

CITY OF ALBUQUERQUE, NEW MEXICO

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

as of and for the Fiscal Year ended June 30, 2003



NEFF + RICCI LLP

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ALBUQUERQUE, NM 87110

Independent Auditors' Report

The Honorable Martin Chavez, Mayor and
Members of City Council

We have audited the accompanying basic financial statements of the City of Albuquerque (the City), as of and for the year ended June 30, 2003. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Albuquerque, as of June 30, 2003, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Albuquerque, New Mexico
November 7, 2003

CITY OF ALBUQUERQUE, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2003

This section of the City of Albuquerque's (City) Comprehensive Annual Financial Report (CAFR) presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2003. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

FINANCIAL HIGHLIGHTS

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$1.6 billion (net assets). Of this amount, \$138.2 million (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors in subsequent accounting periods.
- The government's total net assets increased by \$157.3 million during the year, but see Note No. 25 regarding a subsequent event that will have a negative impact on the government's total net assets in FY04.
- As of June 30, 2003, the City's governmental funds reported combined ending fund balances of \$273.0 million. Approximately 66.6% of this amount, \$181.9 million, is unreserved fund balance available for spending at the government's discretion. Of this amount, approximately \$68.3 million is unreserved fund balance in the Capital Acquisition Fund.
- At the close of the current fiscal year, unreserved fund balance for the general fund was \$15.0 million or 5.5% of the total general fund expenditures of \$274.8 million.
- The City's total long-term debt decreased by \$62.8 million (7.0%) during the current year. The key factors in this change were: 1) debt reduction payments and liquidations of accrued liabilities totaling \$134.9 million, and 2) the issuance of \$15.0 million notes payable for the construction of a new baseball stadium accompanied by additions to accrued vacation and sick leave pay and claims payable totaling \$43.6 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

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

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

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

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

CITY OF ALBUQUERQUE, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
June 30, 2003

OVERVIEW OF THE FINANCIAL STATEMENTS, continued

Fund Financial Statements

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

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

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

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

The City adopts an annual appropriated budget for the General Fund and Corrections and Detention Fund. Budgetary comparison statements for each of these funds are presented in the Basic Financial Statements section of this report. A budgetary comparison statement for the General Obligation Debt Service Fund, a major fund, is presented in the Supplementary Information section. In addition, the City adopts an annual appropriated budget for other nonmajor governmental funds. Budgetary comparison statements for those funds are also presented in the Supplementary Information section.

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

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

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

CITY OF ALBUQUERQUE, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
 June 30, 2003

OVERVIEW OF THE FINANCIAL STATEMENTS, continued

Notes to the Financial Statements

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

Required Supplementary Information (RSI)

The required budgetary comparison statements for the General Fund and the Corrections and Detention Fund are presented separately and in the basic financial statements. The city is not required to provide other information in the RSI and therefore, no information is presented there.

Combining Statements

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This is the second year that the City has presented its financial statements under the new reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34), Basic Financial Statements - and Management's Discussion and Analysis (MD&A) - for State and Local Governments. In the first year under the new reporting model, the City did not restate prior fiscal years for the purpose of providing comparative information for the MD&A. Below is a comparative analysis of government-wide data for the most recently completed fiscal year and the prior fiscal year.

		NET ASSETS (in millions)						Total Percent Change
		<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>		<u>2002 - 2003</u>
		<u>2003</u>	<u>2002</u>	<u>2003</u>	<u>2002 *</u>	<u>2003</u>	<u>2002 *</u>	
Assets:								
Current and other assets		\$ 444.1	\$ 476.3	\$ 276.2	\$ 251.4	\$ 720.3	\$ 727.7	-1.0%
Capital Assets		<u>746.5</u>	<u>691.6</u>	<u>1,143.9</u>	<u>1,136.1</u>	<u>1,890.4</u>	<u>1,827.7</u>	3.4%
Total assets		<u>1,190.6</u>	<u>1,167.9</u>	<u>1,420.1</u>	<u>1,387.5</u>	<u>2,610.7</u>	<u>2,555.4</u>	2.2%
Liabilities:								
Long-term liabilities outstanding		315.5	358.0	523.6	558.7	839.1	916.7	-8.5%
Other liabilities		<u>128.8</u>	<u>161.2</u>	<u>80.5</u>	<u>73.0</u>	<u>209.3</u>	<u>234.2</u>	-10.6%
Total liabilities		<u>444.3</u>	<u>519.2</u>	<u>604.1</u>	<u>631.7</u>	<u>1,048.4</u>	<u>1,150.9</u>	-8.9%
Net assets:								
Invested in capital assets, net of related debt		504.1	439.6	651.1	602.9	1,155.2	1,042.5	10.8%
Restricted		192.0	174.8	76.9	75.0	268.9	249.8	7.6%
Unrestricted		<u>50.2</u>	<u>34.3</u>	<u>88.0</u>	<u>77.9</u>	<u>138.2</u>	<u>112.2</u>	23.2%
Total net assets		<u>\$ 746.3</u>	<u>\$ 648.7</u>	<u>\$ 816.0</u>	<u>\$ 755.8</u>	<u>\$ 1,562.3</u>	<u>\$ 1,404.5</u>	11.2%

* Restated - see note 23

Analysis of Net Assets

As noted earlier, net assets may serve as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by \$1.6 billion at the close of the year. The largest portion of the City's net assets (73.9%) reflects its investment of \$1.16 billion in capital assets (e.g. land, buildings, and equipment less any related outstanding debt used to acquire these assets). The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to pay this debt must come from other sources, since the capital assets cannot be liquidated for these liabilities.

CITY OF ALBUQUERQUE, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
 June 30, 2003

GOVERNMENT-WIDE FINANCIAL ANALYSIS, continued

Analysis of Net Assets, continued

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

Analysis of Changes in Net Assets

	CHANGE IN NET ASSETS (in millions of dollars)						Total Percentage Change 2002 - 2003
	Governmental Activities		Business-type Activities		Total		
	2003	2002	2003	2002 *	2003	2002 *	
REVENUES							
Program revenues:							
Charges for services	\$ 75.8	\$ 70.8	\$ 255.2	\$ 239.7	\$ 331.0	\$ 310.5	6.6%
Operating grants and contributions	28.7	28.0	24.8	22.0	53.5	50.0	7.0%
Capital grants and contributions	9.9	8.2	38.9	24.5	48.8	32.7	49.2%
General revenues:							
Gross receipts taxes	122.0	116.3	-	-	122.0	116.3	4.9%
Property taxes	86.4	72.2	-	-	86.4	72.2	19.7%
Other taxes	26.4	23.7	-	-	26.4	23.7	11.4%
State shared taxes and fees	152.5	146.3	-	-	152.5	146.3	4.2%
Grants, investment income, and other	35.5	37.5	2.5	4.5	38.0	42.0	-9.5%
Total revenues	537.2	503.0	321.4	290.7	858.6	793.7	8.2%
EXPENSES							
General government	53.0	52.8	-	-	53.0	52.8	0.4%
Public safety:							
Corrections and detention	40.9	35.5	-	-	40.9	35.5	15.2%
Fire protection	47.3	46.0	-	-	47.3	46.0	2.8%
Police protection	97.9	99.0	-	-	97.9	99.0	-1.1%
Cultural and recreation	71.8	64.8	-	-	71.8	64.8	10.8%
Public works	9.0	12.0	-	-	9.0	12.0	-25.0%
Health	10.3	10.4	-	-	10.3	10.4	-1.0%
Human services	51.6	51.7	-	-	51.6	51.7	-0.2%
Housing	4.0	2.2	-	-	4.0	2.2	81.8%
Highways and streets	22.2	27.1	-	-	22.2	27.1	-18.1%
Special assessments	0.8	15.9	-	-	0.8	15.9	-95.0%
Interest expense	15.3	16.8	-	-	15.3	16.8	-8.9%
Airport	-	-	60.6	60.5	60.6	60.5	0.2%
Joint Water and Sewer	-	-	109.5	107.0	109.5	107.0	2.3%
Refuse Disposal	-	-	37.2	35.8	37.2	35.8	3.9%
Housing Authority	-	-	25.8	24.2	25.8	24.2	6.6%
Non major enterprise funds	-	-	44.1	41.6	44.1	41.6	6.0%
Total expenses	424.1	434.2	277.2	269.1	701.3	703.3	-0.3%
Excess (deficiency) before transfers	113.1	68.7	44.2	21.6	157.3	90.3	74.2%
Transfers	(15.9)	(21.2)	15.9	21.2	-	-	----
Increase (decrease) in net assets	\$ 97.2	\$ 47.5	\$ 60.1	\$ 42.8	\$ 157.3	\$ 90.3	74.2%

* Restated see note 23

CITY OF ALBUQUERQUE, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
June 30, 2003

GOVERNMENT-WIDE FINANCIAL ANALYSIS, continued

Analysis of Changes in Net Assets, continued

The City's overall net assets were increased by \$157.3 million during the current fiscal year. However, this does not include depreciation expense on infrastructure assets of governmental activities that have not been capitalized from fiscal years ending after June 30, 1980 through the fiscal year ended June 30, 2001. The increase in net assets is explained in the governmental and business-type activities discussion below.

Governmental activities. Governmental activities increased the City's net assets by \$97.2 million, thereby accounting for 61.8% of the total growth in the net assets of the City.

Since the City has not capitalized infrastructure assets acquired prior to the fiscal year ending June 30, 2001, the change in net assets does not reflect depreciation expense on those assets. City staff estimates that the depreciation expense on roadways could exceed \$40 million. The inclusion of that depreciation expense plus the amount to be recorded for storm sewers and bike trails could result in a very small positive change in net assets or possibly result in a negative change in net assets.

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

Due to a continued slow economy, the gross receipts tax revenue and state shared taxes grew modestly from those of the prior year.

- The investment earnings were reduced from \$11.3 million in fiscal year ended June 30, 2002, to \$8.6 million in the current year. The primary cause for this reduction was due to the weakened investment market experienced by virtually all governments and to reduced investment balances during the year.
- The intergovernmental revenues plus operating and capital contributions from sources other than state shared taxes was increased by \$1.6 million.
- Other revenues for the current year were generally higher from the previous fiscal year.

Business-type activities. Business-type activities increased the City's net assets by \$47.5 million, accounting for 38.2% of the total growth in the net assets of the City. Key factors of this increase are as follows:

- The Airport fund had an increase in net assets of \$0.4 million in fiscal year 2003 compared to a \$1.6 million decrease in 2002. The passenger facilities charges (PFC) were increased from the prior year by \$1.1 million. The September 11, 2001 events continued to have a negative impact on the level of air travel in fiscal year 2003. In addition, the weakened investment market rates resulted in reducing investment earnings by \$0.3 million.
- Due to increased rates for water and sewer services, the Joint Water and Sewer fund increased its operating revenues by \$3.9 million over fiscal year 2002. The expenses increased by \$2.6 million. The reduction in investment earnings from fiscal year 2002 was approximately \$0.96 million. In addition, capital contributions from developers for the current year were \$22.2 million compared to \$15.0 million for fiscal year 2002. The net assets of the fund increased by \$45.3 million during the year compared to \$31.4 million for the previous fiscal year.
- For the Refuse Disposal fund, the reported change in net assets of \$3.2 million was increased from \$2.5 million in fiscal year 2002. The primary change was due to increased other revenues and reduced interest expenses.
- The inclusion of the Stadium Fund and the Apartment Fund accounted for most of the change in the nonmajor funds with an increase of \$4.0 million in operating revenues.

CITY OF ALBUQUERQUE, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
June 30, 2003

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

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

Governmental funds

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

At the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$273.0 million, a decrease of \$10.6 million in comparison with the prior year. Approximately 66.6% of this amount, \$181.9 million, is unreserved fund balance available for spending at the government's discretion. Included in unreserved fund balance is \$68.3 million in the Capital Acquisition Fund. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed: 1) to fund continued programs or projects in future fiscal periods (\$27.8 million); 2) for acquisition and management of open space and urban enhancement (\$33.3 million); and 3) to show the fund balance representing advances to other funds and other assets not available for spending (\$30.1 million).

Revenues for governmental functions overall totaled approximately \$540.1 million in the fiscal year ended June 30, 2003, which represents an increase of \$25.4 million from last year. The major causes for the increase were: 1) tax revenues increased by \$14.0 million; and 2) intergovernmental revenues increased by \$6.8 million caused by an increase of state shared gross receipts tax; and 3) an increase of \$4.0 million in licenses and permits caused largely by construction activities.

Expenditures for governmental functions of \$548.2 million decreased by \$11.9 million from the previous year total of \$560.1 million. The primary cause of the decrease was from reduced debt service requirements of \$16.8 million and reduced expenditures of \$4.9 million for public works. The decrease was offset by increased expenditures for Corrections and Detention of \$6.5 million and other public safety of \$2.6 million. These increased expenditures generally reflect an increased demand and need for public safety services.

General Fund.

This is the City's chief operating fund. At the end of the current fiscal year, the total fund balance was \$43.1 million, of which \$15.0 million is available as an unreserved fund balance. The reserved fund balance of \$28.2 million is designated: 1) for unanticipated expenditures (\$27.8 million equaling 8.33% of recurring expenditures); and 2) to indicate that non-current financial resource assets of \$0.4 million are unavailable to spend or already are committed for spending. Included in the unreserved fund balance is \$0.1 million for unrealized gain on investments since the unrealized gains are not available until the underlying securities are sold. The net change in fund balance for the current fiscal year was an increase of \$6.5 million. A change was made at fiscal year end to bring the City into compliance with the state recommended reserve policy. This change eliminated \$17.8 million of unreserved fund balance designated for future appropriations at the beginning of fiscal year 2003 and changed the determination of the reserved fund balance designated for unanticipated expenditures from 5% of recurring revenues to 8.33% of recurring expenditures.

The total revenues of \$325.8 million for the current fiscal year was \$17.1 million greater than for the previous fiscal year. The increase largely resulted from an increase of \$4.1 million in gross receipts tax revenues, \$5.8 million in intergovernmental revenues, and \$3.6 million in licenses and permits and \$1.1 million increase in charges for services. This was partially offset by a decrease in interest revenues of \$0.2 million caused by weakened investment market rates.

Total expenditures of \$274.8 million represent an increase of \$0.3 million over the previous fiscal year. The expenditures for fire and police protection increased by \$2.6 million due to an increased emphasis on public safety while the expenditures for highways and streets decreased by \$0.5 million. Additional reductions in expenditures from the previous fiscal year are for culture and recreation (\$0.5 million), public works (\$2.4 million) and human services (\$0.4 million). The reductions were necessary due to a weakened economy that resulted in lower revenues than originally anticipated. See the General Fund budgetary highlights for an analysis with respect to budgets.

CITY OF ALBUQUERQUE, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
June 30, 2003

FINANCIAL ANALYSIS OF THE CITY'S FUNDS, continued

Proprietary funds

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

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

Airport Fund	\$13.3
Joint Water and Sewer Fund	51.3
Refuse Disposal Fund	6.5
Housing Authority Fund	9.9
Nonmajor enterprise funds	<u>6.9</u>
Total	<u>\$87.9</u>

Internal service funds which are used to account for certain governmental activities had deficit unrestricted net assets of \$6.8 million. The Risk Management fund, an internal service fund, had deficit unrestricted net assets of \$12.7 million resulting from unanticipated judgment awards and claims against the City in prior years. The City is currently in a five-year recovery plan to reduce the deficit unrestricted net assets to zero by the fiscal year ended June 30, 2007. All other internal service funds had positive unrestricted net assets.

Fiduciary funds

The only fund in this category is the City's Trust and Agency fund. This fund is used by the City to account for funds held for third parties.

General Fund budgetary highlights

The City's final budget differs from the original budget. Early in the fiscal year, it became apparent that actual revenues were not meeting forecasted revenues as a result of continuing economic weakness. In response, there were two mid-year modifications in the first six months of the fiscal year. The original budget anticipated revenues of \$339.2 million. In early October 2002, revenue projections were reduced by \$11.1 million to reflect changing expectations. The General Fund budget was reduced by \$4.6 million. A second de-appropriations bill in late November 2002 reduced the budget yet again by \$3.3 million. Subsequent to that, the revenue outlook improved modestly and the total revised revenue shortfall was reduced from \$11.1 million to \$9 million.

In addition to reducing departmental budgets, a hiring freeze, with limited exceptions, was in place the last eight months of the fiscal year. Positions were not filled when they became vacant due to resignations or retirements. Expenses were monitored closely and new disciplinary procedures regarding budgetary responsibility were imposed. All of these actions resulted in actual expenditures being \$10.1 million less than the original budget and \$6.9 million less than the budget as last approved mid-year. General government activities actually returned unused monies to the General Fund in the amount of \$7.2 million, based on the last mid-year budget. All General Fund agencies answered the call for budgetary responsibility by carefully controlling their expenses and returning funds.

Revenues continued to be very difficult to predict during this fiscal year as the economy remained sluggish. Revenues were \$6.3 million less than anticipated in the original budget and \$4.4 million more than the budget as last projected at mid-year, although there was a substantial increase in collections in the last month of the fiscal year. Gross receipts tax (local option and state shared), a major component of the City's operating revenue came in at \$4.6 million more than the last revised budget estimate and \$1.4 million less than the original budget. \$1.4 million in revenue was lost in interest earnings as interest rates remained at historic lows and cash balances declined. Revenues were weaker than budgeted in indirect overhead and CIP funded positions as personnel positions were reduced and government construction activity was less than originally anticipated. In contrast, revenues from permits and fees of \$12.3 million was higher than projected as a result of continued, unusual strength in the construction area, primarily new residential construction.

CITY OF ALBUQUERQUE, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
 June 30, 2003

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The City's capital assets for its governmental and business-type activities as of June 30, 2003, amounts to \$1.9 billion (net of accumulated depreciation). Capital assets include land, buildings, infrastructure, improvements other than buildings, and equipment. The total increase in the City's capital assets for the current fiscal year was \$62.7 million or 3.4%.

	CAPITAL ASSETS						Total Percentage Change
	(net of depreciation, in millions of dollars)						
	Governmental Activities		Business-type Activities		Total		
	2003	2002	2003	2002 **	2003	2002 **	2002-2003
Land *	\$ 209.5	\$ 202.8	\$ 81.8	\$ 81.1	\$ 291.4	\$ 283.8	2.6
Other *	-	-	0.6	0.6	0.6	0.6	0.0
Buildings and improvements	86.7	50.6	192.0	153.9	278.7	204.5	36.3
Runways and improvements	-	-	105.8	118.0	105.8	118.0	-10.4
Improvements other than buildings and runways	158.4	123.9	656.5	677.8	814.8	801.7	1.6
Equipment	32.6	30.5	48.2	52.8	80.9	83.3	-2.9
Infrastructure	53.2	35.0	-	-	53.2	35.0	52.1
Construction in progress *	<u>206.1</u>	<u>248.8</u>	<u>59.0</u>	<u>51.9</u>	<u>265.0</u>	<u>300.7</u>	-11.9
Total	<u>\$ 746.5</u>	<u>\$ 691.6</u>	<u>\$ 1,143.9</u>	<u>\$ 1,136.1</u>	<u>\$ 1,890.4</u>	<u>\$ 1,827.7</u>	3.4

* assets not depreciated

** restated - see note 23

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

- In *governmental activities*, infrastructure assets of \$18.2 million were added for roadways, storm sewers and bike trails. In addition, a totally renovated baseball stadium was completed for \$23.0 million, land was acquired for open space costing \$5.5 million, a new crime lab was completed for \$8.3 million, and replacement vehicles were acquired for the police (\$0.5 million). The construction work in progress decreased by \$42.7 primarily due to the completion of various construction projects while the other change in construction is a result of continuing facility development at the Balloon Fiesta Park, including the Balloon Park Museum, a major expansion of the Albuquerque Museum, and other facilities.
- In *business-type activities*, additions included water and sewer lines (\$24.4 million) and new transit vehicles (\$3.6 million). The construction work in progress increased by \$7.1 million.

More detailed information may be found in Note 8 of the accompanying financial statements.

Debt Administration

At the end of the current fiscal year, the City had total long-term obligations of \$952.8 million of which \$113.7 million is due within the next fiscal year. The total bonded debt (net of unamortized discounts, deferred amounts on refunding and including unamortized premiums) is \$800.4 million. The remaining debt is for loans, accrued vacation and sick leave pay, and claims payable.

During the fiscal year ended June 30, 2003 the City issued no bonds.

CITY OF ALBUQUERQUE, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
June 30, 2003

CAPITAL ASSETS AND DEBT ADMINISTRATION, continued

Debt Administration, continued

The ratio of net general obligation bonded debt to taxable valuation and the amount of bonded debt per capita are useful indicators to management, citizens and investors of the City's debt position. The State's Constitution provides for a legal debt limit of 4% of taxable valuation. The percentage for the City of Albuquerque is 1.5% of the \$7.6 billion taxable value of property within the City's boundaries. The City currently may issue up to an additional \$192 million of general obligation bonds. It has \$113 million of general obligation debt outstanding subject to the legal debt limit at June 30, 2003. The net general bonded debt per capita is \$171.61. The highest per capita amount in the last ten fiscal years was \$498.80 in the fiscal year ended June 30, 1994 and the lowest per capita amount was \$171.61 in the current fiscal year.

The City's ratings on uninsured general obligation bonds remained unchanged from the prior year and as of June 30, 2003 were:

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

Since the close of the 2003 fiscal year, the City has issued \$100.0 million in general obligation bonds for the governmental activities. No revenue bonds have been issued for the business-type activities.

More detailed information may be found in Note 10 and Note 25 of the accompanying financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City's elected and appointed officials considered many factors when setting the fiscal year 2004 budget. Many of the revenues are influenced by the economy. The gross receipts tax revenue forecast particularly is highly influenced by economic conditions. The budget contemplates modest growth in gross receipts tax revenues over the prior year, reflecting slightly stronger economic conditions both nationally and locally.

Construction employment in the area has remained unusually high, particularly with respect to residential construction. The budget contemplates that these high levels will not be sustained throughout the year.

Charges for entry into some City venues and for certain City services are increased in the fiscal year 2004 budget.

Property tax revenues continue to grow as the economy expands, and one mill of taxing authority has been converted from capital to operations. A state imposed limitation on assessed value for residential properties is not expected to have a major fiscal impact in the near term.

Revenues for internal services continue to decline as the City reduces its direct provision of office services, building alternations, surveying and engineering inspections, all of which are available through the private sector.

The State of New Mexico enacted a large personal income tax rate reduction in the 2003 legislative session. A special legislative session called for in October, 2003, failed to address various tax reform proposals. The impact on cities and counties in the state is unknown, although the Governor has pledged that local governments will be held harmless with respect to their revenue streams should tax measures be enacted during the 2004 legislative session.

Also during the 2003 legislative session, legislation was enacted that transfers "all functions, appropriations, money, records, equipment and other real and personal property pertaining to the Albuquerque water and wastewater utility" to a newly created entity, the Albuquerque-Bernalillo Water Utility Authority. Existing debt shall become debt of the Authority, but the Authority shall not impair the rights of any bondholders of outstanding bonds. All contractual obligations of the existing proprietary activity shall be binding on the Authority. Although the legislation had an effective date of June 20, 2003, an audit by the Public Regulation Commission is a condition precedent to the transfer of money, assets and debts to the Authority. That audit is expected to be completed in the last quarter of calendar year 2003. Following the transfer, the Authority is charged with administering the water and wastewater utility, including the determination and imposition of rates for services. It is not possible at this time to forecast if the Authority will chose to administer the utility by itself, contract with the City to provide that service, or select some other alternative.

CITY OF ALBUQUERQUE, NEW MEXICO
MANAGEMENT'S DISCUSSION AND ANALYSIS, continued
June 30, 2003

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

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

Fiscal Year	Economic Assumptions Underlying the Revenue Estimates November 2002		
	2002	2003	2004
National Economy			
% Chg Real GDP	0.8%	2.5%	3.5%
% Chg Non-Farm Employment	-0.8%	0.0%	1.9%
% Chg Personal Income	2.1%	3.8%	5.0%
% Chg CPI-U	1.8%	2.1%	2.4%
Federal Funds Rate	2.3%	1.4%	2.5%
Per bbl Price of Oil (WTI)	\$ 23.70	\$ 26.92	\$ 24.83
Unemployment Rate	5.5%	5.9%	5.6%
New Mexico Economy			
% Chg Non-Agricultural Employment	0.7%	0.8%	1.5%
% Chg Personal Income	5.1%	4.9%	4.8%
Unemployment Rate	5.5%	6.5%	6.5%
Albuquerque MSA Economy			
% Chg Personal Income	3.8%	4.4%	5.6%
% Chg Non-Agricultural Employment	0.4%	0.4%	1.6%
% Chg Construction Employment	-3.4%	-3.5%	-0.4%
Albuquerque Unemployment Rate	4.7%	5.6%	5.6%
City Housing Permits Issued (Units)			
Single-Family Residential	4,087	4,181	3,769
Multi-Family Residential	1,002	408	614

Source: November 2002 baseline forecasts. National source is Global Insight Inc.
Local variables from University of New Mexico Bureau of Business and Economic Research

The total General Fund appropriation for fiscal year 2004 is \$350.8 million before interfund eliminations and \$300.0 million after eliminations. The before elimination appropriation of \$14.3 million is a 4.3% increase over the original fiscal year 2003 budget.

The international, national, state and local economies seem to be stabilizing to a modest degree, and the City has not considered it necessary to revise the budget for fiscal year 2004, as opposed to prior years. However, based on recent history, the City continues, and will continue, to diligently monitor expenditures along with revenues so that it can respond quickly should changes be required.

REQUESTS FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Director's office for the Department of Finance and Administrative Services of the City at Director's Office, DFAS, Room 11015, One Civic Plaza N.W., Albuquerque, New Mexico 87102.

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF NET ASSETS
June 30, 2003

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Current assets:			
Cash, investments and accrued interest	\$ 265,900,776	\$ 45,237,261	\$ 311,138,037
Taxes receivable	61,172,587	-	61,172,587
Accounts receivable	2,803,846	17,216,009	20,019,855
Due from other governments	26,690,884	248,480	26,939,364
Accrued interest	161,755	-	161,755
Deposits	6,679	-	6,679
Internal balances	24,300,000	(24,300,000)	-
Inventories	2,127,008	1,472,034	3,599,042
Prepaid expenses	304,256	-	304,256
Total current assets	<u>383,467,791</u>	<u>39,873,784</u>	<u>423,341,575</u>
Long-term accounts and notes receivable	<u>19,085,292</u>	<u>7,286,844</u>	<u>26,372,136</u>
Restricted assets:			
Cash, investments and accrued interest	34,401,951	191,560,520	225,962,471
Accounts receivable	-	5,910,634	5,910,634
Deferred charges and other assets	-	381,534	381,534
Escrow deposits	-	620,893	620,893
Total restricted assets	<u>34,401,951</u>	<u>198,473,581</u>	<u>232,875,532</u>
Capital assets:			
Land and construction in progress	415,597,995	141,427,093	557,025,088
Capital assets being depreciated	645,277,592	2,077,030,466	2,722,308,058
Accumulated depreciation	<u>(314,345,241)</u>	<u>(1,074,573,990)</u>	<u>(1,388,919,231)</u>
Total capital assets	<u>746,530,346</u>	<u>1,143,883,569</u>	<u>1,890,413,915</u>
Deferred charges and other assets	<u>7,133,265</u>	<u>30,552,564</u>	<u>37,685,829</u>
Total assets	<u>1,190,618,645</u>	<u>1,420,070,342</u>	<u>2,610,688,987</u>

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF NET ASSETS
June 30, 2003

	Governmental Activities	Business-type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable	19,800,645	4,620,092	24,420,737
Accrued liabilities	18,967,693	4,294,278	23,261,971
Deposits	849,843	778,386	1,628,229
Due to other governments	2,130,962	569,488	2,700,450
Deferred revenues	19,496,330	-	19,496,330
Current portion of non current liabilities:			
Bonds and notes payable	38,978,499	-	38,978,499
Accrued vacation and sick leave pay	16,234,794	4,614,876	20,849,670
Accrued claims payable	11,153,000	-	11,153,000
Water rights contracts and loan agreements	-	768,932	768,932
Total current liabilities	127,611,766	15,646,052	143,257,818
Liabilities payable from restricted assets:			
Accounts payable	-	6,651,448	6,651,448
Accrued interest	-	9,846,523	9,846,523
Current portion of revenue bonds payable	-	41,720,000	41,720,000
Other	-	5,464,722	5,464,722
Total liabilities payable from restricted assets	-	63,682,693	63,682,693
Noncurrent liabilities:			
Bonds and notes payable, net of unamortized discounts	276,877,441	472,812,104	749,689,545
Water rights contracts and loan agreements	-	48,575,147	48,575,147
Accrued vacation and sick leave pay	9,214,130	2,198,564	11,412,694
Accrued claims payable	29,448,564	-	29,448,564
Total non current liabilities	315,540,135	523,585,815	839,125,950
Deferred credits and other liabilities	1,142,836	1,175,191	2,318,027
Total liabilities	444,294,737	604,089,751	1,048,384,488
NET ASSETS			
Invested in capital assets, net of related debt	504,054,856	651,138,659	1,155,193,515
Restricted for:			
Debt service	73,835,877	19,806,930	93,642,807
Construction	60,439,518	57,047,591	117,487,109
Housing & economic development	13,999,192	-	13,999,192
Federal & state funded programs	2,792,295	-	2,792,295
Open space and urban enhancement:			
Nonexpendable	37,627,202	-	37,627,202
Expendable	3,338,040	-	3,338,040
Unrestricted	50,236,928	87,987,411	138,224,339
Total net assets	\$ 746,323,908	\$ 815,980,591	\$ 1,562,304,499

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF ACTIVITIES
Year ended June 30, 2003

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Indirect Expenses Allocation</u>	<u>Program Revenues Charges for Services</u>
Governmental Activities:			
General government	\$ 53,021,966	\$ (3,978,961)	\$ 35,131,516
Public Safety			
Corrections	40,966,405	1,523,130	22,706,441
Fire	47,355,223	119,082	404,693
Police	97,884,238	914,660	3,247,777
Culture and recreation	71,782,754	315,537	7,865,001
Public works	9,018,564	22,865	-
Health	10,326,259	239,973	3,332,726
Human services	51,616,880	433,385	1,818,603
Housing	3,994,279	40	90,375
Highways and streets	22,197,881	410,289	1,184,406
Special assessments	838,613	-	-
Interest expense	<u>15,275,693</u>	<u>-</u>	<u>-</u>
Total governmental type activities	<u>424,278,755</u>	<u>-</u>	<u>75,781,538</u>
Business Type Activities:			
Airport	60,643,039	-	59,325,022
Joint Water and Sewer	109,545,515	-	136,252,062
Refuse Disposal	37,131,656	-	41,182,770
Housing Authority	25,796,567	-	1,698,469
Nonmajor enterprise funds	<u>44,107,381</u>	<u>-</u>	<u>16,747,170</u>
Total business type activities	<u>277,224,158</u>	<u>-</u>	<u>255,205,493</u>
Total primary government	<u>\$ 701,502,913</u>	<u>\$ -</u>	<u>\$ 330,987,031</u>

General Revenues:

Taxes:

Gross receipts taxes, local option

Property taxes, levied for debt service

Property taxes, levied for general operations

Property taxes, levied for metropolitan redevelopment

Franchise taxes

Lodgers' tax

State shared taxes and fees not restricted to specific programs

Grants and contributions not restricted to specific programs

Investment income

Other general revenues

Transfers between governmental and business type activities

Total general revenues, special items and transfers

Change in net assets

Net assets (deficit), July 1

Net assets (deficit), June 30

Program Revenues, continued		Net (Expense) Revenue and Changes in Net Assets		
Operating Grants and Contributions	Capital Grants and Contributions	Govern- mental Activities	Business Type Activities	Total
\$ 197,026	\$ 222,243	\$ (13,492,220)	\$ -	\$ (13,492,220)
-	-	(19,783,094)	-	(19,783,094)
6,963	854,955	(46,207,694)	-	(46,207,694)
3,897,183	-	(91,653,938)	-	(91,653,938)
198,412	1,999,900	(62,034,978)	-	(62,034,978)
204,963	-	(8,836,466)	-	(8,836,466)
1,420,182	-	(5,813,324)	-	(5,813,324)
18,886,019	-	(31,345,643)	-	(31,345,643)
2,459,064	-	(1,444,880)	-	(1,444,880)
1,458,440	4,293,636	(15,671,688)	-	(15,671,688)
-	2,559,441	1,720,828	-	1,720,828
-	-	(15,275,693)	-	(15,275,693)
<u>28,728,252</u>	<u>9,930,175</u>	<u>(309,838,790)</u>	<u>-</u>	<u>(309,838,790)</u>
-	1,022,772	-	(295,245)	(295,245)
-	22,177,697	-	48,884,244	48,884,244
-	-	-	4,051,114	4,051,114
24,770,592	-	-	672,494	672,494
-	15,708,852	-	(11,651,359)	(11,651,359)
<u>24,770,592</u>	<u>38,909,321</u>	<u>-</u>	<u>41,661,248</u>	<u>41,661,248</u>
<u>\$ 53,498,844</u>	<u>\$ 48,839,496</u>	<u>(309,838,790)</u>	<u>41,661,248</u>	<u>(268,177,542)</u>
		121,984,293	-	121,984,293
		68,950,387	-	68,950,387
		17,130,608	-	17,130,608
		312,551	-	312,551
		18,119,767	-	18,119,767
		8,326,069	-	8,326,069
		152,505,829	-	152,505,829
		11,471,037	-	11,471,037
		8,594,542	2,506,826	11,101,368
		15,559,876	-	15,559,876
		(15,943,671)	15,943,671	-
		<u>407,011,288</u>	<u>18,450,497</u>	<u>425,461,785</u>
		97,172,498	60,111,745	157,284,243
		<u>649,151,410</u>	<u>755,868,846</u>	<u>1,405,020,256</u>
		<u>\$ 746,323,908</u>	<u>\$ 815,980,591</u>	<u>\$ 1,562,304,499</u>

CITY OF ALBUQUERQUE, NEW MEXICO
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2003

	<u>General Fund</u>	<u>Corrections Fund</u>
ASSETS		
Cash, investments, and accrued interest	\$ 22,925,886	\$ -
Cash with fiscal agents	-	-
Investments with fiscal agents	-	-
Taxes receivable, net of allowance for uncollectible:		
Property tax	1,017,259	-
Gross receipts tax	47,284,307	-
Franchise tax	2,139,856	-
Lodger's tax	-	-
Other taxes	591,134	-
Other receivables, net of allowance for uncollectible	2,395,923	-
Due from other governments	322,016	11,852,509
Due from other funds	9,158,860	-
Advances to other funds	307,636	-
Inventories of supplies	78,948	271,458
Prepaid items	2,800	7,100
Land held for sale	-	-
	<hr/>	<hr/>
TOTAL ASSETS	\$ 86,224,625	\$ 12,131,067

<u>GO Bond Debt Service Fund</u>	<u>Capital Acquisition Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 44,283,613	\$ 68,558,951	\$ 86,345,563	\$ 222,114,013
37,043,476	-	8,454,847	45,498,323
-	1,613,102	-	1,613,102
3,779,330	-	123,900	4,920,489
-	-	5,577,507	52,861,814
-	-	-	2,139,856
-	-	659,294	659,294
-	-	-	591,134
-	96,464	19,396,751	21,889,138
-	6,344,984	8,105,219	26,624,728
-	-	-	9,158,860
-	-	24,300,000	24,607,636
-	-	-	350,406
-	-	-	9,900
-	-	5,065,930	5,065,930
<u>\$ 85,106,419</u>	<u>\$ 76,613,501</u>	<u>\$ 158,029,011</u>	<u>\$ 418,104,623</u>

CITY OF ALBUQUERQUE, NEW MEXICO
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2003

	General Fund	Corrections Fund
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 4,633,266	\$ 601,233
Contracts and retainage payable	-	-
Accrued employee compensation and benefits	9,880,312	1,038,571
Due to other funds	-	8,029,463
Due to other governments	-	2,130,962
Deferred revenue	27,823,363	-
Deposits	762,483	76,360
Advances from other funds	-	-
Matured bonds and interest payable	-	-
Total liabilities	43,099,424	11,876,589
Fund balances:		
Reserved for:		
Encumbrances	16,380	1,033
Inventories of supplies	78,948	271,458
Prepaid items	2,800	7,100
Land held for resale	-	-
Advances to other funds	307,636	-
Acquisition and management of open space land	-	-
Urban enhancement	-	-
Operations	27,758,000	-
Unreserved (deficit)	14,961,437	(25,113)
Unreserved (deficit) , reported in:		
Special revenue funds	-	-
Debt service funds	-	-
Capital project funds	-	-
Total fund balances	43,125,201	254,478
TOTAL LIABILITIES AND FUND BALANCES	\$ 86,224,625	\$ 12,131,067

<u>GO Bond Debt Service Fund</u>	<u>Capital Acquisition Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 12,236	\$ -	\$ 3,032,948	\$ 8,279,683
-	7,113,981	3,345,477	10,459,458
-	124,316	1,025,983	12,069,182
-	-	1,129,397	9,158,860
-	-	-	2,130,962
2,557,295	982,235	24,942,983	56,305,876
-	-	11,000	849,843
-	112,000	195,636	307,636
<u>37,043,476</u>	<u>-</u>	<u>8,477,907</u>	<u>45,521,383</u>
<u>39,613,007</u>	<u>8,332,532</u>	<u>42,161,331</u>	<u>145,082,883</u>
-	-	9,101	26,514
-	-	-	350,406
-	-	-	9,900
-	-	5,065,930	5,065,930
-	-	24,300,000	24,607,636
-	-	22,706,265	22,706,265
-	-	10,574,483	10,574,483
-	-	-	27,758,000
45,493,412	68,280,969	-	128,710,705
-	-	21,466,100	21,466,100
-	-	4,042,465	4,042,465
-	-	27,703,336	27,703,336
<u>45,493,412</u>	<u>68,280,969</u>	<u>115,867,680</u>	<u>273,021,740</u>
<u>\$ 85,106,419</u>	<u>\$ 76,613,501</u>	<u>\$ 158,029,011</u>	<u>\$ 418,104,623</u>

CITY OF ALBUQUERQUE, NEW MEXICO
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2003

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

Total fund balance for governmental funds \$ 273,021,740

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. Those assets at June 30, 2003 consist of:

Land	\$ 209,261,294	
Construction in progress	206,052,859	
Buildings	119,428,378	
Infrastructure	55,342,445	
Improvements	319,201,809	
Equipment	148,479,596	
Accumulated depreciation	<u>(312,007,978)</u>	
Total capital assets		745,758,403

Long-term obligations applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities are reported in the statement of net assets. Balances at June 30, 2003 are:

General Obligation bonds payable	(126,810,000)	
Sales tax revenue bonds and notes payable	(153,172,800)	
Special assessment debt with governmental commitment	(10,993,899)	
Unamortized bond issue costs	237,335	
Unamortized premiums and discounts	<u>14,099,258</u>	
Total bonds and notes payable, net of premiums, discounts and bond issue costs	(276,640,106)	
Accrued vacation and sick leave pay	(24,845,243)	
Accrued rebatable arbitrage payable reported as deferred credit	<u>(1,142,836)</u>	
		(302,628,185)

Internal service funds are used by the City to charge the cost of tort liability, workers compensation and employee health insurance to other individual funds. In addition, the cost of providing communications, fleet maintenance and supplies warehousing services are also charged. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. Internal service fund net assets (deficit) are: (6,799,351)

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

Gross receipts tax	29,811,560	
Property taxes	3,650,997	
Other taxes	728,425	
Amounts due on real estate contracts	<u>2,618,564</u>	
		36,809,546

Interest earned on loans receivable are not available for collection and are not included in the governmental fund financial statements. However, the accrued interest is reported in the government-wide financial statements. 161,755

Total net assets of governmental activities \$ 746,323,908



CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES-
GOVERNMENTAL FUNDS
Year ended June 30, 2003

	<u>General Fund</u>	<u>Corrections Fund</u>
Revenues:		
Taxes	\$ 127,128,157	\$ -
Licenses and permits	12,278,896	-
Intergovernmental	147,361,166	20,652,000
Charges for services	37,770,173	1,948,846
Fines and forfeits	43,965	-
Interest	745,784	(194,992)
Special assessments	-	-
Collections on real estate contracts receivable	-	-
Proceeds from disposition of capital assets	-	-
Other interest	-	-
Miscellaneous	<u>459,055</u>	<u>105,595</u>
Total revenues	<u>325,787,196</u>	<u>22,511,449</u>
Expenditures:		
Current:		
General government	43,801,719	-
Public safety	130,106,791	42,775,454
Culture and recreation	48,653,334	-
Public works	6,161,156	-
Highways and streets	12,373,468	-
Health	6,556,698	-
Human services	27,146,121	-
Housing	-	-
Debt service:		
Principal retirement	-	-
Interest	-	-
Fiscal agent fees and other fees	-	-
Capital outlay	-	-
Rebatable arbitrage payments	-	-
Total expenditures	<u>274,799,287</u>	<u>42,775,454</u>
Excess (deficiency) of revenues over expenditures	<u>50,987,909</u>	<u>(20,264,005)</u>
Other financing sources (uses):		
Transfers in	7,122,180	20,766,000
Transfers out	(51,584,352)	(487,245)
Proceeds of bonds, notes and premiums issued	-	-
Total other financing sources (uses)	<u>(44,462,172)</u>	<u>20,278,755</u>
Net change in fund balances	6,525,737	14,750
Fund balances (deficit), July 1, as restated	<u>36,599,464</u>	<u>239,728</u>
Fund balances (deficit), June 30	<u>\$ 43,125,201</u>	<u>\$ 254,478</u>

See Notes to Financial Statements

<u>GO Bond Debt Service Fund</u>	<u>Capital Acquisition Fund</u>	<u>Nonmajor Funds</u>	<u>Total</u>
\$ 67,971,422	\$ 663,000	\$ 36,554,712	\$ 232,317,291
-	-	2,156,674	14,435,570
-	11,468,256	36,692,860	216,174,282
-	-	5,964,251	45,683,270
-	-	670,590	714,555
814,964	1,772,425	4,546,981	7,685,162
-	-	7,163,086	7,163,086
-	-	1,771,488	1,771,488
-	-	336,836	336,836
-	-	260,897	260,897
-	5,871,179	7,165,019	13,600,848
<u>68,786,386</u>	<u>19,774,860</u>	<u>103,283,394</u>	<u>540,143,285</u>
-	-	10,391,771	54,193,490
-	-	6,050,958	178,933,203
-	-	4,237,990	52,891,324
-	-	223,480	6,384,636
-	-	5,706,029	18,079,497
-	-	3,689,922	10,246,620
-	-	23,836,949	50,983,070
-	-	3,994,992	3,994,992
33,245,000	-	11,518,499	44,763,499
7,596,953	-	5,985,074	13,582,027
680,596	-	167,057	847,653
-	95,712,946	17,024,837	112,737,783
-	579,726	-	579,726
<u>41,522,549</u>	<u>96,292,672</u>	<u>92,827,558</u>	<u>548,217,520</u>
<u>27,263,837</u>	<u>(76,517,812)</u>	<u>10,455,836</u>	<u>(8,074,235)</u>
-	6,486,000	16,802,109	51,176,289
-	(639,299)	(14,140,064)	(66,850,960)
-	16,522,445	-	16,522,445
-	22,369,146	2,662,045	847,774
27,263,837	(54,148,666)	13,117,881	(7,226,461)
18,229,575	122,429,635	102,749,799	280,248,201
<u>\$ 45,493,412</u>	<u>\$ 68,280,969</u>	<u>\$ 115,867,680</u>	<u>\$ 273,021,740</u>

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the year ended June 30, 2003

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

Net change in fund balances - total governmental funds \$ (7,226,461)

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

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

Capital outlay expenditures	\$ 79,458,785	
Depreciation expense	(24,412,532)	
Gain (loss) on disposition of capital assets	<u>934</u>	
		55,047,187

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

Principal repayments	44,763,499	
Amortization of premiums, discounts and bond issue costs	<u>(846,013)</u>	
Net adjustment		43,917,486

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

1,675,232

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

Revenue:		
Gross receipts tax	2,005,396	
Property tax	1,611,209	
Other taxes	(28,501)	
Collections on real estate contracts, net of deferred gains	(1,205,943)	
Interest on loans receivable	46,094	
Expenses:		
Accrued vacation and sick leave pay	491,428	
Rebatable arbitrage	<u>839,371</u>	
Net adjustment		<u>3,759,054</u>

Change in net assets of governmental activities \$ 97,172,498

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
Year ended June 30, 2003

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes:				
Current property tax	\$ 15,150,000	\$ 15,650,000	\$ 15,818,910	\$ 168,910
Delinquent property tax	1,200,000	700,000	679,454	(20,546)
Franchise taxes:				
Telephone	4,074,000	4,074,000	3,917,126	(156,874)
Electric	5,937,000	5,937,000	5,829,186	(107,814)
Gas	2,483,000	2,350,000	2,809,485	459,485
Cable television	3,932,000	3,932,000	4,273,789	341,789
New Mexico Utility	130,000	130,000	181,746	51,746
Telecommunications	517,000	517,000	445,435	(71,565)
Gross receipts tax-local option	92,783,000	90,439,000	93,173,026	2,734,026
Total taxes	126,206,000	123,729,000	127,128,157	3,399,157
Licenses and permits:				
Liquor licenses	172,000	172,000	200,113	28,113
Building permits	2,421,000	3,143,000	3,773,543	630,543
Plumbing/mechanical permits	1,282,000	1,909,000	1,674,995	(234,005)
Electrical/refrigeration permits	990,000	1,279,000	1,231,566	(47,434)
Plan checking permits	1,666,000	2,030,000	2,717,940	687,940
Flood plain certification	155,000	200,000	182,231	(17,769)
Reroofing permits	41,000	41,000	36,463	(4,537)
Restaurant inspections	1,177,000	525,000	525,091	91
Food retailers inspections	-	-	142,608	142,608
Swimming pool inspections	140,000	120,000	102,117	(17,883)
Consumer health	-	-	45	45
Animal licenses	414,000	250,000	260,449	10,449
Right of way usage permits	185,000	200,000	143,612	(56,388)
Loading zone permits	9,000	9,000	8,024	(976)
Solicitation permits	6,000	6,000	6,495	495
Business registration fees	1,322,000	1,150,000	1,102,160	(47,840)
Other licenses and permits	209,000	153,000	171,444	18,444
Total licenses and permits	10,189,000	11,187,000	12,278,896	1,091,896
Intergovernmental:				
State shared:				
Gross receipts tax	144,604,000	140,948,000	142,840,456	1,892,456
Cigarette tax	600,000	630,000	585,620	(44,380)
Motor vehicle license distribution	1,749,000	1,300,000	1,106,151	(193,849)
Municipal road - gas tax	2,389,000	2,400,000	2,481,033	81,033
DWI Fines	-	-	11,683	11,683
Grants:				
Other	70,000	-	93,887	93,887
Local & Local administered grants:				
Bernalillo County-shared operations	700,000	283,000	242,336	(40,664)
Total intergovernmental	150,112,000	145,561,000	147,361,166	1,800,166

See Notes to Financial Statements

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
Year ended June 30, 2003

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues (continued):				
Charges for services:				
General government:				
Photocopying	196,000	180,000	177,396	(2,604)
Engineering fees	1,200,000	1,200,000	1,463,342	263,342
Filing of plats and subdivisions	340,000	340,000	352,582	12,582
Sign fees	52,000	58,000	73,898	15,898
Zoning fence permit fees	229,000	150,000	194,435	44,435
Sale of maps and publications	26,000	30,000	40,872	10,872
Records search fees	260,000	310,000	409,065	99,065
Jury duty and witness fees	13,000	13,000	11,242	(1,758)
Planning services	36,885	20,000	36,885	16,885
Vendor registration fees	44,000	20,000	22,815	2,815
Shooting range fees	200,000	140,000	141,352	1,352
Building maintenance	-	-	(8,327)	(8,327)
Grounds maintenance	521,000	521,000	520,987	(13)
Office services	33,000	37,000	41,170	4,170
Real property services	232,000	70,000	134,394	64,394
Engineering inspections	330,000	200,000	200,207	207
Engineering surveying	67,000	30,000	34,915	4,915
Legal services	2,532,000	2,140,000	1,958,403	(181,597)
Administrative fees	42,000	43,000	56,728	13,728
Administrative charges to other funds	22,142,000	21,518,000	19,365,850	(2,152,150)
Other	759,000	571,000	620,344	49,344
Public safety:				
Police services	1,743,000	1,662,000	2,001,101	339,101
Fire services	185,000	225,000	404,693	179,693
Culture and recreation:				
Community centers	26,000	24,000	31,249	7,249
Swimming pools	599,000	500,000	489,971	(10,029)
Sports programs	506,000	410,000	345,367	(64,633)
Other recreation charges	658,000	262,000	239,229	(22,771)
Tournament/field rental	16,000	13,000	30,491	17,491
Latch key program	219,000	228,000	235,971	7,971
Extended care fees	30,000	21,000	25,864	4,864
Special events	20,000	10,000	7,045	(2,955)
Museum charges	119,000	170,000	92,072	(77,928)
Zoo admissions	1,921,000	1,627,000	1,623,828	(3,172)
Zoo adopt-an-animal	30,000	-	-	-
Other zoo charges	95,000	90,000	74,440	(15,560)
Albuquerque aquarium and gardens	1,087,000	986,000	1,183,182	197,182
Convention center	1,730,000	1,477,000	1,296,091	(180,909)
Facilities concessions	1,118,000	955,000	917,840	(37,160)
Library services	1,044,000	1,039,000	986,193	(52,807)
Cultural affairs	46,000	39,000	50,868	11,868

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
Year ended June 30, 2003

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues (continued):				
Charges for services (continued):				
Highways and streets:				
Compaction tests	210,000	210,000	328,082	118,082
Excavation permits	325,000	385,000	364,307	(20,693)
Other street division charges	542,000	403,000	483,993	80,993
Health:				
Animal control charges	508,000	351,000	348,741	(2,259)
Human services:				
Meal programs	161,000	170,000	177,782	7,782
Memberships	76,000	76,000	109,892	33,892
Coffee	14,000	15,000	16,833	1,833
Dances	48,000	30,000	32,051	2,051
Other	19,000	20,000	24,442	4,442
Total charges for services	<u>42,313,000</u>	<u>38,989,000</u>	<u>37,770,173</u>	<u>(1,218,827)</u>
Fines and forfeits:				
Nuisance abatement/enforcement	-	-	41,865	41,865
Air quality penalties	40,000	25,000	2,100	(22,900)
Total fines and forfeits	<u>40,000</u>	<u>25,000</u>	<u>43,965</u>	<u>18,965</u>
Interest:				
Interest on investments	2,109,000	848,000	745,784	(102,216)
Miscellaneous:				
Rental of City property	120,000	120,000	159,767	39,767
Community center rentals	150,000	150,000	179,633	29,633
Sales of real property	70,000	70,000	(360,784)	(430,784)
Sales of other property	30,000	30,000	4,950	(25,050)
Contributions and donations	-	38,000	39,353	1,353
Cash overages and shortages, net	-	-	(249)	(249)
Cash discounts earned	50,000	8,000	11,828	3,828
Other miscellaneous	434,000	390,000	424,557	34,557
Total miscellaneous	<u>854,000</u>	<u>806,000</u>	<u>459,055</u>	<u>(346,945)</u>
Total revenues	<u>331,823,000</u>	<u>321,145,000</u>	<u>325,787,196</u>	<u>4,642,196</u>

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
Year ended June 30, 2003

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Expenditures:				
Current:				
General government:				
Accounting	2,628,000	2,553,000	2,504,957	48,043
Capital implementation project	1,902,000	1,902,000	1,793,716	108,284
Chief Administrative Officer	1,326,000	1,326,000	1,225,607	100,393
City buildings	4,325,000	3,903,000	3,755,601	147,399
City wide financial support	442,000	442,000	485,866	(43,866)
City/County building rental	2,503,000	2,503,000	2,503,000	-
Community revitalization	1,038,000	1,033,000	1,015,431	17,569
Compensation in lieu of sick leave	350,000	350,000	288,005	61,995
Council services	1,418,000	1,418,000	1,379,786	38,214
Culture	19,000	19,000	19,000	-
Dues and memberships	469,000	469,000	377,000	92,000
Early retirement	4,000,000	4,000,000	5,071,526	(1,071,526)
Economic development	50,000	50,000	50,000	-
Information systems	7,000,000	6,758,000	6,469,774	288,226
International trade	30,000	30,000	22,320	7,680
Legal services	4,044,000	3,940,000	3,926,555	13,445
Legislative coordinator	185,000	185,000	224,000	(39,000)
Mayor's office	504,000	504,000	490,125	13,875
Office of city clerk	925,000	906,000	819,548	86,452
Office of economic development	594,000	557,000	385,605	171,395
Office of internal audit	835,000	794,000	761,495	32,505
Office of management and budget	1,207,000	1,186,000	1,012,860	173,140
Personnel services	2,198,000	2,168,000	2,133,887	34,113
Strategic support - Planning	899,000	893,000	886,435	6,565
Plaza del Sol building	1,133,000	1,133,000	1,133,000	-
Purchasing	1,025,000	1,000,000	944,719	55,281
Real property	496,000	458,000	363,349	94,651
Risk five year recovery plan	1,494,000	1,494,000	1,494,000	-
Strategic support - DFAS	306,000	281,000	275,077	5,923
Treasury	1,340,000	1,311,000	1,293,090	17,910
Utility franchising office	782,000	781,000	696,385	84,615
Total general government	<u>45,467,000</u>	<u>44,347,000</u>	<u>43,801,719</u>	<u>545,281</u>

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
Year ended June 30, 2003

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Public safety:				
Police Department:				
Central support services	20,459,000	20,096,000	20,624,052	(528,052)
Investigative services	17,659,000	17,527,000	17,165,134	361,866
Neighborhood Policing	47,559,000	47,639,000	46,571,600	1,067,400
Off duty police overtime	1,072,000	1,072,000	948,230	123,770
Fire Department:				
AFD headquarters	1,291,000	1,287,000	1,271,985	15,015
Dispatch	1,707,000	1,704,000	1,685,338	18,662
Emergency Management	50,000	50,000	24,993	25,007
Fire dept/CIP funded employees	87,000	87,000	85,850	1,150
Fire dept/technical services	382,000	382,000	379,028	2,972
Fire prevention/fire marshal's office	2,775,000	2,762,000	2,720,714	41,286
Fire suppression	27,954,000	27,912,000	27,819,595	92,405
Fire training and safety	1,318,000	1,214,000	1,209,761	4,239
Logistics	982,000	981,000	948,011	32,989
Paramedic rescue	8,739,000	8,693,000	8,652,500	40,500
Total public safety	<u>132,034,000</u>	<u>131,406,000</u>	<u>130,106,791</u>	<u>1,299,209</u>
Culture and recreation:				
Biological park	9,518,000	9,172,000	8,899,684	272,316
Community events	1,483,000	1,404,000	1,312,068	91,932
Convention center	3,491,000	3,278,000	3,145,638	132,362
Cultural-Capital implementation program				
Explora Science Center	550,000	550,000	550,000	-
Museum	2,279,000	2,024,000	2,005,092	18,908
Quality parks & trails system	784,000	781,000	723,376	57,624
Strategic support - Senior Affairs	808,000	807,000	811,733	(4,733)
Strategic support - PR	791,000	758,000	751,873	6,127
Parks land management	11,977,000	11,595,000	10,871,388	723,612
Promote safe use of firearms	280,000	254,000	252,807	1,193
Provide community recreation	5,342,000	5,321,000	5,083,754	237,246
Provide quality recreation	3,545,000	3,396,000	3,218,304	177,696
Public library	8,882,000	8,621,000	8,312,101	308,899
Strategic support - CS	2,959,000	2,836,000	2,715,516	120,484
Total culture and recreation	<u>52,689,000</u>	<u>50,797,000</u>	<u>48,653,334</u>	<u>2,143,666</u>
Public works:				
Code administration	1,983,000	1,879,000	1,786,766	92,234
Construction management	2,676,000	2,536,000	2,310,552	225,448
Storm drainage/maintenance	2,433,000	2,383,000	2,063,838	319,162
Total public works	<u>7,092,000</u>	<u>6,798,000</u>	<u>6,161,156</u>	<u>636,844</u>
Highways and streets:				
GF street services	13,061,000	12,632,000	12,373,468	258,532
Total highways and streets	<u>13,061,000</u>	<u>12,632,000</u>	<u>12,373,468</u>	<u>258,532</u>

See Notes to Financial Statements

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
Year ended June 30, 2003

Expenditures (continued):	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Current (continued):				
Health:				
Animal services	4,059,000	3,803,000	3,754,204	48,796
Clean city section	50	-	50	(50)
Consumer protection	1,158,000	1,044,000	939,322	104,678
Environmental services	1,597,000	1,482,000	1,453,629	28,371
Program support	427,000	425,000	409,493	15,507
Total health	7,241,050	6,754,000	6,556,698	197,302
Human services:				
Access to basic services	124,000	108,000	75,875	32,125
Develop affordable housing	509,000	508,000	487,300	20,700
Development process & policy	5,853,000	5,846,000	5,726,429	119,571
Plan and coordinate	1,750,000	1,746,000	1,667,609	78,391
Long-range planning	1,178,000	1,138,080	1,091,577	46,503
Offer health & social services	1,803,000	1,800,000	1,764,643	35,357
Partner with public education	5,443,000	5,466,000	4,930,634	535,366
Prevent and reduce youth gangs	1,012,000	1,012,000	1,003,000	9,000
Prevent neighborhood deterioration	48,000	48,000	47,000	1,000
Provide early childhood education	4,306,000	4,153,000	3,908,418	244,582
Provide emergency shelter	163,000	163,000	155,056	7,944
Provide mental health	204,000	219,000	210,714	8,286
Provide transitional housing	212,000	212,000	151,350	60,650
Substance abuse treatment/prevention	2,792,000	2,792,000	2,498,110	293,890
Supportive services to homeless	240,000	240,000	173,853	66,147
Train lower income persons	461,000	461,000	449,886	11,114
Volunteerism	1,000	1,000	714	286
Well-being	3,169,000	3,037,000	2,803,953	233,047
Total human services	29,268,000	28,950,080	27,146,121	1,803,959
Total expenditures	286,852,050	281,684,080	274,799,287	6,884,793
Excess (deficiency) of revenues over expenditures	44,970,950	39,460,920	50,987,909	11,526,989
Other financing sources (uses):				
Transfers in	7,409,000	7,344,000	7,122,180	(221,820)
Transfers out	(49,636,000)	(51,624,920)	(51,584,352)	40,568
Total other financing sources and uses	(42,227,000)	(44,280,920)	(44,462,172)	(181,252)
Net change in fund balance	2,743,950	(4,820,000)	6,525,737	11,345,737
Fund balance, July 1	36,599,464	36,599,464	36,599,464	-
Fund balance, June 30	\$ 39,343,414	\$ 31,779,464	\$ 43,125,201	\$ 11,345,737

See Notes to Financial Statements

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CORRECTIONS AND DETENTION FUND
Year ended June 30, 2003

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Revenues:				
Intergovernmental:				
County-shared operations	\$ 17,477,000	\$ 17,315,000	\$ 20,652,000	\$ 3,337,000
Charges for services:				
Care of prisoners-state	343,000	343,000	237,044	(105,956)
Care of prisoners-other	-	-	375	375
Commissary	-	-	10,000	10,000
Community custody program fees	193,000	193,000	183,366	(9,634)
CCP reimbursement	439,000	439,000	434,886	(4,114)
Detoxification reimbursement	1,018,000	1,018,000	971,043	(46,957)
Medical Co-Pay-inmates	-	-	22,132	22,132
Recycling services	90,000	90,000	90,000	-
Total charges for services	2,083,000	2,083,000	1,948,846	(134,154)
Interest:				
Interest on investments	-	-	(194,992)	(194,992)
Miscellaneous:				
Telephone royalties	-	-	3,530	3,530
Other	-	-	102,065	102,065
Total miscellaneous	-	-	105,595	105,595
Total revenues	19,560,000	19,398,000	22,511,449	3,113,449
Expenditures:				
Current:				
Public safety:				
Administrative support	4,109,000	4,087,000	3,900,090	186,910
Community custody	733,000	733,000	855,976	(122,976)
Correction and detention	29,538,000	35,147,000	35,587,845	(440,845)
Detoxification program	1,053,000	1,053,000	942,863	110,137
Metro criminal justice coordinating council	125,000	177,000	176,311	689
Indirect overhead charge	1,579,000	1,579,000	1,312,369	266,631
Total expenditures	37,137,000	42,776,000	42,775,454	546
Excess (deficiency) of revenues over expenditures	(17,577,000)	(23,378,000)	(20,264,005)	3,113,995
Other financing sources (uses):				
Transfers in	17,539,000	20,766,000	20,766,000	-
Transfers out	(488,000)	(488,000)	(487,245)	755
Total other financing sources (uses)	17,051,000	20,278,000	20,278,755	755
Net change in fund balance	(526,000)	(3,100,000)	14,750	3,114,750
Fund balance (deficit), July 1	239,728	239,728	239,728	-
Fund balance (deficit), June 30	\$ (286,272)	\$ (2,860,272)	\$ 254,478	\$ 3,114,750

See Notes to Financial Statements

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
June 30, 2003

	Enterprise Funds	
	Airport Fund	Joint Water and Sewer Fund
ASSETS		
Current assets:		
Cash, investments, and accrued interest	\$ 7,935,010	\$ 14,557,430
Receivables, net of allowance for uncollectibles:		
Accounts	3,377,572	9,144,195
Notes - expansion charges	-	1,474,098
Prepaid expenses	-	-
Due from other governments	-	-
Deposits	-	-
Inventories of supplies	-	-
Total current assets	11,312,582	25,175,723
Non-current notes receivables	-	7,286,844
Restricted assets:		
Cash, investments, and accrued interest	58,201,384	46,017,130
Cash with fiscal agents	9,915,924	37,099,152
Investment with fiscal agents	-	4,984,544
Accounts receivable	-	-
Due from other governments	494,096	1,468,014
Capitalized bond issuance costs	-	-
Interest rate cap	-	-
Escrow deposits	-	143,842
Total restricted assets	68,611,404	89,712,682
Property and equipment:		
Land	33,032,723	22,954,851
Land and improvements acquired from U.S. Air Force	7,630,077	-
Buildings and improvements	146,252,947	2,257,926
Runways and other improvements	242,374,623	-
Improvements other than buildings	98,866,622	1,243,473,350
Machinery and equipment	12,240,548	36,451,372
Other	640,546	-
	541,038,086	1,305,137,499
Less accumulated depreciation and amortization	267,709,138	663,322,224
Net property and equipment	273,328,948	641,815,275
Construction work in progress	3,886,224	42,050,839
Total property and equipment	277,215,172	683,866,114
Other assets		
Capitalized bond issuance costs	1,272,260	577,999
Land - acquired under claim settlement	-	-
Purchased water rights, net of accumulated amortization	-	27,943,094
Total other assets	1,272,260	28,521,093
Total Assets	358,411,418	834,562,456

See Notes to Financial Statements

Enterprise Funds				
Refuse Disposal Fund	Housing Authority Fund	Other Enterprise Funds	Totals	Internal Service Funds
\$ 6,319,698	\$ 10,708,443	\$ 5,716,680	\$ 45,237,261	\$ 31,077,289
2,594,054	197,042	429,048	15,741,911	-
-	-	-	1,474,098	-
-	-	-	-	294,356
-	248,480	-	248,480	66,156
-	-	-	-	6,679
<u>693,134</u>	<u>170,063</u>	<u>608,837</u>	<u>1,472,034</u>	<u>1,776,602</u>
<u>9,606,886</u>	<u>11,324,028</u>	<u>6,754,565</u>	<u>64,173,784</u>	<u>33,221,082</u>
-	-	-	7,286,844	-
12,267,567	-	18,755,469	135,241,550	-
3,647,744	-	273,384	50,936,204	-
-	-	398,222	5,382,766	-
-	-	2,433,365	2,433,365	-
-	-	1,515,159	3,477,269	-
-	-	377,764	377,764	-
-	-	3,770	3,770	-
-	387,487	89,564	620,893	-
<u>15,915,311</u>	<u>387,487</u>	<u>23,846,697</u>	<u>198,473,581</u>	<u>-</u>
5,165,504	3,767,389	9,254,403	74,174,870	283,842
-	-	-	7,630,077	-
37,949,556	47,721,432	100,601,761	334,783,622	406,001
-	-	-	242,374,623	-
-	-	-	1,342,339,972	765,388
53,046,590	396,287	55,397,452	157,532,249	1,653,975
-	-	-	640,546	-
<u>96,161,650</u>	<u>51,885,108</u>	<u>165,253,616</u>	<u>2,159,475,959</u>	<u>3,109,206</u>
<u>46,104,601</u>	<u>35,314,871</u>	<u>62,123,156</u>	<u>1,074,573,990</u>	<u>2,337,263</u>
50,057,049	16,570,237	103,130,460	1,084,901,969	771,943
175,686	2,167,586	10,701,265	58,981,600	-
<u>50,232,735</u>	<u>18,737,823</u>	<u>113,831,725</u>	<u>1,143,883,569</u>	<u>771,943</u>
116,045	-	643,166	2,609,470	-
-	-	-	-	1,830,000
-	-	-	27,943,094	-
<u>116,045</u>	<u>-</u>	<u>643,166</u>	<u>30,552,564</u>	<u>1,830,000</u>
<u>75,870,977</u>	<u>30,449,338</u>	<u>145,076,153</u>	<u>1,444,370,342</u>	<u>35,823,025</u>

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
June 30, 2003

	Enterprise Funds	
	Airport Fund	Joint Water and Sewer Fund
LIABILITIES		
Current liabilities:		
Accounts payable	279,447	2,985,977
Accrued payroll	524,159	1,246,188
Accrued vacation and sick leave pay	628,195	1,596,410
Accrued interest	-	526,918
Accrued fuel cleanup costs	-	-
Fare tokens outstanding	-	-
Deposits	194,085	205,147
Due to other governments	-	-
Current portion of claims and judgements payable	-	-
Current portion of water rights contract and loan agreements	-	768,932
Total current liabilities	1,625,886	7,329,572
Liabilities payable from restricted assets:		
Construction contracts	348,153	5,279,951
Current portion of revenue bonds payable	6,900,000	31,580,000
Current portion of loan agreements	-	191,552
Line of credit	-	3,484,446
Accrued interest	3,235,912	5,341,600
Other	-	-
Total liabilities payable from restricted assets	10,484,065	45,877,549
Non current liabilities excluding current portion:		
Revenue bonds, net of unamortized discounts	199,624,875	211,357,665
Water rights contract and loan agreements	-	48,575,147
Claims and judgements payable	-	-
Accrued vacation and sick leave pay	345,524	586,600
Total non current liabilities	199,970,399	260,519,412
Other liabilities:		
Deferred revenue	-	1,175,191
Advances from other funds	-	-
Total other liabilities	-	1,175,191
Total liabilities	212,080,350	314,901,724
NET ASSETS		
Invested in capital assets, net of related debt	95,536,771	446,162,225
Restricted:		
Debt service	11,857,865	6,441,513
Construction	25,604,749	15,742,696
Unrestricted	13,331,683	51,314,298
Total net assets	\$ 146,331,068	\$ 519,660,732

See Notes to Financial Statements

Enterprise Funds

Refuse Disposal Fund	Housing Authority Fund	Other Enterprise Funds	Totals	Internal Service Funds
553,471	422,380	378,817	4,620,092	1,061,504
871,503	108,089	1,017,421	3,767,360	287,205
1,183,044	108,856	1,098,371	4,614,876	458,467
-	-	-	526,918	-
-	-	-	-	68,422
-	-	162,468	162,468	-
68,338	148,348	-	615,918	-
-	569,488	-	569,488	-
-	-	-	-	11,153,000
-	-	-	768,932	-
<u>2,676,356</u>	<u>1,357,161</u>	<u>2,657,077</u>	<u>15,646,052</u>	<u>13,028,598</u>
175,044	-	848,300	6,651,448	-
2,840,000	-	400,000	41,720,000	-
-	-	-	191,552	-
-	-	-	3,484,446	-
807,744	-	461,267	9,846,523	-
<u>1,306,429</u>	<u>387,487</u>	<u>94,808</u>	<u>1,788,724</u>	<u>-</u>
<u>5,129,217</u>	<u>387,487</u>	<u>1,804,375</u>	<u>63,682,693</u>	<u>-</u>
30,559,111	-	31,270,453	472,812,104	-
-	-	-	48,575,147	-
-	-	-	-	29,448,564
<u>766,620</u>	<u>33,783</u>	<u>466,037</u>	<u>2,198,564</u>	<u>145,214</u>
<u>31,325,731</u>	<u>33,783</u>	<u>31,736,490</u>	<u>523,585,815</u>	<u>29,593,778</u>
-	-	-	1,175,191	-
<u>-</u>	<u>-</u>	<u>24,300,000</u>	<u>24,300,000</u>	<u>-</u>
-	-	24,300,000	25,475,191	-
<u>39,131,304</u>	<u>1,778,431</u>	<u>60,497,942</u>	<u>628,389,751</u>	<u>42,622,376</u>
25,240,886	18,737,823	65,460,954	651,138,659	771,943
610,511	-	897,041	19,806,930	-
4,407,520	-	11,292,626	57,047,591	-
<u>6,480,756</u>	<u>9,933,084</u>	<u>6,927,590</u>	<u>87,987,411</u>	<u>(7,571,294)</u>
<u>\$ 36,739,673</u>	<u>\$ 28,670,907</u>	<u>\$ 84,578,211</u>	<u>\$ 815,980,591</u>	<u>\$ (6,799,351)</u>

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUNDS
Year ended June 30, 2003

	Enterprise Funds	
	Airport Fund	Joint Water and Sewer Fund
Operating revenues:		
Charges for services	<u>\$ 51,133,762</u>	<u>\$ 117,681,329</u>
Operating expenses:		
Salaries and fringe benefits	11,420,298	24,760,183
Professional services	82,540	5,553,843
Utilities	2,364,867	7,923,571
Supplies	500,321	1,528,551
Travel	29,802	5,171
Fuels, repairs and maintenance	2,235,991	7,523,882
Contractual services	3,576,033	2,949,505
Claims and judgements	-	-
Insurance premiums	-	-
Other operating expenses	1,827,578	5,687,026
Depreciation	27,845,671	40,843,474
Amortization	-	457,590
Bad debt expense	-	34,703
Total operating expenses	<u>49,883,101</u>	<u>97,267,499</u>
Operating income (loss)	<u>1,250,661</u>	<u>20,413,830</u>
Non-operating revenues (expenses):		
Interest on investments	663,529	1,073,204
Federal housing grants	-	-
Housing assistance payments	-	-
Passenger facilities charges	8,154,815	-
Gain (loss) on disposition of property and equipment	(22,491)	18,869
Interest expense	(10,527,363)	(12,278,016)
Bond issue costs	(212,349)	-
City water service expansion charges	-	14,432,966
Fiscal agent fees	(20,226)	-
Equipment purchased for another fund	-	(332,631)
Other	58,936	4,451,529
Total non-operating revenues (expenses)	<u>(1,905,149)</u>	<u>7,365,921</u>
Income (loss) before capital contributions and transfers	(654,488)	27,779,751
Capital contributions	1,022,772	22,177,697
Transfers in	-	487,245
Transfers out	-	(5,098,927)
Change in net assets	<u>368,284</u>	<u>45,345,766</u>
Net assets (deficit), July 1	<u>145,962,784</u>	<u>474,314,966</u>
Net assets (deficit), June 30	<u>\$ 146,331,068</u>	<u>\$ 519,660,732</u>

See Notes to Financial Statements

Enterprise Funds				
Refuse Disposal Fund	Housing Authority Fund	Other Enterprise Funds	Totals	Internal Service Funds
\$ 40,757,677	\$ 1,559,127	\$ 14,484,032	\$ 225,615,927	\$ 64,816,329
19,311,480	2,639,874	22,425,562	80,557,397	6,308,207
351,956	8,750	421,548	6,418,637	878,496
339,202	550,041	1,943,252	13,120,933	136,288
821,511	-	396,725	3,247,108	1,187,489
10,850	-	9,967	55,790	843
4,358,458	821,487	3,845,021	18,784,839	2,733,992
1,597,193	-	1,284,648	9,407,379	1,825,366
-	-	-	-	17,507,793
-	-	-	-	30,869,968
4,374,832	902,659	4,159,992	16,952,087	1,968,144
4,782,031	1,733,369	7,933,688	83,138,233	126,179
-	-	-	457,590	-
<u>27,518</u>	<u>47,872</u>	<u>313,738</u>	<u>423,831</u>	<u>-</u>
<u>35,975,031</u>	<u>6,704,052</u>	<u>42,734,141</u>	<u>232,563,824</u>	<u>63,542,765</u>
<u>4,782,646</u>	<u>(5,144,925)</u>	<u>(28,250,109)</u>	<u>(6,947,897)</u>	<u>1,273,564</u>
168,769	179,577	421,747	2,506,826	602,389
-	24,770,592	-	24,770,592	-
-	(19,092,515)	-	(19,092,515)	-
-	-	-	8,154,815	-
34,504	849	-	31,731	12,112
(1,156,625)	-	(1,071,587)	(25,033,591)	-
-	-	(99,016)	(311,365)	-
-	-	-	14,432,966	-
-	-	(202,637)	(222,863)	-
-	-	-	(332,631)	-
<u>390,589</u>	<u>138,493</u>	<u>2,263,138</u>	<u>7,302,685</u>	<u>49,042</u>
<u>(562,763)</u>	<u>5,996,996</u>	<u>1,311,645</u>	<u>12,206,650</u>	<u>663,543</u>
4,219,883	852,071	(26,938,464)	5,258,753	1,937,107
-	-	15,708,852	38,909,321	7,125
-	-	21,927,606	22,414,851	-
<u>(1,061,791)</u>	<u>-</u>	<u>(310,462)</u>	<u>(6,471,180)</u>	<u>(269,000)</u>
<u>3,158,092</u>	<u>852,071</u>	<u>10,387,532</u>	<u>60,111,745</u>	<u>1,675,232</u>
<u>33,581,581</u>	<u>27,818,836</u>	<u>74,190,679</u>	<u>755,868,846</u>	<u>(8,474,583)</u>
<u>\$ 36,739,673</u>	<u>\$ 28,670,907</u>	<u>\$ 84,578,211</u>	<u>\$ 815,980,591</u>	<u>\$ (6,799,351)</u>

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year ended June 30, 2003

	Enterprise Funds	
	Airport Fund	Joint Water and Sewer Fund
Cash flows from operating activities:		
Cash received from customers	\$ 50,999,597	\$ 113,449,193
Cash received from other funds for goods and services	-	3,790,019
Cash payments to employees for services	(10,439,907)	(22,956,972)
Cash payments to suppliers for goods and services	(8,009,427)	(23,669,127)
Cash payments to other funds for goods and services	(3,498,990)	(8,751,322)
Cash payments to claimants and beneficiaries	-	-
Miscellaneous cash received	58,936	3,779,535
Net cash provided by (used for) operating activities	29,110,209	65,641,326
Cash flow from noncapital financing activities:		
Principal paid on water rights contract	-	(748,500)
Interest paid on water rights contract	-	(649,200)
Purchased water rights	-	(1,287,738)
Operating grants received	-	-
Housing assistance payments	-	-
Principal paid on advance from other funds	-	-
Interest paid on advance from other funds	-	-
Transfers-in from other funds	-	487,245
Transfers-out to other funds	-	(5,098,927)
Net cash provided by (used for) noncapital financing activities	-	(7,297,120)
Cash flows from capital and related financing activities:		
Proceeds from notes payable	-	7,084,446
Capitalized bond issuance costs	-	(37,537)
Principal paid on revenue bond maturities and refunded bonds	(18,560,000)	(31,160,000)
Interest and other expenses paid on revenue bond maturities	(10,937,520)	(10,691,440)
Principal paid on notes payable	-	(2,452,874)
Interest paid on notes payable	-	(1,666,943)
Acquisition and construction of capital assets	(7,617,388)	(25,416,936)
Cash payments to other funds for goods and services	(122,777)	(1,394,662)
Capital grants received	(423,071)	5,338,468
Passenger facilities charges	8,154,815	-
City water service expansion charges	-	14,432,966
Proceeds from sale of property and equipment	30,813	39,880
Net cash used for capital and related financing activities	(29,475,128)	(45,924,632)
Cash flows from investing activities:		
Interest received on investments	1,530,580	1,587,715
Net cash provided by investing activities	1,530,580	1,587,715
Net increase (decrease) in cash and cash equivalents	1,165,661	14,007,289
Cash and cash equivalents, July 1, restated	74,886,657	88,794,809
Cash and cash equivalents, June 30	\$ 76,052,318	\$ 102,802,098

See Notes to Financial Statements

Enterprise Funds

<u>Refuse Disposal Fund</u>	<u>Housing Authority Fund</u>	<u>Other Enterprise Funds</u>	<u>Totals</u>	<u>Internal Service Funds</u>
\$ 39,941,389	\$ 1,384,145	\$ 13,946,137	\$ 219,720,461	\$ 6,919,100
893,218	-	263,008	4,946,245	66,918,253
(17,758,239)	(2,412,083)	(21,001,172)	(74,568,373)	(5,967,919)
(7,838,609)	(1,739,258)	(7,595,641)	(48,852,062)	(45,395,571)
(5,533,469)	(712,920)	(6,429,090)	(24,925,791)	(2,591,196)
-	-	-	-	(16,204,742)
<u>390,589</u>	<u>153,316</u>	<u>1,201,800</u>	<u>5,584,176</u>	<u>49,013</u>
<u>10,094,879</u>	<u>(3,326,800)</u>	<u>(19,614,958)</u>	<u>81,904,656</u>	<u>3,726,938</u>
-	-	-	(748,500)	-
-	-	-	(649,200)	-
-	-	-	(1,287,738)	-
-	24,032,756	1,086,913	25,119,669	-
-	(19,092,515)	-	(19,092,515)	-
-	-	(1,300,000)	(1,300,000)	-
-	-	(511,363)	(511,363)	-
-	-	21,927,606	22,414,851	-
<u>(1,061,791)</u>	<u>-</u>	<u>(310,462)</u>	<u>(6,471,180)</u>	<u>(269,000)</u>
<u>(1,061,791)</u>	<u>4,940,241</u>	<u>20,892,694</u>	<u>17,474,024</u>	<u>(269,000)</u>
-	-	15,000,000	22,084,446	-
-	-	-	(37,537)	-
(2,650,000)	-	(625,000)	(52,995,000)	-
(1,012,230)	-	(820,991)	(23,462,181)	-
-	-	-	(2,452,874)	-
-	-	-	(1,666,943)	-
(3,596,277)	(1,249,942)	(26,637,107)	(64,517,650)	95,282
(97,817)	-	(122,172)	(1,737,428)	-
-	1,535,759	10,733,108	17,184,264	-
-	-	-	8,154,815	-
-	-	-	14,432,966	-
<u>144,047</u>	<u>849</u>	<u>130,104</u>	<u>345,693</u>	<u>12,139</u>
<u>(7,212,277)</u>	<u>286,666</u>	<u>(2,342,058)</u>	<u>(84,667,429)</u>	<u>107,421</u>
<u>168,769</u>	<u>179,577</u>	<u>509,028</u>	<u>3,975,669</u>	<u>602,389</u>
<u>168,769</u>	<u>179,577</u>	<u>509,028</u>	<u>3,975,669</u>	<u>602,389</u>
1,989,580	2,079,684	(555,294)	18,686,920	4,167,748
<u>20,245,429</u>	<u>9,016,246</u>	<u>25,788,613</u>	<u>218,731,754</u>	<u>26,909,541</u>
<u>\$ 22,235,009</u>	<u>\$ 11,095,930</u>	<u>\$ 25,233,319</u>	<u>\$ 237,418,674</u>	<u>\$ 31,077,289</u>

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Year ended June 30, 2003

	Enterprise Funds	
	Airport Fund	Joint Water and Sewer Fund
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities:		
Operating income (loss)	\$ 1,250,661	\$ 20,413,830
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:		
Depreciation	27,845,671	40,843,474
Amortization	-	457,590
Miscellaneous cash received	58,936	3,779,535
Provision for claims and judgements	-	-
Decrease (increase) in assets:		
Receivables	(130,049)	(442,117)
Inventories of supplies	-	-
Due from other governments	-	-
Prepaid expenses	-	-
Increase (decrease) in liabilities:		
Accounts payable	(52,869)	632,448
Accrued employee compensation and benefits	141,975	(43,434)
Fare tokens outstanding and deposits	-	-
Escrow liability	-	-
Deferred revenue	(4,116)	-
Net cash provided by (used for) operating activities	\$ 29,110,209	\$ 65,641,326
 Cash and cash equivalents at June 30 consist of:		
Current assets:		
Cash, investments, and accrued interest	\$ 7,935,010	\$ 14,557,430
Restricted assets:		
Cash, investments, and accrued interest	58,201,384	46,017,130
Cash with fiscal agents	9,915,924	37,099,152
Investment with fiscal agents	-	4,984,544
Escrow deposits	-	143,842
Total cash and cash equivalents, June 30	\$ 76,052,318	\$ 102,802,098
 Non cash transactions:		
Unrealized gains (losses) on investments	\$ (152,174)	\$ (95,836)
Capital contributions by developers	-	14,183,397
Transfer of capital assets from the Capital Projects Fund	-	-
HUD payment of third party guaranteed debt	-	-

Enterprise Funds				
Refuse Disposal Fund	Housing Authority Fund	Other Enterprise Funds	Totals	Internal Service Funds
\$ 4,782,646	\$ (5,144,925)	\$ (28,250,109)	\$ (6,947,897)	\$ 1,273,564
4,782,031	1,733,369	7,933,688	83,138,233	126,179
-	-	-	457,590	-
390,589	153,316	1,201,800	5,584,176	49,013
-	-	-	-	1,303,051
76,930	(63,983)	(271,939)	(831,158)	2,014,375
(80,164)	(30,212)	(72,991)	(183,367)	129,582
-	-	-	-	11,887
-	-	-	-	6,607
(65,833)	64,627	6,158	584,531	(1,072,243)
208,680	24,135	(170,270)	161,086	(115,077)
-	2,139	8,705	10,844	-
-	(65,266)	-	(65,266)	-
-	-	-	(4,116)	-
<u>\$ 10,094,879</u>	<u>\$ (3,326,800)</u>	<u>\$ (19,614,958)</u>	<u>\$ 81,904,656</u>	<u>\$ 3,726,938</u>
\$ 6,319,698	\$ 10,708,443	\$ 5,716,680	\$ 45,237,261	\$ 31,077,289
12,267,567	-	18,845,033	135,331,114	-
3,647,744	-	671,606	51,334,426	-
-	-	-	4,984,544	-
-	387,487	-	531,329	-
<u>\$ 22,235,009</u>	<u>\$ 11,095,930</u>	<u>\$ 25,233,319</u>	<u>\$ 237,418,674</u>	<u>\$ 31,077,289</u>
\$ (31,560)	\$ -	\$ (227,282)	\$ (506,852)	\$ 626
-	-	-	14,183,397	-
-	-	68,581	68,581	-
-	475,875	-	475,875	-

CITY OF ALBUQUERQUE, NEW MEXICO
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2003

	<u>Agency Fund</u>
ASSETS	
Assets:	
Cash, investments, and accrued interest	\$ 11,601,211
Receivables	194,208
Due from other governments	<u>22</u>
Total Assets	<u>11,795,441</u>
LIABILITIES	
Liabilities:	
Accounts payable	304,109
Funds held for others	<u>11,491,332</u>
Total Liabilities	<u>11,795,441</u>
Net Assets	<u><u>\$ -</u></u>

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 1 THE FINANCIAL REPORTING ENTITY

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

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

The City of Albuquerque (the primary government) for financial reporting purposes consist of funds, departments, and programs for which the City is financially accountable. Criteria indicating financial accountability include, 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 budgets, rates or fees, or to make other substantive decisions; or
2. provision by the organization of specific financial benefits or burdens to the City; or
3. fiscal dependency by the organization on the City such as from the lack of authority to determine its budget or issue its own bonded debt without City approval.

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Basis of Presentation

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

1. Government-wide Financial Statements:

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

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

The *statement of activities* presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Amounts reported as program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported as general revenues. Indirect expense allocations that have been made in the funds are shown in a separate column and are not included in the expenses column. The allocation of indirect expenses is based on the relative usage by the function charged to all functions charged for services rendered by all central service activities of the general government such as Accounting, Information Services, Treasury, Budgeting, and other central services.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

A. Basis of Presentation, continued

2. Fund Financial Statements:

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

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

The City reports the following major governmental funds:

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

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

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

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

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

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

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

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

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

The City reports the following fund types:

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

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

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

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

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

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

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

B. Measurement Focus, Basis of Accounting

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

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

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

2. Governmental Fund Financial Statements

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

Expenditures are recorded when the related fund liability is incurred, except for a) principal and interest payments on general long-term debt which are recorded when amounts have been accumulated in the debt service funds for the current debt service payments on July 1 in the following year and b) vacation and sick leave pay, which are recognized as expenditures only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

C. Statement of Cash Flows

For purposes of the statement of cash flows, all pooled cash and investments (including restricted assets) of the City are considered to be cash equivalents although there are investments with a maturity in excess of three months when purchased because they have the characteristics of demand deposits for each individual fund. Non-pooled investments with original maturities of three months or more are deducted from cash, investments, and accrued interest and changes therein are reported as cash flows from investing activities.

D. Estimated Amounts Reported in Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates.

E. Cash, Investments, and Accrued Interest

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

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

E. Cash, Investments, and Accrued Interest, continued

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

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

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

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

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

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

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

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

Checking accounts - at insured financial institutions.

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

F. Inventories of Supplies

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

G. Land Held for Sale

Land held for sale, which consists primarily of approximately 4,477 acres located throughout the State of New Mexico obtained by trade with the federal government in July 1982, is part of the Acquisition and Management of Open Space Permanent 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.

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

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

H. Capital Assets

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

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

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

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

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

I. Deferred Charges and Other Assets

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

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

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

J. Claims and Judgments

Liabilities for workers' compensation, tort and other claims as of June 30, 2002, were accrued based on actuarial estimates of the City's self-insurance programs. At June 30, 2003, liabilities were based on a case by case evaluation of the probable outcome of claims filed against the City, as well as an estimate of claims incurred but not reported. The long-term portion of the liability is discounted at 4.0% at June 30, 2003, and 5.5% for 2002, over the estimated payment period. Revenues consist primarily of charges to other funds, the amounts of which approximate the cost of claims and other risk management costs arising from the activities of those funds.

K. Accrued Vacation and Sick Leave Pay

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

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

K. Accrued Vacation and Sick Leave Pay, continued

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

L. Deferred Revenue

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

M. Special Assessments

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

N. Long-term Obligations

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

O. Fund Balance Reserves and Designations

The City records reserves to indicate that a portion of fund balance is legally restricted for a specific future use or is not available for appropriation and/or expenditure. At June 30, 2003, fund balances were reserved for:

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

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

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

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

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

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

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

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

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

Designated for 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, 2003

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

P. Encumbrances

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

Q. Unbilled Revenues

Water, sewer, and refuse services are billed on a cycle basis; therefore, amounts for service provided but unbilled as of June 30, 2003 are not included in receivables or revenue of the enterprise funds. Such unbilled amounts are not material to the financial position and results of operations of the individual enterprise funds.

R. Interfund Transactions

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

S. Budgets

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

The Mayor has the authority to change individual program appropriations by the lesser of five percent of the original appropriation or \$100,000, provided that the total amount of appropriations for the fund as approved by the City Council does not change. Approved appropriations lapse at the end of the fiscal year to the extent that they have not been expended or encumbered except any appropriation continued by ordinance. During fiscal year 2003, 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:		Corrections and Detention Fund:	
City wide financial support	\$ 43,866	Community custody	\$ 122,976
Early retirement	1,071,526	Correction and detention	440,845
Legislative coordinator	39,000	Joint Water and Sewer Fund:	
Central support services	528,052	San Juan Chama	240,463
Strategic support - Senior Affairs	4,733	Low income utility credit	3,525
Clean city action	50	Refuse Disposal Fund:	
		Payment for General Fund services	13,032

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

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

S. Budgets, continued

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

Unreserved fund balance (deficit) - governmental funds						
	General	Corrections and Detention	GO Bond Debt Service	Capital Acquisition	Nonmajor Funds	Totals
Designated for:						
Unrealized gains	\$ 97	\$ (27)	\$ 104	\$ 162	\$ 263	\$ 599
Undesignated	14,864	2	45,390	68,119	52,949	181,324
Total Unrestricted	\$ 14,961	\$ (25)	\$ 45,494	\$ 68,281	\$ 53,212	\$ 181,923

Unrestricted net assets (deficits) - enterprise funds						
	Airport	Joint Water and Sewer	Refuse Disposal	Housing Authority	Nonmajor Funds	Totals
Designated for:						
Unrealized gains	\$ 155	\$ 127	\$ 42	\$ (5)	\$ 46	\$ 365
Undesignated	13,177	51,187	6,439	9,938	6,881	87,622
Total Unrestricted	\$ 13,332	\$ 51,314	\$ 6,481	\$ 9,933	\$ 6,927	\$ 87,987

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 3 RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

Total fund balances of the City's governmental funds, \$273,021,740, differs from net assets of governmental activities, \$746,323,908, reported in the statement of net assets. The differences primarily result from the long-term economic focus in the statement of net assets versus the current financial resources focus in the governmental fund balance sheets. The differences (*in thousands*) are illustrated below:

	<u>Total Governmental Funds</u>	<u>Internal Service Funds</u>	<u>Long-term Assets & Liabilities</u>	<u>Reclassi- fications and Eliminations</u>	<u>Statement of Net Assets Totals</u>
Assets:					
Cash, investments and accrued interest	\$ 269,225	\$ 31,077	\$ -	\$ (34,402)	\$ 265,900
Taxes receivable	61,173	-	-	-	61,173
Accounts receivable	21,889	-	-	(19,085)	2,804
Due from other governments	26,625	66	-	-	26,691
Accrued interest	-	-	162	-	162
Deposit	-	7	-	-	7
Long-term accounts and notes receivable	-	-	-	19,085	19,085
Internal balances	33,766	-	-	(9,466)	24,300
Inventories	350	1,777	-	-	2,127
Prepaid expenses	10	294	-	-	304
Restricted assets:					
Cash, investments and accrued interest	-	-	-	34,402	34,402
Capital assets:					
Land and construction in progress	-	284	415,314	-	415,598
Capital assets being depreciated	-	2,825	642,453	-	645,278
Accumulated depreciation	-	(2,337)	(312,008)	-	(314,345)
Deferred charges and other assets	5,066	1,830	237	-	7,133
Total assets	<u>\$ 418,104</u>	<u>\$ 35,823</u>	<u>\$ 746,158</u>	<u>\$ (9,466)</u>	<u>\$ 1,190,619</u>
Liabilities:					
Accounts payable	\$ 18,739	\$ 1,062	\$ -	\$ -	\$ 19,801
Accrued liabilities	12,069	355	-	6,543	18,967
Deposits	850	-	-	-	850
Due to other funds/advances	9,466	-	-	(9,466)	-
Due to other governments	2,131	-	-	-	2,131
Deferred revenues	56,306	-	(36,809)	-	19,497
Current portion of long-term obligations:					
Bonds and notes payable	-	-	-	38,978	38,978
Accrued vacation and sick leave pay	-	458	15,777	-	16,235
Accrued claims payable	-	11,153	-	-	11,153
Matured principal and interest	45,521	-	-	(45,521)	-
Non current long-term obligations:					
Bonds and notes payable	-	-	276,877	-	276,877
Accrued vacation and sick leave pay	-	145	9,069	-	9,214
Accrued claims payable	-	29,449	-	-	29,449
Deferred credit	-	-	1,143	-	1,143
Total liabilities	<u>145,082</u>	<u>42,622</u>	<u>266,057</u>	<u>(9,466)</u>	<u>444,295</u>
Fund balances/net assets (deficit)	<u>273,022</u>	<u>(6,799)</u>	<u>480,101</u>	<u>-</u>	<u>746,324</u>
Total liabilities and fund balances/net assets	<u>\$ 418,104</u>	<u>\$ 35,823</u>	<u>\$ 746,158</u>	<u>\$ (9,466)</u>	<u>\$ 1,190,619</u>

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

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

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

The net change in fund balances for governmental funds, (\$7,226,461), differs from the change in net assets for governmental activities, \$97,172,498, reported in the statement of activities. The differences arise primarily from the long-term economic focus in the statement of activities versus the current financial resources focus in the governmental funds. The differences (*in thousands*) are illustrated below:

	<u>Total Governmental Funds</u>	<u>Internal Service Funds</u>	<u>Long-term Revenues/ Expenses</u>	<u>Reclassi- fications and Eliminations</u>	<u>Statement of Activities Totals</u>
Revenues:					
Taxes:					
Property taxes	\$ 84,782	\$ -	\$ 1,611	\$ -	\$ 86,393
Gross receipts tax	121,089	-	895	-	121,984
Franchise tax	18,120	-	-	-	18,120
Lodgers tax	8,326	-	-	-	8,326
Licenses and permits	14,436	-	-	-	14,436
Intergovernmental	216,174	-	1,082	-	217,256
Charges for services	45,683	-	-	(8,101)	37,582
Fines and forfeits	715	-	-	-	715
Investment earnings	7,946	603	46	-	8,595
Special assessments	7,163	-	-	-	7,163
Other revenue	15,709	61	(1,205)	2,260	16,825
Total revenues	<u>540,143</u>	<u>664</u>	<u>2,429</u>	<u>(5,841)</u>	<u>537,395</u>
Expenditures/Expenses:					
Current:					
General government	54,193	(171)	2,290	(3,291)	53,021
Corrections	42,788	(166)	(132)	(1,523)	40,967
Fire	45,631	(25)	1,190	559	47,355
Police	90,515	(581)	4,762	3,188	97,884
Culture and recreation	52,891	(134)	(4,695)	23,720	71,782
Public works	6,385	(14)	845	1,804	9,020
Highways and streets	18,079	(144)	1,367	2,896	22,198
Health	10,247	(21)	338	(237)	10,327
Human services	50,983	(24)	1,059	(402)	51,616
Housing	3,995	-	(1)	-	3,994
Special assessments	-	-	-	839	839
Debt service:					
Principal retirement	44,763	-	(44,763)	-	-
Interest and other fiscal charges	14,430	-	846	-	15,276
Capital outlay	112,738	-	(77,084)	(35,654)	-
Miscellaneous	580	-	(840)	260	-
Total expenditures/expenses	<u>548,218</u>	<u>(1,280)</u>	<u>(114,818)</u>	<u>(7,841)</u>	<u>424,279</u>
Other financing sources (uses)/changes in net assets:					
Net transfers (to) from other funds	(15,675)	(269)	-	-	(15,944)
Proceeds from issuance of bonds and loans	16,523	-	(14,523)	(2,000)	-
Total other financing sources (uses)/ changes in net assets	<u>848</u>	<u>(269)</u>	<u>(14,523)</u>	<u>(2,000)</u>	<u>(15,944)</u>
Net change for the year	<u>\$ (7,227)</u>	<u>\$ 1,675</u>	<u>\$ 102,724</u>	<u>\$ -</u>	<u>\$ 97,172</u>

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 4 CASH AND CASH EQUIVALENTS

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

The total cash, investments, accrued interest and cash with fiscal agents, net of cash overdrafts of the City at June 30, 2003, consist of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash, investments, accrued interest and cash with fiscal agents, net of unamortized discounts and premiums:				
Repurchase agreements	\$ 158,231,095	\$ 110,724,292	\$ 6,044,612	\$ 274,999,999
Obligations of federal agencies or instrumentalities	111,256,120	76,775,054	4,191,271	192,222,445
State of New Mexico investment council	24,205,539	-	-	24,205,539
State of New Mexico local government investment pool	-	6,677,701	-	6,677,701
Held in trust by NMFA in State of New Mexico local government investment pool	-	4,934,431	-	4,934,431
Held in trust by Wells Fargo Bank in U.S. Treasury Fund	-	3,429,043	-	3,429,043
Held in trust by Bank of Albuquerque in U.S. Treasury Fund	<u>1,613,102</u>	<u>448,335</u>	<u>-</u>	<u>2,061,437</u>
Total investments	<u>295,305,856</u>	<u>202,988,856</u>	<u>10,235,883</u>	<u>508,530,595</u>
Certificates of deposit	100,000	-	-	100,000
Bank accounts (book balance)	<u>4,214,216</u>	<u>33,383,923</u>	<u>1,365,328</u>	<u>38,963,467</u>
Total bank balances	<u>4,314,216</u>	<u>33,383,923</u>	<u>1,365,328</u>	<u>39,063,467</u>
Accrued interest receivable	631,582	412,257	-	1,043,839
Imprest cash funds	<u>51,073</u>	<u>12,745</u>	<u>-</u>	<u>63,818</u>
Total other	<u>682,655</u>	<u>425,002</u>	<u>-</u>	<u>1,107,657</u>
Total cash, investments, accrued interest and cash with fiscal agents	<u>\$ 300,302,727</u>	<u>\$ 236,797,781</u>	<u>\$ 11,601,211</u>	<u>\$ 548,701,719</u>
Unrestricted cash, investments and accrued interest:				
Cash, investments and accrued interest	\$ 220,402,453	\$ 45,237,261	\$ 11,601,211	\$ 277,240,925
Cash with fiscal agents	<u>45,498,323</u>	<u>-</u>	<u>-</u>	<u>45,498,323</u>
Total unrestricted cash, investments and accrued interest	<u>265,900,776</u>	<u>45,237,261</u>	<u>11,601,211</u>	<u>322,739,248</u>
Restricted cash, investments and accrued interest:				
Cash, investments and accrued interest	34,401,951	140,624,316	-	175,026,267
Cash with fiscal agents	<u>-</u>	<u>50,936,204</u>	<u>-</u>	<u>50,936,204</u>
Total restricted cash, investments and accrued interest	<u>34,401,951</u>	<u>191,560,520</u>	<u>-</u>	<u>225,962,471</u>
Total cash, investments, accrued interest and cash with fiscal agents	<u>\$ 300,302,727</u>	<u>\$ 236,797,781</u>	<u>\$ 11,601,211</u>	<u>\$ 548,701,719</u>

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 4 CASH AND CASH EQUIVALENTS, continued

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

The City's deposits and investments at June 30, 2003, are categorized below to indicate the level of risk assumed by the City:

1. Investment Categories of Credit Risk

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

	<u>Category</u>			
	<u>1</u>	<u>2</u>	<u>Not Categorized</u>	<u>Total</u>
Repurchase agreements	\$ -	\$274,999,999	\$ -	\$274,999,999
U.S. Treasury obligations	-	-	-	-
Obligations of federal agencies or instrumentalities	192,222,445	-	-	192,222,445
State of New Mexico investment council	-	-	24,205,539	24,205,539
State of New Mexico local government investment pool	-	-	6,677,701	6,677,701
Held in trust by NMFA in State of New Mexico local government investment pool	-	-	4,934,431	4,934,431
Held in trust by Wells Fargo Bank in U.S. Treasury Fund	-	-	3,429,043	3,429,043
Held in trust by Bank of Albuquerque in U.S. Treasury Fund	-	-	2,061,437	2,061,437
Total investments	<u>\$192,222,445</u>	<u>\$274,999,999</u>	<u>\$ 41,308,151</u>	<u>\$508,530,595</u>

2. Deposit Categories of Credit Risk

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

The reported amounts (in thousands) are as follows:

	<u>Category</u>		
	<u>A</u>	<u>B</u>	<u>Total</u>
Bank accounts (bank balance)	\$ 916	\$ 47,428	\$ 48,344
Certificates of deposit	100	-	100
Total deposits	<u>\$ 1,016</u>	<u>\$ 47,428</u>	<u>\$ 48,444</u>

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 4 CASH AND CASH EQUIVALENTS, continued

B. Pledged Collateral by Bank

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

The pledged collateral by bank (in thousands) at June 30, 2003, consists of the following:

	First State Bank	Bank of America	Apartments Wells Fargo		Wells Fargo Trust	Compass Bank	Bank 1st	NM Bank & Trust
	<u>Bank</u>	<u>America</u>	<u>Bank</u>	<u>Bank</u>	<u>Trust</u>	<u>Bank</u>	<u>1st</u>	<u>Bank & Trust</u>
Total amount on deposit	\$ 13,021	\$ 32,593	\$ 2,029	\$ 81	\$ -	\$ 5	\$ 100	\$ 615
Less FDIC coverage	<u>100</u>	<u>100</u>	<u>100</u>	<u>81</u>	<u>-</u>	<u>5</u>	<u>100</u>	<u>530</u>
Total uninsured public funds	12,921	32,493	1,929	-	-	-	-	85
50% collateral requirement	<u>6,461</u>	<u>16,247</u>	<u>965</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43</u>
Pledged securities, fair value	<u>11,133</u>	<u>10,228</u>	<u>3,271</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Pledged in excess (deficit) of requirement	<u>\$ 4,672</u>	<u>\$ (6,019)</u>	<u>\$ 2,306</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (43)</u>

Subsequent to the fiscal year end and in accordance with New Mexico Statutes, the banks have complied with the pledging requirements.

NOTE 5 TAXES, ACCOUNTS AND NOTES RECEIVABLE

A. Taxes receivable

The taxes receivable at June 30, 2003 are from the following sources:

Gross receipts tax	\$52,861,814
Property tax	4,920,489
Franchise tax	2,139,856
Lodgers tax	659,294
Other taxes	<u>591,134</u>
Total	<u>\$61,172,587</u>

The property taxes above include a receivable of \$3,779,330 in the General Obligation Debt Service Fund, \$1,017,259 in the General Fund, and \$123,900 in the Metropolitan Redevelopment Fund.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied each year on July 1 on the taxable valuation of property located in the City as of the preceding January 1. The taxable valuations for the various classes of property are determined by the Bernalillo County Assessor and the State of New Mexico Department of Taxation and Revenue at one-third of assessed valuation. Property in the City for the fiscal year 2003 tax levy had a taxable value of \$7,623,843,160. 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 2003 weighted average residential and non-residential City rate for both operations and debt service was 11.153 mills. Taxes are payable in two equal installments on November 10 and April 10 and become delinquent after 30 days.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 5 TAXES, ACCOUNTS AND NOTES RECEIVABLE, continued

B. Accounts receivable and Allowance for uncollectible accounts

Included on Exhibit A-1, "Statement of Net Assets", are balances of receivables which are reported net of allowances for uncollectible accounts. The amounts of these receivables that have allowances as of June 30, 2003, are as follows:

	<u>Total receivables</u>	<u>Allowance for uncollectible accounts</u>	<u>Net receivables</u>
Government Activities:			
Major funds:			
General Fund	\$ 3,066,913	\$ 670,990	\$ 2,395,923
Nonmajor governmental funds	<u>434,037</u>	<u>122,578</u>	<u>311,459</u>
Total government activity funds	<u>\$ 3,500,950</u>	<u>\$ 793,568</u>	<u>\$ 2,707,382</u>
Business-type activities:			
Major funds:			
Airport	\$ 4,193,144	\$ 815,572	\$ 3,377,572
Joint Water and Sewer	11,847,500	1,229,207	10,618,293
Refuse Disposal	2,897,025	302,971	2,594,054
Housing Authority Fund	475,257	278,215	197,042
Nonmajor funds	<u>770,752</u>	<u>341,704</u>	<u>429,048</u>
Total business-type activities	<u>\$ 20,183,678</u>	<u>\$ 2,967,669</u>	<u>\$ 17,216,009</u>

C. Long Term And Notes Receivable

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

	<u>Total receivables</u>	<u>Allowance for uncollectible accounts</u>	<u>Net receivables</u>
Government Activities:			
Nonmajor governmental funds:			
Rehabilitation loans	\$ 6,778,213	\$ 4,289,062	\$ 2,489,151
Notes receivable	56,727	-	56,727
Developer loans	1,704,308	-	1,704,308
Special assessments debt service*	11,833,834	-	11,833,834
Real estate contracts	<u>3,001,272</u>	<u>-</u>	<u>3,001,272</u>
Total government activities	<u>\$ 23,374,354</u>	<u>\$ 4,289,062</u>	<u>\$ 19,085,292</u>
Business-type activities:			
Major funds:			
Joint Water and Sewer:			
Notes receivable	\$ 7,286,844	\$ -	\$ 7,286,844
Nonmajor funds:			
Developer loans	<u>2,433,365</u>	<u>-</u>	<u>2,433,365</u>
Total business-type activities	<u>\$ 9,720,209</u>	<u>\$ -</u>	<u>\$ 9,720,209</u>

* Includes delinquent accounts of \$257,443.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 6 INTERFUND RECEIVABLE AND PAYABLE

The interfund receivable and payable accounts have primarily been recorded when funds overdraw their share of pooled cash. The composition of interfund balances as of June 30, 2003, consist of the following:

	<u>Due from other funds</u>	<u>Due to other funds</u>
Major governmental funds:		
General Fund	\$ 9,158,860	\$ -
Corrections and Detention	-	8,029,463
Nonmajor governmental funds	<u>-</u>	<u>1,129,397</u>
Total	<u>\$ 9,158,860</u>	<u>\$ 9,158,860</u>

NOTE 7 INTERFUND ADVANCES

Interfund advances to be repaid from revenues or proceeds from the sale of assets are as follows as of June 30, 2003.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Capital Acquisition Fund	\$ 112,000
	Open Space Expenditures Fund	195,636
Nonmajor governmental fund *	Nonmajor enterprise fund *	<u>24,300,000</u>
Total advances		<u>\$ 24,607,636</u>

* Revenue bonds payable solely from gross receipts tax revenues were issued in fiscal year 2000. The proceeds of these bonds were advanced by the Sales Tax Refunding Debt Service Fund 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, 2003

NOTE 8 CAPITAL ASSETS

Capital asset activity of the City for the year ended June 30, 2003, was as follows:

A. Governmental Activities

	<u>Balance</u> <u>July 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30</u>
Assets not being depreciated:				
Land	\$ 202,758,574	\$ 6,786,562	\$ -	\$ 209,545,136
Construction work in progress	<u>248,830,022</u>	<u>61,963,634</u>	<u>104,740,797</u>	<u>206,052,859</u>
	<u>451,588,596</u>	<u>68,750,196</u>	<u>104,740,797</u>	<u>415,597,995</u>
Assets being depreciated:				
Buildings	81,193,940	38,640,439	-	119,834,379
Infrastructure	35,599,482	19,742,963	-	55,342,445
Improvements other than buildings	275,684,773	44,282,477	53	319,967,197
Equipment	<u>143,755,836</u>	<u>12,796,339</u>	<u>6,418,604</u>	<u>150,133,571</u>
	<u>536,234,031</u>	<u>115,462,218</u>	<u>6,418,657</u>	<u>645,277,592</u>
Less accumulated depreciation:				
Buildings	30,574,759	2,510,831	-	33,085,590
Infrastructure	593,325	1,515,699	-	2,109,024
Improvements other than buildings	151,825,817	9,758,156	-	161,583,973
Equipment	<u>113,231,233</u>	<u>10,754,025</u>	<u>6,418,604</u>	<u>117,566,654</u>
	<u>296,225,134</u>	<u>24,538,711</u>	<u>6,418,604</u>	<u>314,345,241</u>
Capital Assets being depreciated, net	<u>240,008,897</u>	<u>90,923,507</u>	<u>53</u>	<u>330,932,351</u>
Total capital assets, net	<u>\$ 691,597,493</u>	<u>\$ 159,673,703</u>	<u>\$ 104,740,850</u>	<u>\$ 746,530,346</u>

Infrastructure assets of \$18.2 million were added for roadways, storm sewers and bike trails. In addition, land was acquired for open space costing \$5.5 million; a new crime lab was completed for \$8.3 million and replacement vehicles were acquired for the police for \$0.5 million.

The construction work in progress consists of expenditures made in connection with the Capital Acquisition, Infrastructure Tax, and Quality of Life Funds. The construction work in progress decreased by \$42.8 primarily due to the completion of various construction projects while the other change in construction is a result of continuing facility development at the Balloon Fiesta Park, including the Balloon Park Museum, a major expansion of the Albuquerque Museum, and other facilities.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 8 CAPITAL ASSETS, continued

B. Business-type activities

	<u>Balance July 1*</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance June 30</u>
Assets not being depreciated:				
Land	\$ 73,458,646	\$ 842,869	\$ 126,645	\$ 74,174,870
Land and improvements acquired from the U.S. Air Force	7,630,077	-	-	7,630,077
Other	640,546	-	-	640,546
Construction work in progress	<u>51,893,554</u>	<u>35,967,841</u>	<u>28,879,795</u>	<u>58,981,600</u>
Total assets, not being depreciated	<u>133,622,823</u>	<u>36,810,710</u>	<u>29,006,440</u>	<u>141,427,093</u>
Assets being depreciated:				
Buildings and improvements	287,390,042	47,393,580	-	334,783,622
Runways and improvements	242,350,627	23,996	-	242,374,623
Improvements other than buildings and runways	1,314,448,390	27,891,582	-	1,342,339,972
Equipment	<u>155,140,395</u>	<u>7,967,473</u>	<u>5,575,619</u>	<u>157,532,249</u>
Total assets, being depreciated	<u>1,999,329,454</u>	<u>83,276,631</u>	<u>5,575,619</u>	<u>2,077,030,466</u>
Less accumulated depreciation:				
Buildings and improvements	133,496,742	9,296,860	-	142,793,602
Runways and improvements	124,355,577	12,262,796	-	136,618,373
Improvements other than buildings and runways	636,619,834	49,228,223	-	685,848,057
Equipment	<u>102,351,430</u>	<u>12,350,354</u>	<u>5,387,826</u>	<u>109,313,958</u>
Total accumulated depreciation	<u>996,823,583</u>	<u>83,138,233</u>	<u>5,387,826</u>	<u>1,074,573,990</u>
Capital assets being depreciated, net	<u>1,002,505,871</u>	<u>138,398</u>	<u>187,793</u>	<u>1,002,456,476</u>
Total capital assets, net	<u>\$ 1,136,128,694</u>	<u>\$ 36,949,108</u>	<u>\$ 29,194,233</u>	<u>\$ 1,143,883,569</u>

* Restated. See Note 23.

A totally renovated baseball stadium was completed for \$23.0 million. Other additions included water and sewer lines (\$24.4 million) and new transit vehicles (\$3.6 million).

The construction work in progress increased by \$7.1 million. The construction work in progress consists of expenditures made in connection with the Airport Fund, Joint Water and Sewer Fund, Refuse Disposal Fund, Transit Fund, Parking Facilities Fund, and Housing Authority Fund. The major amounts are for Water and Sewer System improvements, parking structures, renovation of old Albuquerque High School, and Solid Waste Disposal Facilities.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 8 CAPITAL ASSETS, continued

C. Depreciation expense

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

<u>Governmental activities:</u>	
General government	\$ 2,169,365
Public safety:	
Corrections	233,196
Fire protection	1,446,782
Police protection	6,309,385
Culture and recreation	10,250,465
Public works	1,063,218
Highways and streets	1,388,865
Health	496,881
Human services	1,054,375
Capital assets held by the City's internal service funds charged to the various functions on a prorated basis based on their usage of the assets	126,179
Total depreciation expense - governmental activities	\$ 24,538,711
<u>Business-type activities:</u>	
Major funds:	
Airport	\$ 27,845,671
Joint Water and Sewer	40,843,474
Refuse Disposal	4,782,031
Housing Authority	1,733,369
Nonmajor funds	7,933,688
Total depreciation expense - business-type activities	\$ 83,138,233

D. Capitalized interest

Changes to the capital assets for the business-type activities for 2003 include the following amounts of capitalized interest:

	Total Interest	Interest Related to Tax-Exempt Borrowing	Net
Interest expense	\$ 28,849,440	\$ 3,815,849	\$ 25,033,591
Interest income	4,160,786	1,653,960	2,506,826
Capitalized interest		\$ 2,161,889	

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 9 RESTRICTED ASSETS

Restricted assets arise principally from legal restrictions on expenditures of proceeds from general obligations bonds or sales tax revenue bonds in the governmental activities or on expenditures of proceeds from revenue bonds of the enterprise funds. The amount of restricted assets reported in the statement of net assets at June 30, 2003 is as follows:

A. Governmental Activities

Capital Acquisitions Fund \$ 34,401,951

B. Business-type activities

Airport Fund	\$ 68,611,404
Joint Water and Sewer Fund	89,712,682
Refuse Disposal Fund	15,915,311
Housing Authority Fund	387,487
Nonmajor Enterprise Funds	<u>23,846,697</u>
Totals	<u>\$ 198,473,581</u>

NOTE 10 LONG-TERM OBLIGATIONS

A. Governmental activities

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

The changes in the long-term obligations of the governmental activities for the year ended June 30, 2003, are as follows:

	Outstanding				Payable in one year
	July 1	Increases	Decreases	June 30	
General Obligation Bonds	\$ 209,865,000	\$ -	\$ 49,810,000	\$ 160,055,000	\$ 33,245,000
Sales Tax Revenue Bonds	159,790,000	-	3,885,000	155,905,000	3,170,000
Sales Tax Revenue Notes	700,000	-	126,312	573,688	135,888
Special Assessment Bonds and Notes					
With Governmental Commitment	22,407,474	-	8,985,964	13,421,510	2,427,611
Accrued vacation and sick leave pay	26,003,279	19,557,303	20,111,658	25,448,924	16,234,794
Accrued claims payable	39,298,513	17,507,793	16,204,742	40,601,564	11,153,000
Less deferred amounts:					
Unamortized Bond Discounts	(17,053,338)	-	(1,284,722)	(15,768,616)	-
Unamortized Bond Premiums	2,240,264	-	570,906	1,669,358	-
	443,251,192	37,065,096	98,409,860	381,906,428	66,366,293
Current portion of long-term obligations	(85,294,016)	-	(18,927,723)	(66,366,293)	-
Total	\$ 357,957,176	\$ 37,065,096	\$ 79,482,137	\$ 315,540,135	\$ 66,366,293

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. The sick leave and vacation pay obligations are being liquidated primarily by the following funds: General, Air Quality, City/County Facilities, Gas Tax Road, Plaza Del Sol Building, and Acquisition and Management of Open Space Expenditures. Limited amounts are being liquidated by other funds.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 10 LONG-TERM OBLIGATIONS, continued

A. Governmental activities, continued

General obligation bonds outstanding at June 30, 2003, are as follows:

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

The Constitution of the State of New Mexico limits the amount of general purpose general 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, 2003, based on the most recent assessed taxable valuation of \$7,623,843,160, the City may issue an additional \$192,068,000 of general purpose general obligation bonds. Included in the general obligation bonds outstanding at June 30, 2003, are Storm Sewer bonds in the amount of \$47,170,000 that are not subject to the legal debt limit.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 10 LONG-TERM OBLIGATIONS, continued

A. Governmental activities, continued

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

Sales tax revenue bonds and notes outstanding at June 30, 2003, 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	\$ 35,305,000	6.60/7.10%	July 1, 2019	103% beginning July 1, 2011
May 1, 1992 Refunding	5,885,000	6.00/6.30%	July 1, 2007	102% beginning July 1, 2002
March 7, 1995	1,300,000	adjustable weekly	July 1, 2023	100% beginning March 7, 1995
October 15, 1996 Refunding	10,885,000	5.00%	July 1, 2011	100% beginning July 1, 2007
January 15, 1999 A Refunding	5,465,000	3.75/5.00%	July 1, 2015	100% beginning July 1, 2009
January 15, 1999 B Refunding	45,335,000	4.60/5.00%	July 1, 2025	100% beginning July 1, 2009
March 15, 1999 C Refunding	27,130,000	4.75/5.25%	July 1, 2022	100% beginning July 1, 2009
January 20, 2000 A	24,600,000	adjustable weekly	July 1, 2014	100% beginning January 20, 2000
April 27, 2001, Note	<u>573,688</u>	3.02/3.62%	July 1, 2006	None
	<u>\$ 156,478,688</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.

Special Assessment debt and notes in the amount of \$13,421,510 are outstanding at June 30, 2003. Interest rates range from 3.21% to 7.10%, and maturities extend through January 1, 2015.

B. Business-type activities

The changes in the Business-type activities obligations for the year ended June 30, 2003, are as follows:

	<u>Outstanding</u>			<u>June 30</u>	<u>Payable in one year</u>
	<u>July 1</u>	<u>Increases</u>	<u>Decreases</u>		
Revenue bonds	\$ 560,100,000	\$ -	\$ 48,020,000	\$ 512,080,000	\$ 41,720,000
Loans and notes payable	49,137,006	18,600,000	3,201,375	64,535,631	960,484
Accrued vacation and sick leave pay	6,714,731	6,520,881	6,422,172	6,813,440	4,614,876
Less deferred amounts:					
Deferred refunding costs	(11,910,634)	-	(2,228,027)	(9,682,607)	-
Unamortized bond premiums	6,057,950	-	1,059,898	4,998,052	-
Unamortized bond discounts	<u>(9,588,405)</u>	-	<u>(1,725,064)</u>	<u>(7,863,341)</u>	-
	600,510,648	25,120,881	54,750,354	570,881,175	47,295,360
Current portion	<u>(46,592,057)</u>	<u>-</u>	<u>703,303</u>	<u>(47,295,360)</u>	<u>-</u>
Business-type activity long-term obligations	<u>\$ 553,918,591</u>	<u>\$ 25,120,881</u>	<u>\$ 55,453,657</u>	<u>\$ 523,585,815</u>	<u>\$ 47,295,360</u>

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 10 LONG-TERM OBLIGATIONS, continued

B. Business-type activities, continued

The sick leave and vacation pay obligations are being liquidated primarily by the following funds: Airport, Joint Water and Sewer, Refuse Disposal, Housing Authority, Golf Course, Transit, and Parking Facilities.

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

Airport Revenue bonds outstanding at June 30, 2003, are as follows:

<u>Issue</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Call Provisions</u>
May 3, 1995 Refunding	53,000,000	a *	July 1, 2014	100% on any interest payment date
April 3, 1997 Refunding	29,335,000	6.25/6.75%	July 1, 2018	102% beginning July 1, 2007
September 1, 1998 Refunding	40,785,000	3.80/5.00%	July 1, 2019	100% beginning July 1, 2008
May 4, 2000 A	6,800,000	a	July 1, 2020	100% on any interest payment date
May 4, 2000 B	39,500,000	a	July 1, 2020	100% on any interest payment date
August 1, 2001	<u>42,330,000</u>	3.20/4.75%	July 1, 2016	100% beginning July 1, 2012
Total outstanding	211,750,000			
Unamortized premiums	748,578			
Deferred refunding costs	<u>(5,973,703)</u>			
Net outstanding	<u>\$ 206,524,875</u>			

a - adjustable weekly

* Concurrently, with the issuance of these bonds, the City entered into an interest rate exchange agreement in order to effectively fix the City's interest obligation on the Series 1995 bonds. In that agreement, the City is obligated to pay interest at the fixed interest rate of 6.685% per annum.

The Apartments Revenue Bonds are secured by pledges of net revenues of the apartments.

In July 2000, the City pursuant to a mortgage and indenture of trust issued the \$15,080,000 Affordable Housing Projects Refunding Revenue Bonds Series 2000 (Series 2000) to refund previously issued revenue bonds. The Series 2000 revenue bonds consist of debt issued by three City owned trusts; Beach, Bluewater Village and Manzano Vista Apartments. The debt constitutes a limited obligation of the City and is payable solely from the resources of these trusts. The respective facilities and the revenues derived from these facilities are pledged for the repayment of the bonds. The mortgage and indenture of trust contain significant requirements for annual debt service and use of project revenues and resources. Required funds include escrow and expense funds, a debt service fund, use of project reserve funds (debt service, retained earnings coverage and sinking fund installment accounts) and restricted property reserve funds (rehabilitation, renovation, repair and replacement accounts).

The Series 2000 bonds mature July 1, 2003 and bear a variable interest rate based upon similar tax free obligations (BMA index). At the option of the City, interest is paid on market rates for either daily, weekly, short term or long term interest rate periods. Based on interest rate periods, interest is paid no less than monthly or in the case of long term periods paid semi annually each July and January. At June 30, 2003 and 2002 interest was being paid monthly. The average interest rate on the Series 2000 bonds for the years ended June 30, 2003 and 2002 was 1.26% and 1.7% respectively. The weekly interest rate at June 30, 2003 and 2002 was .97% and 1.23% respectively.

The City has executed a standby bond purchase agreement (expires July 20, 2005) to provide a liquid facility for the potential repurchase of bonds at the option of the bond owner (at par) as allowed under the terms of the mortgage and indenture of trust. The City has contracted with a remarketing agent to resell bonds purchased pursuant to the standby bond purchase agreement.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 10 LONG-TERM OBLIGATIONS, continued

B. Business-type activities, continued

The Series 2000 bonds are subject to optional and mandatory redemptions generally at par (unless long term rates are in effect) as required by the mortgage and indenture of trust commencing July 1, 2001. The Apartments debt in the amount of \$14,380,000 is outstanding at June 30, 2003 and maturities extend through July 1, 2030.

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

Golf Course Revenue bonds outstanding at June 30, 2003 are as follows:

<u>Issue</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Call Provisions</u>
February 1, 2001	\$ 2,295,000	5.70/6.70%	July 1, 2011	100% beginning July 1, 2007
Unamortized discounts	<u>(4,547)</u>			
Net outstanding	<u>\$ 2,290,453</u>			

Joint Water and Sewer Revenue Bonds are secured by a pledge of net revenues derived from the operations of the joint water and sewer system. In ordinances pursuant to the issuance of these bonds, the City has agreed to charge all users of the system such reasonable rates as are sufficient to produce net revenues annually to pay 133% of the annual debt service requirements on all outstanding system obligations. The City met those requirements at the end of the fiscal year.

Joint Water and Sewer Revenue Bonds outstanding at June 30, 2003, are as follows:

<u>Issue</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Call Provisions</u>
June 1, 1990 A	\$ 32,580,000	6.00/7.20%	July 1, 2008	100% beginning July 1, 2000
January 1, 1994 A	27,375,000	2.75/5.50%	July 1, 2005	Not callable
August 1, 1995	22,360,000	3.625/6.00%	July 1, 2007	Not callable
June 15, 1997	34,670,000	4.75%	July 1, 2009	100% beginning July 1, 2006
January 1, 1999A	83,400,000	3.80/5.25%	July 1, 2011	Not callable
May 1, 2000A	19,735,000	5.00%	July 1, 2006	Not callable
December 1, 2001	<u>29,900,000</u>	3.00/4.50%	July 1, 2013	100% beginning July 1, 2010
Total outstanding	250,020,000			
Unamortized:				
premiums	3,718,156			
discounts	(7,573,860)			
deferred refunding costs	<u>(3,226,631)</u>			
Net outstanding	<u>\$ 242,937,665</u>			

Included in the outstanding Joint Water and Sewer Revenue Bonds are the June 1, 1990A issue, capital appreciation bonds with a par amount of \$32,580,000, net of original issue discount of \$22,588,290. No payment of principal or interest is due on these bonds until July 1, 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 \$15,014,430 has accreted as of June 30, 2003, and accordingly, the interest expense and related liability are included in the financial statements of the City. The accreted interest is included as a reduction of the unrestricted net assets.

Joint Water and Sewer Notes Payable and 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.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 10 LONG-TERM OBLIGATIONS, continued

B. Business-type activities, continued

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, 2003, was \$20,758,437 .

A line of credit agreement with the New Mexico Environment Department was entered into by the Fund on June 18, 2002. This agreement provides that the Fund may draw a total of \$12,000,000 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. Interest is 3.0 percent on funds drawn. At June 30, 2003, the Fund had drawn \$3,484,446.

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, 2003, was \$4,844,525.

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, 2003, was \$1,231,859.

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, 2003, was \$4,396,274.

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, 2003, was \$11,804,536.

On April 12, 2002, the City executed a loan agreement with the New Mexico Finance Authority in the amount of \$450,000 with an average interest rate of 3.6%. The proceeds from the loan will be used to construct chemical storage facilities used as part of the City's drinking water disinfection system. Final payment is due on July 1, 2014. The balance due at June 30, 2003 was \$450,000.

On May 10, 2002, the City executed a loan agreement with the New Mexico Finance Authority in the amount of \$2,450,000 with an average interest rate of 2.8%. The proceeds from the loan will be used for the construction of a drinking water disinfection system in the City's water and wastewater utility system. Final payment is due on July 1, 2014. The balance due at June 30, 2003 was \$2,450,000.

On April 11, 2003, the City executed a loan agreement with the New Mexico Finance Authority in the amount of \$3,600,000 with an interest rate of 2.0%. The proceeds from the loan will be used for the construction of a pump station in the City's water and wastewater utility system. Final payment is due on January 1, 2016. The balance due at June 30, 2003 was \$3,600,000.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 10 LONG-TERM OBLIGATIONS, continued

B. Business-type activities, continued

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

Refuse Disposal Revenue Bonds outstanding at June 30, 2003, are as follows:

<u>Issue</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Call Provisions</u>
September 1, 1992	\$ 1,610,000	5.20/5.60%	July 1, 2005	102% beginning July 1, 2002
July 1, 1995	10,180,000	3.85/5.30%	July 1, 2009	Not callable
February 1, 1998	8,060,000	3.75/5.00%	July 1, 2013	100% beginning July 1, 2007
May 1, 2001A	2,965,000	4.00/4.10%	July 1, 2008	Not callable
May 1, 2001B	<u>10,820,000</u>	3.63/5.25%	July 1, 2012	Not callable
Total outstanding	33,635,000			
Unamortized premiums	246,383			
Deferred refunding costs	<u>(482,272)</u>			
Net outstanding	<u>\$ 33,399,111</u>			

Stadium Loans are secured by pledges of net revenues of the Albuquerque baseball stadium.

On October 4, 2002 the City entered into a Taxable Stadium Lease loan agreement with the New Mexico Finance Authority in the amount of \$6,000,000 with an average interest rate of 5.2%. Final payment is due on July 1, 2026. The balance due on June 30, 2003 was \$6,000,000.

On December 27, 2002 the City entered into a Taxable Surcharge loan agreement with the New Mexico Finance Authority in the amount of \$9,000,000 with an average interest rate of 4.2%. Final payment is due on July 1, 2026. The balance due on June 30, 2003 was \$9,000,000.

Both loans were used to finance reconstruction of the existing baseball stadium. See Note 22.

Housing Authority Debt. The U.S. Housing and Urban Development Department (HUD) guaranteed third party debt consisting of new Housing Authority (HA) revenue bonds and permanent notes payable to the Federal Financing Bank were issued to provide for the development and modernization of low rent housing units. These bonds and notes are payable by HUD and secured by annual contributions to the HA. HUD regulations state that the bonds and notes do not constitute a debt of the HA and, accordingly, these have not been reported in the accompanying financial statements. At June 30, 2003, the outstanding balance of the revenue bonds was \$1,065,000 with annual payments required through 2013 and the outstanding balance of the permanent notes was \$8,332,048 with annual payments required through 2017.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 10 LONG-TERM OBLIGATIONS, continued

C. Summary of Annual Debt Service Requirements

The annual debt service requirements on the obligations outstanding at June 30, 2003 are as follows:

Year ending June 30	Governmental activities		Business-type activities	
	Principal	Interest	Principal	Interest
2004	\$ 36,550,888	\$ 12,746,609	\$ 42,680,484	\$ 23,648,525
2005	28,742,836	11,212,277	49,017,658	22,700,918
2006	29,886,451	9,834,319	51,721,836	20,418,413
2007	27,669,505	8,630,860	52,878,810	18,122,394
2008	24,888,139	7,436,845	55,963,871	15,950,811
2009-2013	82,187,380	25,345,137	210,742,549	50,176,684
2014-2018	37,550,000	17,165,375	91,643,480	15,764,532
2019-2023	44,360,000	9,598,439	35,336,824	3,500,184
2024-2028	18,120,000	1,612,688	7,950,119	728,017
2029-2031	-	-	2,980,000	59,558
Total	\$ 329,955,199	\$ 103,582,548	\$ 600,915,631	\$ 171,070,036

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, 2003, the City has set aside an amount of \$1,142,836 in arbitrage interest due the IRS in connection with future filings and payments to the IRS. This amount is reported as a deferred credit in the statement of net assets.

NOTE 11 DEMAND BONDS

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

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

At June 30, 2003, no amounts were drawn on the "take out" agreements, which are as follows:

Sales Tax Revenue Bonds March 7, 1995

Remarketing Agent	Citigroup
Terms of "Take-Out" Agreement:	
Purchaser	Bank of America
Method of Purchase	Direct Pay Letter of Credit
Expiration Date	November 27, 2004
Annual Fee	.45% on the stated amount of the letter of credit
Stated Amount at Time of Issuance	\$2,018,220 (Principal outstanding plus 295 days of interest at 15%)
Bonds Outstanding at 6/30/2003	\$1,300,000
Annual Debt Service Requirements	\$195,000, Final payment of \$1,300,000 due July 1, 2023

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 11 DEMAND BONDS, continued

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

Remarketing Agent	Citigroup
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 6/30/2003	\$53,000,000
Annual Debt Service Requirements	Range of payment is from \$622,500 to \$5,025,000

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 6/30/2003	\$46,300,000
Annual Debt Service Requirements	Range of payment is from \$5,413,000 to \$9,679,000

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 6/30/2003	\$24,600,000
Annual Debt Service Requirements	Range of payment is from \$2,800,000 to \$4,564,000

Affordable Housing Projects Refunding Revenue Bonds, Series 2000, July 1, 2000

Remarketing Agent	Newman & Associates, Inc.
Insured by	MBIA Insurance Corporation
Terms of "Take-Out" Agreement:	
Purchaser	Bank of America, N.A.
Method of Purchase	Liquidity Facility
Expiration Date	July 20, 2005
Annual Fee	.125% on the stated amount of the liquidity facility
Stated Amount at Time of Issuance	\$16,085,333 (Principal outstanding plus 200 days of interest at 12%)
Bonds Outstanding at 6/30/2003	\$14,380,000
Annual Debt Service Requirements	Range of payment is from \$1,428,400 to \$2,798,400

NOTE 12 REFUNDED BONDS

The City has refunded various bond issues by issuing refunding bonds, the proceeds of which have been placed in escrow and used to purchase securities of the United States Government and related agencies at various interest rates and maturities sufficient to meet all debt service requirements of the refunded debt. These assets are administered by trustees and are restricted to use for retirement of the refunded debt. The liability for the refunded bonds and the related securities and escrow accounts are not included in the accompanying general purpose financial statements as the City satisfied its obligation for payment of the refunded debt upon completion of the refunding transactions. Refunded debt outstanding at June 30, 2003, is as follows:

Sales Tax Revenue Bonds	<u>\$21,266,597</u>
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CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 13 CONDUIT BONDS

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

Industrial Revenue Bonds

As of June 30, 2003, there were seventy-four series of Industrial Revenue Bonds outstanding. The aggregate principal amount payable for the thirty-seven series issued after July 1, 1995, is \$1.2 billion. The aggregate principal amount payable for the thirty-seven series issued prior to July 1, 1995, could not be determined; however, the original amount issued totaled \$601.9 million.

Metropolitan Redevelopment Bonds

As of June 30, 2003, there were nine series of Metropolitan Redevelopment Bonds outstanding. The aggregate principal amount payable for the three series issued after July 1, 1995 is \$5.42 million. The aggregate principal amount for the six series issued prior to July 1, 1995, could not be determined; however, the original amount issued totaled \$24,875,000.

NOTE 14 DEFICIT FUND EQUITIES

Special Revenue Funds

The Community Development Fund at June 30, 2003 has a deficit unreserved fund balance of \$478,480 and the deficit total fund balance is \$478,480. The deficit results from expenditures made in anticipation of future revenue from sources other than grants.

Capital Projects Funds

While the total unreserved fund balance of the Capital Acquisition Fund is not in a deficit position, deficit unreserved fund balances for certain purposes result because capital expenditures and encumbrances are made prior to issuance of general obligation bonds. The resulting deficit fund balance of the Rio Grande Zoo purpose at June 30, 2003, is \$1,555,580.

While the total unreserved fund balance of the Quality of Life Fund is not in a deficit position, deficit unreserved fund balances for certain purposes result because capital expenditures and encumbrances are made in anticipation of additional revenues and transfers. The resulting deficit unreserved fund balance of the Quarter Cent Storm Drain purpose at June 30, 2003, was \$88,202 and the Rio Grande Bosque RR purpose was \$260, at June 30, 2003

Internal Service Funds

The deficit fund net assets of the Risk Management Fund decreased to \$12,651,150 at June 30, 2003 from the \$14,109,749 deficit fund net assets at June 30, 2002. The City has implemented a five year recovery plan that will reduce the deficit net assets beginning in the fiscal year ending June 30, 2003 by increasing charges to other funds.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 15 INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2003, were as follows:

From	To		
General Fund	Corrections and Detention Fund	\$	20,766,000
General Fund	Capital Acquisition Fund		6,486,000
General Fund	Nonmajor Proprietary Funds		15,556,000
General Fund	Nonmajor Governmental Funds		8,776,352
Corrections Fund	Joint Water & Sewer Capital Fund		487,245
Capital Acquisition Fund	Nonmajor Proprietary Funds		639,299
Joint Water & Sewer Fund	General Fund		5,098,927
Refuse Disposal Fund	General Fund		1,061,791
Nonmajor Governmental Funds	General Fund		651,000
Nonmajor Proprietary Funds	General Fund		310,462
Nonmajor Governmental Funds	Nonmajor Governmental Funds		8,025,757
Nonmajor Governmental Funds	Nonmajor Proprietary Funds		5,732,307
Total transfers			\$ 73,591,140
		<u>Transfers In</u>	<u>Transfers Out</u>
Exhibit A-4, "Statement of Revenues, Expenditures, and Changes in Fund Balances - All Governmental Funds		\$ 51,176,289	\$ 66,850,960
Exhibit A-8, "Statement of Revenues, Expenses, and Changes in Net Assets - All Proprietary Funds		22,414,851	6,740,180
Total transfers		\$ 73,591,140	\$ 73,591,140

The transfers from the General Fund to the other funds are for the purpose of: 1) providing a subsidy for the operations of the Transit and Parking Facilities nonmajor enterprise funds, 2) funding the City's share of the cost of operations of the Corrections and Detention Fund with Bernalillo County, 3) providing the City's local match for operating grants from federal and state agencies, 4) funding the purchase of police and fire vehicles, and various construction projects, and 5) transferring resources to debt service funds for the retirement of General Obligation and Sales Tax Refunding bonds.

The transfers to the General Fund from the major and nonmajor enterprise funds are primarily for payments in lieu of taxes.

Other transfers relating to funds within the nonmajor governmental funds type are: 1) for debt retirement and various other purposes, and 2) from permanent funds to the related expenditures governmental special revenue funds. The transfers from the nonmajor governmental fund to the nonmajor proprietary funds are for the transfer of a portion of the Infrastructure Tax Revenues to the Transit fund to be used for improvements to the local bus service.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 16 SEGMENT INFORMATION

Significant financial data for identifiable activities of major enterprise funds are reported in the statements for proprietary funds in the basic financial statements section. Significant financial data for identifiable activities of nonmajor enterprise funds as of and for the year ended June 30, 2003, (in thousands of dollars) is as follows:

	Golf Course Fund	Apart- ments Fund	Parking Facilities Fund	Stadium Fund	Transit Fund	Total
CONDENSED STATEMENT OF NET ASSETS						
Assets:						
Current assets	\$ 330	\$ 501	\$ 336	\$ 603	\$ 4,985	\$ 6,755
Restricted assets	2,362	3,980	7,302	398	9,805	23,847
Capital assets	5,744	15,608	28,686	22,618	41,175	113,831
Other assets	83	-	291	269	-	643
Total assets	8,519	20,089	36,615	23,888	55,965	145,076
Liabilities:						
Current liabilities	196	110	260	26	2,065	2,657
Liabilities payable from restricted assets	312	306	-	377	809	1,804
Bonds and other long-term liabilities	2,155	14,180	42	15,004	355	31,736
Advance from other funds	-	-	24,300	-	-	24,300
Total liabilities	2,663	14,596	24,602	15,407	3,229	60,497
Net assets:						
Invested in capital assets, net of related debt	4,570	1,807	10,023	7,886	41,175	65,461
Net assets restricted for:						
Debt service	52	-	823	22	-	897
Construction	1,164	-	1,134	-	8,995	11,293
Unrestricted net assets (deficit)	70	3,686	33	573	2,566	6,928
Total net assets	\$ 5,856	\$ 5,493	\$ 12,013	\$ 8,481	\$ 52,736	\$ 84,579
CONDENSED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS						
Operating revenues	\$ 3,861	\$ 3,067	\$ 3,575	\$ 705	\$ 3,276	\$ 14,484
Depreciation	(430)	(660)	(1,243)	(518)	(5,083)	(7,934)
Other operating expenses	(3,436)	(2,154)	(3,023)	(122)	(26,065)	(34,800)
Operating income (loss)	(5)	253	(691)	65	(27,872)	(28,250)
Nonoperating revenues (expenses):						
Investment earnings	51	114	(8)	6	259	422
Interest and other debt related expenses	(160)	(288)	(415)	(510)	-	(1,373)
Other	69	(19)	-	8	2,205	2,263
Capital contributions	-	-	(367)	8,912	7,163	15,708
Transfers in	-	-	-	-	21,928	21,928
Transfers out	(50)	-	(121)	-	(139)	(310)
Change in net assets	(95)	60	(1,602)	8,481	3,544	10,388
Beginning net assets	5,951	5,433	13,615	-	49,192	74,191
Ending net assets	\$ 5,856	\$ 5,493	\$ 12,013	\$ 8,481	\$ 52,736	\$ 84,579
CONDENSED STATEMENT OF CASH FLOWS						
Net cash provided (used) by:						
Operating activities	\$ 450	\$ 869	\$ 633	\$ 335	\$ (21,902)	\$ (19,615)
Noncapital financing activities	(50)	-	(1,933)	-	22,875	20,892
Capital and related financing activities	(337)	(1,026)	(2,832)	374	1,479	(2,342)
Investing activities	51	114	79	6	259	509
Net increase (decrease)	114	(43)	(4,053)	715	2,711	(556)
Beginning cash and cash equivalents	2,563	4,089	9,184	-	9,952	25,788
Ending cash and cash equivalents	\$ 2,677	\$ 4,046	\$ 5,131	\$ 715	\$ 12,663	\$ 25,232

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 17 DEFINED BENEFIT PENSION PLAN

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

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

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

FUNDING POLICY - Covered employees are required by State statute to contribute a percentage of their gross salary; the City of Albuquerque is also required by State statute to contribute a certain percent depending on the type of plan. The following are the plans covered by the City, contribution requirements, and contributions actually made (in thousands of dollars) for the year ended June 30, 2003.

<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%	\$ 4,871	19.01%	\$ 28,172
General - Bus Drivers	13.15%	829	9.15%	577
General - Other	7.00%	156	7.00%	156
Police	16.30%	6,892	18.50%	7,822
Fire	15.20%	<u>4,284</u>	20.25%	<u>5,620</u>
		<u>\$ 17,032</u>		<u>\$ 42,347</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>
2002	\$17,168	\$43,344
2001	16,058	41,251

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, 2003, was \$225,441,020; the total payroll for all employees of the City of Albuquerque was \$254,522,658.

NOTE 18 POST-EMPLOYMENT BENEFITS

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

LIFE INSURANCE BENEFITS: Life insurance benefits authorized by the City's Merit System Ordinance and Personnel Rules and Regulations for eligible employees are reduced by 50%, not to exceed \$25,000, upon retirement. Life insurance benefits are paid through premiums to an insurance company under an indemnity plan. The insurance company has the right to adjust the premiums based on claims paid. Historically, the claims paid in any one year have not exceeded the premiums. The City recognizes the cost of providing the life insurance benefits by charging the insurance premiums to expenditures. The life insurance costs for the fiscal year ended June 30, 2003, were approximately \$139,605. The number of retired employees covered under the life insurance benefit was 2,974 at June 30, 2003, and the amount of life insurance coverage for these retired employees was \$53,694,400.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 18 POST-EMPLOYMENT BENEFITS, continued

RETIREE HEALTH CARE ACT CONTRIBUTIONS: The Retiree Health Care Act (Sec 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, the Magistrate Retirement Act, or the Public Employees Retirement Act.

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

Each participating employer makes contributions to the fund in the amount of 1.3 percent of each participating employee's annual salary. Each participating employee contributes to the fund an employee contribution in an amount equal to 0.65 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 \$2,930,733 in employer contributions and \$1,465,367 in employee contributions in the fiscal year ended June 30, 2003.

NOTE 19 DEFERRED COMPENSATION

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

NOTE 20 LANDFILL CLOSURE AND POSTCLOSURE CARE COST

Federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and post-closure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and post-closure care costs in the Refuse Disposal Fund (Enterprise) as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$1,306,429 reported as other liabilities payable from restricted assets at June 30, 2003, represents the cumulative amount reported to date based on the use of 14.8% of the estimated capacity of the Cerro Colorado and South Broadway Landfills. The City will recognize the remaining estimated cost of closure and post-closure care of \$6,941,400 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and post-closure care in 2003. The City expects to close the landfill in the year 2037. Actual cost may be higher due to inflation, change in technology, or change in regulations.

The City has set aside \$1,623,275 for future post-closure costs. This amount is reported as a restricted asset on the balance sheet. The City expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate, or additional post-closure care requirements are determined (due to change in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 21 RISK MANAGEMENT

The City is exposed to various risks of loss related to torts and civil rights (including law enforcement and employment related exposures); theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City uses the Risk Management Fund (an internal service fund) to account for and finance its uninsured risks of loss. Under this program, the Risk Management Fund provides coverage for up to a maximum of \$500,000 for each worker's compensation incident, \$1,050,000 for each tort liability claim, and \$50,000 for each City real and contents 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 was 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. Effective July 1, 2003, there will be unlimited coverage for these claims.

The Risk Management Fund tracks claims on a fund by fund basis and assesses charges to each fund based on historical claims experience, and to establish a reserve for catastrophic losses. That reserve was \$1,000,000 at June 30, 2003, and is included in the unrestricted net assets (deficit) of the Risk Management Fund. The claims liabilities reported in the Risk Management 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 the loss can be reasonably estimated. The amounts and change in the Fund's claims liability is reported in Note 10 – Long-term Obligations.

NOTE 22 NEW FUNDS

Apartments Fund

The City created this fund to report the assets, liabilities and net assets of its City-owned apartments. These apartments are provided for low income persons. For the fiscal year ended June 30, 2003, the operating revenue was \$3.1 million while the operating expenses was \$2.8 million. The non-operating revenues (expenses) was a net expense of \$.2 million. Refer to Note 23 for more information.

False Alarm Enforcement and Education Fund

This fund was established to account for fees and fines collected under the newly revised Albuquerque Alarm System Ordinance (Enactment 8-2003). The purpose of the ordinance is to establish criteria governing the installation, use and maintenance of Alarm Systems within the City in order to reduce or eliminate the false alarms that consume public safety resources. The revenue collected from May 1st through June 30, 2003 was \$276 thousand and will be used to fund the costs of enforcing this ordinance and to fund the purchase of equipment.

Stadium Fund

This fund was established to account for the operation and maintenance of the renovated baseball stadium for the local AAA baseball team. The City has entered into a twenty year lease contract with the Albuquerque Baseball Club, LLC.

The renovated baseball stadium was constructed using a combination of funding from General Obligation Taxable Baseball Bonds of \$10.0 million and two loans from the New Mexico Finance Authority totaling \$15.0 million. The General Obligation bonds are being re-paid from the G.O. Debt Service Fund using property taxes as its source of revenue.

The \$23.1 million cost of renovating the stadium was recorded in the Capital Acquisition Fund. Upon completion, the cost of the stadium was transferred to the Stadium Fund and is reported as a capital asset. The capital contribution of \$8.9 million results from the contribution of the \$23.1 million renovation cost plus other ancillary costs that was offset by the assumption of the \$15.0 million in loans. These loans will be repaid from the net earnings of this fund.

For fiscal year ended June 30, 2003, the fund reported total revenues of \$705 thousand and expenses of \$640 thousand including \$518 thousand in depreciation expense. The fund also incurred debt service expenses of \$510 thousand resulting in a negative change in net assets of \$430 thousand before the capital contribution noted above.

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 23 RESTATEMENT OF PRIOR PERIOD FUND BALANCES OR NET ASSETS

The Open Space Permanent Fund was restated to report the fund under the current financial resources measurement focus and on the modified accrual basis. The change resulted in a reduction of the reported fund balance by \$3,824,507. In addition, the reported deferred revenue was increased by \$3,824,507. The beginning fund balance reported in the Statement of Revenue, Expenditures, and Changes in Fund Balance - Governmental Funds (Exhibit A-4) has also been reduced by the same amount. However, since the City-Wide Statement of Net Assets (Exhibit A-1) is reported on a full economic resources measurement focus and on the full accrual basis, no change is required in the reported net assets of the City.

The City has determined that the City-owned apartments, previously reported only in trusts, should also be reported in the City's financial statements. Accordingly, the apartments are now being reported in the Apartments Fund. As a result, the beginning net assets as reported in the Statement of Revenues, Expenses, and Changes in Net Assets - Proprietary Funds (Exhibit A-8) has been increased by \$5,432,548. In addition, the beginning net assets as reported in the City-wide Statement of Activities (Exhibit A-2) has been increased by the same amount. Refer to Note 22 for more information.

The City has determined that the receivable and revenue of a grant in the Operating Grants fund had been understated by \$466,711. Accordingly, the beginning fund balance reported in the Statement of Revenue, Expenditures, and Changes in Fund Balance - Governmental Funds (Exhibit A-4) and the beginning net assets as reported in the City-wide Statement of Activities (Exhibit A-2) has been increased by that amount.

NOTE 24 COMMITMENTS AND CONTINGENT LIABILITIES

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

Government activities:

Major Funds:	
General Fund	\$ 629,026
Corrections Fund	151,138
Capital Acquisition Fund	33,335,977
Nonmajor Government Funds	23,167,746
Internal Service Funds	<u>547,771</u>
Total Government Funds	<u>\$ 57,831,658</u>

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

Business-type activities:

Major Funds:	
Aviation Fund	\$ 13,214,996
Joint Water and Sewer Fund	33,901,258
Refuse Disposal Fund	6,726,452
Housing Authority Fund	54,725
Nonmajor Business-type Funds	<u>6,503,729</u>
Total Business Funds	<u>\$ 60,401,160</u>

The City has various lease commitments for real property. The lease commitments are for one to three years, with most leases being for two years. About half of the leases have renewal options; the others do not. Lease expenses of \$1,380,516 were incurred for the year ended June 30, 2003. Lease commitments for future years are as follows:

2004	\$767,423
2005	659,816
2006	366,570
2007	268,273

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 24 COMMITMENTS AND CONTINGENT LIABILITIES, continued

On March 2, 2002, the City entered into a long-term lease agreement with a lessee, who will manage a parking structure in the downtown area of the City. The lease is for a twenty year period. Lessee is to pay monthly a minimum rental fee that ranges from \$120,578 in the first lease year to \$562,599 per year beginning in the sixteenth year for the remaining term of the lease. As part of that lease, the lessee has the option to delay payment of up to six month's rent in any lease year. Interest will accrue for these delayed payments. The lessee is required to pay the deficiency for any lease month within thirty six months. No rental payments have been received by the City as of June 30, 2003. Lessee is required to maintain the parking structure in good condition. At the end of the lease term, the lessee will purchase the parking structure for the price of \$11,251,926 plus all interest accrued on basic rent deficiencies plus all additional rents due as stipulated in the contract to cover certain costs including credit enhancement expenses and fiscal agent fees with respect to a bond issue used for the acquisition of the parking structure by the City. Furthermore, lessee has an option to purchase the parking structure beginning after the tenth anniversary of the lease. That purchase price is the sum of all of the minimum rents due through the date of option exercise plus all of the amounts due in a similar manner required for the purchase at the end of the twenty year period.

The City has incurred but has not recorded liabilities and expenditures in the amount of \$128 thousand in connection with natural gas purchases from Enron Energy Services, Inc. (Enron) that has filed Chapter 11 Bankruptcy proceedings. As part of the Natural Gas Sales Agreement, Enron furnished a Supply/Performance Bond to the City. As a result of Enron's bankruptcy, the City incurred an additional \$360 thousand in costs of acquiring natural gas. The City has filed Lawsuit against the Liberty Mutual Insurance Company (Liberty) under the performance bond petitioning the court to render judgment in favor of the City for Liberty to pay the City \$360 thousand reduced by the \$128 thousand due on the final billing from Enron.

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

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

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

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

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

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

CITY OF ALBUQUERQUE, NEW MEXICO
NOTES TO FINANCIAL STATEMENTS
June 30, 2003

NOTE 25 SUBSEQUENT EVENTS

City election - October 28, 2003:

The City's voters authorized the issuance of general obligation bonds for the following purposes:

Parks and Recreation	\$ 32,548,197
Public Facilities, Equipment and System Modernization	14,247,984
Zoo, Biological Park and Museum	12,758,384
Storm Sewer System	11,576,370
Senior, Family and Community Center	9,505,926
Police	8,585,360
Public Transportation	6,443,100
Fire Protection	6,039,565
Library	<u>3,756,081</u>
	<u>\$ 105,460,967</u>

The City's voters failed to authorize the issuance of general obligation bonds for Streets of \$52,377,493. The City's voters also authorized the imposition of a one-quarter of one percent public safety gross receipts tax, which shall be dedicated to public safety.

Bond issues:

On July 11, 2003, the City issued \$8,750,000 of General Obligation Equipment Bonds, Series 2003A. The proceeds of the Series 2003A bonds will be used to purchase equipment for fire, police, library, transit and street improvements.

On July 11, 2003, the City issued \$81,805,000 of General Obligation General Purpose Bonds, Series 2003B. The proceeds of the Series 2003B bonds will be used for fire and police protection, citizens' centers, parks and recreational facilities, libraries, museums, transit facilities and street improvements.

Also on July 11, 2003, the City issued \$9,440,000 of General Obligation Storm Sewer Bonds, Series 2003C. The Series 2003C bonds will be used to finance storm sewer improvements.

During the 2003 legislative session, legislation was enacted that transfers "all functions, appropriations, money, records, equipment and other real and personal property pertaining to the Albuquerque water and wastewater utility" to a newly created entity, the Albuquerque-Bernalillo Water Utility Authority. Existing debt shall become debt of the Authority, but the Authority shall not impair the rights of any bondholders of outstanding bonds. All contractual obligations of the existing proprietary activity shall be binding on the Authority. Although the legislation had an effective date of June 20, 2003, an audit by the Public Regulation Commission is a condition precedent to the transfer of money, assets and debts to the Authority. That audit is expected to be completed in the last quarter of calendar year 2003. Following the transfer, the Authority is charged with administering the water and wastewater utility, including the determination and imposition of rates for services. It is not possible at this time to forecast if the Authority will chose to administer the utility by itself, contract with the City to provide that service, or select some other alternative.

The City has been selected to undergo an audit by the New Mexico Taxation and Revenue Department. The audit will be a review of the City's reporting on the Gross Receipts and Compensating Tax programs. The fieldwork phase has not yet begun so there is no estimate of liability.