

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO BASIC 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.

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NOTES TO BASIC FINANCIAL STATEMENTS
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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.

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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.

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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
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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.

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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
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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
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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.

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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.

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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</u> Governmental <u>Funds</u>	<u>Internal</u> Service <u>Funds</u>	<u>Long-term</u> Assets <u>Liabilities</u>	<u>Reclassi-</u> fications and <u>Eliminations</u>	<u>Statement of</u> Net Assets <u>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	165,244	42,187	317,643	(5,910)	519,164
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 BASIC 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</u> <u>Governmental</u> <u>Funds</u>	<u>Internal</u> <u>Service</u> <u>Funds</u>	<u>Long-term</u> <u>Revenues/</u> <u>Expenses</u>	<u>Reclassi-</u> <u>fications and</u> <u>Eliminations</u>	<u>Statement of</u> <u>Activities</u> <u>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 BASIC 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 BASIC 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	<u>\$204,590,810</u>	<u>\$309,200,624</u>	<u>\$ 28,101,659</u>	<u>\$541,893,093</u>

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	<u>\$ 309,887</u>	<u>\$ 8,851,929</u>	<u>\$ 9,161,816</u>

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO BASIC 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>-</u>	<u>1,374,082</u>	<u>-</u>	<u>3,051,883</u>	<u>-</u>	<u>-</u>
Pledged securities, fair value	<u>-</u>	<u>639,176</u>	<u>-</u>	<u>6,166,893</u>	<u>-</u>	<u>-</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 BASIC 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 BASIC 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 BASIC 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 BASIC 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 BASIC 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	<u>167,141</u>
Total depreciation expense - governmental activities	<u>\$ 24,022,617</u>
<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	<u>4,656,476</u>
Total depreciation expense - business-type activities	<u>\$ 80,658,817</u>

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	<u>1,560,963</u>	4,531,263
Capitalized interest		<u>\$ 4,753,040</u>	

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO BASIC 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, 20002 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 BASIC 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	<u>5,600,000</u>	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 BASIC 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 weekly	July 1, 2023	100% beginning March 7, 1995
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 weekly	July 1, 2014	100% beginning January 20, 2000
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 BASIC 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	<u>(11,660,259)</u>	<u>463,660</u>	<u>(1,608,193)</u>	<u>(9,588,406)</u>	<u>-</u>
	603,248,052	75,864,428	88,506,838	590,605,642	46,592,057
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 BASIC 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 BASIC 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 BASIC 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:

Year ending June 30	Governmental activities		Business-type activities	
	Principal	Interest	Principal	Interest
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	\$ 318,686,860	\$ 128,350,054	\$ 537,833,717	\$ 198,253,037

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 BASIC 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 BASIC 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 BASIC 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 BASIC 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	<u>97</u>	<u>326</u>	<u>-</u>
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	<u>-</u>	<u>25,600</u>	<u>-</u>
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	<u>78</u>	<u>758</u>	<u>339</u>
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
NOTES TO BASIC FINANCIAL STATEMENTS
 June 30, 2002

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 BASIC 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 BASIC 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 BASIC 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:

	<u>Reclassifications</u>			Prior Period Adjustments	Fund Balances / Net Assets
	As Reported	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	<u>\$ 247,345</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,441</u>	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					<u>\$ 601,232</u>

(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 BASIC 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 BASIC 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: 12,323,994

Total Business Funds \$ 29,109,815

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 BASIC 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.