

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2001**

**INDEX**

<b>NOTE 1</b>	<b>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES .....</b>	<b>2</b>
<b>NOTE 2</b>	<b>CASH AND CASH EQUIVALENTS .....</b>	<b>10</b>
<b>NOTE 3</b>	<b>ACCOUNTS AND NOTES RECEIVABLES .....</b>	<b>12</b>
<b>NOTE 4</b>	<b>INTERFUND RECEIVABLES AND PAYABLES .....</b>	<b>14</b>
<b>NOTE 5</b>	<b>INTERFUND ADVANCES .....</b>	<b>14</b>
<b>NOTE 6</b>	<b>FIXED ASSETS .....</b>	<b>15</b>
<b>NOTE 7</b>	<b>LONG-TERM DEBT .....</b>	<b>16</b>
<b>NOTE 8</b>	<b>DEMAND BONDS .....</b>	<b>22</b>
<b>NOTE 9</b>	<b>REFUNDED BONDS .....</b>	<b>24</b>
<b>NOTE 10</b>	<b>CONDUIT BONDS .....</b>	<b>24</b>
<b>NOTE 11</b>	<b>DEFICIT FUND EQUITIES .....</b>	<b>24</b>
<b>NOTE 12</b>	<b>PROPERTY TAXES .....</b>	<b>26</b>
<b>NOTE 13</b>	<b>INTERFUND TRANSFERS .....</b>	<b>26</b>
<b>NOTE 14</b>	<b>SEGMENT INFORMATION FOR ENTERPRISE FUNDS .....</b>	<b>27</b>
<b>NOTE 15</b>	<b>CONTRIBUTED CAPITAL .....</b>	<b>28</b>
<b>NOTE 16</b>	<b>DEFINED BENEFIT PENSION PLAN .....</b>	<b>28</b>
<b>NOTE 17</b>	<b>POSTEMPLOYMENT BENEFITS .....</b>	<b>29</b>
<b>NOTE 18</b>	<b>DEFERRED COMPENSATION .....</b>	<b>30</b>
<b>NOTE 19</b>	<b>LANDFILL CLOSURE AND POSTCLOSURE CARE COST .....</b>	<b>30</b>
<b>NOTE 20</b>	<b>RISK MANAGEMENT .....</b>	<b>30</b>
<b>NOTE 21</b>	<b>DISCONTINUED FUND .....</b>	<b>31</b>
<b>NOTE 22</b>	<b>RESTATEMENT OF PRIOR PERIOD FINANCIAL STATEMENTS .....</b>	<b>32</b>
<b>NOTE 23</b>	<b>COMMITMENTS AND CONTINGENT LIABILITIES .....</b>	<b>36</b>
<b>NOTE 24</b>	<b>DEPOSIT IN JOINT WATER AND SEWER FUND .....</b>	<b>37</b>
<b>NOTE 25</b>	<b>SUBSEQUENT EVENTS .....</b>	<b>37</b>

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2001

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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 a home rule amendment to the charter was approved by the voters 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 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. Financial Reporting Entity**

The City of Albuquerque (the primary government) for financial reporting purposes consist of funds, account groups, 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 other relationships with organizations, not included herein, of such nature and significance that exclusion would render the City's financial statements incomplete or misleading.

**B. Basis of Presentation**

The financial transactions of the City are recorded in individual funds and account groups, each of which is considered a separate accounting entity. The various fund types and account groups are reported in the general purpose financial statements, as follows:

**1. Governmental Fund Types**

Governmental funds are used to account for the City's expendable financial resources and related liabilities, except those accounted for in proprietary and similar fiduciary funds. The measurement focus is based upon determination of changes in financial position. The following are the City's governmental fund types:

**General Fund** - to account for the general operations of the City and for all financial resources except those required to be accounted for in another fund or account group.

**Special Revenue Funds** - to account for the proceeds of specific revenue sources other than special assessments, expendable trusts or major capital projects that are legally restricted to expenditures for specified purposes.

**Debt Service Funds** - to account for the accumulation of resources for, and the payment of, general and special assessment long-term debt 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 and nonexpendable trust funds.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2001

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**B. Basis of Presentation, continued**

**2. Proprietary Fund Types**

Proprietary funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned, and expenses are recorded at the time liabilities are incurred. In accordance with the provisions of the Governmental Accounting Standards Board Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting," the City applies all applicable FASB pronouncements which were issued as of November 30, 1989, in accounting and reporting for its proprietary operations. The City does not observe those issued after November 30, 1989. Proprietary funds include the following fund types:

Enterprise Funds - to account for those operations that are financed and operated in a manner similar to private business or where the City has decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability.

Internal Service Funds - to account for the operations that provide services to other departments or agencies of the City or to other governments on a cost-reimbursement basis.

**3. Fiduciary Fund Types**

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. Each trust fund is classified for accounting measurement purposes as either a governmental (expendable) or proprietary (pension and nonexpendable) fund. Agency funds are purely custodial (assets equal liabilities) and thus do not involve measurement of results of operations. The following are the City's fiduciary fund types:

Nonexpendable Trust Funds - to account for funds in which the principal must be preserved intact.

Expendable Trust Funds - to account for the income transferred from nonexpendable trust funds, which are expended for their designated operations.

Agency Funds - to account for assets held in a custodial nature for others.

**4. Account Groups**

General Fixed Assets Account Group - to account for the property and equipment of the City utilized in its general operations, excluding the property and equipment of proprietary and nonexpendable trust funds.

General long-term Debt Account Group - to account for the general long-term liabilities of the City, excluding long-term liabilities of proprietary and nonexpendable trust funds.

**C. Memorandum Totals**

Amounts presented in the columns "Totals (Memorandum Only)" in the general purpose financial statements represent a summation of the general purpose financial statement line items of the fund types and account groups. The summation includes fund types and account groups that utilize different bases of accounting, both restricted and unrestricted amounts, and interfund transactions and balances that have not been eliminated. Consequently, amounts shown in the "Totals (Memorandum Only)" columns are not intended to present in conformity with generally accepted accounting principles the financial position, results of operations, or cash flows of the City. Comparative total data for the prior year have been presented in the accompanying general purpose financial statements in order to provide an understanding of changes in the City's financial position, operations, and cash flows.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2001

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**D. Basis of Accounting**

Governmental funds, expendable trust funds, and agency funds utilize the modified accrual basis of accounting. Revenues are recorded when they become measurable and available to pay liabilities of the current period. For purposes of this basis, the City has adopted the policy that all nonexchange transaction revenues that are susceptible for accrual and received within one month after the end of the fiscal year will be accrued. Revenues not considered available are recorded as deferred revenues. Property taxes are recognized as revenue as of the levy date if they are due or past due in that period and collected within 30 days after the fiscal year end. The following are considered the significant governmental fund revenues susceptible to accrual:

<u>General Fund</u>	<u>Special Revenue and Capital Projects Funds</u>	<u>Debt Service Funds</u>
Property taxes	Interest on investments	Property taxes
Governmental gross receipts tax	Federal and State grants	Interest on investments
Interest on investments		
Federal and State grants		

Expenditures are recorded when the related fund liability is incurred, except for (a) principal and interest on general long-term debt, which are recorded when amounts have been accumulated in the debt service fund for current debt service payments on July 1 in the following year and (b) the non-current portion of accrued employee benefits, which is recognized when it becomes current.

Proprietary and nonexpendable trust funds utilize the accrual basis of accounting. Revenues are recorded in the accounting period in which earned, and expenses are recorded at the time liabilities are incurred.

Liabilities for workers' compensation, tort and other claims as of June 30, 2001, were accrued based on actuarial estimates of the City's self-insurance programs. At June 30, 2001, 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 5.5% at June 30, 2001, and 2000, 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.

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.

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.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2001

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**E. Cash, Investments, and Accrued Interest, continued**

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. 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. Nonpooled 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 1<sup>st</sup> payments of debt service expenditures as of the end of the fiscal year.

**G. 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.

**H. 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 full accrual method. Transactions, which do not meet the requirements for the full accrual method, are recorded using the deposit method or installment method until such time as the requirements for the full accrual method are met. Under the deposit method, cash received is recorded as a deposit. Under the installment method, the City records the entire contract price and the related costs at the time the transaction is recognized as a sale. Concurrently, the gross profit on the sale is deferred and is subsequently recognized as revenue as payments of principal are received on the related contract receivable.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2001

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**I. Property and Equipment**

**General Fixed Assets Account Group**

Property and equipment acquired or constructed for general governmental purposes are recorded as expenditures in the funds that finance the acquisitions and are capitalized at cost in the General Fixed Assets Account Group. Contributed fixed assets are recorded at their estimated fair market value at the time received. Depreciation is not recorded, and interest is not capitalized in the General Fixed Assets Account Group.

Certain infrastructure assets including roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems are not capitalized. Such assets are immovable and of value only to the City. Therefore, the purpose of stewardship for capital expenditures is satisfied without recording these assets.

Fixed assets, which are financed by general obligation bonds (to be repaid solely from property tax levies) for use by a proprietary fund, are recorded in the General Fixed Assets Account Group during construction. When the asset is placed in service it is transferred at historical cost to the proprietary fund as a contribution from the City.

**Proprietary and Nonexpendable Trust Funds**

Property and equipment in the proprietary and nonexpendable trust funds are stated at cost. Contributed fixed assets are recorded at estimated fair market value at the time received.

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 contributed capital in the Joint Water and Sewer (Enterprise) Fund.

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.

Contributed capital of the Transit (Enterprise) Fund has been reduced by the amount of depreciation recorded on assets acquired with Federal grants because depreciation on such assets is not intended to be recovered through user fees.

Depreciation on property and equipment in proprietary and nonexpendable trust funds is provided using the straight-line method over the estimated useful lives of the assets as follows:

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

In enterprise funds, interest is capitalized on qualifying assets acquired with proceeds of tax-exempt borrowing that are externally restricted. The amount of capitalized interest is determined using the interest cost of the borrowing less any interest earned on investments acquired with the proceeds of the related tax-exempt borrowing from the date of the borrowing until the assets are ready for their intended use.

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. Accrued Employee Benefits**

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 recorded in the General Long-Term Debt Account Group. For proprietary funds, vacation costs are recognized as a liability when earned.

City employees may 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 recorded in the General long-term Debt Account Group. For proprietary funds, sick leave costs are recognized when vested or taken whichever occurs first.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2001**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**K. Deferred Revenue**

The City defers revenue from nonexchange transactions. The amount deferred results from the difference between the receivable recognized on a full 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.

**L. 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.

**M. Long-term Debt**

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 liabilities of governmental funds payable from general revenues of the City and special assessment levies are recorded in the General long-term Debt Account Group.

**N. Fund Equity Reserves and Designations**

The City records reserves to indicate that a portion of fund equity is legally restricted for a specific future use or is not available for appropriation and/or expenditure. At June 30, 2001 and 2000, fund equity was reserved for:

Revenue bond retirement and debt service - the amount of reserves required to be maintained under the provisions of bond ordinances.

Encumbrances - the estimated amount of unperformed contracts and outstanding purchase orders.

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

Deferred loans receivable - the amount of housing rehabilitation mortgages that will be forgiven over a specified period if the mortgagors continue to meet certain eligibility requirements.

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

Land held for resale - the amount of fund equity 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 equity of trust funds legally restricted for this purpose.

Urban enhancement - the fund equity of trust funds legally restricted for this purpose.

Operations - a portion of the fund equity 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 retained earnings as follows:

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

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

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2001

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**O. Encumbrances**

Encumbrances outstanding at year end are recorded as a reservation of fund balance and are not included in expenditures. Encumbered amounts for annual budgets that did not exceed unexpended appropriations at year end may be reappropriated for the following fiscal year.

**P. Unbilled Revenues**

Water, sewer, and refuse services are billed on a cycle basis; therefore, amounts for service provided but unbilled as of June 30, 2001 and 2000, 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.

**Q. 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.

**R. Budgets**

Annual budgets for the General Fund, certain Special Revenue Funds, certain Debt Service Funds, and the Acquisition and Management of Open Space Expendable Trust Fund 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 1D. 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 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 2001, 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:**

City wide financial support	\$ 279,921
Early retirement	1,048,718
Legal services	151,067
Mayor's office	714
Strategic support - Planning	14,434
Utility franchising office	317,879
Administrative	546,555
AFD headquarters	14,052
Central support services	188,212
Community partner/crime prevention	9,256
Dispatch	185,357
Emergency Management	3,807
Fire dept/planning	9,762
Fire dept/technical services	16,326
Fire prevention/fire marshal's office	131,685
Fire suppression	747,127
Neighborhood policing	26,142

**General Fund, continued:**

Off duty police overtime	5,146
Paramedic rescue	215,886
Community events	144,156
Convention Center	35,549
Museum	10,060
Parks & design development - CIP	4,801
Promote safe use of firearms	8,414
Provide community recreation	317,476
Provide quality recreation	9,107
Development services	22,690
Total highways and streets	105,766
Program support	9,731
Develop affordable housing	30,372
Develop community based activity	46,112
Development process & policy	24,984
Human rights	229,556
Prevent and reduce youth gangs	50,958

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2001

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**R. Budgets, continued**

<b>General Fund, continued:</b>		<b>Enterprise Funds, continued:</b>	
Prevent neighborhood deterioration	24,377	Debt service	9,526
Provide emergency shelter	33,481	Transfer from cash restricted for debt service to cash restricted for capital acquisition	1,250,000
Provide mental health	1,359		
Well-being	29,559		
<b>Special Revenue Funds:</b>		<b>Parking Facilities Fund:</b>	
<b>Corrections and Detention Fund:</b>		Parking operations	124,931
Alternatives to secured detention	137,441	Payment to General Fund for services	19,389
Corrections and detention	1,705,112	Payment to Sales Tax Debit Service	2,793
<b>Air Quality Fund:</b>		<b>Refuse Disposal Fund:</b>	
Title V Operating permits	2,630	Collections and disposal	453,670
Vehicle Inspections	63,561	Payment to General Fund for services	16,342
Indirect Overhead	790	<b>Transit Fund:</b>	
<b>Enterprise Funds:</b>		Operations	1,861,773
<b>Aviation Fund:</b>		Trolleys	25,303
Economic Development	1,600	Circulators	48,906
Payment to General Fund for services	46,894	Payment to General Fund for services	21,395
<b>Golf Course Fund:</b>		<b>Internal Service Funds:</b>	
Affordable and quality golf	57,931	<b>Risk Management Fund:</b>	
Debt Service	64,122	Substance abuse program	12,105
<b>Joint Water and Sewer Fund:</b>		Tort liability claims	5,241,392
Water utility	1,394,926	Workers' compensation claims	806,022
Wastewater treatment	1,631,821	<b>Fleet Management Fund:</b>	
Wastewater collection	175,556	Fleet management	689,174
Customer services	46,890	Payments to General Fund for services	46,324
San Juan-Chama	48,996	<b>Communications Fund:</b>	
Low income utility credit	47,214	Payment to General Fund for services	2,129

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. In addition, the Special Assessments Debt Service Fund spending is controlled primarily through bond indenture provisions.

Exhibit A-3, "Combined Statement of Revenues, Expenditures, and Changes in Unreserved Fund Balances - Budget and Actual - General, Certain Special Revenue, Certain Debt Service, and Certain Expendable Trust Funds", does not include certain Special Revenue Funds (Albuquerque Biological Park Projects, City/County Projects, Culture and Recreation, City Housing, Community Development, Operating Grants, Metropolitan Redevelopment, Housing and Neighborhood Economic Development, Job Training Partnership Act (JTPA), and Law Enforcement Protection) or the Urban Enhancement Expendable Trust Fund which have other than annual budgets, nor the Special Assessments. In addition, the Capital Projects Funds do not have annual budgets and, accordingly, have not been included.

Included in the unreserved fund balances 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					Retained earnings	
	General	Special Revenue	Debt Service	Capital Projects	Trusts	Enterprise	Internal Service
Designated for:							
Future appropriations	\$ 20,867	\$ 1,109	\$ -	\$ 2,428	\$ -	\$ -	\$ -
Unrealized gains	338	149	82	658	225	1,413	141
Undesignated	149	2,656	15,917	64,209	(225)	(11,221)	(14,510)
<b>Total Unreserved</b>	<b>\$ 21,354</b>	<b>\$ 3,914</b>	<b>\$ 15,999</b>	<b>\$ 67,295</b>	<b>\$ -</b>	<b>\$ (9,808)</b>	<b>\$ (14,369)</b>

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2001**

**NOTE 2 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, 2001, consist of the following:

	<u>Pooled</u>	<u>Nonpooled</u>	<u>Total</u>
<b>Cash, investments, accrued interest and cash with fiscal agents, net of unamortized discounts and premiums:</b>			
Repurchase agreements	\$ 324,000,000	\$ 5,210,031	\$ 329,210,031
Obligations of federal agencies or instrumentalities	127,148,438	24,532,759	151,681,197
State of New Mexico investment council	-	20,009,649	20,009,649
State of New Mexico local government investment pool	-	6,351,195	6,351,195
<b>Total investments</b>	<u>451,148,438</u>	<u>56,103,634</u>	<u>507,252,072</u>
Certificates of deposit	100,000	-	100,000
Bank accounts (book balance)	(7,046,340)	493,726	(6,552,614)
<b>Total bank balances</b>	<u>(6,946,340)</u>	<u>493,726</u>	<u>(6,452,614)</u>
Accrued interest receivable	1,434,079	723,383	2,157,462
In trust at Wells Fargo Bank	-	24,569	24,569
In trust at New Mexico Finance Authority	-	5,910,556	5,910,556
Imprest cash funds	-	70,364	70,364
<b>Total other</b>	<u>1,434,079</u>	<u>6,728,872</u>	<u>8,162,951</u>
<b>Total cash, investments, accrued interest and cash with fiscal agents</b>	<u>\$ 445,636,177</u>	<u>\$ 63,326,232</u>	<u>\$ 508,962,409</u>
<b>Cash, investments and accrued interest:</b>			
Unrestricted	\$ 214,206,576	\$ 38,106,868	\$ 252,313,444
Restricted	101,108,836	19,284,239	120,393,075
<b>Total cash, investments and accrued interest</b>	<u>315,315,412</u>	<u>57,391,107</u>	<u>372,706,519</u>
<b>Cash with fiscal agents:</b>			
Unrestricted	82,903,313	5,935,125	88,838,438
Restricted	47,417,452	-	47,417,452
<b>Total cash with fiscal agents</b>	<u>130,320,765</u>	<u>5,935,125</u>	<u>136,255,890</u>
<b>Total cash, investments, accrued interest and cash with fiscal agents</b>	<u>\$ 445,636,177</u>	<u>\$ 63,326,232</u>	<u>\$ 508,962,409</u>

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2001**

**NOTE 2 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, 2001, 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 counterparty's trust department (if a bank) or agent in the City's name.
- (3) Uninsured and unregistered, with securities held by the counterparty or by its trust department (if a bank) or agent but not in the City's name.

	Category			
	1	2	Not Categorized	Total
Repurchase agreements	\$ -	\$329,210,031	\$ -	\$329,210,031
Obligations of federal agencies or instrumentalities	151,681,197	-	-	151,681,197
State of New Mexico investment council	-	-	20,009,649	20,009,649
State of New Mexico local government investment pool	-	-	6,351,195	6,351,195
<b>Total investments</b>	<b>\$151,681,197</b>	<b>\$329,210,031</b>	<b>\$ 26,360,844</b>	<b>\$507,252,072</b>

**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.
- (C) Uncollateralized or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

	Category		
	A	B	Total
Bank accounts (bank balance)	\$ 221,686	\$ 4,839,359	\$ 5,061,045
Certificates of deposit	100,000	-	100,000
<b>Total deposits</b>	<b>\$ 321,686</b>	<b>\$ 4,839,359</b>	<b>\$ 5,161,045</b>

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2001

**NOTE 2 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, 2001, 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	\$ 17,618	\$ 277,294	\$ 3,914	\$ 4,762,065	\$ 154	\$ 100,000
Less FDIC coverage	<u>17,618</u>	<u>100,000</u>	<u>3,914</u>	<u>100,000</u>	<u>154</u>	<u>100,000</u>
Total uninsured public funds	-	177,294	-	4,662,065	-	-
50% collateral requirement	-	<u>88,647</u>	-	<u>2,331,033</u>	-	-
Pledged securities, fair value	-	<u>325,981</u>	-	<u>4,753,335</u>	-	-
Pledged in excess (deficit) of requirement	<u>\$ -</u>	<u>\$ 237,334</u>	<u>\$ -</u>	<u>\$ 2,422,302</u>	<u>\$ -</u>	<u>\$ -</u>

**NOTE 3 ACCOUNTS AND NOTES RECEIVABLES**

**A. Accounts receivables And Allowances For Uncollectible Accounts**

Included on Exhibit A-I, "Combined Balance Sheet - All Fund Types and Account Groups", 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, 2001, are as follows:

	<u>Total receivables</u>	<u>Allowance for uncollectible accounts</u>	<u>Net receivables</u>
<b>General Fund</b>			
Taxes	\$ 47,324,106	\$ -	\$ 47,324,106
Other	<u>2,065,200</u>	<u>446,641</u>	<u>1,618,559</u>
<b>Total General Fund</b>	<u>\$ 49,389,306</u>	<u>\$ 446,641</u>	<u>\$ 48,942,665</u>
<b>Enterprise Funds:</b>			
Airport	\$ 4,693,751	\$ 612,687	\$ 4,081,064
Golf	6,521	-	6,521
Joint Water and Sewer	17,255,531	855,327	16,400,204
Parking Facilities	156,014	101,262	54,752
Refuse Disposal	2,848,523	150,378	2,698,145
Transit	82,920	278	82,642
Housing Authority Fund	<u>365,797</u>	<u>278,220</u>	<u>87,577</u>
<b>Total Enterprise Funds</b>	<u>\$ 25,409,057</u>	<u>\$ 1,998,152</u>	<u>\$ 23,410,905</u>

Included in the total accounts receivable balance for the special revenue funds is an accounts receivable balance of \$3,454,979 and an allowance of \$1,645,175 for the Corrections and Detention Fund. All other special revenue funds do not have an allowance for uncollectible accounts.

Property taxes of \$2,134,410 are included in the General Fund taxes receivable; other General Fund receivables result from various operating activities. The General Obligation Debt Service Fund has property taxes receivable of \$8,531,066.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2001

**NOTE 3 ACCOUNTS AND NOTES RECEIVABLES, continued**

**B. Long Term And Notes Receivables**

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

<b>Special Revenue Funds:</b>		
Community Development Fund	Rehabilitation loans	\$ 2,634,746
Housing & Neighborhood Economic Development Fund	Notes receivable	219,981
"	Developer loans	1,287,072
Metropolitan Redevelopment Fund	Developer loans	500,000
Operating Grants Fund	Rehabilitation loans	536,449
"	Developer loans	<u>250,000</u>
		<u>5,428,248</u>
<b>Debt Service Funds:</b>		
Special Assessments Debt Service Fund	Special Assessments	<u>30,376,473</u>
<b>Fiduciary Funds:</b>		
Acquisition and Management of Open Space		
Nonexpendable Trust Fund	Real Estate Contracts	<u>6,493,921</u>
		<u>\$ 42,298,642</u>

During the current fiscal year, the City issued loans to developers to provide affordable housing to low-income residents as follows:

On August 18, 1999, the City entered into an agreement with the Sawmill Community Land Trust, a New Mexico non-profit corporation. The agreement provides a revolving construction loan of \$1,000,000 at no interest. The developer is allowed to draw up to \$1,000,000 for the construction of 23 homes, defined as Arbolera de Vida, Phase 1. As homes are sold, the City is paid an amount equal to the outstanding principal divided by the number of homes still to be sold. The City maintains a security interest in the property. The initial agreement required repayment by June 30, 2000. However, the City has extended the loan until March 30, 2002. At June 30, 2001, \$932,183 remained outstanding and is reported in the Housing and Neighborhood Economic Development Fund.

On November 8, 2000, the City entered into an agreement with Greater Albuquerque Housing Partnership, a New Mexico non-profit corporation. The agreement provides a construction loan of up to \$650,000 at no interest. The developer will build nine homes. As homes are sold the City will be repaid an amount based on the value of the home per a pre-determined schedule. The City maintains a security interest in the property. The loan matures on November 30, 2002. At June 30, 2001, the developer had taken draws of \$104,888. This loan is reported in the Housing and Neighborhood Economic Development Fund.

On October 27, 1999, the City made a commitment to loan San Felipe Limited Partnership \$1,000,000. This commitment was made in conjunction with the approval by City Council to issue \$6,250,000 of Metropolitan Redevelopment Bonds (see note 10 – Conduit Bonds). On December 22, 2000, the City entered into a loan agreement with San Felipe Limited Partnership for \$1,000,000 at 5.98% interest compounded annually. The funds are to be used to finance the construction of 160 apartment units known as the Villa de San Felipe Apartments Project. The terms of the agreement require minimum annual interest payments of \$20,000 beginning December 22, 2001 and continuing until December 22, 2015 at which time all compounded interest and principal become due. At June 30, 2001, the \$1,000,000 was outstanding and reported in their respective funds.

Funding for these loans was from the following sources:

Operating Grants Fund	\$ 250,000
Metropolitan Redevelopment Fund	500,000
Housing and Neighborhood Economic Development Fund	<u>250,000</u>
	<u>\$1,000,000</u>

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2001**

**NOTE 4 INTERFUND RECEIVABLES AND PAYABLES**

The interfund receivables and payables reported on Exhibit A-I, "Combined Balance Sheet - All Fund Types and Account Groups" as of June 30, 2001, consist of the following:

	<u>Due from other funds</u>	<u>Due to other funds</u>
General Fund	<u>\$ 4,500,246</u>	<u>\$ -</u>
Special Revenue Funds:    Corrections and Detention	-	3,153,359
Community Development Fund	-	1,286,658
Gas Tax Road Fund	-	60,229
	<u>-</u>	<u>4,500,246</u>
Total	<u>\$ 4,500,246</u>	<u>\$ 4,500,246</u>

**NOTE 5 INTERFUND ADVANCES**

Interfund advances to be repaid from revenues or proceeds from the sale of assets are as follows as of June 30, 2001.

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

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

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2001

**NOTE 6 FIXED ASSETS**

The changes in the General Fixed Assets Account Group for the year ended June 30, 2001, are as follows:

	<u>Balance</u> <u>July 1, as restated</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30</u>
Land	\$ 185,314,170	\$ 13,288,396	\$ -	\$ 198,602,566
Buildings	77,576,595	638,754	-	78,215,349
Improvements other than buildings	266,349,501	4,479,657	-	270,829,158
Equipment	154,918,487	16,225,327	3,613,123	167,530,691
Construction work in progress	<u>184,247,525</u>	<u>62,517,412</u>	<u>27,274,744</u>	<u>219,490,193</u>
<b>Total</b>	<u>\$ 868,406,278</u>	<u>\$ 97,149,546</u>	<u>\$ 30,887,867</u>	<u>\$ 934,667,957</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 fire station (Station 20), a new community center, the Balloon Fiesta Park facility development, a new police crime lab, the new Explora Science Center, and other facilities.

The proprietary and similar fiduciary fund type property and equipment at June 30, 2001 and 2000, are as follows:

	<u>Enterprise</u>		<u>Internal Service</u>		<u>Fiduciary</u>	
	<u>2001</u>	<u>2000</u> <u>as restated</u>	<u>2001</u>	<u>2000</u>	<u>2001</u>	<u>2000</u>
Land	\$ 59,100,337	\$ 58,778,144	\$ 3,659,193	\$ 283,842	\$ -	\$ -
Land and improvements acquired from U.S. Air Force	7,630,077	7,630,077	-	-	-	-
Buildings and other improvements	253,543,551	232,883,491	406,001	406,001	-	-
Runways and other improvements	242,121,821	242,073,125	-	-	-	-
Improvements other than buildings and runways	1,266,160,920	1,178,425,825	765,388	735,311	-	-
Machinery, equipment and other	<u>141,419,652</u>	<u>127,856,281</u>	<u>1,773,934</u>	<u>1,585,871</u>	<u>2,297</u>	<u>2,297</u>
	1,969,976,358	1,847,646,943	6,604,516	3,011,025	2,297	2,297
Less accumulated depreciation	<u>914,102,653</u>	<u>844,283,628</u>	<u>2,176,754</u>	<u>2,020,737</u>	<u>2,297</u>	<u>2,297</u>
Net	1,055,873,705	1,003,363,315	4,427,762	990,288	-	-
Construction work in progress	<u>52,477,427</u>	<u>80,452,139</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<u>\$ 1,108,351,132</u>	<u>\$ 1,083,815,454</u>	<u>\$ 4,427,762</u>	<u>\$ 990,288</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2001

**NOTE 6 FIXED ASSETS, continued**

Changes to property and equipment of the Enterprise funds for 2001 and 2000 include the following amounts of capitalized interest:

	2001			2000, as restated		
	Total Interest	Interest Related to Tax-Exempt Borrowing	Net	Total Interest	Interest Related to Tax-Exempt Borrowing	Net
Interest expense	\$ 33,088,047	\$ 6,851,304	\$ 26,236,743	\$ 33,494,571	\$ 6,916,504	\$ 26,578,067
Interest income	13,837,659	<u>3,634,269</u>	10,203,390	7,123,377	<u>2,474,166</u>	4,649,211
Capitalized interest		<u>\$ 3,217,035</u>			<u>\$ 4,442,338</u>	

**NOTE 7 LONG-TERM DEBT**

**A. General**

Bonded debt of the City consists of various issues of general obligation bonds, revenue bonds, and special assessment bonds. Also included in long-term debt is a water rights contract, notes receivable and accrued employee benefits. 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 General long-term Debt Account Group for the year ended June 30, 2001, are as follows:

	Outstanding			
	July 1 as restated	Increases	Decreases	June 30
General Obligation Bonds	\$ 138,180,000	\$ 50,830,000	\$ 71,570,000	\$ 117,440,000
Sales Tax Revenue Bonds	144,144,636	-	2,309,921	141,834,715
Sales Tax Revenue Notes	-	700,000	-	700,000
Special Assessment Bonds and Notes				
With Governmental Commitment	7,880,000	16,224,561	2,926,218	21,178,343
Accrued employee benefits	<u>20,440,459</u>	<u>2,128,028</u>	<u>-</u>	<u>22,568,487</u>
Totals	<u>\$ 310,645,095</u>	<u>\$ 69,882,589</u>	<u>\$ 76,806,139</u>	<u>\$ 303,721,545</u>

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 July 27, 2000, the City issued \$44,080,000 of General Obligation General Purpose Bonds, series 2000A, with an average coupon rate of 5.0%. The proceeds of these bonds were deposited into the Capital Projects Acquisition Fund and will be used to finance improvements for parks, libraries, museum, police, facilities, transit, streets, citizens' centers, and the zoo.

Also on July 27, 2000, the City issued \$6,750,000 of General Obligation Storm Sewer Bonds, series 2000B, with an average coupon rate of 5.0%. The proceeds of these bonds were deposited into the Capital Projects Acquisition Fund and will be used to finance improvements to the City's storm sewer system.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2001**

**NOTE 7 LONG-TERM DEBT, continued**

**A. General, continued**

General obligation bonds outstanding at June 30, 2001, are as follows:

<u>Issue</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Call Provisions</u>
September 1, 1992				
Water and Sewer	\$ 3,555,000	4.90/5.25%	July 1, 2002	Not callable
March 1, 1994 General Purpose	3,100,000	4.60/4.90%	July 1, 2002	Not callable
March 1, 1994 Storm Sewer	15,000,000	4.90/5.00%	July 1, 2003	Not callable
February 1, 1996 General Purpose	6,500,000	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	14,300,000	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	16,845,000	4.00/5.00%	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	10,000,000	3.63/3.95%	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	16,000,000	4.50/4.75	July 1, 2009	100% beginning July 1, 2007
July 1, 2000 General Purpose	4,080,000	5.00%	July 1, 2005	Not callable
July 1, 2000 Storm Sewer	<u>6,750,000</u>	5.00%	July 1, 2010	100% beginning July 1, 2008
	<u>\$ 117,440,000</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, 2001, based on the most recent assessed taxable valuation of \$6,900,667,082, the City may issue an additional \$205,241,000 of general purpose general obligation bonds. Included in the general obligation bonds outstanding at June 30, 2001, are Storm Sewer bonds in the amount of \$46,615,000 that are not subject to the legal debt limit.

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.

On April 27, 2001, the City executed a loan agreement with New Mexico Finance Authority for \$700,000 at an average interest rate of 3.36%. The proceeds were used to finance the purchase of a helicopter for the police department. The loan, which is backed by a pledge of gross receipts tax revenues, matures on July 1, 2006. The balance due at June 30, 2001 was \$700,000.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2001

**NOTE 7 LONG-TERM DEBT, continued**

**A. General, continued**

Sales tax revenue bonds outstanding at June 30, 2001, 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	\$ 17,759,715	6.50/7.10%	July 1, 2019	103% beginning July 1, 2011
May 1, 1992 Refunding	6,865,000	5.90/6.30%	July 1, 2007	102% beginning July 1, 2002
March 7, 1995	1,800,000	adjustable weekly	July 1, 2023	100% beginning March 7, 1995
October 15, 1996 Refunding	11,570,000	5.00%	July 1, 2011	100% beginning July 1, 2007
January 15, 1999 A Refunding	5,775,000	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
	<u>\$141,834,715</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 July 27, 2000, the City executed a loan agreement with New Mexico Finance Authority for Special Assessments District no. 226. The loan payable for \$11,568,376 has an average interest rate of 4.71% and matures on July 1, 2011. The proceeds are being used to finance the construction of parks, pavements, sanitary sewer lines, storm sewer lines and water lines. The balance due at June 30, 2001 was \$11,568,376.

On July 27, 2000, the City also executed a loan agreement with New Mexico Finance Authority for Special Assessments District no. 226. The loan payable for \$788,685 has an average interest rate of 7.08% and matures on July 1, 2011. The proceeds are being used to finance the construction of electric and natural gas lines. The balance due at June 30, 2001 was \$788,685.

On December 15, 2000, the City executed a loan agreement with New Mexico Finance Authority for Special Assessments District no. 225. The loan payable for \$3,867,500 has an average interest rate of 4.64% and matures on July 1, 2011. The proceeds are being used to finance the construction of pavements and storm sewer lines. The balance due at June 30, 2001 was \$3,416,282.

Special Assessment Debt and notes in the amount of \$21,178,343 is outstanding at June 30, 2001, with interest rates from 4.40% to 7.08%, and matures through January 1, 2015.

Housing Authority Debt. As described in note 22, the Housing Authority (HA) converted its basis of presentation in financial reporting to an enterprise fund basis. As part of that restatement, two types of debt that had been reported in the General Long Term Debt Account Group were converted to contributed capital. Direct debt owed to the Department of Housing and Urban Development (HUD) has been forgiven. Under Public Law 99-272, the Secretary of HUD forgave outstanding principal and interest on HUD held notes. HUD guaranteed third party debt consisting of new 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 6/30/2001, the outstanding balance of the revenue bonds was \$1,220,000 with annual payments required through 2013 and the outstanding balance of the permanent notes was \$8,778,514 with annual payments required through 2017.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2001

NOTE 7 LONG-TERM DEBT, continued

**B. Enterprise**

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

Airport Revenue bonds outstanding at June 30, 2001 and 2000, are as follows:

Issue	Amount		Interest Rate	Final Maturity	Call Provisions
	2001	2000			
January 1, 1995 A	\$ 46,025,000	\$ 47,860,000	5.70/7.00%	July 1, 2016	105% beginning July 1, 2000
January 1, 1995 B	1,155,000	1,995,000	5.55/7.00%	July 1, 2016	100% beginning January 1, 1997
May 3, 1995 Refunding	55,500,000	57,800,000	adjustable weekly	July 1, 2014	100% on any interest payment date
January 31, 1996 A	17,400,000	24,700,000	weekly	July 1, 2017	100% on any interest payment date
April 3, 1997 Refunding	30,370,000	31,350,000	6.25/6.75%	July 1, 2018	102% beginning July 1, 2007
September 1 1998 Refunding	41,760,000	42,685,000	3.80/5.00% adjustable	July 1, 2019	100% beginning July 1, 2008
May 4 2000 2000 A	7,000,000	7,200,000	weekly adjustable	July 1, 2020	100% on any interest payment date
May 4 2000 2000 B	<u>40,000,000</u>	<u>40,000,000</u>	weekly	July 1, 2020	100% on any interest payment date
Total outstanding	239,210,000	253,590,000			
Unamortized discounts	(562,102)	(572,706)			
Deferral on refunding	<u>(5,197,311)</u>	<u>(5,694,674)</u>			
Net outstanding	<u>\$ 233,450,587</u>	<u>\$ 247,322,620</u>			

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.

On February 1, 2001, the City issued \$2,420,000 in Taxable Golf Course Net Revenue/Gross Receipts Tax Revenue bonds, series 2001, with an average rate of 6.36%. The proceeds from the bonds will be used to finance new construction of clubhouse facilities at the Ladera and Los Altos golf courses.

Golf Course Revenue bonds outstanding at June 30, 2001 are as follows:

Issue	Amount	Interest Rate	Final Maturity	Call Provisions
February 1, 2001	\$ 2,420,000	5.70/6.70%	July 1, 2011	100% beginning July 1, 2007
Total outstanding	2,420,000			
Unamortized discounts	<u>(5,847)</u>			
Net outstanding	<u>\$ 2,414,153</u>			

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2001

NOTE 7 LONG-TERM DEBT, continued

**B. Enterprise, continued**

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.

Joint Water and Sewer Revenue Bonds outstanding at June 30, 2001 and 2000, are as follows:

Issue	Amount		Interest Rate	Final Maturity	Call Provisions
	2001	2000			
June 1, 1990 A	\$ 9,991,710	\$ 9,991,710	6.00/7.20%	July 1, 2008	100% beginning July 1, 2000
June 1, 1990 B					
Refunding	-	855,000	6.85/6.90%	July 1, 2001	102% beginning July 1, 2000
July 1, 1990 C	-	3,060,000	6.45/7.00%	July 1, 2001	102% beginning July 1, 2000
January 1, 1992	265,000	515,000	5.30/5.75%	July 1, 2002	102% beginning July 1, 2002
January 1, 1994 A	40,690,000	54,350,000	2.75/5.50%	July 1, 2005	Not callable
August 1, 1995	26,220,000	29,910,000	3.625/6.00%	July 1, 2007	Not callable
June 15, 1997	38,730,000	42,610,000	4.75%	July 1, 2009	100% beginning July 1, 2006
January 1, 1999A	86,320,000	89,680,000	3.80/5.25%	July 1, 2011	Not callable
May 1, 2000A	26,375,000	26,375,000	5.00%	July 1, 2006	Not callable
Total outstanding	228,591,710	257,346,710			
Unamortized discounts	5,266,147	6,287,162			
Deferral on refunding	(6,046,113)	(7,733,451)			
Accreted interest	11,724,893	10,246,181			
Net outstanding	\$ 239,536,637	\$ 266,146,602			

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 \$11,724,893 has accreted as of June 30, 2001, 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, 2001 and 2000, was \$22,020,900 and \$22,681,000 respectively.

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, 2001, was \$5,653,139.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2001

**NOTE 7 LONG-TERM DEBT, continued**

**B. Enterprise, continued**

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, 2001, was \$1,646,387.

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, 2001, was \$5,875,650.

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, 2001, was \$13,908,373.

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

On May 31, 2001, the City issued \$14,205,000 in Refuse Removal and Disposal Revenue Bonds. The Series 2001 Bonds are secured by a lien on net revenues of the City's solid waste and refuse disposal system. The Series 2001 Bonds were issued in two series:

The \$3,385,000 of Series 2001A Improvement Revenue Bonds have an average interest rate of 4.01%. The proceeds from these bonds will be used to extend, repair, replace, equip and otherwise improve the City's solid waste and refuse disposal system.

The \$10,820,000 of Series 2001B Refunding Revenue Bonds have an average interest rate of 4.82%. The net proceeds of \$10,881,050 (after payment of underwriting fees and other issuance costs) were used to purchase state and local government securities. Those securities, together with an additional \$303,060, were deposited in an irrevocable trust with an escrow agent to refund \$10,525,000 of Series 1992 Refunding and Improvement bonds, leaving \$2,660,000 outstanding bonds. In order to obtain debt service savings and restructure debt service, the City refunded the Series 1992 bonds maturing in the years 2006 through 2012. The refunded bond escrow agent will pay the principal and interest on the refunded bonds when due. As a result, these bonds are considered defeased and the liability for the bonds has been removed from the Solid Waste Fund. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$422,869. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2005 using the effective-interest method. The fund completed the advance refunding to reduce total debt service payments over the next eleven years by \$437,587 and to obtain an economic gain (difference between the present values of the debt service payments on the old debt and new debt) of \$318,661.

Refuse Disposal Revenue Bonds outstanding at June 30, 2001 and 2000, are as follows:

Issue	Amount		Interest Rate	Final Maturity	Call Provisions
	2001	2000			
September 1, 1992	\$ 2,150,000	\$ 13,185,000	5.20/5.60%	July 1, 2005	102% beginning July 1, 2002
July 1, 1995	11,310,000	12,395,000	3.85/5.30%	July 1, 2009	Not callable
February 1, 1998	8,620,000	9,155,000	3.75/5.00%	July 1, 2013	100% beginning July 1, 2007
May 1, 2001A	3,385,000	-	4.00/4.10%	July 1, 2008	Not callable
May 1, 2001B	10,820,000	-	3.63/5.25%	July 1, 2012	Not callable
Total outstanding	36,285,000	34,735,000			
Unamortized discounts	270,105	(96,095)			
Deferral on refunding	(836,868)	(511,717)			
Net outstanding	<u>\$ 35,718,237</u>	<u>\$ 34,127,188</u>			

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2001

**NOTE 7 LONG-TERM DEBT, continued**

**C. Summary of Annual Debt Service Requirements**

The annual debt service requirements, including \$388,572,833 of interest, on the obligations outstanding at June 30, 2001, not including Housing Authority notes that are held by HUD are as follows:

<u>Year ending June 30</u>	<u>General Long- Term Debt</u>	<u>Enterprise Debt</u>
2002	\$ 46,222,959	\$ 72,557,968
2003	41,428,261	72,347,656
2004	32,529,708	72,150,955
2005	32,718,835	68,949,820
2006	29,030,611	66,300,397
2007-2011	89,802,384	270,915,689
2012-2016	57,789,111	135,997,709
2017-2021	57,763,239	46,573,635
2022-2025	<u>29,506,613</u>	<u>2,751,500</u>
<b>Total</b>	<b><u>\$ 416,791,721</u></b>	<b><u>\$ 808,545,329</u></b>

**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, 2001, the City has set aside an amount of \$3,716,015 in arbitrage interest due the IRS in connection with future filings and payments to the IRS. This amount is reported as arbitrage liability in the Capital Acquisition Fund. Included in that amount is a payment due in August, 2001 of \$770,775.

**NOTE 8 DEMAND BONDS**

Included in long-term debt (Notes 7A and 7B) is \$147,300,000 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 7C 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 noncancellable "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, 2001, no amounts were drawn on the "take out" agreement which is as follows:

**Sales Tax Revenue Bonds March 7, 1995**

Remarketing Agent	Smith Barney, Inc.
Terms of "Take-Out" Agreement:	
Purchaser	Canadian Imperial Bank of Commerce
Method of Purchase	Direct Pay Letter of Credit
Expiration Date	January 15, 2002
Annual Fee	.25% on the stated amount of the letter of credit
Stated Amount at Time of Issuance	\$7,523,541.67 (Principal outstanding plus 295 days of interest at 15%)
Bonds Outstanding at 6/30/2001	\$1,800,000

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2001**

**NOTE 8 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 6/30/2001	\$55,500,000

**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 6/30/2001	\$17,400,000

**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 6/30/2001	\$47,000,000

**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 6/30/2001	\$25,600,000

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2001

**NOTE 9 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, 2001, is as follows:

General Long-Term Debt Account Group:	
Sales Tax Revenue Bonds	\$22,416,000
Enterprise Funds:	
Joint Water and Sewer Revenue Bonds	<u>55,585,000</u>
Total	<u>\$78,001,000</u>

**NOTE 10 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, 2001, 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, 2001, there were ten series of Metropolitan Redevelopment Bonds outstanding. The aggregate principal amount payable for the two series issued after July 1, 1995 is \$6.5 million. The aggregate principal amount for the nine series issued prior to July 1, 1995, could not be determined; however, the original amount issued totaled \$36,600,000.

**NOTE 11 DEFICIT FUND EQUITIES**

**Special Revenue Funds**

The funds that have deficit total fund equity and deficit unreserved fund balances are:

	<u>Deficit</u>	<u>Deficit</u>
	<u>Fund Equity **</u>	<u>Unreserved</u>
		<u>Fund Balance*</u>
Community Development Fund	\$ -	\$ 1,029,705
Corrections and Detention Fund	2,033,118	6,458,447
Job Training Partnership Act Fund	-	11,142
Operating Grants Fund	-	3,311,368

\* The deficit unreserved fund balances result from the reserve for encumbrances.

\*\* The deficit fund equities result from expenditures in anticipation of future revenue.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2001

**NOTE 11 DEFICIT FUND EQUITIES, continued**

**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 unreserved fund balances at June 30, 2001, are:

	Deficit Unreserved <u>Fund Balance</u>
Community Services Building	\$ 555,186

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 balances at June 30, 2001, are:

	Deficit Unreserved <u>Fund Balance</u>
Rio Grande Park Improvements	\$ 249
Quarter Cent Storm Drain	89,926
Cultural Corridor Shuttle	2,547

While the total fund balance of the Infrastructure Tax Fund is not in a deficit position, deficit unreserved fund balances result because capital expenditures and encumbrances are made in anticipation of additional revenues and transfers. The resulting deficit unreserved fund balance at June 30, 2001, is \$6,655,005.

**Enterprise Funds**

The operating revenues of the Joint Water and Sewer Fund are not intended to cover depreciation on property acquired as contributed capital. As a result, the negative unreserved retained earnings has grown each year. At June 30, 2001, the deficit unreserved retained earnings was \$27,727,615.

The operating revenues of the Parking Facilities and Transit Funds are not intended to cover the operating costs of the parking facilities and transit system. The operation of each enterprise is dependent on an annual subsidy transfer from the General Fund that is intended to cover the remaining operating costs, excluding depreciation. While the total fund equities of the Parking Facilities and Transit Funds are not in a deficit position, the funds have deficit unreserved retained earnings at June 30, 2001, in the amount of \$1,043,532 and \$8,219,277, respectively.

The operating revenues of the Housing Authority Fund are not intended to cover the operating expenses of its rental operations nor to cover the depreciation on property acquired as contributed capital. While the federal grants from the Housing and Urban Development Department amounted to \$18,932,904, the grants and operating revenues are not sufficient to cover the above costs as well as housing assistance payments. As a result, the fund had a deficit unreserved retained earnings of \$6,409,119.

**Internal Service Funds**

The deficit fund equity of the Risk Management Fund increased to \$11,554,855 at June 30, 2001 from the \$4,850,482 deficit fund equity at June 30, 2000. The increase in deficit equity was primarily due to an unanticipated judgment on a claim for approximately \$5.0 million in connection with a land use suit filed against the City and a temporary reduction in assessments to other City funds. The City anticipates that it will reduce the deficit equity over the next four or five years by increasing charges to other funds and by increasing the property tax assessments on property within the City's corporate limits.

At June 30, 2001, the Fleet Management Fund had a deficit unreserved retained earnings of \$389,291, which will be eliminated through adjustment of charges to City departments.

At June 30, 2001, the Employee Insurance Fund had a deficit unreserved retained earnings of \$4,495,403. Operating revenues of the fund are not intended to cover costs of operations while utilizing contributed capital to fund operations.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2001

**NOTE 12 PROPERTY TAXES**

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 2001 tax levy had a taxable value of \$6,900,667,082. 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 2001 weighted average residential and non-residential City rate for both operations and debt service was 11.166 mills.

Taxes are payable in two equal installments on November 10 and April 10 and become delinquent after 30 days. Property taxes receivable at June 30, 2001, are as follows:

General Fund	\$2,134,410
General Obligation Debt Service Fund	\$8,531,066

**NOTE 13 INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2001, were as follows:

From	To	
General Fund	Corrections and Detention Fund	\$ 15,987,000
General Fund	Operating Grants Fund	4,183,000
General Fund	Gas Tax Fund	1,604,000
General Fund	Capital Acquisition Fund	6,294,000
General Fund	Sales Tax Refunding Debt Service Fund	468,000
General Fund	City/County Building Debt Service Fund	95,000
General Fund	Transit Fund	17,361,000
General Fund	Fleet Management Fund	1,116,000
General Fund	Acquisition and Management of Open Space Expendable Trust Fund	177,000
Recreation Fund	General Fund	340,000
Lodgers Tax Fund	Sales Tax Refunding Debt Service Fund	3,982,000
City/County Projects Fund	General Fund	82,000
City/County Facilities Fund	City/County Building Debt Service Fund	1,305,000
Plaza del Sol Building Fund	Sales Tax Refunding Debt Service Fund	569,000
Operating Grants Fund	Transit Fund	212,822
Capital Acquisition Fund	Capital Acquisition Fund	2,425,317
Vehicle/Equipment Replacement Fund	General Fund	2,174,000
Special Assessment Capital Fund	Special Assessment Debt Service Fund	14,370
Infrastructure Tax Fund	Transit Fund	4,944,000
Joint Water & Sewer Fund	General Fund	320,000
Refuse Disposal Fund	General Fund	478,000
Risk Management Fund	General Fund	269,000
Acquisition and Management of Open Space Nonexpendable Trust Fund	Acquisition and Management of Open Space Expendable Trust Fund	2,144,626
Urban Enhancement Nonexpendable Trust Fund	Urban Enhancement Expendable Trust Fund	<u>554,421</u>
<b>Total transfers</b>		<u>\$ 67,099,556</u>
	<u>Transfers In</u>	<u>Transfers Out</u>
Exhibit A-2, "Combined Statement of Revenues, Expenditures, and Changes in Unreserved Fund Balances-All Governmental Fund Types and Expendable Trust Funds"	\$ 43,465,734	\$ 63,333,509
Exhibit A-4, "Combined Statement of Revenues, Expenses, and Changes in Unreserved Retained Earnings/Fund Balances-All Proprietary and Similar Fiduciary Fund Types"	<u>23,633,822</u>	<u>3,766,047</u>
<b>Total transfers</b>	<u>\$ 67,099,556</u>	<u>\$ 67,099,556</u>

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2001

**NOTE 14 SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

Significant financial data for the enterprise funds as of and for the year ended June 30, 2001, (in thousands of dollars) is as follows:

	Airport Fund	Golf Course Fund	Joint Water and Sewer Fund	Parking Facilities Fund	Refuse Disposal Fund	Transit Fund	Housing Authority Fund	Total
Operating revenues *	\$47,632	\$ 3,707	\$107,771	\$ 3,696	\$ 38,219	\$ 2,754	\$ 1,577	\$ 205,356
Depreciation and amortization	23,321	423	37,402	750	4,655	3,791	2,051	72,393
Bad debt expense	537	-	110	54	34	-	40	775
Operating income (loss)	4,211	(237)	8,960	56	4,622	(28,034)	(5,917)	(16,339)
Operating transfers in	-	-	-	-	-	22,518	-	22,518
Operating transfers out	-	-	(320)	-	(478)	-	-	(798)
Net income (loss)	5,261	(84)	11,984	719	3,554	(3,051)	(565)	17,818
<b>Current year contributed capital:</b>								
Contributions - Federal and State grants **	1,859	-	42	-	147	3,981	(1,433)	4,596
Contributions - Customers and developers	-	-	12,140	-	-	-	-	12,140
Debt service made by HUD on guaranteed third party debt	-	-	-	-	-	-	(417)	(417)
Transfers from other funds	-	-	-	7	-	1,243	-	1,250
Property and equipment additions	31,381	1,315	49,322	2,716	8,527	7,147	619	101,027
Working capital	3,295	(218)	12,081	(102)	3,846	625	9,183	28,710
Restricted assets	71,493	2,927	67,324	22,389	14,162	8,304	438	187,037
Total assets	393,382	9,173	776,998	39,960	72,708	41,214	31,428	1,364,863
Bonds and other long-term liabilities payable from operating revenues	233,586	2,414	289,497	25,600	35,718	-	-	586,815
Total fund equity	147,612	6,031	442,872	13,270	31,060	38,972	27,982	707,799

\* A substantial portion of the operating revenues of the Airport Fund are rents received under leases. Most of these rents are contingent based on a number of different factors.

\*\* Contributions of the Transit Fund consist of \$6,490,393 for Federal grants, net of \$2,509,460 for depreciation on certain assets acquired with Federal grants, which results in a net increase to contributed capital of \$3,980,933 and the contributions of the Housing Authority Fund consist of \$618,389 for Federal grants, net of \$2,051,493 for depreciation on certain assets acquired with Federal grants, which results in a net decrease to contributed capital of \$1,433,104.

Interfund revenues of the enterprise funds are not significant.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2001

**NOTE 15 CONTRIBUTED CAPITAL**

The changes in contributed capital for the years ended June 30, 2001 and 2000, are as follows:

	<u>Proprietary Funds</u>		<u>Totals</u> <u>(Memorandum Only)</u> <u>Year ended June 30</u>	
	<u>Enterprise</u>	<u>Internal Service</u>	<u>2001</u>	<u>2000</u> <u>as restated</u>
	<b>Contributions from outside sources:</b>			
Balance, July 1, as restated	\$ 519,629,755	\$ -	\$ 519,629,755	\$ 503,022,804
State, Federal and other grants	9,156,515	-	9,156,515	8,208,791
Developers	11,783,749	-	11,783,749	12,511,538
Customers	356,643	-	356,643	387,204
Debt service made by HUD on HUD guaranteed third party debt	(416,824)	-	(416,824)	(391,899)
Depreciation on certain assets acquired with Federal grants	<u>(4,560,953)</u>	<u>-</u>	<u>(4,560,953)</u>	<u>(4,108,683)</u>
Balance, June 30	<u>535,948,885</u>	<u>-</u>	<u>535,948,885</u>	<u>519,629,755</u>
<b>Contributions from other City funds:</b>				
Balance, July 1	150,362,441	9,965,559	160,328,000	157,270,198
Transfers from Capital Acquisition Fund for assets purchased from proceeds of general obligation bonds	1,243,080	-	1,243,080	2,905,717
Transfer of funds from the Trust and Agency Fund which previously held funds used for group insurance	-	-	-	152,085
Transfer of equipment from:				
Vehicle and Equipment Replacement Fund	6,798	-	6,798	-
General Fixed Asset Account Group	<u>-</u>	<u>89,829</u>	<u>89,829</u>	<u>-</u>
Balance, June 30	<u>151,612,319</u>	<u>10,055,388</u>	<u>161,667,707</u>	<u>160,328,000</u>
Total contributed capital	<u>\$ 687,561,204</u>	<u>\$ 10,055,388</u>	<u>\$ 697,616,592</u>	<u>\$ 679,957,755</u>

**NOTE 16 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.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
 June 30, 2001

**NOTE 16 DEFINED BENEFIT PENSION PLAN, continued**

**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, 2001.

<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%	\$ 4,855	19.01%	\$ 28,285
General - Bus Drivers	13.15%	908	9.15%	632
General - Other	7.00%	173	7.00%	173
Police	16.30%	6,308	18.50%	7,160
Fire	15.20%	<u>3,814</u>	20.25%	<u>5,001</u>
		<u>\$ 16,058</u>		<u>\$ 41,251</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>
2000	\$15,777	\$40,480
1999	14,687	37,676

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, 2001, was \$221,567,346; the total payroll for all employees of the City of Albuquerque was \$253,022,957.

**NOTE 17 POSTEMPLOYMENT BENEFITS**

In addition to providing pension benefits described in Note 16, 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, 2001, were approximately \$137,231. The number of retired employees covered under the life insurance benefit was 2,668 at June 30, 2001, and the amount of life insurance coverage for these retired employees was \$45,742,000.

**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.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2001

**NOTE 17 POSTEMPLOYMENT BENEFITS, continued**

**RETIREE HEALTH CARE ACT CONTRIBUTIONS, continued**

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 \$2,215,673 in employer contributions and \$1,107,837 in employee contributions in fiscal year ended June 30, 2001.

**NOTE 18 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 19 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 postclosure 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 postclosure 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 \$1,178,754 reported as other liabilities payable from restricted assets at June 30, 2001, represents the cumulative amount reported to date based on the use of 33% of the estimated capacity of the Cerro Colorado Landfill. The City will recognize the remaining estimated cost of closure and postclosure care of \$2,298,946 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2001. The City expects to close the landfill in the year 2024. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The City has set aside \$1,491,598 for future postclosure 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 postclosure 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.

**NOTE 20 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.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2001**

**NOTE 20 RISK MANAGEMENT, continued**

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, 2001 and 2000, and is included in the retained 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 in fiscal year 2001 and 2000 were:

	2001	2000
Claims liability at July 1	\$ 30,270,558	\$ 30,772,560
Current year claims and changes in estimate	18,258,373	13,670,952
Claim payments	<u>(14,716,499)</u>	<u>(14,172,954)</u>
Claim liability at June 30	<u>\$ 33,812,432</u>	<u>\$ 30,270,558</u>
 The components of the claims liability at June 30 are:		
Current portion	\$ 11,079,500	\$ 10,795,000
Noncurrent portion	<u>22,732,932</u>	<u>19,475,558</u>
Total claims liability	<u>\$ 33,812,432</u>	<u>\$ 30,270,558</u>

**NOTE 21 DISCONTINUED FUND**

In fiscal year 2001, the City determined that the Urban Development Fund was no longer needed. The rehabilitation loans in this special revenue fund were transferred to other special revenue funds listed below:

Program	Fund	Balance June 30 2000
Community Development Block Grant	Community Development Fund	\$5,068,161
Home	Operating Grants Fund	3,977,785
Section 17	Community Development Fund	169,163
Turnkey II	Housing Authority Fund	<u>4,989</u>
Total		<u>\$9,220,098</u>

The City believes that accounting for these loans is best reported in the funds with the associated revenue and expenditures that generate these loans. Refer to the following note for additional information.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2001

**NOTE 22 RESTATEMENT OF PRIOR PERIOD FINANCIAL STATEMENTS**

The following tables report the changes in the financial statements previously issued as of June 30, 2000. All amounts are expressed in thousands. Explanations for the changes are identified by "Item no." and are explained in narrative form following the tables:

	Item No.	Governmental Fund Types				Expendable Trusts	Total
		General Fund	Special Revenue	Debt Service	Capital Projects		
Total assets, June 30, 2000, as previously reported		\$ 63,632	\$ 48,527	\$ 126,925	\$ 136,533	\$ 13,733	\$ 389,350
Changes were made for:							
GASB Stmt No. 33:	1						
General Fund		18,823	-	-	-	-	18,823
Recreation Fund		-	22	-	-	-	22
Gas Tax Road Fund		-	325	-	-	-	325
Infrastructure Tax Fund		-	-	-	2,202	-	2,202
Housing Authority	2	-	(9,405)	(1,093)	-	-	(10,498)
Rehabilitation loans:	3						
Urban Development fund		-	(9,318)	-	-	-	(9,318)
Community Development fund		-	2,627	-	-	-	2,627
Operating Grants Fund		-	515	-	-	-	515
Neighborhood Economic and Development Fund	4	-	1,000	-	-	-	1,000
as restated		<u>\$ 82,455</u>	<u>\$ 34,293</u>	<u>\$ 125,832</u>	<u>\$ 138,735</u>	<u>\$ 13,733</u>	<u>\$ 395,048</u>
Total liabilities, June 30, 2000, as previously reported		\$ 20,229	\$ 13,856	\$ 69,561	\$ 16,276	\$ 11,222	\$ 131,144
Changes were made for:							
GASB Stmt No. 33:	1						
General Fund		18,823	-	-	-	-	18,823
Recreation Fund		-	22	-	-	-	22
Gas Tax Road Fund		-	325	-	-	-	325
Infrastructure Tax Fund		-	-	-	2,202	-	2,202
Housing Authority	2	-	(3,140)	-	-	-	(3,140)
Rehabilitation loans:	3						
Community Development fund		-	2,529	-	-	-	2,529
Operating Grants Fund		-	516	-	-	-	516
Capital Acquisition Fund:							
Bond proceeds	5	-	-	-	1,017	-	1,017
Neighborhood Economic and Development Fund	4	-	1,000	-	-	-	1,000
as restated		<u>\$ 39,052</u>	<u>\$ 15,108</u>	<u>\$ 69,561</u>	<u>\$ 19,495</u>	<u>\$ 11,222</u>	<u>\$ 154,438</u>

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2001

**NOTE 22 RESTATEMENT OF PRIOR PERIOD FINANCIAL STATEMENTS, continued**

	Item No.	Governmental Fund Types				Expendable Trusts	Total
		General Fund	Special Revenue	Debt Service	Capital Projects		
Unreserved fund balance, July 1, 1999, as previously reported		\$ 24,666	\$ 19,176	\$ 18,506	\$ 123,375	\$ -	\$ 185,723
Changes were made for:							
Housing Authority	2	-	(4,838)	(1,091)	-	-	(5,929)
Rehabilitation loans:	3						
Urban Development fund		-	(3,600)	-	-	-	(3,600)
Community Development fund		-	88	-	-	-	88
as restated		<u>\$ 24,666</u>	<u>\$ 10,826</u>	<u>\$ 17,415</u>	<u>\$ 123,375</u>	<u>\$ -</u>	<u>\$ 176,282</u>
Revenues and other financing sources over (under) expenditures and other financing uses, as previously reported		\$ (739)	\$ (3,085)	\$ 36,952	\$ (34,435)	\$ (694)	\$ (2,001)
Changes were made for:							
Housing Authority	2	-	(1,349)	(2)	-	-	(1,351)
Rehabilitation loans:	3						
Urban Development fund		-	266	-	-	-	266
Community Development fund		-	10	-	-	-	10
Capital Acquisition Fund:							
Bond proceeds	5	-	-	-	(1,017)	-	(1,017)
as restated		<u>\$ (739)</u>	<u>\$ (4,158)</u>	<u>\$ 36,950</u>	<u>\$ (35,452)</u>	<u>\$ (694)</u>	<u>\$ (4,093)</u>
Unreserved fund balance, June 30, 2000, as previously reported		\$ 24,454	\$ 18,038	\$ 30,756	\$ 51,017	\$ -	\$ 124,265
Changes were made for:							
Housing Authority	2	-	(6,022)	(1,093)	-	-	(7,115)
Rehabilitation loans:	3						
Urban Development fund		-	(3,350)	-	-	-	(3,350)
Community Development fund		-	98	-	-	-	98
Capital Acquisition Fund:							
Bond proceeds	5	-	-	-	(1,017)	-	(1,017)
as restated		<u>\$ 24,454</u>	<u>\$ 8,764</u>	<u>\$ 29,663</u>	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ 112,881</u>

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2001

**NOTE 22 RESTATEMENT OF PRIOR PERIOD FINANCIAL STATEMENTS, continued**

	Item No.	Proprietary Fund Types		Non	Total
		Enterprise Funds	Internal Service	Expendable Trusts	
<b>Total Assets, June 30, 2000</b>					
as previously reported		\$ 1,334,204	\$ 36,989	\$ 36,555	\$ 1,407,748
Changes were made for:					
Housing Authority Fund	2	31,448	-	-	31,448
Joint Water & Sewer Fund	6	<u>1,711</u>	<u>-</u>	<u>-</u>	<u>1,711</u>
as restated		<u>\$ 1,367,363</u>	<u>\$ 36,989</u>	<u>\$ 36,555</u>	<u>\$ 1,440,907</u>
<b>Total Liabilities, June 30, 2000</b>					
as previously reported		\$ 696,409	\$ 32,239	\$ 697	\$ 729,345
Changes were made for:					
Housing Authority Fund	2	<u>3,520</u>	<u>-</u>	<u>-</u>	<u>3,520</u>
as restated		<u>\$ 699,929</u>	<u>\$ 32,239</u>	<u>\$ 697</u>	<u>\$ 732,865</u>
<b>Unreserved retained earnings (deficit), July 1, 1999,</b>					
as previously reported		\$ (43,663)	\$ (655)	\$ -	\$ (44,318)
Changes were made for:					
Housing Authority	2	(10,004)	-	-	(10,004)
Joint Water and Sewer Fund	6	1,049	-	-	1,049
Parking Fund	7	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>(1)</u>
as restated		<u>\$ (52,619)</u>	<u>\$ (655)</u>	<u>\$ -</u>	<u>\$ (53,274)</u>
<b>Net income (loss),</b>					
as previously reported		\$ 8,067	\$ (4,561)	\$ (624)	\$ 2,882
Changes were made for:					
Housing Authority	2	(567)	-	-	(567)
Joint Water and Sewer Fund	6	<u>662</u>	<u>-</u>	<u>-</u>	<u>662</u>
as restated		<u>\$ 8,162</u>	<u>\$ (4,561)</u>	<u>\$ (624)</u>	<u>\$ 2,977</u>
<b>Unreserved retained earnings (deficit), June 30, 2000,</b>					
as previously reported		\$ (29,616)	\$ (5,216)	\$ -	\$ (34,832)
Changes were made for:					
Housing Authority	2	(8,313)	-	-	(8,313)
Joint Water and Sewer Fund	6	1,711	-	-	1,711
Parking Fund	7	<u>(74)</u>	<u>-</u>	<u>-</u>	<u>(74)</u>
as restated		<u>\$ (36,292)</u>	<u>\$ (5,216)</u>	<u>\$ -</u>	<u>\$ (41,508)</u>

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2001

**NOTE 22 RESTATEMENT OF PRIOR PERIOD FINANCIAL STATEMENTS, continued**

The following narrative explains the changes (in thousands) to the financial statements previously issued as of June 30, 2000. The "Item No." corresponds to the "Item No." in the tables displayed on the previous pages:

**Item No. 1.** In accordance with the provisions of Statement No. 33 of the Governmental Accounting Standards Board, the City has restated the accounts receivable balances and deferred revenue as of June 30, 2000 for the following items:

		Governmental Fund Types			
		General	Special	Capital	
		Fund	Revenue	Projects	Total
<b>Increase in taxes receivable and related deferred revenue, June 30, 2000:</b>					
General Fund	Gross receipts tax	\$ 18,601	\$ -	\$ -	\$ 18,601
General Fund	Cigarette tax	44	-	-	44
General Fund	Municipal road gas tax	178	-	-	178
Recreation Fund	Cigarette tax	-	22	-	22
Gas Tax Road Fund	Gasoline tax	-	325	-	325
Infrastructure Tax Fund	Gross receipts tax	-	-	2,202	2,202
<b>Total increase</b>		<b>\$ 18,823</b>	<b>\$ 347</b>	<b>\$ 2,202</b>	<b>\$ 21,372</b>

The increase was caused by the recognition of the taxes receivable on a full accrual basis while still recognizing the related revenue on a modified accrual basis. This difference results in deferred revenue.

**Item No. 2.** In order to properly report the assets, liabilities, retained earnings and the results of operations for the Housing Authority, the City elected to present the Housing Authority as an enterprise fund. This also provides for compliance with the Department of Housing and Urban Development regulations. All amounts related to the Housing Authority were removed from the Special Revenue and Debt Service Fund Types and from the General Fixed Assets and the General Long Term Debt Account Groups. In addition to the amounts stated in the tables above, \$50,541 in fixed assets was removed from the General Fixed Assets Account Group, \$14,113 of bonds payable and notes payable was removed from the General Long Term Debt Account Group, \$244 in encumbrances in the Special Revenue Funds was removed from reserves and \$36,241 was added to contributed capital in the enterprise funds type.

**Item No. 3.** As stated in Note 21. above, the City elected to discontinue the Urban Development Fund. The rehabilitation loans were moved to other Special Revenue funds. In addition, \$5,968 in the related Reserve for deferred loans receivable was removed and reflected in the restated financial statements as a reduction of the loan receivables.

**Item No. 4.** During the preparation of the CAFR for the fiscal year ended June 30, 2001, the City discovered that a revolving construction loan for \$1,000 had been made to a contractor to develop property as outlined in Note 3. B.

**Item No. 5.** The City erroneously reported an advance receipt of \$1,017 in connection the issuance of bonds as bond proceeds in the Capital Acquisition Fund. This advance receipt should have been reported as deferred revenue since the remaining amount issued by the related bond issue was received upon the closing in July, 2000.

**Item No. 6.** Due the uncertainty of receipt of interest in connection with a deposit held by the courts in relation to a condemnation suit of a water utility, the City had not accrued interest that would be earned. In August 2001, the City received \$2,476 of interest. Accordingly, the financial statements for the Joint Water and Sewer Fund were restated for the amounts earned as of the dates noted in the above tables.

**Item No. 7.** The City erroneously reported a portion of the fund balance representing the amount set aside for debt service in the Parking Facilities Fund as unreserved fund balance. The restatement properly reports that amount as reserved.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2001**

**NOTE 23 COMMITMENTS AND CONTINGENT LIABILITIES**

At June 30, 2001, uncompleted construction and other commitments in the proprietary and similar fiduciary fund types that will be paid from assets restricted for construction, improvements and replacements or from operating revenues were as follows:

<b>Enterprise Funds:</b>	
Airport Fund	\$ 8,444,493
Golf Course Fund	229,354
Joint Water and Sewer Fund	22,067,429
Parking Facilities Fund	9,137,481
Refuse Disposal Fund	674,559
Transit Fund	15,513,677
<b>Internal Service Funds:</b>	
Supplies Inventory Management Fund	776,540
Risk Management Fund	252,990
Fleet Management Fund	72,312
Employee Insurance Fund	1,798,790
Communications Fund	810

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 \$707,252 were incurred for the year ended June 30, 2001. Lease commitments for future years are as follows:

2002	\$752,538
2003	576,905
2004	319,510
2005	313,765

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 over the next four years 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 after that time if the suit regarding water quality standards currently on appeal in the Tenth Circuit Court is not decided in favor of the City.

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.

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 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.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2001

**NOTE 24 DEPOSIT IN JOINT WATER AND SEWER FUND**

On November 3, 1997, the City filed a condemnation action in the Second Judicial District against New Mexico Utilities, Inc. Contemporaneous with the filing, the City posted \$15,980,000 with the Court. The \$15,980,000 is recorded as a deposit in the Joint Water and Sewer Fund.

On October 2, 2000, the City Council voted for a measure directing the City to withdraw the condemnation of New Mexico Utilities, Inc. and to cease all negotiations to acquire the Utility. The \$15,980,000 deposit held by the court will be returned to the Joint Water and Sewer Fund. On August 10, 2001, the Court returned the \$15,980,000 deposit, along with \$2,476,370 on interest, to the City.

**NOTE 25 SUBSEQUENT EVENTS**

On October 2, 2001, the City's voters authorized the issuance of general obligation bonds for the following purposes:

Streets	\$ 48,549,791
Parks and recreation	23,134,560
Storm sewer system	15,044,657
Senior, Family and Community Center	10,549,950
Public transit	5,518,842
Library	5,454,000
Museum	5,373,200
Fire Protection	5,302,500
Police facilities and equipment	5,302,500
Facility and equipment	4,343,000
Zoo and Biological Park	<u>3,030,000</u>
	<u>\$ 131,603,000</u>

On August 16, 2001, the City issued \$42,550,000 of Airport Refunding Revenue Bonds, Series 2001. The proceeds of the Series 2001 bonds will be used to redeem in full the Series 1995A bonds.

The City was a defendant in a legal proceeding involving Special Assessments District No. 216. The district was established in August 1988 to provide paving and storm drainage along the Comanche/Griegos road corridor. Forty seven property owners alleged: 1) that the district was created in violation of applicable state statute, 2) that it was created in violation of State of New Mexico constitutional provisions and 3) that it was an illegal creation of long term debt by the City. Subsequent to fiscal year end, the City entered into a settlement where by the City would reduce the assessments against the property owners by fifty-five percent. As part of that agreement, the City will remit \$439,555 to those property owners who had already paid the full assessment with the remaining \$1,772,919 of the reduction to be credited to the assessment accounts for the remaining property owners.

On September 14, 2001, the City issued \$46,315,000 of General Obligation General Purpose bonds, Series 2001A. The proceeds of the Series 2001A bonds will be used to provide fire and police protection, and facilities and equipment. It will also be used to finance improvements for parks and recreation, streets, public transportation, citizens' centers, the museum, the biological park and libraries.

Also, on September 14, 2001, the City issued \$4,510,000 of General Obligation Storm Sewer bonds, Series 2001B. The bond proceeds for Series 2001B will be used to finance improvements to the City's storm sewer system.

On October 26, 2001, the City entered into a loan agreement with New Mexico Finance Authority for Special Assessment District 222. The loan for \$2,605,539 will be used to improve streets and finance construction of sanitary sewer lines, storm sewer lines, and water lines.

The September 11 terrorist attacks on the World Trade Center and the Pentagon have significantly affected the U.S. economy. These events may have an ongoing material adverse impact on the national economy, as well as local economies, including the City, for a period of time and to an extent which cannot presently be determined. As a result, the results of operations of the Airport fund, the expenditures relating to the Public Safety departments, and other areas may be adversely affected in subsequent fiscal years.