ended June 30, 2002

	<u>Actual</u>
Revenues (expenses) not budgeted:	
Interest on investments of restricted assets	\$ 750,920
Gain on disposition of property and equipment	66,375
Depreciation	(39,355,206)
Amortization	(793,130)
Amortization on water rights contract	(348,400)
Accreted interest on capital appreciation bonds	(1,586,796)
Unrealized loss on investments	(25,513)
Bad debt	(597,741)
Loan fees	(29,068)
Lease of water rights	177,285
Net expenses over revenues not budgeted	\$ (41,741,274)
Changes to conform to generally accepted accounting principles:	
Principal payments on bonds and loan agreements	34,220,280
Transfer to cash restricted for capital acquisition	20,118,551
Capital contributions	14,995,201
Capital outlay	5,355,562
Capitalized interest on long-term debt	3,149,165
Operating grant revenue	(89,010)
Contributed capital budgeted as revenues	(1,447,149)
Net changes to conform to generally accepted accounting principles	\$ 76,302,600

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - BUDGET AND ACTUAL
REFUSE DISPOSAL FUND
Year ended June 30, 2002

	<u>Original</u> <u>Budget</u>	<u>Final</u> <u>Budget</u>	<u>Actual</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
Revenues:				
Charges for services	\$ 39,466,057	\$ 39,466,057	\$ 39,223,023	\$ (243,034)
Interest on investments	299,943	299,943	218,913	(81,030)
Transfer from non-restricted cash to cash restricted for debt service	<u>3,800,000</u>	<u>3,800,000</u>	<u>3,800,000</u>	<u>-</u>
Total revenues	<u>43,566,000</u>	<u>43,566,000</u>	<u>43,241,936</u>	<u>(324,064)</u>
Expenses:				
Collections	17,212,000	17,174,000	17,172,719	1,281
Disposal	4,631,000	4,631,000	4,625,162	5,838
Recycling	3,286,000	3,066,000	3,062,346	3,654
Clean City	3,066,000	3,066,000	3,062,036	3,964
Transfer from non-restricted cash to cash restricted for debt service	3,800,000	3,800,000	3,800,000	-
Payment for General Fund services	2,408,000	2,408,000	2,403,024	4,976
Transfer from non-restricted cash to cash restricted for capital acquisition	5,772,000	3,272,000	3,272,000	-
Transfer to Joint Water & Sewer Fund	478,000	478,000	478,000	-
Transfer to Corrections & Detention Fund	82,000	82,000	82,000	-
Debt service	<u>4,496,000</u>	<u>4,496,000</u>	<u>4,417,821</u>	<u>78,179</u>
Total expenses	<u>45,231,000</u>	<u>42,473,000</u>	<u>42,375,108</u>	<u>97,892</u>
Excess of revenues over (under) expenses	<u>\$ (1,665,000)</u>	<u>\$ 1,093,000</u>	866,828	<u>\$ (226,172)</u>
Revenues (expenses) not budgeted:				
Interest on investments of restricted assets			349,611	
Loss on disposition of property and equipment			(61,079)	
Depreciation			(4,692,728)	
Amortization			(219,481)	
Bad debt			(186,696)	
Miscellaneous			(9,938)	
Unrealized loss on investments			(1,570)	
Changes to conform to generally accepted accounting principles:				
Principal payment on bonds			2,650,000	
Transfer from non-restricted cash to cash restricted for capital acquisition			3,272,000	
Capitalized interest on long-term debt			331,394	
Capital outlay			<u>223,280</u>	
Change in net assets as reported in Exhibit A-10			<u>\$ 2,521,621</u>	

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - BUDGET AND ACTUAL
NON MAJOR ENTERPRISE FUNDS
Year ended June 30, 2002

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Positive (Negative)
Revenues:				
Charges for services:				
Parking	\$ 3,765,000	\$ 3,765,000	\$ 3,312,411	\$ (452,589)
Golf	4,070,000	4,187,000	3,981,145	(205,855)
Transit	3,205,000	3,182,000	2,977,975	(204,025)
Interest on investments	80,000	75,000	70,661	(4,339)
Miscellaneous revenue	124,000	95,000	113,016	18,016
General operating assistance	16,097,000	16,748,000	16,748,000	-
County shared operations	880,000	880,000	857,912	(22,088)
Transfers	<u>6,938,000</u>	<u>6,531,000</u>	<u>6,595,235</u>	<u>64,235</u>
Total revenues	<u>35,159,000</u>	<u>35,463,000</u>	<u>34,656,355</u>	<u>(806,645)</u>
Expenses:				
Parking services	2,150,000	2,420,000	2,410,793	9,207
Affordable and quality golf	3,389,000	3,380,000	3,259,465	120,535
Transit operations	24,291,000	24,609,000	23,336,451	1,272,549
Transfers	2,619,000	2,422,000	1,386,263	1,035,737
Debt service	345,000	345,000	278,894	66,106
Payment for General Fund services	<u>1,988,000</u>	<u>1,988,000</u>	<u>1,919,346</u>	<u>68,654</u>
Total expenses	<u>34,782,000</u>	<u>35,164,000</u>	<u>32,591,212</u>	<u>2,572,788</u>
Excess of revenues over expenses	<u>\$ 377,000</u>	<u>\$ 299,000</u>	2,065,143	<u>\$ 1,766,143</u>
Revenues (expenses) not budgeted:				
Interest on investments of restricted assets			1,444,747	
Operating grant revenue			984,218	
Operating grant expenses			(1,695,327)	
Depreciation			(6,016,497)	
Amortization of bond issuance costs			(49,869)	
Bad debt			(18,078)	
Transfer from Capital Acquisition Fund			5,459,148	
Transfer from restricted cash to cash restricted for debt service			(1,239,225)	
Unrealized loss on investments			(340,230)	
Changes to conform to generally accepted accounting principles:				
Capital outlay			109,810	
Capital contributions			9,168,346	
Capitalized interest on long term debt			277,880	
Transfers			210,000	
Principal payment on bonds			<u>125,000</u>	
Change in net assets as reported in Exhibit G-2			<u>\$ 10,485,066</u>	

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2002

	<u>Agency Fund</u>
ASSETS	
Cash, investments, and accrued interest	\$ 11,906,961
Receivables	228,293
Due from other governments	<u>22</u>
TOTAL ASSETS	<u>\$ 12,135,276</u>
LIABILITIES	
Liabilities:	
Accounts payable	\$ 6,668
Deferred revenue	<u>228,256</u>
Funds held for others	<u>11,900,352</u>
Total liabilities	<u>\$ 12,135,276</u>
Net Assets	<u>\$ -</u>

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 1 THE FINANCIAL REPORTING ENTITY

The City of Albuquerque, New Mexico, (City), was founded in 1706, chartered as a town in 1885, and organized under territorial law as a city in 1891. The City became a charter city in 1917, and the voters approved a home rule amendment to the charter in 1971. In 1974, the electorate voted to establish a mayor-council form of government; the City Council consists of nine council members. As a governmental entity, the City is not subject to Federal or State income taxes.

The City provides traditional services such as public safety, culture and recreation, public works, highways and streets, water and sewer services, and refuse collection. In addition, the City operates parking facilities, a transit system, an international airport, corrections and detention facilities, and a housing authority.

The City of Albuquerque (the primary government) for financial reporting purposes consist of funds, departments, and programs for which the City is financially accountable. Criteria indicating financial accountability includes, but are not limited to the following:

1. (a) appointment by the City of a majority of voting members of the governing body of an organization, and
(b) ability of the City to impose its will on the daily operations of an organization such as the power to remove appointed members at will; to modify or approve budget, rates or fees, or to make other substantive decisions; or
2. provision by the organization of specific financial benefits or burdens to the City; or
3. fiscal dependency by the organization on the City such as from the lack of authority to determine its budget or issue its own bonded debt without City approval.

Based on the foregoing criteria, the City does not have relationships with other organizations, not included herein, of such nature and significance that exclusion would render the City's financial statements incomplete or misleading.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Albuquerque have been prepared in conformity with generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The more significant of the government's accounting policies are described below.

A. Basis of Presentation

The financial transactions of the City are recorded in individual funds, each of which is considered a separate accounting entity. All financial transactions are reported in basic financial statements, as follows:

1. Government-wide Financial Statements:

The *statement of net assets* and the *statement of activities* display information about the primary government. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The net assets of the City is reported in three categories -1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted. Restricted net assets result from constraints placed on the use of net assets when externally imposed by creditors, grantors, laws and regulations of other governments and imposed by law through constitutional provisions or enabling legislation. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

The *statement of activities* presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Amounts reported as 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 and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. Indirect expense allocations that have been made in the funds are shown in a separate column and are not included in the expenses column. The allocation of indirect expenses is based on the relative usage by the function charged to all functions charged for services rendered by all central service activities of the general government such as Accounting, Information Services, Treasury, Budgeting, and other central services.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

A. Basis of Presentation, continued

2. Fund Financial Statements:

The fund financial statements provide information about the City's funds, including its fiduciary funds. Separate statements for each fund category; governmental, proprietary and fiduciary are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary funds distinguish operating revenues and expenses from non-operating revenues and expenses. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues, such as charges for services, result from exchange transactions in which each party receives and gives up essentially equal values. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues or expenses. These include operating subsidies, investment earnings, interest expense, and transactions that result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

General Fund. This fund is the City's primary operating fund and is used to account for the general operations of the City and for all financial resources except those required to be accounted for in another fund.

Corrections and Detention Fund. This fund accounts for the operations of the joint City/Bernalillo County Corrections and Detentions facilities.

General Obligations Bond Debt Service Fund. This fund accounts for the monies set aside for the payment of principal and interest of all general obligation bonds. The principal source of revenue is from property taxes.

Capital Acquisition Fund. This fund accounts for capital projects for which financing is provided by the sale of general obligation and revenue bonds, miscellaneous revenues and various grants.

The City reports the following major proprietary (enterprise) funds:

Airport Fund. This fund accounts for the operations of the Albuquerque International Airport.

Joint Water and Sewer Fund. This fund accounts for the general operations of providing water and sewer services.

Refuse Disposal Fund. This fund accounts for the general operations of providing refuse removal services.

Housing Authority Fund. This fund accounts for the operations of the City's low income housing program. Financing is provided by rentals of housing units and grants from the U.S. Department of Housing and Urban Development.

The City reports the following fund types:

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

Debt Service Funds. To account for the accumulation of resources for, and the payment of, general and special assessment long-term principal, interest, and related costs.

Capital Projects Funds. To account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds.

Permanent Funds. These funds account for resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support specific programs.

Internal Service Funds. These funds account for inventory warehousing and issues; worker's compensation, tort and other claims insurance coverage; vehicle maintenance and motor pool services; and communication services to City departments. In addition, these funds provide health insurance coverage to City employees.

Agency Funds. These funds account for monies held by the City in a custodial capacity on behalf of third parties or other agencies.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

B. Measurement Focus, Basis of Accounting

1. Government-Wide, Proprietary and Fiduciary Fund Financial Statements

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

All governmental and business-type activities of the City follow FASB Statements and interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements.

2. Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collectible within the current period or within one month following the year-end. Revenues not considered available are recorded as deferred revenues. Property taxes, gross receipts taxes, franchise taxes, licenses, and interest are considered susceptible to accrual. All other revenue items are considered to be measurable and available only when the City receives cash.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt and vacation and sick leave pay, which are recognized as expenditures only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

C. Statement of Cash Flows

For purposes of the statement of cash flows, all pooled cash and investments (including restricted assets) of the City are considered to be cash equivalents although there are investments with a maturity in excess of three months when purchased because they have the characteristics of demand deposits for each individual fund. Non-pooled investments with original maturities of three months or more are deducted from cash, investments, and accrued interest and changes therein are reported as cash flows from investing activities. The portion of cash in the amount of matured principal and interest on bonds in the Enterprise Funds group is not considered to be cash equivalent because of the City's policy of recognizing the July 1st payments of debt service expenditures as of the end of the fiscal year.

D. Estimated Amounts Reported in Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles 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 financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

E. Cash, Investments, and Accrued Interest

A significant portion of the cash and investments of funds of the City is pooled for investment purposes. The pooled cash investment program of the City is operated under the provisions of City ordinance and a specific City investment policy. The policy states that the City shall invest cash balances over the anticipated amount needed to meet operating requirements. Investments are recorded at fair value. The balance reported for each participating fund as "Cash, Investments, and Accrued Interest" represents the equity of that fund in the pooled cash, investments, and accrued interest. Interest earnings on pooled investments are allocated to the participating funds based on average daily balances.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

E. Cash, Investments, and Accrued Interest, continued

The investment policy states that the City will not commit any funds invested in the pool to maturities longer than three years from the date of purchase, except investments held to meet legal reserve requirements on bond indebtedness. The maturity date of these investments will not exceed the final maturity date of the bond issue to which they are pledged. Funds are invested on the basis of a minimum of three bids and/or offers. Certificates of deposit are based on competitive rates for specified maturities.

All investments are valued at quoted market prices except for the investment in Special Assessments District bonds and in State of New Mexico Mortgage Finance Authority bonds which are computed at amortized cost approximating market value. The investment in the State of New Mexico local government investment pool is valued at \$1.00 share. It is a pool that is not registered with the United States Securities Exchange Commission and the regulatory oversight for that pool rests with the State of New Mexico's Treasurer through the State Treasurer's Investment Committee. This pool is subject to the standards set forth in the State Treasurer's Local Government Investment Policy document incorporated in and made a part of the State Treasurer's Investment Policy document.

The following categories of investments are specifically authorized by the policy:

Repurchase Agreements - secured by collateral, which is delivered to a third-party safekeeping institution, with a market value equal to or greater than the value of the agreement.

U.S. Treasury Obligations - Bills, notes, and bonds.

Obligations of Federal Agencies or Instrumentalities - interest bearing or discount form.

Municipal Bonds - rated in any of the three highest major rating categories by one or more nationally recognized rating agencies.

The following categories of deposits are specifically authorized by the policy:

Checking accounts - at insured financial institutions.

Certificates of Deposit - subject to restrictions set forth in the City's Fiscal Agent Ordinance (City policy requires a minimum of 50% security consisting of insurance and/or collateral).

F. Inventories of Supplies

Inventories of supplies are valued at average cost. Expenditures in governmental funds and expenses in proprietary funds are recorded as inventory items are consumed.

G. Land Held for Sale

Land held for sale, which consists primarily of approximately 4,477 acres located throughout the State of New Mexico obtained by trade with the federal government in July 1982, is part of the Acquisition and Management of Open Space Nonexpendable Trust Fund. Upon sale of these properties, a portion of the gain, if any, as defined in an agreement, is payable to a third party. Other land was obtained through foreclosure proceedings required by special assessment bond ordinances. The land for sale is valued at cost, which does not exceed market value.

The City recognizes income on real estate transactions by recording the entire gross profit on sales that meet the requirements for the accrual method. Transactions, which do not meet the requirements for the accrual method, are recorded using the deposit method or installment method until such time as the requirements for the accrual method are met. Under the deposit method, cash received is recorded as a deposit. Under the installment method, the City records the entire contract price and the related costs at the time the transaction is recognized as a sale. Concurrently, the gross profit on the sale is deferred and is subsequently recognized as revenue as payments of principal are received on the related contract receivable.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

H. Capital Assets

Capital assets, which include land, buildings and improvements, machinery and equipment, and infrastructure assets, are reported in the applicable governmental or business-type activity columns in the government-wide financial statements. Capital assets are defined as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. General infrastructure assets, (roadways and related street and signal lights, storm sewers, bike trails, and bridges), acquired or constructed prior to July 1, 2001 have not been reported.

Capital outlay is recorded as expenditures of the General, Special Revenue, and Capital Projects Funds and as assets in the government-wide financial statements to the extent the City's capitalization threshold is met. Interest incurred during the construction phase of capital assets of the business-type activities is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period.

Capital assets, which are financed by general obligation bonds (to be repaid solely from property tax levies) for use by a proprietary fund, are reported as construction in progress in the government-wide financial statements during construction. The asset, when placed in service, is transferred at historical cost to the proprietary fund as a capital contribution from the City. Construction costs of water and sewer lines that are reimbursed by users or that are financed directly or indirectly by developers and property owners are capitalized and recorded as capital contributions in the Joint Water and Sewer (Enterprise) Fund.

Buildings and improvements, infrastructure, and machinery and equipment are depreciated using the straight line method over the following estimated useful lives:

Buildings and improvements	15 - 50 years
Runways and other improvements	15 - 25 years
General infrastructure assets	30 years
Improvements other than buildings and runways	15 - 20 years
Machinery and equipment	3 - 13 years

I. Deferred Charges and Other Assets

Purchased water rights, acquired in 1963, are recorded at cost in the Joint Water and Sewer Fund and are being amortized using the straight-line method over one hundred years.

Land acquired in claim settlement is recorded at the lower of cost or appraised value. The appraised value reflects the impairment of the asset, which was caused by underground contamination that seeped from an adjacent inactive landfill maintained by the City.

Costs incurred in connection with the issuance of bonds are capitalized and are reported as deferred bond issuance costs. These costs are amortized over the remaining maturity period of the related bond issues under a method that approximates the level interest rate method.

J. Claims and Judgments

Liabilities for workers' compensation, tort and other claims as of June 30, 2002, were accrued based on actuarial estimates of the City's self-insurance programs. At June 30, 2002, liabilities were based on a case by case evaluation of the probable outcome of claims filed against the City, as well as an estimate of claims incurred but not reported. The long-term portion of the liability is discounted at 4.0% at June 30, 2002, and 5.5% for 2001, over the estimated payment period. Revenues consist primarily of charges to other funds, the amounts of which approximate the cost of claims and other risk management costs arising from the activities of those funds.

K. Accrued Vacation and Sick Leave Pay

City employees may accumulate limited amounts of vacation pay which are payable to the employee upon termination or retirement. For governmental funds, expenditures are recognized during the period in which vacation costs become payable from available, expendable resources. A liability for amounts earned but not payable from available, expendable resources is reported in the government-wide financial statements. For proprietary funds, vacation costs are recognized as a liability when incurred.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

K. Accrued Vacation and Sick Leave Pay, continued

City employees may also accumulate limited amounts of sick leave which are payable to the employee upon termination or retirement. For governmental funds, expenditures are recognized during the period in which sick leave costs become payable from available, expendable resources. A liability for vested amounts, due to employees' meeting the termination or retirement requirements, but not payable from available, expendable resources is reported in the government-wide financial statements. For proprietary funds, accumulated sick leave pay is recognized when vested or taken whichever occurs first.

L. Deferred Revenue

The City defers revenue from nonexchange transactions. The amount deferred results from the difference between the receivable recognized on an accrual basis and the related revenue recognized on the modified accrual basis. The City also defers revenue on a water rights contract, rehabilitation loans, construction loans, economic development loans and special assessments. Revenue is recognized as the receivables are collected. In addition, deferred revenue includes moneys collected for food service and license fees, not yet earned.

M. Special Assessments

Special assessment receivables are recorded upon approval of the assessment roll by the City Council, and the related revenues, interest, and penalties are recognized when due. City participation revenues are recorded at the time of receipt.

N. Long-term Obligations

Long-term obligations used to finance proprietary fund capital acquisitions and payable from revenue of proprietary funds are recorded in the applicable proprietary fund. Long-term obligations of governmental funds payable from general revenues of the City and special assessment levies are reported in the government-wide financial statements.

O. Fund Balance Reserves and Designations

The City records reserves to indicate that a portion of fund balance is legally restricted for a specific future use or is not available for appropriation and/or expenditure. At June 30, 2002, fund balances were reserved for:

Encumbrances - the estimated amount of unperformed contracts and outstanding purchase orders that will be re-appropriated in the subsequent fiscal year.

Inventories of supplies - the amount of inventories on hand not available for appropriation.

Prepaid items - the amount reserved for operating costs paid in advance not available for appropriation.

Land held for resale - the amount of fund balance representing the cost of land held for resale and not available for appropriation and/or expenditure.

Advances to other funds - the amount of advances to other funds not available for appropriation and/or expenditure.

Acquisition and management of open space land - the fund balance of permanent funds legally restricted for this purpose.

Urban enhancement - the fund balance of permanent funds legally restricted for this purpose.

Operations - a portion of the fund balance of the General Fund restricted by the City Council from expenditure, except by specific appropriation, for the purpose of maintaining existing levels of government services to the public.

In addition to reserves, the City designates certain portions of unreserved fund balances or unrestricted net assets, disclosed in note 2S, as follows:

Designated for future appropriations - the amount of nonexchange revenues recognized at fiscal year end that will not be available for expenditures until the revenue is received.

Designated for unrealized gains on investments - the amount of unrealized gains on investments at fiscal year end that will not be available for expenditures until the related investments are sold.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
 June 30, 2002

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

P. Encumbrances

Encumbrances, outstanding at year end and that will be re-appropriated for the following fiscal year, are recorded as a reservation of fund balance and are not included in expenditures.

Q. Unbilled Revenues

Water, sewer, and refuse services are billed on a cycle basis; therefore, amounts for service provided but unbilled as of June 30, 2002 are not included in receivables or revenue of the enterprise funds. Such unbilled amounts are not material to the financial position and results of operations of the individual enterprise funds.

R. Interfund Transactions

Transactions that would be recorded as revenues, expenditures, or expenses if they involved organizations external to the City are similarly treated when involving other funds of the City. These transactions include charges for administrative services, building rental, risk management services, vehicle maintenance and motor pool services, inventory and office services, retirees' health care, and payments in lieu of taxes. Other authorized transfers between funds are recorded as operating transfers and are included in the determination of the results of operations in the governmental, proprietary, and fiduciary funds.

S. Budgets

Annual budgets for the General Fund, certain Special Revenue Funds, and certain Debt Service Funds are departmental appropriations by program, the level at which expenditures may not legally exceed appropriations. The annual budget approved by the City Council also includes proprietary funds. The budgetary data is prepared consistent with the basis of accounting described in Note 2B. As required by the home rule City charter, the annual budget is formulated by the Mayor and submitted to the City Council by April 1 for the fiscal year commencing July 1. When there is a proposal for a change in rates or fees, City ordinances provide that the Mayor shall submit the operating budget for the Solid Waste, Golf, Joint Water and Sewer, and Aviation enterprise funds to the City Council no later than March 1. Public hearings are conducted to obtain citizen comments on the approved budget. By June 1, the budget is legally adopted through passage of an appropriation resolution by the City Council.

The Mayor has the authority to change individual program appropriations by the lesser of five percent of the original appropriation or \$100,000, provided that the total amount of appropriations for the fund as approved by the City Council does not change. Approved appropriations lapse at the end of the fiscal year to the extent that they have not been expended or encumbered except any appropriation continued by ordinance. During fiscal year 2002, several supplemental appropriations were necessary. Following are the programs with expenditures that exceeded their appropriations at the end of the fiscal year prior to any subsequent City Council action.

General Fund:		Joint Water and Sewer Fund:	
Early retirement	\$ 675,690	Sustainable water supply	287,859
Fire training and safety	288,918	San Juan-Chama	125,407
Operating transfers out	266,436	Low income utility credit	6,250
Corrections and Detention Fund:		Risk Management Fund:	
Community custody	49,243	Tort and other claims	969,023
Corrections and detention	215,057		

An annual budget, which is not legally adopted, for the City of Albuquerque Housing Authority is prepared in accordance with the Department of Housing and Urban Development regulations on an accrual basis and includes both operating and debt service activities as a single budget. The Special Assessments Debt Service Fund spending is controlled primarily through bond indenture provisions and the Capital Projects Funds do not have annual budgets.

Exhibit A-8, "Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - Non Major Governmental Funds - Special Revenue and Debt Service Funds", does not include certain Special Revenue Funds (Albuquerque Biological Park Projects, City/County Projects, City Housing, Community Development, Culture and Recreation Projects, Housing and Neighborhood Economic Development, Law Enforcement Protection, Metropolitan Redevelopment, Operating Grants, and Urban Enhancement Expenditures) which have other than annual budgets.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

S. Budgets, continued

Included in the unreserved fund balances or unrestricted net assets for budgetary purposes are designations for future appropriations and for unrealized gains on investments. The designated amounts (in thousands) by fund types is as follows:

Unreserved fund balance - governmental funds						
	General	Corrections and Detention	GO Bond Debt Service	Capital Acquisition	Non Major	Totals
Designated for:						
Future appropriations	\$ 17,763	\$ -	\$ -	\$ -	\$ 3,285	\$ 21,048
Unrealized gains	141	-	64	575	384	1,164
Undesignated	1,914	9	18,166	121,855	37,456	179,400
Total Unreserved	\$ 19,818	\$ 9	\$ 18,230	\$ 122,430	\$ 41,125	\$ 201,612
Unrestricted net assets - proprietary (enterprise) funds						
	Airport	Joint Water and Sewer	Refuse Disposal	Housing Authority	Non Major	Totals
Designated for:						
Unrealized gains	\$ 307	\$ 223	\$ 74	\$ -	\$ 274	\$ 878
Undesignated	10,293	47,864	5,165	8,598	1,408	73,328
Total Unreserved	\$ 10,600	\$ 48,087	\$ 5,239	\$ 8,598	\$ 1,682	\$ 74,206

T. Implementation of New Accounting Principles

Governmental Accounting Standards Board (GASB) Statement No. 34

The City adopted the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This statement affects the manner in which the City records transactions and presents financial information. State and local governments have traditionally used a financial reporting model substantially different from the one used to prepare private-sector financial reports.

GASB Statement No. 34 established new requirements and a new reporting model for the annual financial reports of state and local governments. The statement was developed to make annual reports of state and local governments easier to understand and more useful to the people who use governmental financial information to make decisions.

Management's Discussion and Analysis - Statement No. 34 requires that financial statements be accompanied by a narrative introduction and analytical overview of the City's financial activities in the form of "management's discussion and analysis" (MD&A). This analysis is similar to the analysis provided in the annual reports of private-sector organizations.

Government-wide Financial Statements - The reporting model includes financial statements prepared using full accrual accounting for all of the City's activities. This approach includes not just current assets and liabilities but also capital and other long-term assets as well as long-term liabilities. Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter.

Statement of Net Assets - The government-wide statement of net assets is designed to display the financial position of the primary government (government and business-type activities). The City now reports all capital assets and long-term liabilities in the government-wide statement. The net assets of the City is reported in three categories -1) invested in capital assets, net of related debt; 2) restricted; and 3) unrestricted.

Statement of Activities - The government-wide statement of activities reports expenses and revenues in a format that focuses on the cost of each of the City's functions. The expense of individual functions is compared to the revenue generated directly by the function.

The City has recorded capital and certain other long-term assets and liabilities in the statement of net assets, and has reported all revenues and the cost of providing services under the accrual basis of accounting in the statement of activities.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

T. Implementation of New Accounting Principles, continued

GASB Statement No. 37

The City adopted the provisions of GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Government: Omnibus*. This statement amends GASB Statement No. 34 to either 1) clarify certain provisions or 2) modify other provisions that GASB believes may have unintended consequences in some circumstances. Accordingly, the City considered the effects of this statement when adopting the provisions of GASB Statement No. 34 as previously described.

GASB Statement No. 38

The City adopted the provisions of GASB Statement No. 38, *Certain Financial Statement Note Disclosures*. This statement modifies, establishes, and rescinds certain financial statement disclosure requirements. Accordingly, footnote disclosures have been revised to conform to the provisions of GASB Statement No. 38.

GASB Interpretation No. 6

The City adopted the provisions of GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*. This interpretation clarifies the application of standards for modified accrual recognition of certain liabilities and expenditures in areas where differences have arisen, or could arise, in interpretation and practice. This interpretation impacts the fund level financial statements (governmental funds only, not proprietary or fiduciary funds) required by GASB Statement No. 34 but has no direct impact on the government-wide financial statements. Accordingly, the City has considered the effects of this statement. No change in accounting for these types of liabilities or expenditures was required.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 3 RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets.

Total fund balances of the City's governmental funds, \$283,605,997, differs from net assets of governmental activities, \$648,684,699, reported in the statement of net assets. The differences primarily results from the long-term economic focus in the statement of net assets versus the current financial resources focus in the governmental fund balance sheets. The differences (*in thousands*) are illustrated below:

	<u>Total Governmental Funds</u>	<u>Internal Service Funds</u>	<u>Long-term Assets Liabilities</u>	<u>Reclassi- fications and Eliminations</u>	<u>Statement of Net Assets Totals</u>
Assets:					
Cash, investments and accrued interest	\$ 300,897	\$ 26,647	\$ -	\$ (68,942)	\$ 258,602
Taxes receivable	60,271	-	-	-	60,271
Accounts receivable	30,224	2,029	-	-	32,253
Due from other governments	18,593	63	-	-	18,656
Accrued interest	-	-	116	-	116
Deposit	1,780	7	-	-	1,787
Internal balances	31,510	-	-	(5,910)	25,600
Inventories	283	1,849	-	-	2,132
Prepaid expenses	164	301	-	-	465
Restricted assets:					
Cash, investments and accrued interest	-	-	-	68,942	68,942
Capital assets:					
Land and construction in progress	-	284	451,305	-	451,589
Capital assets being depreciated	-	2,865	533,368	-	536,233
Accumulated depreciation	-	(2,263)	(293,962)	-	(296,225)
Deferred charges and other assets	<u>5,128</u>	<u>1,930</u>	<u>370</u>	<u>-</u>	<u>7,428</u>
Total assets	<u>\$ 448,850</u>	<u>\$ 33,712</u>	<u>\$ 691,197</u>	<u>\$ (5,910)</u>	<u>\$ 1,167,849</u>
Liabilities:					
Accounts payable	\$ 20,091	\$ 2,099	\$ -	\$ -	\$ 22,190
Accrued liabilities	15,551	122	-	7,781	23,454
Deposits	793	-	-	-	793
Due to other funds/advances	5,910	-	-	(5,910)	-
Due to other governments	344	-	-	-	344
Deferred revenues	57,752	-	(30,603)	-	27,149
Current portion of long-term obligations:					
Bonds and notes payable	-	-	-	57,022	57,022
Accrued vacation and sick leave pay	-	468	14,650	-	15,118
Accrued claims payable	-	13,155	-	-	13,155
Matured principal and interest	64,803	-	-	(64,803)	-
Non current long-term obligations:					
Bonds and notes payable	-	-	320,927	-	320,927
Accrued vacation and sick leave pay	-	199	10,687	-	10,886
Accrued claims payable	-	26,144	-	-	26,144
Deferred credit	<u>-</u>	<u>-</u>	<u>1,982</u>	<u>-</u>	<u>1,982</u>
Total liabilities	<u>165,244</u>	<u>42,187</u>	<u>317,643</u>	<u>(5,910)</u>	<u>519,164</u>
Fund balances/net assets	<u>283,606</u>	<u>(8,475)</u>	<u>373,554</u>	<u>-</u>	<u>648,685</u>
Total liabilities and fund balances/net assets	<u>\$ 448,850</u>	<u>\$ 33,712</u>	<u>\$ 691,197</u>	<u>\$ (5,910)</u>	<u>\$ 1,167,849</u>

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 3 RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS, continued

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of net activities.

The net change in fund balances for governmental funds, \$32,819,875, differs from the change in net assets for governmental activities, \$47,452,201, reported in the statement of activities. The differences arise primarily from the long-term economic focus in the statement of activities versus the current financial resources focus in the governmental funds. The differences (*in thousands*) are illustrated below:

	<u>Total Governmental Funds</u>	<u>Internal Service Funds</u>	<u>Long-term Revenues/ Expenses</u>	<u>Reclassi- fications and Eliminations</u>	<u>Statement of Activities Totals</u>
Revenues:					
Taxes:					
Property taxes	\$ 78,989	\$ -	\$ (6,838)	\$ -	\$ 72,151
Gross receipts tax	115,625	-	627	-	116,252
Franchise tax	15,369	-	-	-	15,369
Lodgers tax	8,319	-	-	-	8,319
Licenses and permits	10,396	-	-	-	10,396
Intergovernmental	209,422	-	843	-	210,265
Charges for services	43,745	-	-	(7,729)	36,016
Fines and forfeits	669	-	-	-	669
Investment earnings	10,411	798	116	-	11,325
Special assessments	10,277	-	-	-	10,277
Other revenue	<u>11,521</u>	<u>28</u>	<u>(284)</u>	<u>578</u>	<u>11,843</u>
Total revenues	<u>514,743</u>	<u>826</u>	<u>(5,536)</u>	<u>(7,151)</u>	<u>502,882</u>
Expenditures/Expenses:					
Current:					
General government	53,055	292	2,497	(3,042)	52,802
Corrections	36,232	336	316	(1,383)	35,501
Fire	44,724	348	1,152	(203)	46,021
Police	91,412	1,191	7,342	(947)	98,998
Culture and recreation	53,316	448	10,058	984	64,806
Public works	11,277	79	684	(68)	11,972
Highways and streets	19,074	292	632	7,148	27,146
Health	10,025	82	467	(190)	10,384
Human services	50,918	205	865	(315)	51,673
Housing	2,389	-	(123)	(17)	2,249
Special assessments	-	-	-	15,897	15,897
Debt service:					
Principal retirement	60,058	-	(60,058)	-	-
Interest and other fiscal charges	15,925	-	1,133	-	17,058
Bond issuance costs	512	-	(773)	-	(261)
Capital outlay	110,038	-	(84,446)	(25,592)	-
Miscellaneous	<u>1,156</u>	<u>-</u>	<u>(1,733)</u>	<u>577</u>	<u>-</u>
Total expenditures/expenses	<u>560,111</u>	<u>3,273</u>	<u>(121,987)</u>	<u>(7,151)</u>	<u>434,246</u>
Other financing sources (uses)/changes in net assets:					
Net transfers (to) from other funds	(20,915)	(269)	-	-	(21,184)
Proceeds from issuance of bonds and loans	<u>99,103</u>	<u>-</u>	<u>(99,103)</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses)/changes in net assets	<u>78,188</u>	<u>(269)</u>	<u>(99,103)</u>	<u>-</u>	<u>(21,184)</u>
Net change for the year	<u>\$ 32,820</u>	<u>\$ (2,716)</u>	<u>\$ 17,348</u>	<u>\$ -</u>	<u>\$ 47,452</u>

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 4 CASH AND CASH EQUIVALENTS

A. Cash, Investments, Accrued Interest and Cash with Fiscal Agents

The total cash, investments, accrued interest and cash with fiscal agents, net of cash overdrafts of the City at June 30, 2002, consist of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash, investments, accrued interest and cash with fiscal agents, net of unamortized discounts and premiums:				
Repurchase agreements	\$ 183,093,920	\$ 119,683,773	\$ 6,422,931	\$ 309,200,624
Obligations of federal agencies or instrumentalities	118,522,274	81,961,184	4,107,352	204,590,810
State of New Mexico investment council	21,556,703	-	-	21,556,703
State of New Mexico local government investment pool	<u>-</u>	<u>6,544,956</u>	<u>-</u>	<u>6,544,956</u>
Total investments	<u>323,172,897</u>	<u>208,189,913</u>	<u>10,530,283</u>	<u>541,893,093</u>
Certificates of deposit	100,000	-	-	100,000
Bank accounts (book balance)	<u>(6,841)</u>	<u>(960,061)</u>	<u>1,376,678</u>	<u>409,776</u>
Total bank balances	<u>93,159</u>	<u>(960,061)</u>	<u>1,376,678</u>	<u>509,776</u>
Accrued interest receivable	994,082	835,363	-	1,829,445
In trust at Bank of Albuquerque	3,225,649	2,900,228	-	6,125,877
Imprest cash funds	<u>57,894</u>	<u>14,595</u>	<u>-</u>	<u>72,489</u>
Total other	<u>4,277,625</u>	<u>3,750,186</u>	<u>-</u>	<u>8,027,811</u>
Total cash, investments, accrued interest and cash with fiscal agents	<u>\$ 327,543,681</u>	<u>\$ 210,980,038</u>	<u>\$ 11,906,961</u>	<u>\$ 550,430,680</u>
Unrestricted cash, investments and accrued interest:				
Cash, investments and accrued interest	\$ 190,571,924	\$ 32,558,139	\$ 10,530,283	\$ 233,660,346
Cash with fiscal agents	<u>68,029,267</u>	<u>-</u>	<u>-</u>	<u>68,029,267</u>
Total unrestricted cash, investments and accrued interest	<u>258,601,191</u>	<u>32,558,139</u>	<u>10,530,283</u>	<u>301,689,613</u>
Restricted cash, investments and accrued interest:				
Cash, investments and accrued interest	68,942,490	126,564,281	1,376,678	196,883,449
Cash with fiscal agents	<u>-</u>	<u>51,857,618</u>	<u>-</u>	<u>51,857,618</u>
Total restricted cash, investments and accrued interest	<u>68,942,490</u>	<u>178,421,899</u>	<u>1,376,678</u>	<u>248,741,067</u>
Total cash, investments, accrued interest and cash with fiscal agents	<u>\$ 327,543,681</u>	<u>\$ 210,980,038</u>	<u>\$ 11,906,961</u>	<u>\$ 550,430,680</u>

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 4 CASH AND CASH EQUIVALENTS, continued

A. Cash, Investments, Accrued Interest and Cash with Fiscal Agents, continued

The City's deposits and investments at June 30, 2002, are categorized below to indicate the level of risk assumed by the City:

1. Investment Categories of Credit Risk

- (1) Insured or registered or securities held by the City or its agent in the City's name.
- (2) Uninsured and unregistered, with securities held by the counter party's trust department (if a bank) or agent in the City's name.

	Category			
	1	2	Not Categorized	Total
Repurchase agreements	\$ -	\$309,200,624	\$ -	\$309,200,624
Obligations of federal agencies or instrumentalities	204,590,810	-	-	204,590,810
State of New Mexico investment council	-	-	21,556,703	21,556,703
State of New Mexico local government investment pool	-	-	6,544,956	6,544,956
Total investments	\$204,590,810	\$309,200,624	\$ 28,101,659	\$541,893,093

2. Deposit Categories of Credit Risk

- (A) Insured or collateralized with securities held by the City or by its agent in the City's name.
- (B) Collateralized with securities held by the pledging financial institution's trust department or by its agent in the City's name.

	Category		
	A	B	Total
Bank accounts (bank balance)	\$ 209,887	\$ 8,851,929	\$ 9,061,816
Certificates of deposit	100,000	-	100,000
Total deposits	\$ 309,887	\$ 8,851,929	\$ 9,161,816

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 4 CASH AND CASH EQUIVALENTS, continued

B. Pledged Collateral by Bank

The City is required to obtain from each bank that is a depository for public funds pledged collateral in an aggregate amount equal to one half of the public money in each account (Section 6-10-17 NMSA 1978). No security is required for the deposit of public money that is insured by the Federal Deposit Insurance Corporation (FDIC).

The pledged collateral by bank at June 30, 2002, consists of the following:

	<u>Bank Of The West</u>	<u>Bank of America</u>	<u>Compass Bank</u>	<u>Wells Fargo Bank</u>	<u>First State Bank</u>	<u>Bank 1st</u>
Total amount on deposit	\$ 6,519	\$ 2,848,164	\$ 2,638	\$ 6,203,765	\$ 730	\$ 100,000
Less FDIC coverage	<u>6,519</u>	<u>100,000</u>	<u>2,638</u>	<u>100,000</u>	<u>730</u>	<u>100,000</u>
Total uninsured public funds	-	2,748,164	-	6,103,765	-	-
50% collateral requirement	-	<u>1,374,082</u>	-	<u>3,051,883</u>	-	-
Pledged securities, fair value	-	<u>639,176</u>	-	<u>6,166,893</u>	-	-
Pledged in excess (deficit) of requirement	<u>\$ -</u>	<u>\$ (734,906)</u>	<u>\$ -</u>	<u>\$ 3,115,010</u>	<u>\$ -</u>	<u>\$ -</u>

NOTE 5 TAXES, ACCOUNTS AND NOTES RECEIVABLES

A. Taxes receivable

The taxes receivable at June 30, 2002 are from the following sources:

Gross receipts taxes	\$ 47,412,005
Property tax	8,391,514
Franchise tax	3,108,896
Lodgers tax	807,972
Other taxes	<u>550,491</u>
Total	<u>\$ 60,270,878</u>

The property taxes above include a receivable of \$6,477,799 in the General Obligation Debt Service Fund, \$1,513,715 in the General Fund, and \$400,000 in the Metropolitan Redevelopment Fund.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied each year on July 1 on the taxable valuation of property located in the City as of the preceding January 1. The taxable valuations for the various classes of property are determined by the Bernalillo County Assessor and the State of New Mexico Department of Taxation and Revenue at one-third of assessed valuation. Property in the City for the fiscal year 2002 tax levy had a taxable value of \$7,423,666,498. The rate of taxes for operating purposes for all taxing jurisdictions is limited by the State Constitution to 20 mills (\$20 per \$1000 assessed valuation), of which the City's portion, by state regulation, is limited to 2.225 mills. The 2002 weighted average residential and non-residential City rate for both operations and debt service was 11.161 mills. Taxes are payable in two equal installments on November 10 and April 10 and become delinquent after 30 days.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 5 TAXES, ACCOUNTS AND NOTES RECEIVABLES, continued

B. Accounts receivables And Allowances For Uncollectible Accounts

Included on Exhibit A-I, "Statement of net assets", are balances of receivables which are reported net of allowances for uncollectible accounts. The amounts of these receivables that have allowances as of June 30, 2002, are as follows:

	<u>Total receivables</u>	<u>Allowance for uncollectible accounts</u>	<u>Net receivables</u>
Government Activities:			
Governmental funds:			
General Fund	\$ 3,140,606	\$ 756,932	\$ 2,383,674
Corrections and Detention Fund	1,433,573	1,387,559	46,014
Capital Acquisitions Fund	21,651	-	21,651
Non Major governmental funds	214,089	-	214,089
Internal service funds	<u>2,029,360</u>	<u>-</u>	<u>2,029,360</u>
Total government activity funds	<u>\$ 6,839,279</u>	<u>\$ 2,144,491</u>	<u>\$ 4,694,788</u>
Business-type activities:			
Major funds:			
Airport	\$ 3,993,900	\$ 746,377	\$ 3,247,523
Joint Water and Sewer	18,928,791	1,477,223	17,451,568
Refuse Disposal	2,947,565	276,581	2,670,984
Housing Authority Fund	404,911	257,029	147,882
Non major funds	<u>239,217</u>	<u>113,473</u>	<u>125,744</u>
Total Enterprise Funds	<u>\$ 26,514,384</u>	<u>\$ 2,870,683</u>	<u>\$ 23,643,701</u>

C. Long Term And Notes Receivables

Included in Exhibit A-1 are long term-receivables as follows:

Special Revenue Funds:		
Community Development Fund	Rehabilitation loans	\$ 2,185,369
Housing & Neighborhood Economic Development Fund	Notes receivable	139,355
"	Developer loans	250,000
Metropolitan Redevelopment Fund	Developer loans	500,000
Operating Grants Fund	Rehabilitation loans	741,545
"	Developer loans	<u>250,000</u>
		<u>4,066,269</u>
Debt Service Funds:		
Special Assessments Debt Service Fund	Special Assessments *	<u>18,720,115</u>
Permanent Funds:		
Acquisition and Management of Open Space Permanent Fund	Real Estate Contracts	<u>4,772,760</u>
		<u>\$ 27,559,144</u>

* includes delinquent accounts of \$515,156

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 6 INTERFUND RECEIVABLES AND PAYABLES

The interfund receivables and payables have primarily been recorded when funds overdraw their share of pooled cash. The composition of interfund balances as of June 30, 2002, consist of the following:

	<u>Due from other funds</u>	<u>Due to other funds</u>
Governmental funds:		
Major Funds:		
General Fund	\$ 5,602,453	\$ -
Corrections and Detention	<u>-</u>	<u>3,107,113</u>
	<u>5,602,453</u>	<u>3,107,113</u>
Non major funds:		
Community Development Fund	-	1,261,445
Gas Tax Road Fund	-	109,212
Operating Grants	<u>-</u>	<u>1,124,683</u>
	<u>-</u>	<u>2,495,340</u>
Total	<u><u>\$ 5,602,453</u></u>	<u><u>\$ 5,602,453</u></u>

NOTE 7 INTERFUND ADVANCES

Interfund advances to be repaid from revenues or proceeds from the sale of assets are as follows as of June 30, 2002.

		<u>Advances to other funds</u>	<u>Advances from other funds</u>
Governmental funds:			
General Fund *	Advance to Capital Acquisition Fund *	\$ 112,000	\$ -
	Advance to Open Space Expendable Trust Fund	<u>195,636</u>	<u>-</u>
		<u>307,636</u>	<u>-</u>
Special Revenue Fund	Open Space Expenditures Fund:		
	Advance from General Fund *	-	195,636
Debt Service Fund	Sales Tax Refunding Debt Service Fund:		
	Advance to Parking Facilities Fund **	25,600,000	-
Capital Projects Fund	Capital Acquisition Fund *:		
	Advance from General Fund *	<u>-</u>	<u>112,000</u>
		25,907,636	307,636
Proprietary funds:			
Enterprise Funds:	Parking Facilities Fund:		
	Advance from Sales Tax Refunding Debt Service Fund **	<u>-</u>	<u>25,600,000</u>
Total advances		<u><u>\$ 25,907,636</u></u>	<u><u>\$ 25,907,636</u></u>

* Major fund, all others are non-major.

** Revenue bonds payable solely from gross receipts tax revenues were issued in fiscal year 2000. The proceeds of these bonds were advanced to the Parking Facilities Fund and are being used to construct, acquire or improve capital assets.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 8 CAPITAL ASSETS

Capital asset activity of the City for the year ended June 30, 2002, was as follows:

A. Governmental Activities

	<u>Balance</u> <u>July 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30</u>
Assets not being depreciated:				
Land	\$ 198,886,408	\$ 3,872,166	\$ -	\$ 202,758,574
Construction work in progress	<u>219,490,193</u>	<u>39,072,169</u>	<u>9,732,340</u>	<u>248,830,022</u>
	<u>418,376,601</u>	<u>42,944,335</u>	<u>9,732,340</u>	<u>451,588,596</u>
Assets being depreciated:				
Buildings	78,621,350	2,572,590	-	81,193,940
Infrastructure	-	35,599,482	-	35,599,482
Improvements other than buildings	271,594,546	4,090,227	-	275,684,773
Equipment	<u>136,407,206</u>	<u>11,722,844</u>	<u>4,374,214</u>	<u>143,755,836</u>
	<u>486,623,102</u>	<u>53,985,143</u>	<u>4,374,214</u>	<u>536,234,031</u>
Less accumulated depreciation:				
Buildings	28,579,091	1,995,668	-	30,574,759
Infrastructure	-	593,325	-	593,325
Improvements other than buildings	142,632,206	9,193,611	-	151,825,817
Equipment	<u>105,063,645</u>	<u>12,240,012</u>	<u>4,072,424</u>	<u>113,231,233</u>
	<u>276,274,942</u>	<u>24,022,616</u>	<u>4,072,424</u>	<u>296,225,134</u>
Capital Assets being depreciated, net	<u>210,348,160</u>	<u>29,962,527</u>	<u>301,790</u>	<u>240,008,897</u>
Total capital assets, net	<u>\$ 628,724,761</u>	<u>\$ 72,906,862</u>	<u>\$ 10,034,130</u>	<u>\$ 691,597,493</u>

The construction work in progress consists of expenditures made in connection with the Capital Projects, Infrastructure Tax and Quality of Life Funds. The major amounts are for a new community center, renovating the Sport Stadium, the Balloon Fiesta Park facility development, a new police crime lab, police mini-substations, the new Explora Science Center, and other facilities.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 8 CAPITAL ASSETS, continued

B. Business-type activities

	<u>Balance</u> <u>July 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30</u>
Assets not being depreciated:				
Land	\$ 59,100,337	\$ 12,372,738	\$ 57,134	\$ 71,415,941
Land and improvements acquired from the U.S. Air Force	7,630,077	-	-	7,630,077
Other	640,546	-	-	640,546
Construction work in progress	<u>52,477,427</u>	<u>25,805,535</u>	<u>26,389,408</u>	<u>51,893,554</u>
Total assets, not being depreciated	<u>119,848,387</u>	<u>38,178,273</u>	<u>26,446,542</u>	<u>131,580,118</u>
Assets being depreciated:				
Buildings and improvements	253,543,551	19,221,246	-	272,764,797
Runways and improvements	242,121,821	228,806	-	242,350,627
Improvements other than buildings and runways	1,266,160,920	45,923,246	-	1,312,084,166
Equipment	<u>140,779,106</u>	<u>15,432,977</u>	<u>1,315,135</u>	<u>154,896,948</u>
Total assets, being depreciated	<u>1,902,605,398</u>	<u>80,806,275</u>	<u>1,315,135</u>	<u>1,982,096,538</u>
Less accumulated depreciation:				
Buildings and improvements	121,309,553	9,742,215	-	131,051,768
Runways and improvements	111,318,315	13,037,263	-	124,355,578
Improvements other than buildings and runways	590,017,075	45,987,267	-	636,004,342
Equipment	<u>91,457,710</u>	<u>11,892,072</u>	<u>1,201,174</u>	<u>102,148,608</u>
Total accumulated depreciation	<u>914,102,653</u>	<u>80,658,817</u>	<u>1,201,174</u>	<u>993,560,296</u>
Capital assets being depreciated, net	<u>988,502,745</u>	<u>147,458</u>	<u>113,961</u>	<u>988,536,242</u>
Total capital assets, net	<u>\$ 1,108,351,132</u>	<u>\$ 38,325,731</u>	<u>\$ 26,560,503</u>	<u>\$ 1,120,116,360</u>

The construction work in progress consists of expenditures made in connection with the Joint Water and Sewer Fund, Refuse Disposal Fund, Transit Fund, Parking Facilities Fund, and Housing Authority Fund. The major amounts are for Water and Sewer System improvements, parking structures, renovation of old Albuquerque High School, Solid Waste Disposal Facilities, and Transit Intermodal Facilities.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 8 CAPITAL ASSETS, continued

C. Depreciation expense

Depreciation expense was charged to functions/programs of the City as follows:

<u>Governmental activities:</u>	
General government	\$ 2,475,389
Public safety:	
Corrections	275,373
Fire protection	1,509,431
Police protection	6,659,141
Culture and recreation	9,728,125
Public works	816,001
Highways and streets	682,135
Health	568,834
Human services	1,141,047
Capital assets held by the City's internal service funds charged to the various functions on a prorated basis based on their usage of the assets	167,141
Total depreciation expense - governmental activities	\$ 24,022,617
<u>Business-type activities:</u>	
Major funds:	
Airport	\$ 28,417,108
Joint Water and Sewer	39,355,206
Refuse Disposal	4,692,728
Housing Authority	2,177,278
Non major funds:	
Golf Course	439,817
Parking Facilities	920,204
Transit	4,656,476
Total depreciation expense - business-type activities	\$ 80,658,817

D. Capitalized interest

Changes to the capital assets for the business-type activities for 2002 include the following amounts of capitalized interest:

	<u>Total Interest</u>	<u>Interest Related to Tax-Exempt Borrowing</u>	<u>Net</u>
Interest expense	\$ 28,457,583	\$ 6,314,003	\$ 22,143,580
Interest income	6,092,226	1,560,963	4,531,263
Capitalized interest		\$ 4,753,040	

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 9 RESTRICTED ASSETS

Restricted assets arise principally from legal restrictions on expenditures of proceeds from general obligations bonds or sales tax revenue bonds in the governmental activities or on expenditures of proceeds from revenue bonds of the enterprise funds. The amount of restricted assets reported in the statement of net assets at June 30, 2002 is as follows:

A. Governmental Activities

Capital Acquisitions Fund \$ 68,942,490

B. Business-type activities

Airport Fund	\$ 69,403,065
Joint Water and Sewer Fund	76,966,817
Refuse Disposal Fund	15,310,119
Housing Authority Fund	454,847
Other Enterprise Funds	<u>22,609,004</u>
Totals	<u>\$ 184,743,852</u>

NOTE 10 LONG-TERM OBLIGATIONS

A. Governmental activities

Bonded obligations of the City consists of various issues of general obligation, revenue, and special assessment bonds. Also included in long-term obligations is a water rights contract, notes payable, claims and judgments, and accrued vacation and sick leave pay. The City has complied with all revenue bond ordinance requirements for maintaining specific reserves for future debt service. All variable rate bonds are callable at 100% after 45 to 60 days notification to bondholders.

The changes in the long-term obligations of the governmental activities for the year ended June 30, 2002, are as follows:

	Outstanding				Payable in one year
	July 1	Increases	Decreases	June 30	
General Obligation Bonds	\$ 189,010,000	\$ 92,425,000	\$ 71,570,000	\$ 209,865,000	\$ 49,810,000
Sales Tax Revenue Bonds	162,450,017	-	2,660,000	159,790,017	2,730,000
Sales Tax Revenue Notes	700,000	-	-	700,000	126,313
Special Assessment Bonds and Notes					
With Governmental Commitment	22,829,561	3,919,861	4,341,948	22,407,474	4,355,963
Accrued vacation and sick leave pay	23,193,039	2,810,240	-	26,003,279	15,117,241
Accrued claims payable	33,812,432	15,939,186	10,453,105	39,298,513	13,154,499
Less deferred amounts:					
Unamortized Bond Discounts	(18,300,302)	-	(1,246,947)	(17,053,355)	-
Unamortized Bond Premiums	-	2,758,041	517,777	2,240,264	-
	413,694,747	117,852,328	88,295,883	443,251,192	85,294,016
Current portion of					
long-term obligations	(99,631,249)	-	(14,337,233)	(85,294,016)	-
Total	\$ 314,063,498	\$ 117,852,328	\$ 73,958,650	\$ 357,957,176	\$ 85,294,016

General Obligation Bonds are direct obligations of the City for which its full faith and credit are pledged and are payable from taxes levied on property located within the City.

On September 1, 2001, the City issued \$46,315,000 of General Obligation General Purpose bonds, Series 2001A, with an average coupon rate of 4.5%. The proceeds of these bonds were deposited into the Capital Projects Acquisition Fund and are being used to finance improvements for parks, libraries, museum, facilities, transit, streets and the biological park. The bonds also will be used to acquire equipment for fire and police protection.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 10 LONG-TERM OBLIGATIONS, continued

A. Governmental activities, continued

Also on September 1, 2001, the City issued \$4,510,000 of General Obligation Storm Sewer bonds, Series 2001B, with a coupon rate of 4.37%. The proceeds were deposited into the Capital Projects Acquisition Fund and will be used for improvements to the storm sewer system.

On December 1, 2001, the City issued \$10,000,000 of General Obligation Taxable Baseball Stadium bonds, Series 2001C. Interest coupon rates average 4.76%. The proceeds were deposited into the Capital Projects Acquisition Fund and are being used to finance a portion of the modernization, expansion and reconstruction of the City's currently existing municipal baseball stadium. The total cost for the City's portion of the project is estimated at \$25,000,000. The additional funds to complete the project are being provided by two loans from the New Mexico Finance Authority for \$6,000,000 (see subsequent event note 25) and \$9,000,000. Also see terms of the agreement in commitment note 24.

On February 1, 2002, the City issued \$6,000,000 of General Obligation Equipment bonds, Series 2002A, with a coupon rate of 2.50%. The proceeds were deposited into the Capital Acquisition Fund and will be used to purchase equipment for police and fire protection. The bonds matured on July 1, 2002.

On February 1, 2002, the City issued \$20,000,000 of General Obligation General Purpose bonds, Series 2002B, with an average coupon rate of 4.34%. The proceeds were deposited into the Capital Projects Acquisition Fund and will be used to provide and improve public libraries and for street improvements.

Also, on February 1, 2002, the City issued \$5,600,000 of General Obligation Storm Sewer bonds, Series 2002C, with a coupon rate of 4.50%. The proceeds were deposited into the Capital Projects Acquisition Fund and will be used for improvements to the storm sewer system.

General obligation bonds outstanding at June 30, 2002, are as follows:

<u>Issue</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Call Provisions</u>
March 1, 1994 Storm Sewer	\$ 9,000,000	5.00%	July 1, 2003	Not callable
February 1, 1996 General Purpose	4,000,000	5.00%	July 1, 2004	Not callable
February 1, 1996 Storm Sewer	3,500,000	5.00/5.50%	July 1, 2005	Not callable
January 1, 1997 General Purpose	10,100,000	5.00%	July 1, 2005	Not callable
January 1, 1997 Storm Sewer	6,700,000	5.00%	July 1, 2006	Not callable
February 1, 1998 General Purpose	12,620,000	5.00%	July 1, 2005	Not callable
February 1, 1998 Storm Sewer	6,350,000	5.00%	July 1, 2007	100% beginning July 1, 2005
February 1, 1999 General Purpose	8,000,000	3.85/3.95%	July 1, 2006	Not callable
February 1, 1999 Storm Sewer	4,760,000	4.00/4.05%	July 1, 2008	100% beginning July 1, 2006
August 1, 1999 General Purpose	14,000,000	4.50/4.75	July 1, 2009	100% beginning July 1, 2007
July 1, 2000 General Purpose	2,850,000	5.00%	July 1, 2005	Not callable
July 1, 2000 Storm Sewer	6,750,000	5.00%	July 1, 2010	100% beginning July 1, 2008
September 1, 2001 General Purpose	34,315,000	4.00/5.00%	July 1, 2010	100% beginning July 1, 2009
September 1, 2001 Storm Sewer	4,510,000	4.375%	July 1, 2011	100% beginning July 1, 2009
December 1, 2001 Taxable Baseball Stadium	8,000,000	4.00/5.60%	July 1, 2010	Not callable
February 1, 2002 General Purpose	19,000,000	2.50/5.00%	July 1, 2009	Not callable
February 1, 2002 Storm Sewer	5,600,000	4.50%	July 1, 2011	100% beginning July 1, 2010
	<u>\$ 160,055,000</u>			

The Constitution of the State of New Mexico limits the amount of general purpose government obligation bonds that may be issued by a municipality to four percent of the taxable valuation of property located within the City. At June 30, 2002, based on the most recent assessed taxable valuation of \$7,423,666,498, the City may issue an additional \$184,061,000 of general purpose general obligation bonds. Included in the general obligation bonds outstanding at June 30, 2002, are Storm Sewer bonds in the amount of \$47,170,000 that are not subject to the legal debt limit.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 10 LONG-TERM OBLIGATIONS, continued

A. Governmental activities, continued

Sales Tax Revenue Bonds of the City are secured by a pledge of gross receipts tax (sales tax) revenues. In addition, the 1996 Refunding issue is secured by limited amounts of parking and airport revenues.

Sales tax revenue bonds and notes outstanding at June 30, 2002, are as follows:

<u>Issue</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Call Provisions</u>
November 18, 1991 B				
Refunding and Improvement	\$ 18,251,661	6.60/7.10%	July 1, 2019	103% beginning July 1, 2011
May 1, 1992 Refunding	5,885,000	6.00/6.30%	July 1, 2007	102% beginning July 1, 2002
March 7, 1995	1,455,000	adjustable	July 1, 2023	100% beginning March 7, 1995
		weekly		
October 15, 1996 Refunding	10,885,000	5.00%	July 1, 2011	100% beginning July 1, 2007
January 15, 1999 A Refunding	5,465,000	3.75/5.00%	July 1, 2015	100% beginning July 1, 2009
January 15, 1999 B Refunding	45,335,000	4.60/5.00%	July 1, 2025	100% beginning July 1, 2009
March 15, 1999 C Refunding	27,130,000	4.75/5.25%	July 1, 2022	100% beginning July 1, 2009
January 20, 2000 A	25,600,000	adjustable	July 1, 2014	100% beginning January 20, 2000
		weekly		
April 27, 2001, Note	<u>573,688</u>	3.02/3.62%	July 1, 2006	None
	<u>\$140,580,349</u>			

Special Assessment Debt and Notes Payable with Governmental Commitment is secured by pledges of revenues from special assessments levied. The outstanding bonds and notes of certain water and sewer improvement districts are also secured by surplus revenues of the joint water and sewer system, subordinate to bonds and obligations payable solely or primarily from such revenues. Outstanding bonds and notes of paving and sidewalk improvement districts are additionally secured by pledges of one-half of motor fuel tax revenues of the City, to be used only in the event that revenues from assessments and interest levied are not sufficient to meet debt service requirements. All Special Assessment debt is callable at 100% on any semi-annual interest payment date.

On October 16, 2001, the City executed a loan agreement with New Mexico Finance Authority for Special Assessment District 222. The loan payable for \$2,605,539 has an average interest rate of 3.67% and matures on July 1, 2011. The proceeds are being used to finance the construction of pavement, sanitary sewer lines, storm sewer lines and water lines. The balance due at June 30, 2002 is \$2,382,167.

On May 24, 2002, the City executed a loan agreement with New Mexico Finance Authority for Special Assessment District 216. The loan payable for \$1,314,322 has an average interest rate of 3.56% and matures on July 1, 2012. The proceeds are being used to finance the construction of storm sewer lines and water lines. The balance due at June 30, 2002 was \$1,314,322.

Special Assessment debt and notes in the amount of \$18,051,511 is outstanding at June 30, 2002. Interest rates range from 1.82% to 7.11%, and maturities extend through January 1, 2015.

Housing Authority Debt. The U.S. Housing and Urban Development Department (HUD) guaranteed third party debt consisting of new Housing Authority (HA) revenue bonds and permanent notes payable to the Federal Financing Bank were issued to provide for the development and modernization of low rent housing units. These bonds and notes are payable by HUD and secured by annual contributions to the HA. HUD regulations states that the bonds and notes do not constitute a debt by the HA and accordingly these have not been reported in the accompanying financial statements. At 6/30/2002, the outstanding balance of the revenue bonds was \$1,145,000 with annual payments required through 2013 and the outstanding balance of the permanent notes was \$8,727,923 with annual payments required through 2017.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 10 LONG-TERM OBLIGATIONS, continued

B. Business-type activities

The changes in the Business-type activities obligations for the year ended June 30, 2002, are as follows:

	<u>Outstanding</u>				<u>Payable in one year</u>
	<u>July 1</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30</u>	
Revenue bonds	\$ 566,220,000	\$ 72,550,000	\$ 88,575,000	\$ 550,195,000	\$ 38,910,000
Loans	49,104,448	3,092,837	3,060,280	49,137,005	3,384,676
Accrued vacation and sick leave pay	5,898,990	815,740	-	6,714,730	4,297,381
Less deferred amounts:					
Deferred refunding costs	(12,080,292)	(2,300,595)	(2,470,251)	(11,910,636)	-
Unamortized bond premiums	5,765,165	1,242,786	950,002	6,057,949	-
Unamortized bond discounts	(11,660,259)	463,660	(1,608,193)	(9,588,406)	-
	<u>603,248,052</u>	<u>75,864,428</u>	<u>88,506,838</u>	<u>590,605,642</u>	<u>46,592,057</u>
Current portion	<u>(41,955,618)</u>	<u>-</u>	<u>4,636,439</u>	<u>(46,592,057)</u>	<u>-</u>
Business-type activity long-term obligations	<u>\$ 561,292,434</u>	<u>\$ 75,864,428</u>	<u>\$ 93,143,277</u>	<u>\$ 544,013,585</u>	<u>\$ 46,592,057</u>

Airport Revenue Bonds are secured by pledges of net revenues of the airport.

On August 1, 2001, the City issued \$42,550,000 in Airport Refunding Revenue Bonds. The series 2001 Bonds have a weighted average interest rate of 4.77%, and were issued with a lien on net revenues that is on parity with the lien of the City's outstanding Airport Revenue Bonds. The net proceeds of \$43,334,992 (after payment of underwriting fees and other issuance costs) were used to refund \$46,025,000 of the Series 1995A Revenue Bonds. The bond proceeds, together with an additional \$4,900,063 were deposited with an escrow agent who redeemed the Series 1995A Bonds within 90 days after closing. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2,300,595. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2016 using the effective-interest method. The Fund completed the refunding to reduce total debt service payments over the next 14 years by \$9,849,298 and to obtain an economic gain (difference between the present value of the debt service payments on the old debt and new debt) of \$4,545,110.

Airport Revenue bonds outstanding at June 30, 2002, are as follows:

<u>Issue</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Call Provisions</u>
January 1, 1995 B	685,000	5.55/7.00%	July 1, 2016	100% beginning January 1, 1997
May 3, 1995 Refunding	53,000,000	a *	July 1, 2014	100% on any interest payment date
January 31, 1996 A	12,400,000	a	July 1, 2017	100% on any interest payment date
April 3, 1997 Refunding	29,335,000	6.25/6.75%	July 1, 2018	102% beginning July 1, 2007
September 1, 1998 Refunding	40,785,000	3.80/5.00%	July 1, 2019	100% beginning July 1, 2008
May 4, 2000 A	6,800,000	a	July 1, 2020	100% on any interest payment date
May 4, 2000 B	40,000,000	a	July 1, 2020	100% on any interest payment date
August 1, 2001	<u>42,330,000</u>	3.20/4.75%	July 1, 2016	100% beginning July 1, 2012
Total outstanding	225,335,000			
Unamortized discounts	889,783			
Deferral on refunding	<u>(6,758,173)</u>			
Net outstanding	<u>\$ 219,466,610</u>			

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 10 LONG-TERM OBLIGATIONS, continued

B. Enterprise, continued

Golf Course Revenue Bonds are secured by a pledge of net golf course revenues and a pledge of revenues received by the City from gross receipts tax revenues.

Golf Course Revenue bonds outstanding at June 30, 2002 are as follows:

<u>Issue</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Call Provisions</u>
February 1, 2001	\$ 2,295,000	5.70/6.70%	July 1, 2011	100% beginning July 1, 2007
Total outstanding	2,295,000			
Unamortized discounts	(5,160)			
Net outstanding	<u>\$ 2,289,840</u>			

Joint Water and Sewer Revenue Bonds are secured by a pledge of net revenues derived from the operations of the joint water and sewer system.

On December 19, 2001, the City issued \$30,000,000 in Joint Water and Sewer System Revenue Bonds with an average interest rate of 4.22%. The proceeds from the bonds will be used to extend, repair, replace and otherwise improve the City's water and sanitary sewer system.

Joint Water and Sewer Revenue Bonds outstanding at June 30, 2002, are as follows:

<u>Issue</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Call Provisions</u>
June 1, 1990 A	\$ 9,991,710	6.00/7.20%	July 1, 2008	100% beginning July 1, 2000
January 1, 1994 A	27,375,000	2.75/5.50%	July 1, 2005	Not callable
August 1, 1995	22,360,000	3.625/6.00%	July 1, 2007	Not callable
June 15, 1997	34,670,000	4.75%	July 1, 2009	100% beginning July 1, 2006
January 1, 1999A	83,400,000	3.80/5.25%	July 1, 2011	Not callable
May 1, 2000A	19,735,000	5.00%	July 1, 2006	Not callable
December 1, 2001	<u>29,900,000</u>	3.00/4.50%	July 1, 2013	100% beginning July 1, 2010
Total outstanding	227,431,710			
Unamortized discounts	4,581,746			
Deferral on refunding	(4,481,892)			
Accreted interest	<u>13,311,690</u>			
Net outstanding	<u>\$ 240,843,254</u>			

Included in the outstanding Joint Water and Sewer Revenue Bonds, are the June 1, 1990A Issue, capital appreciation bonds in the principal amount of \$9,991,710. No payment of principal or interest is due on these bonds until the year 2003. In accordance with the bond agreement the payment for these bonds is not provided for in the current revenue rate structure; however, interest in the amount of \$13,311,690 has accreted as of June 30, 2002, and; accordingly, the interest expense and related liability are included in the financial statements of the Joint Water and Sewer Fund. The accreted interest is included as a reduction of the undesignated unreserved deficit.

Joint Water and Sewer Loan Agreements

A Water Rights Contract with the United States Government was entered into by the City during the fiscal year ended June 30, 1963 to pay a portion of the construction, operation, and maintenance costs for the San Juan-Chama diversion project in return for a portion of the water rights resulting from the project. The contract provides for payment in fifty annual installments with final maturity in 2022, and has an interest rate of 3.046%. The amount of the contract outstanding at June 30, 2002, was \$21,506,937.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 10 LONG-TERM OBLIGATIONS, continued

B. Business-type activities, continued

A line of credit agreement with the New Mexico Environment Department, was entered into by the City during the year ended June 30, 1991. Two additional agreements were entered into during the year ended June 30, 1994. These agreements provide that the City may draw a total of \$21,000,000 for the purpose of defraying the cost of extending, enlarging, bettering, and repairing and otherwise improving the waste water facilities of the City's municipal joint water and sewer system.

On October 1, 1994, the City executed a promissory note with the New Mexico Environment Department that converted an existing line of credit agreement of \$7,907,582 to a long-term note payable with an interest rate of 5%. On March 12, 2001, the City refinanced the note payable, which lowered the interest rate to 3%. Annual payments are \$567,926, with a final payment due on July 1, 2013. The balance due at June 30, 2002, was \$5,254,807.

On October 5, 1995, the City executed a promissory note with the New Mexico Environment Department that converted an existing \$4,000,000 line of credit agreement. The note payable of \$2,521,846 (total draws on the line of credit at the time of project completion) had an interest rate of 5%. On March 12, 2001, the City refinanced the note payable, which lowered the interest rate to 3%. Final payment is due on July 1, 2008. The balance due at June 30, 2002, was \$1,444,178.

On July 1, 1997, the City executed a promissory note with the New Mexico Environment Department that converted an existing line of credit agreement of \$9,000,000 to a long-term note payable with an interest rate of 5%. On March 12, 2001, the City refinanced the note payable, which lowered the interest rate to 3%. Final payment is due on July 1, 2008. The balance due at June 30, 2002, was \$5,154,003.

On June 14, 2000, the City executed a promissory note with the New Mexico Environment Department that converted an existing line of credit agreement of \$15,000,000 to a long-term note payable with an interest rate of 4% with annual payments of \$1,587,627. Final payment is due on July 1, 2012. The balance due at June 30, 2002, was \$12,877,080.

On April 12, 2002, the City executed a promissory note with the New Mexico Finance Authority in the amount of \$450,000 with an interest rate of 4.088%. The proceeds from the loan will be used to construct chemical storage facilities used as part of the City's drinking water purification system.

On May 10, 2002, the City executed a promissory note with the New Mexico Finance Authority in the amount of \$2,450,000 with an interest rate of 3.0%. The proceeds from the loan will be used for the construction of a drinking water purification system in the City's water and wastewater utility system.

Refuse Disposal Revenue Bonds are secured by a pledge of net revenues from refuse disposal operations.

Refuse Disposal Revenue Bonds outstanding at June 30, 2002, are as follows:

<u>Issue</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Call Provisions</u>
September 1, 1992	\$ 1,610,000	5.20/5.60%	July 1, 2005	102% beginning July 1, 2002
July 1, 1995	10,180,000	3.85/5.30%	July 1, 2009	Not callable
February 1, 1998	8,060,000	3.75/5.00%	July 1, 2013	100% beginning July 1, 2007
May 1, 2001A	2,965,000	4.00/4.10%	July 1, 2008	Not callable
May 1, 2001B	<u>10,820,000</u>	3.63/5.25%	July 1, 2012	Not callable
Total outstanding	33,635,000			
Unamortized discounts	279,773			
Deferral on refunding	<u>(670,570)</u>			
Net outstanding	<u>\$ 33,244,203</u>			

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 10 LONG-TERM DEBT, continued

C. Summary of Annual Debt Service Requirements

The annual debt service requirements on the obligations outstanding at June 30, 2002 are as follows:

<u>Year ending June 30</u>	<u>Governmental activities</u>		<u>Business-type activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2003	\$ 35,531,347	\$ 15,039,335	\$ 44,193,262	\$ 25,878,293
2004	27,843,400	13,406,878	46,626,363	23,919,498
2005	29,780,626	12,130,296	48,853,485	21,729,191
2006	27,430,453	10,699,958	46,210,387	22,614,840
2007	23,866,685	9,419,570	45,095,294	24,345,054
2008-2012	76,803,680	33,253,014	183,629,862	60,751,765
2013-2017	35,109,071	21,454,458	92,970,070	16,727,773
2018-2022	44,046,598	10,913,357	28,895,047	2,245,199
2023-2025	18,275,000	2,033,188	1,359,947	41,424
Total	<u>\$ 318,686,860</u>	<u>\$ 128,350,054</u>	<u>\$ 537,833,717</u>	<u>\$ 198,253,037</u>

D. Arbitrage

Section 148 of the Internal Revenue Code provides generally that bonds issued by a municipality will be "arbitrage bonds", if any portion of the proceeds of the bonds are reasonably expected to be invested in obligations with a yield that is "materially higher" than the yield on the bonds. While municipalities are entitled to earn a certain amount of positive arbitrage during the period the bonds are outstanding, Section 148(f) generally requires that these earnings be paid to the Internal Revenue Service (IRS) at least every five years. As of June 30, 2002, the City has set aside an amount of \$1,982,207 in arbitrage interest due the IRS in connection with future filings and payments to the IRS. This amount is reported as a deferred credit in the statement of net assets.

NOTE 11 DEMAND BONDS

Included in long-term debt (Notes 10A and 10B) is \$139,255,000 of various demand bonds, the proceeds of which were used to (a) provide funds for certain capital improvements, (b) establish bond reserve funds in accordance with the trust agreements, (c) establish a construction period interest account, and (d) pay costs incurred to issue the bonds. The bonds are included in the summary of annual debt service requirements in Note 10C assuming retirement in accordance with the related mandatory sinking fund redemption requirements.

The holders of the bonds may demand payment at a price equal to principal plus accrued interest upon delivery to the City's remarketing agent. The remarketing agents are authorized to use their best efforts to sell the repurchased bonds at a price equal to 100% of the principal amount by adjusting the interest rate. If a remarketing agent is unable to resell any tendered bonds, the City has a non-cancelable "take out" agreement that would be exercised. The City is required to pay an annual fee for the "take out" agreements. The remarketing agent receives a fee for their services.

At June 30, 2002, no amounts were drawn on the "take out" agreements, which are as follows:

Sales Tax Revenue Bonds March 7, 1995	
Remarketing Agent	Smith Barney, Inc.
Terms of "Take-Out" Agreement:	
Purchaser	Bank of America
Method of Purchase	Direct Pay Letter of Credit
Expiration Date	November 27, 2004
Annual Fee	.45% on the stated amount of the letter of credit
Stated Amount at Time of Issuance	\$2,018,220 (Principal outstanding plus 295 days of interest at 15%)
Bonds Outstanding at 6/30/2002	\$1,455,000

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 11 DEMAND BONDS, continued

Airport Subordinate Lien Adjustable Tender Refunding Revenue Bonds May 3, 1995

Remarketing Agent	Smith Barney, Inc.
Terms of "Take-Out" Agreement:	
Purchaser	Bayerische Hypo-und Vereinsbank, AG
Method of Purchase	Direct Pay Letter of Credit
Expiration Date	November 30, 2003
Annual Fee	.25% on the stated amount of the letter of credit
Stated Amount at Time of Issuance	\$67,963,699 (Principal outstanding plus 35 days of interest at 15%)
Bonds Outstanding at 6/30/2002	\$53,000,000

Airport Subordinate Lien Adjustable Tender Refunding Revenue Bonds January 31, 1996

Remarketing Agent	Smith Barney, Inc.
Terms of "Take-Out" Agreement:	
Purchaser	Bayerische Landesbank
Method of Purchase	Direct Pay Letter of Credit
Expiration Date	January 31, 2001
Annual Fee	.29% on the stated amount of the letter of credit
Stated Amount at Time of Issuance	\$39,961,644 (Principal outstanding plus 60 days of interest at 15%)
Bonds Outstanding at 6/30/2002	\$12,400,000

Airport Subordinate Lien Adjustable Rate Revenue Bonds, Series 2000 A & B May 4, 2000

Remarketing Agent	Dain Rauscher, Inc.
Insured by	Ambac Assurance Inc.
Terms of "Take-Out" Agreement:	
Purchaser	Morgan Guaranty Trust Company of New York
Method of Purchase	Liquidity Facility
Expiration Date	May 3, 2005
Annual Fee	.175% on the stated amount of the liquidity facility
Stated Amount at Time of Issuance	\$47,858,193 (Principal outstanding plus 35 days of interest at 12% for 2000A and 15% for Series 2000B)
Bonds Outstanding at 6/30/2002	\$46,800,000

Variable Rate Taxable Gross Receipts Tax Improvement Bonds, Series 2000A, January 20, 2000

Remarketing Agent	Dain Rauscher, Inc.
Insured by	MBIA Insurance Corporation
Terms of "Take-Out" Agreement:	
Purchaser	Bank of America, N.A.
Method of Purchase	Liquidity Facility
Expiration Date	Jan 20, 2005
Annual Fee	.11% on the stated amount of the liquidity facility
Stated Amount at Time of Issuance	\$27,733,333 (Principal outstanding plus 200 days of interest at 15%)
Bonds Outstanding at 6/30/2002	\$25,600,000

NOTE 12 REFUNDED BONDS

The City has refunded various bond issues by issuing refunding bonds, the proceeds of which have been placed in escrow and used to purchase securities of the United States Government and related agencies at various interest rates and maturities sufficient to meet all debt service requirements of the refunded debt. These assets are administered by trustees and are restricted to use for retirement of the refunded debt. The liability for the refunded bonds and the related securities and escrow accounts are not included in the accompanying general purpose financial statements as the City satisfied its obligation for payment of the refunded debt upon completion of the refunding transactions. Refunded debt outstanding at June 30, 2002, is as follows:

Sales Tax Revenue Bonds	<u>\$21,891,000</u>
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CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 13 CONDUIT BONDS

The City has acted from time to time as the issuer of conduit bonds, the proceeds of which have been immediately loaned to a private borrower. Such bonds are payable by the City only from amounts paid to the City by such conduit borrowers pursuant to a lease, loan or other agreement. The City has assigned its rights with respect to such bonds to various trustees which monitor amounts due by the borrowers and pay the principal and interest as due on such conduit bonds from the borrowers payments. The City has no obligation to repay all or any portion of such bonds in the event the private borrowers fail to make their payments when due.

Industrial Revenue Bonds

As of June 30, 2002, there were seventy-three series of Industrial Revenue Bonds outstanding. The aggregate principal amount payable for the thirty-four series issued after July 1, 1995, is \$1.2 billion. The aggregate principal amount payable for the forty-two series issued prior to July 1, 1995, could not be determined; however, the original amount issued totaled \$644.7 million.

Metropolitan Redevelopment Bonds

As of June 30, 2002, there were nine series of Metropolitan Redevelopment Bonds outstanding. The aggregate principal amount payable for the three series issued after July 1, 1995 is \$6.85 million. The aggregate principal amount for the six series issued prior to July 1, 1995, could not be determined; however, the original amount issued totaled \$24,875,000.

NOTE 14 DEFICIT FUND EQUITIES

Special Revenue Funds

The Operating Grants Fund at June 30, 2002 has a deficit unreserved fund balance of \$537,694 while the deficit total fund balance is \$513,068. The deficit results from expenditures made in anticipation of future revenue from sources other than grants.

Capital Projects Funds

While the total unreserved fund balance of the Capital Acquisition Fund is not in a deficit position, deficit unreserved fund balances for certain purposes result because capital expenditures and encumbrances are made prior to issuance of general obligation bonds. The resulting deficit fund balance of the Community Services purpose at June 30, 2002, is \$174,606.

While the total unreserved fund balance of the Quality of Life Fund is not in a deficit position, deficit unreserved fund balances for certain purposes result because capital expenditures and encumbrances are made in anticipation of additional revenues and transfers. The resulting deficit unreserved fund balance of the Quarter Cent Storm Drain purpose at June 30, 2002, was \$83,892.

Internal Service Funds

The deficit fund net assets of the Risk Management Fund increased to \$14,109,749 at June 30, 2002 from the \$13,000,206 deficit fund net assets at June 30, 2001. The deficit at June 30, 2001, as restated (note 23), was increased by \$1,445,351 to record the impairment of an asset acquired in a claim settlement. The increase in deficit net assets for the year ended June 30, 2002 was primarily due to an unanticipated judgment on a claim for approximately \$4.25 million in connection with an employee dismissal suit filed against the City. The City is appealing the judgment. This amount is offset by a judgment of \$3.7 million in cash and reduction of liabilities for losses that was awarded in favor of the City against an insurance carrier. The City has implemented a five year recovery plan that will reduce the deficit net assets beginning in the fiscal year ending June 30, 2003 by increasing charges to other funds.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 15 INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2002, were as follows:

From	To		
General Fund *	Corrections and Detention Fund *	\$	17,057,000
General Fund *	Operating Grants Fund		3,573,436
General Fund *	Gas Tax Fund		714,000
General Fund *	Capital Acquisition Fund *		6,391,000
General Fund *	Sales Tax Refunding Debt Service Fund		801,000
General Fund *	City/County Building Debt Service Fund		95,000
General Fund *	Transit Fund		16,748,000
General Fund *	Acquisition and Management of Open Space Expenditures Fund		1,237,000
Recreation Fund	General Fund *		315,000
Lodgers Tax Fund	Sales Tax Refunding Debt Service Fund		4,522,000
Corrections and Detention Fund *	Joint Water & Sewer Capital Fund *		360,551
City/County Projects Fund	General Fund *		82,000
City/County Facilities Fund	City/County Building Debt Service Fund		1,200,000
Plaza del Sol Building Fund	Sales Tax Refunding Debt Service Fund		572,000
Capital Acquisition Fund *	General Fund *		1,911,000
Capital Acquisition Fund *	Transit Fund		5,459,148
Infrastructure Tax Fund	Capital Acquisition Fund *		12,500
Infrastructure Tax Fund	Transit Fund		4,925,009
Joint Water & Sewer Fund *	General Fund *		4,962,497
Parking Facilities Fund	General Fund *		128,000
Refuse Disposal Fund *	General Fund *		1,024,323
Transit Fund	General Fund *		142,907
Golf Course Fund	General Fund *		50,902
Risk Management Fund	General Fund *		269,000
Acquisition and Management of Open Space Permanent Fund	Acquisition and Management of Open Space Expenditures Fund		1,628,921
Urban Enhancement Permanent Fund	Urban Enhancement Expenditures Fund		<u>406,872</u>
Total transfers		\$	<u>74,589,066</u>
		<u>Transfers In</u>	<u>Transfers Out</u>
Exhibit A-4, "Statement of Revenues, Expenditures, and Changes in Fund Balances All Governmental Funds"		\$ 47,096,358	\$ 68,280,437
Exhibit A-10, "Statement of Revenues, Expenses, and Changes in Net Assets All Proprietary Funds"		<u>27,492,708</u>	<u>6,308,629</u>
Total transfers		<u>\$ 74,589,066</u>	<u>\$ 74,589,066</u>

* Major fund, all others are non-major funds

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 16 SEGMENT INFORMATION

Significant financial data for identifiable activities of major enterprise funds are reported in the statements for proprietary funds in the basic financial statements section. Significant financial data for identifiable activities of nonmajor enterprise funds as of and for the year ended June 30, 2002, (in thousands of dollars) is as follows:

	<u>Golf Course Fund</u>	<u>Parking Facilities Fund</u>	<u>Transit Fund</u>
CONDENSED STATEMENT OF NET ASSETS			
Assets:			
Current assets	\$ 226	\$ 286	\$ 3,462
Restricted assets	2,275	8,916	11,418
Capital assets	6,113	31,240	38,771
Other assets	97	326	-
Total assets	<u>8,711</u>	<u>40,768</u>	<u>53,651</u>
Liabilities:			
Current liabilities	157	121	1,528
Liabilities payable from restricted assets	233	1,387	2,570
Bonds and other long-term liabilities	2,370	45	361
Advance from other funds	-	25,600	-
Total liabilities	<u>2,760</u>	<u>27,153</u>	<u>4,459</u>
Net assets:			
Invested in capital assets, net of related debt	4,755	12,701	38,771
Net assets restricted for:			
Debt service	55	897	-
Construction	1,152	(103)	8,848
Unrestricted net assets (deficit)	<u>(11)</u>	<u>120</u>	<u>1,573</u>
Total net assets	<u>\$ 5,951</u>	<u>\$ 13,615</u>	<u>\$ 49,192</u>
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS			
Operating revenues	\$ 3,981	\$ 3,381	\$ 2,978
Depreciation and amortization	(457)	(953)	(4,656)
Other operating expenses	<u>(3,604)</u>	<u>(2,613)</u>	<u>(25,967)</u>
Operating income (loss)	(80)	(185)	(27,645)
Nonoperating revenues (expenses):			
Investment earnings	78	659	339
Interest and other debt related expenses	(71)	(476)	-
Other	44	1	1,842
Capital contributions	-	473	8,695
Operating transfers in	-	-	27,132
Operating transfers out	<u>(51)</u>	<u>(128)</u>	<u>(143)</u>
Change in net assets	(80)	344	10,220
Beginning net assets	<u>6,031</u>	<u>13,271</u>	<u>38,972</u>
Ending net assets	<u>\$ 5,951</u>	<u>\$ 13,615</u>	<u>\$ 49,192</u>
CONDENSED STATEMENT OF CASH FLOWS			
Net cash provided (used) by:			
Operating activities	\$ 379	\$ 715	\$ (21,560)
Noncapital financing activities	(51)	(848)	27,968
Capital and related financing activities	(1,069)	(13,897)	(5,013)
Investing activities	78	758	339
Net increase (decrease)	(663)	(13,272)	1,734
Beginning cash and cash equivalents	<u>2,957</u>	<u>22,395</u>	<u>7,485</u>
Ending cash and cash equivalents	<u>\$ 2,294</u>	<u>\$ 9,123</u>	<u>\$ 9,219</u>

CITY OF ALBUQUERQUE, NEW MEXICO
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NOTE 17 DEFINED BENEFIT PENSION PLAN

Substantially all of the City of Albuquerque's full-time employees participate in a defined benefit contributory retirement plan through the Public Employees' Retirement Association (PERA) of the State of New Mexico, a cost-sharing, multiple-employer public employee retirement plan. PERA provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries. A publicly available financial report that includes financial statements and required supplementary financial information for PERA can be obtained by correspondence to Comptroller, Public Employees Retirement Association, P.O. Box 2123, Santa Fe, New Mexico, 87504-2123.

RETIREMENT ELIGIBILITY - An employee may retire when 25 or more years of service are attained at any age (20 years for Police and Fire) or under the following age options: age 60 with 20 or more years of service, age 61 with 17 or more years of service, age 62 with 14 or more years of service, age 63 with 11 or more years of service, age 64 with 8 or more years of service, or age 65 with 5 or more years of service.

RETIREMENT BENEFITS - An employee's retirement benefit is based on a formula which considers credit for years of service multiplied by a percentage factor and is then applied against the employee's average highest three-year salary. Retirement benefits are vested upon reaching five years of service. The plan also provides death and disability benefits. Benefits are established by State statute.

FUNDING POLICY - Covered employees are required by State statute to contribute a percentage of their gross salary; the City of Albuquerque is also required by State statute to contribute a certain percent depending on the type of plan. The following are the plans covered by the City, contribution requirements, and contributions actually made (in thousands of dollars) for the year ended June 30, 2002.

<u>Group Covered</u>	<u>Employee</u>		<u>Employer</u>	
	<u>Percent</u>	<u>Amount</u>	<u>Percent</u>	<u>Amount</u>
General - Management, Blue Collar and White Collar	3.29%	\$ 5,066	19.01%	\$ 29,298
General - Bus Drivers	13.15%	924	9.15%	643
General - Other	7.00%	192	7.00%	192
Police	16.30%	6,787	18.50%	7,703
Fire	15.20%	4,199	20.25%	5,508
		<u>\$ 17,168</u>		<u>\$ 43,344</u>

The total required contributions and amounts actually paid (in thousands of dollars) in prior years is as follows:

<u>Fiscal year ended June 30</u>	<u>Employee</u>	<u>Employer</u>
2001	\$16,058	\$41,251
2000	15,777	40,480

If a member's employment is terminated before the member is eligible for any other benefits under PERA, the member may receive a refund of the member's contribution and interest accrued based on rates established biannually by the retirement board.

The payroll for employees covered by PERA for the year ended June 30, 2002, was \$231,423,011; the total payroll for all employees of the City of Albuquerque was \$257,562,507.

NOTE 18 POST-EMPLOYMENT BENEFITS

In addition to providing pension benefits described in Note 17, the City provides certain health care and life insurance benefits for retired employees. Substantially all of the City's employees may become eligible for those benefits if they reach the normal retirement eligibility conditions while working for the City.

LIFE INSURANCE BENEFITS: Life insurance benefits authorized by the City's Merit System Ordinance and Personnel Rules and Regulations for eligible employees are reduced by 50%, not to exceed \$25,000, upon retirement. Life insurance benefits are paid through premiums to an insurance company under an indemnity plan. The insurance company has the right to adjust the premiums based on claims paid. Historically, the claims paid in any one year have not exceeded the premiums. The City recognizes the cost of providing the life insurance benefits by charging the insurance premiums to expenditures. The life insurance costs for the fiscal year ended June 30, 2002, were approximately \$129,617. The number of retired employees covered under the life insurance benefit was 2,824 at June 30, 2002, and the amount of life insurance coverage for these retired employees was \$49,852,500.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 18 POST-EMPLOYMENT BENEFITS, continued

RETIREE HEALTH CARE ACT CONTRIBUTIONS: The Retiree Health Care Act (10-7C-1 to 10-7C-16, NMSA 1978) provides comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The purpose is to provide eligible retirees, their spouses, dependents, and surviving spouses and dependents with health insurance consisting of a plan, or optional plans, of benefits that can be purchased by funds flowing into the Retiree Health Care Fund and by co-payments or out-of-pocket payments by eligible retirees.

Monies flow to the Retiree Health Care Fund on a pay-as-you-go basis from eligible employers and eligible retirees. Eligible employers are institutions of higher education, school districts, or other entities participating in the public school insurance authority and state agencies, state courts, magistrate courts, municipalities or counties, which are affiliated under or covered by the Education Retirement Act or the Magistrate Retirement Act, or the Public Employees Retirement Act.

Eligible retirees are those who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the Retiree Health Care Act on the person's behalf.

Each participating employer makes contributions to the fund in the amount of one percent of each participating employee's annual salary. Each participating employee contributes to the fund an employee contribution in an amount equal to one-half of one percent of the employee's annual salary. Each participating retiree pays a monthly premium.

Contributions from participating employers and participating employees become the property of the Retiree Health Care Fund and are not refundable under any circumstances, including termination of employment or termination of the participating employer's operation or participation in the Retiree Health Care Act. The employer, employee, and retiree contributions are required to be remitted to the Retiree Health Care Authority on a monthly basis.

The Retiree Health Care Authority issues a separate, publicly available audited financial report that includes post employment benefit expenditures of premiums and claims paid, participant contributions (employer, employee, and retiree), and net expenditures for the fiscal year. The report may be obtained by writing to the Retiree Health Care Authority, 810 W. San Mateo, Santa Fe, New Mexico 87501.

The City of Albuquerque remitted \$2,314,230 in employer contributions and \$1,157,115 in employee contributions in fiscal year ended June 30, 2002.

NOTE 19 DEFERRED COMPENSATION

The City of Albuquerque offers its employees three deferred compensation plans created in accordance with the Internal Revenue Code Section 457. The plans, available to all City employees, permit employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The City does not make matching contributions to these plans. All plans comply with the provisions of the Internal Revenue Code which provides that all assets and income of the plan shall be held in trust for the exclusive benefit of the participants and their beneficiaries.

NOTE 20 LANDFILL CLOSURE AND POSTCLOSURE CARE COST

Federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post-closure care costs in the Refuse Disposal Fund (Enterprise) as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$1,196,496 reported as other liabilities payable from restricted assets at June 30, 2002, represents the cumulative amount reported to date based on the use of 13% of the estimated capacity of the Cerro Colorado and South Broadway Landfills. The City will recognize the remaining estimated cost of closure and post-closure care of \$7,051,333 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2002. The City expects to close the landfill in the year 2037. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The City has set aside \$1,516,250 for future post-closure costs. This amount is reported as a restricted asset on the balance sheet. The City expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional post-closure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 21 RISK MANAGEMENT

The City is exposed to various risks of loss related to torts and civil rights (including law enforcement and employment related exposures); theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City uses the Risk Management Fund (an internal service fund) to account for and finance its uninsured risks of loss. Under this program, the Risk Management Fund provides coverage for up to a maximum of \$500,000 for each worker's compensation incident, \$1,050,000 for each tort liability claim, and \$50,000 for each City real or personal property damage claim. With the exception of the Corrections and Detention Center, the Risk Management Fund provides unlimited coverage for civil rights claims. The coverage on the Corrections and Detention Center is provided by private insurance with a limit of \$1,000,000 per occurrence subject to a maximum of \$2,000,000 with a \$100,000 deductible on each claim. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

All funds of the City participate in the program and make payments to the Risk Management Fund based on actuarial estimates of the amounts needed to pay prior- and current-year claims and to establish a reserve for catastrophic losses. That reserve was \$1,000,000 at June 30, 2002 and is included in the restricted net assets (deficit) of the Risk Management Fund. The claims liabilities reported in the Fund are based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. The amounts and changes in the Fund's claims liability is reported in Note 10 - Long-term Obligations.

NOTE 22 DISCONTINUED FUND

In fiscal year 2002, the City determined that the Joint Partnership Training Act fund was no longer needed. The program associated with this fund is now provided by the County of Bernalillo.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 23 RESTATEMENT OF PRIOR PERIOD FUND BALANCES OR NET ASSETS

The following reports the changes in the financial statements previously issued as of June 30, 2001:

During FY2002, the City determined that the cost of land acquired in a claim settlement had been improperly reported at a cost of \$3,375,351. However, the cost exceeded the appraised value of the land, which was impaired due to contamination that seeped from an adjacent inactive landfill property owned by the City. The adjustment of \$1,445,351 increased the deficit net assets of the Risk Management Fund, an internal service fund, from \$11,554,855 to \$13,000,206.

The following schedule reports the changes (amounts in thousands) that were made to correct for errors and to comply with the provisions of GASB Statement No. 34:

	As Reported	Reclassifications		Prior Period Adjustments	Fund Balances / Net Assets
		Major Funds	Fiduciary Funds		
		(1)	(2)		
Fund balances, June 30, 2001:					
General Fund	\$ 40,183	\$ -	\$ -	\$ -	\$ 40,183
Reclassified as Major Funds:					
Corrections and Detention Fund	-	(2,033)	-	-	(2,033)
General Obligations Debt Service Fund	-	10,707	-	-	10,707
Capital Acquisition Fund	-	82,344	-	2,945	85,289
Special Revenue Funds	19,727	2,033	2,683	496	24,939
Debt Service Funds	41,661	(10,707)	-	-	30,954
Capital Projects Funds	106,827	(82,344)	-	-	24,483
Fiduciary Funds	38,947	-	(38,947)	-	-
Permanent Funds	-	-	36,264	-	36,264
Total Fund Balances Governmental Funds, as restated	\$ 247,345	\$ -	\$ -	\$ 3,441	250,786
Changes to report balances - governmental activities:					
Capital Assets (3)					627,672
Long-term obligations (4):					
Bonds and notes payable					(281,153)
Net assets - Internal Service Funds, as restated (5)					(5,759)
Long-term revenues / expenses (6)					
Revenues:					
Property taxes					8,878
Gross receipts taxes					26,449
Other taxes					643
Expenses:					
Accrued vacation and sick leave pay					(22,568)
Accrued arbitrage payable					(3,716)
Net assets - governmental activities					\$ 601,232

(1) The following fiduciary funds were reclassified as follows:

Reclassified as special revenue funds:

Acquisition and Management of Open Space Expendable Trust Fund with a fund balance of \$99,920 was renamed as the Acquisition and Management of Open Space Expenditures Fund.

Urban Enhancement Expendable Trust Fund with a fund balance of \$2,583,586 was renamed as the Urban Enhancement Expenditures Fund.

Reclassified as permanent funds:

Acquisition and Management of Open Space Nonexpendable Trust Fund with a fund balance of \$28,614,139 was renamed as the Acquisition and Management of Open Space Permanent Fund.

Urban Enhancement Nonexpendable Trust Fund with a fund balance of \$7,649,668 was renamed as the Urban Enhancement Permanent Fund.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 23 RESTATEMENT OF PRIOR PERIOD FUND BALANCES OR NET ASSETS, continued

(2) The fund balances of the following funds were restated as follows:

The Capital Acquisitions Fund was restated to comply with the provisions of the GASB Statement No. 34 and GASB Interpretation No. 6. That statement and the interpretation requires that the liability for items such as accumulated arbitrage payable to the U.S. Government be recognized on a modified accrual basis in the governmental funds instead of on an accrual basis as previously reported. The amount of the adjustment was to reduce the reported liability and increase the fund balance by \$2,945,240.

The Law Enforcement Protection Fund, a special revenue fund, was restated to include a previously excluded activity of the Police Department. The increase in fund balance was \$304,743.

The Metropolitan Redevelopment Fund, a special revenue fund, was restated to correct for an error that caused an understatement of the Property Tax receivable and related revenue by \$546,084.

The Community Development Fund, a special revenue fund, was restated to correct for an error that caused an overstatement of an accrued receivable and related revenue from a Federal Agency by \$354,939.

The following adjustments to the total fund balances of the governmental funds are made in order to present the governmental activities on a economic resources measurement focus and on a full accrual basis for the statement of net assets:

- (3) Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.
- (4) Long-term obligations applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.
- (5) Internal service funds are used by the City to charge the cost of tort liability, workers compensation and employee health insurance to other individual funds. In addition, the cost of providing communications, fleet maintenance and supplies warehousing services are also charged. The assets and liabilities of the internal services fund are included in governmental activities in the statement of net assets. The net assets has been restated as noted in the second paragraph of this note.
- (6) Under the modified accrual basis used in the governmental funds, revenue is recognized when available to provide financing resources for the current period. Likewise expenditures are not recognized for transactions that are not normally paid with expendable financial resources. In the statement of activities, however, which is presented on the accrual basis, revenues and related receivable and expenses and related liabilities are reported regardless of when financial resources are available.

NOTE 24 COMMITMENTS AND CONTINGENT LIABILITIES

Encumbrances for purchase orders, contracts, and other commitments for expenditures are recorded in memorandum accounts of the City's governmental funds. Encumbrances lapse for budgetary purposes at the end of each fiscal year and the subsequent year's appropriations provide authority to complete these transactions. Accordingly, no reservation of fund balance has been created except in limited instances. These typically are for property purchases and will be re-appropriated in the ensuing year. Encumbrances that are outstanding, but not re-appropriated, are a commitment of the City and the outstanding amount is reported in the table below.

Government activities:

Major Funds:	
General Fund	\$ 1,855,885
Corrections Fund	405,822
Capital Acquisition Fund	39,998,003
Non Major Government Funds	16,848,985
Internal Service Funds	<u>1,524,350</u>
Total Government Funds	<u>\$ 60,633,045</u>

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 24 COMMITMENTS AND CONTINGENT LIABILITIES, continued

In addition, the business-type funds have uncompleted construction and other commitments that will be paid from assets restricted for construction, improvements and replacements or from operating revenues:

Business-type activities:

Major Funds:	
Aviation Fund	\$ 5,832,563
Joint Water and Sewer Fund	10,258,541
Refuse Disposal Fund	682,017
Housing Authority Fund	12,700
Non Major Funds:	<u>12,323,994</u>
Total Business Funds	<u>\$ 29,109,815</u>

The City has various lease commitments for real property. The lease commitments are for one to three years, with most leases being for two years. About half of the leases have renewal options; the others do not. Lease expenses of \$866,769 were incurred for the year ended June 30, 2002. Lease commitments for future years are as follows:

2003	\$752,604
2004	387,482
2005	391,337
2006	255,817

The City has entered into a lease agreement with Albuquerque Baseball Club, LLC. The purpose of that agreement was to outline the terms and conditions necessary to bring a Class AAA minor league baseball team to the City of Albuquerque and to lease the City's Stadium. The City is currently building a new stadium in place of the old stadium. The old stadium previously had been used for another Class AAA baseball team that elected to move to another city. The City's construction work in process at June 30, 2002 includes approximately \$4.9 million of costs incurred for the construction of the stadium. The stadium is expected to be completed by April 1, 2003, the beginning of the new baseball season. The additional cost to complete is estimated to be approximately \$21 million.

On March 2, 2002, the City entered into a long-term lease agreement with a lessee, who will manage a parking structure in the downtown area of the City. The lease is for a twenty year period. Lessee is to pay monthly a minimum rental fee that ranges from \$120,578 in the first lease year to \$562,599 per year beginning in the sixteenth year for the remaining term of the lease. As part of that lease, the lessee has the option to delay payment of up to six month's rent in any lease year. Interest will accrue for these delayed payments. The lessee is required to pay the deficiency for any lease month within thirty six months. No rental payments have been received by the City as of June 30, 2002. Lessee is required to maintain the parking structure in good condition. At the end of the lease term, the lessee will purchase the parking structure for the price of \$11,251,926 plus all interest accrued on basic rent deficiencies plus all additional rents due as stipulated in the contract to cover certain costs including credit enhancement expenses and fiscal agent fees with respect to a bond issue used for the acquisition of the parking structure by the City. Furthermore, lessee has an option to purchase the parking structure beginning after the tenth anniversary of the lease. That purchase price is the sum of all of the minimum rents due through the date of option exercise plus all of the amounts due in a similar manner required for the purchase at the end of the twenty year period.

In connection with the bond issues related to the operation of apartments managed in trust by an independent organization, the City has a contingent liability of \$16,085,333 in the event that the net revenues are not sufficient to cover the debt service on these bonds.

In the normal course of business, the City is subject to certain contingent liabilities and unasserted claims. These contingencies are evaluated in light of their probability of being asserted and the estimability of the claims. Those claims that are probable and estimable have been accrued in the accompanying financial statements. Claims that are possible and/or not estimable are disclosed herein. Remote claims are monitored until such time as they are resolved, disclosed, or accrued. Except as discussed in the following paragraphs, it is the opinion of City management that the ultimate resolution of other litigation will not have a material effect on the financial position of the City.

The City has reached a settlement with the Isleta Pueblo and the Environmental Protection Agency (EPA) granting the City a permit to operate the Wastewater Treatment Plant. This settlement obligates the City to spend between \$50 and \$60 million for capital outlay costs necessary to modify the Treatment Plant to meet the water quality standards agreed upon. On November 21, 1994, the City Council approved an increase in water rates, part of which is to be used for these capital outlay costs. The City could face additional costs of \$180 to \$190 million if the suit regarding water quality standards currently on appeal in the Tenth Circuit Court is not decided in favor of the City.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2002

NOTE 24 COMMITMENTS AND CONTINGENT LIABILITIES, continued

The City is a defendant in a legal proceeding that does not fall under the New Mexico Tort Claims Act; this legal proceeding alleges that certain time incurred by some of the City of Albuquerque's police officers is subject to overtime compensation. The ultimate outcome of these legal proceedings cannot presently be determined. Accordingly, no provision for any additional liability that may result upon the ultimate outcome has been recognized in the accompanying general purpose financial statements and schedules.

The City is a defendant in a legal proceeding arising from the City's condemnation of property east of the Four Hills Subdivision. The property taken by the City is located between Four Hills and the property owned by claimants. As part of the condemnation, the claimants alleges that the City had denied them access to their property since April, 1988 until February, 2002. The claimants seek approximately \$20 million in damages. The claim is being vigorously defended, and the City expects that the award for damages will be significantly lower.

The City is a defendant in a legal proceeding arising from another condemnation of property by the City. The condemnation of property for the Westside Transit facility near the I-40 / Unser boulevard interchange was completed with the owner of the property. However, the owner of a billboard, with a lease that was vacated during the condemnation on that property, is seeking approximately one million dollars for the loss of income over the remaining thirty years of the lease. A portion of any damage claim will be covered by the Federal Transportation Agency. The City is vigorously defending its position of the claim and expects the award to the claimant to be significantly lower than the alleged damage to the owner.

The City has received a number of Federal and State grants for specific purposes. These grants are subject to audit that may result in requests for reimbursements to granting agencies for expenditures disallowed under the terms of the grants. Based on prior experience, City management believes that such disallowances, if any, will not be material.

NOTE 25 SUBSEQUENT EVENTS

On October 4, 2002, the City entered into a Taxable Stadium Lease loan agreement with New Mexico Finance Authority for \$6,000,000. The loan will be used to finance reconstruction of the existing baseball stadium. The City began construction of the stadium with the financing of \$10,000,000 of General Obligation bonds in December 2001, and is expected to enter into another loan agreement with New Mexico Finance Authority in December 2002, for \$9,000,000 to complete the project. See notes 10 and 24.

In November 2002, a former employee of the City was awarded a judgment on a claim for approximately \$4.25 million in connection with a dismissal suit filed against the City. The City is appealing the judgment. See note 14.

In November 2002, an insurance company agreed to pay the City \$3.7 million in cash and reduction of liabilities for losses in connection with a claim filed by the City against it. See also note 14.