

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 1999**

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**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 1999**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

**A. Financial Reporting Entity**

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

appointment by the City of a majority of voting members of the governing body of an organization, and

ability of the City to impose its will on the daily operations of an organization such as the power to remove appointed members at will; to modify or approve budget, rates or fees, or to make other substantive decisions; or

provision by the organization of specific financial benefits or burdens to the City; or

fiscal dependency by the organization on the City such as from the lack of authority to determine its budget or issue its own bonded debt without City approval.

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

**B. Basis of Presentation**

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

**1. Governmental Fund Types**

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

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

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

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

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

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 1999**

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

**B. Basis of Presentation, continued**

**2. Proprietary Fund Types**

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

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

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

**3. Fiduciary Fund Types**

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

Pension Trust Funds - to account for the City's employee retirement plan, established prior to the Public Employees' Retirement Association of New Mexico.

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

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

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

**4. Account Groups**

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

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

**C. Memorandum Totals**

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

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 1999**

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

**D. Basis of Accounting**

Governmental funds, expendable trust funds, and agency funds utilize the modified accrual basis of accounting. Revenues are recorded when they become measurable and available to pay liabilities of the current period. Revenues not considered available are recorded as deferred revenues. Property taxes are recognized as revenue as of the levy date if they are due or past due in that period and collected within 30 days after the fiscal year end. The following are considered the significant governmental fund revenues susceptible to accrual:

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

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

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

Liabilities for workers' compensation, tort and other claims as of June 30, 1999, were accrued based on actuarial estimates of the City's self-insurance programs. At June 30, 1999, liabilities were based on a case by case evaluation of the probable outcome of claims filed against the City, as well as an estimate of claims incurred but not reported. The long-term portion of the liability is discounted at 5.5% at June 30, 1999, and 1998, over the estimated payment period. Revenues consist primarily of charges to other funds, the amounts of which approximate the cost of claims and other risk management costs arising from the activities of those funds.

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

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

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

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

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 1999**

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

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

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

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

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

U.S. Treasury Obligations - Bills, Notes, and Bonds.

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

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

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

Checking accounts - at insured financial institutions.

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

**F. Statement of Cash Flows**

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

**G. Inventories of Supplies**

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

**H. Land Held for Sale**

Land held for sale, which consists primarily of approximately 8,606 acres located throughout the State of New Mexico obtained by trade with the federal government in July 1982, is part of the Acquisition and Management of Open Space Nonexpendable Trust Fund. Upon sale of these properties, a portion of the gain, if any, as defined in an agreement, is payable to a third party. Other land was obtained through foreclosure proceedings required by special assessment bond ordinances. The land for sale is valued at cost, which does not exceed market value.

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

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 1999**

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

**I. Property and Equipment**

**General Fixed Assets Account Group**

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

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

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

**Proprietary and Nonexpendable Trust Funds**

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

Construction costs of water and sewer lines that are reimbursed by users or that are financed directly or indirectly by developers and property owners are capitalized and recorded as contributed capital in the Joint Water and Sewer (Enterprise) Fund.

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

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

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

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

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

**J. Accrued Employee Benefits**

City employees may accumulate limited amounts of vacation pay which are payable to the employee upon termination or retirement. For governmental funds, expenditures are recognized during the period in which vacation costs become payable from available, expendable resources. A liability for amounts earned but not payable from available, expendable resources is recorded in the General Long-Term Debt Account Group. For proprietary funds, vacation costs are recognized as a liability when earned.

City employees may accumulate limited amounts of sick leave which are payable to the employee upon termination or retirement. For governmental funds, expenditures are recognized during the period in which sick leave costs become payable from available, expendable resources. A liability for vested amounts, due to employees' meeting the termination or retirement requirements, but not payable from available, expendable resources is recorded in the General long-term Debt Account Group. For proprietary funds, sick leave costs are recognized when vested or taken whichever occurs first.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 1999**

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

**K. Deferred Revenue**

The City defers revenue on a water rights contract and special assessments. Revenue is recognized as the receivables are collected. In addition, deferred revenue includes moneys collected for food service and license fees, not yet earned.

**L. Special Assessments**

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

**M. Long-term Debt**

Long-term obligations used to finance proprietary fund capital acquisitions and payable from revenue of proprietary funds are recorded in the applicable proprietary fund. Long-term liabilities of governmental funds payable from general revenues of the City and special assessment levies are recorded in the General long-term Debt Account Group.

**N. Fund Equity Reserves and Designations**

The City records reserves to indicate that a portion of fund equity is legally restricted for a specific future use or is not available for appropriation and/or expenditure. At June 30, 1999 and 1998, fund equity was reserved for:

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

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

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

Employee retirement plan - the equity of the Pension Trust Fund which is reserved for payments to annuitants.

Debt service - the amount of fund equity representing required reserves for debt retirement.

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

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

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

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

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

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

Designated for future appropriations - the amount of taxpayer assessed receivables and revenues recognized at fiscal year end that will not be available for expenditure until the revenue is collected.

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

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

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 1999**

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

**O. Encumbrances**

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

**P. Unbilled Revenues**

Water, sewer, and refuse services are billed on a cycle basis; therefore, amounts for service provided but unbilled as of June 30, 1999 and 1998, are not included in receivables or revenue of the enterprise funds. Such unbilled amounts are not material to the financial position and results of operations of the individual enterprise funds.

**Q. Interfund Transactions**

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

**R. Budgets**

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

The Mayor has authority to change individual program appropriations by the lesser of five percent of the original appropriation or \$100,000, provided that the total amount of appropriations for the fund as approved by the City Council does not change. Approved appropriations lapse at the end of the fiscal year to the extent that they have not been expended or encumbered except any appropriation continued by ordinance. During fiscal year 1999, several supplemental appropriations were necessary. Following are the programs with expenditures that exceeded their appropriations at the end of the fiscal year.



**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 1999**

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

**R. Budgets, continued**

<b>General Fund:</b>		<b>Special Revenue Funds (continued):</b>	
Fiscal agent fees	\$ 1,373	<b>Lodgers Tax Fund:</b>	
Property tax administration fee	34,021	Convention and tourism promotion	\$ 312,960
Mayor's office	401	<b>Plaza Del Sol Building Fund:</b>	
Personnel services	7,854	Building operations	5,710
Community based planning	9,103	<b>Enterprise Funds:</b>	
Early retirement	2,653,711	<b>Airport Fund:</b>	
Education channel	14,583	Payments for general fund services	6,560
Fire station 4	953	<b>Golf Course Fund:</b>	
Fire station 6	8,424	Golf operations	61,197
Fire station 10	21,141	<b>Joint Water and Sewer Fund:</b>	
Fire station 12	23,263	San Juan-Chama strategy	936,385
Fire station 18	1,716	Public works finance - utility	447,822
Fire station 19	14,989	San Juan-Chama water rights	9,263
Fire - CIP funded employees	1,497	CIP funded employees	14,763
Police investigations	1,465,252	Low income utility credit	2,714
Cultural and rec services security	52,772	<b>Parking Facilities Fund:</b>	
Cultural - CIP funded employees	11,010	Parking operations	53,060
Cultural services promotions	1,143	Payments for general fund services	4,285
Zoo	85,721	<b>Refuse Disposal Fund:</b>	
Community and youth recreation	319,756	Early retirement	82,502
Convention center	55,929	Payments for general fund services	5,733
Code administration	9,960	<b>Internal Service Funds:</b>	
Construction coordination	15,118	<b>Risk Management Fund:</b>	
Gasoline tax funded major paving	52,261	Tort liability claims	1,038,318
Traffic engineering/electricity	203,697	<b>Fleet Management Fund:</b>	
Neighborhood coordination	72,277	Fleet management	82,509
Contract services	100,799	Payments for general fund services	3,186
Community services administration	239,888	<b>Communications Fund:</b>	
Operating transfers out	168,641	Radio maintenance	31,677
<b>Special Revenue Funds:</b>		City telephones	2,634
<b>City/County Facilities Fund:</b>		<b>Fiduciary Funds:</b>	
Law enforcement center	4,602	<b>Open Space Expendable Trust Fund:</b>	
<b>Corrections and Detention Fund:</b>		Culture and recreation	3,181
Corrections and detention	2,162,676		
Detoxification	171,676		

The Corrections and Detention and the Detoxification programs in the Corrections and Detention Fund remains overspent by \$1,080,676 and \$85,676, respectively. This represents the portion of the costs to be recovered, in accordance with a cost sharing agreement, from the County of Bernalillo.

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

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

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 1999**

**NOTE 2 CASH AND CASH EQUIVALENTS**

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

The total cash, investments, accrued interest and cash with fiscal agents, net of cash overdrafts of the City at June 30, 1999, consist of the following:

	<u>Pooled</u>	<u>Nonpooled</u>	<u>Total</u>
<b>Cash, investments, accrued interest and cash with fiscal agents, net of unamortized discounts and premiums:</b>			
Repurchase agreements	\$ 89,000,000	\$ 1,331,726	\$ 90,331,726
U.S. Treasury obligations	64,851,563	-	64,851,563
Obligations of federal agencies or instrumentalities	355,272,000	16,445,345	371,717,345
State of New Mexico local government investment pool	-	4,299,177	4,299,177
State of New Mexico Mortgage Finance Authority bonds	-	585,000	585,000
<b>Total investments</b>	<u>509,123,563</u>	<u>22,661,248</u>	<u>531,784,811</u>
Certificates of deposit	99,643	-	99,643
Bank accounts (book balance)	<u>(4,360,627)</u>	<u>788,719</u>	<u>(3,571,908)</u>
<b>Total bank balances</b>	<u>(4,260,984)</u>	<u>788,719</u>	<u>(3,472,265)</u>
Accrued interest receivable	5,629,357	422,509	6,051,866
Imprest cash funds	-	<u>72,897</u>	<u>72,897</u>
<b>Total other</b>	<u>5,629,357</u>	<u>495,406</u>	<u>6,124,763</u>
<b>Total cash, investments, accrued interest and cash with fiscal agents</b>	<u>\$ 510,491,936</u>	<u>\$ 23,945,373</u>	<u>\$ 534,437,309</u>
<b>Cash, investments and accrued interest:</b>			
Unrestricted	\$ 301,209,892	\$ 22,617,224	\$ 323,827,116
Restricted	<u>120,591,610</u>	<u>1,328,149</u>	<u>121,919,759</u>
<b>Total cash, investments and accrued interest</b>	<u>421,801,502</u>	<u>23,945,373</u>	<u>445,746,875</u>
<b>Cash with fiscal agents:</b>			
Unrestricted	48,521,592	-	48,521,592
Restricted	<u>40,168,842</u>	<u>-</u>	<u>40,168,842</u>
<b>Total cash with fiscal agents</b>	<u>88,690,434</u>	<u>-</u>	<u>88,690,434</u>
<b>Total cash, investments, accrued interest and cash with fiscal agents</b>	<u>\$ 510,491,936</u>	<u>\$ 23,945,373</u>	<u>\$ 534,437,309</u>

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 1999**

**NOTE 2 CASH AND CASH EQUIVALENTS, continued**

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

The City's deposits and investments at June 30, 1999, are categorized below to indicate the level of risk assumed by the City:

**1. Investment Categories of Credit Risk**

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

	Category			
	1	2	Not Categorized	Total
Repurchase agreements	\$ -	\$ 90,331,726	\$ -	\$ 90,331,726
U.S. Treasury obligations	64,851,563	-	-	64,851,563
Obligations of federal agencies or instrumentalities	371,717,345	-	-	371,717,345
State of New Mexico local government investment pool	-	-	4,299,177	4,299,177
State of New Mexico Mortgage Finance Authority bonds	585,000	-	-	585,000
<b>Total investments</b>	<b><u>\$437,153,908</u></b>	<b><u>\$ 90,331,726</u></b>	<b><u>\$ 4,299,177</u></b>	<b><u>\$531,784,811</u></b>

**2. Deposit Categories of Credit Risk**

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

	Category		
	A	C	Total
Bank accounts (bank balance)	\$ 266,989	\$ 3,066,587	\$ 3,333,576
Certificates of deposit	99,643	-	99,643
<b>Total deposits</b>	<b><u>\$ 366,632</u></b>	<b><u>\$ 3,066,587</u></b>	<b><u>\$ 3,433,219</u></b>

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 1999**

**NOTE 2 CASH AND CASH EQUIVALENTS, continued**

**B. Pledged Collateral by Bank**

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

The pledged collateral by bank at June 30, 1999, consists of the following:

	<u>First Security Bank</u>	<u>Bank of America</u>	<u>Western Bank</u>	<u>Norwest Bank</u>	<u>First State Bank</u>
Total amount on deposit	\$ 907,994	\$ 63,538	\$ 2,588	\$ 2,358,593	\$ 863
Less FDIC coverage	<u>100,000</u>	<u>63,538</u>	<u>2,588</u>	<u>100,000</u>	<u>863</u>
Total uninsured public funds	807,994	-	-	2,258,593	-
50% collateral requirement	<u>403,997</u>	<u>-</u>	<u>-</u>	<u>1,129,297</u>	<u>-</u>
Pledged securities, fair value	<u>242,150</u>	<u>5,004,556</u>	<u>-</u>	<u>4,394,791</u>	<u>-</u>
Pledged in excess (deficit) of requirement	<u>\$ (161,847)</u>	<u>\$ 5,004,556</u>	<u>\$ -</u>	<u>\$ 3,265,494</u>	<u>\$ -</u>

As of October 29, 1999, the banks with a deficit in pledged securities had provided sufficient collateral in order to provide the required pledge.

**NOTE 3 RECEIVABLES AND ALLOWANCES FOR UNCOLLECTIBLE ACCOUNTS**

Included on Exhibit A-I, "Combined Balance Sheet - All Fund Types and Account Groups", are balances of receivables which are reported net of allowances for uncollectible accounts. The amounts of these receivables that have allowances as of June 30, 1999, are as follows:

	<u>Total receivables</u>	<u>Allowance for uncollectible accounts</u>	<u>Net receivables</u>
<b>General Fund</b>			
Taxes	\$ 21,090,206	\$ 802,552	\$ 20,287,654
Other	<u>1,549,968</u>	<u>68,566</u>	<u>1,481,402</u>
<b>Total General Fund</b>	<u>\$ 22,640,174</u>	<u>\$ 871,118</u>	<u>\$ 21,769,056</u>
<b>Debt Service Funds:</b>			
General Obligation Bond	\$ 3,868,273	\$ 3,127,527	740,746
Special Assessment	11,510,206	-	11,510,206
Housing Authority	<u>1,090,011</u>	<u>-</u>	<u>1,090,011</u>
<b>Total Debt Service Funds</b>	<u>\$ 16,468,490</u>	<u>\$ 3,127,527</u>	<u>\$ 13,340,963</u>
<b>Enterprise Funds:</b>			
Airport	\$ 2,821,685	\$ 79,379	\$ 2,742,306
Golf	26,388	-	26,388
Joint Water and Sewer	14,485,006	771,357	13,713,649
Parking Facilities	163,537	45,000	118,537
Refuse Disposal	2,199,589	97,171	2,102,418
Transit	<u>221,706</u>	<u>373</u>	<u>221,333</u>
<b>Total Enterprise Funds</b>	<u>\$ 19,917,911</u>	<u>\$ 993,280</u>	<u>\$ 18,924,631</u>

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 1999**

**NOTE 3 RECEIVABLES AND ALLOWANCES FOR UNCOLLECTIBLE ACCOUNTS, continued**

Property taxes of \$1,000,613 are included in the General Fund taxes receivable; other General Fund receivables result from various operating activities. The General Obligation Debt Service Fund has property taxes receivable of \$3,868,273. The allowance for uncollectible amounts includes delinquent property taxes in the General Fund and General Obligation Bond Debt Service Fund of \$802,552 and \$3,127,527 respectively.

**NOTE 4 INTERFUND RECEIVABLES AND PAYABLES**

The interfund receivables and payables reported on Exhibit A-1, "Combined Balance Sheet - All Fund Types and Account Groups" as of June 30, 1999, consist of the following:

	<u>Due from other funds</u>	<u>Due to other funds</u>
General Fund	<u>\$ 1,502,718</u>	<u>\$ -</u>
Special Revenue Funds:		
Corrections and Detention	-	522,007
Community Development	-	454,458
Job Training Partnership Act	-	526,253
	<u>-</u>	<u>1,502,718</u>
Total	<u>\$ 1,502,718</u>	<u>\$ 1,502,718</u>

**NOTE 5 INTERFUND ADVANCES**

Interfund advances to be repaid from revenues or proceeds from the sale of assets are as follows as of June 30, 1999.

	<u>Advances to other funds</u>	<u>Advances from other funds</u>
General Fund:		
Advance to Capital Acquisition Fund	\$ 112,000	\$ -
Advance to Open Space Expendable Trust Fund	195,636	-
	<u>307,636</u>	<u>-</u>
Debt Service Funds:		
Sales Tax Refunding Debt Service Fund:		
Advance to Parking Facilities Fund **	1,840,031	-
Capital Projects Funds:		
Capital Acquisition Fund:		
Advance from General Fund	-	112,000
Enterprise Funds:		
Joint Water and Sewer Fund:		
Advance to Supplies Inventory Management Fund *	179,630	-
Parking Facilities Fund:		
Advance from Sales Tax Refunding Debt Service Fund **	-	1,840,031
Total Enterprise Funds	<u>179,630</u>	<u>1,840,031</u>
Internal Service Funds:		
Supplies Inventory Management Fund:		
Advance from Joint Water and Sewer Fund *	-	179,630
Fiduciary Funds:		
Open Space Expendable Trust Fund:		
Advance from General Fund	-	195,636
Total advances	<u>\$ 2,327,297</u>	<u>\$ 2,327,297</u>

\* Advance to fund operations made at the time of establishment of new funds, net of subsequent repayments.

\*\* In prior years, revenue bonds payable primarily from enterprise fund revenues were refunded by the issuance of refunding bonds payable solely from property and gross receipts tax revenues. The proceeds of these advances were used to construct, acquire or improve capital assets. These transactions resulted in the recording of these advances, which represent the remaining portion of the debt to be repaid from the enterprise funds.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 1999**

**NOTE 6 FIXED ASSETS**

The changes in the General Fixed Assets Account Group for the year ended June 30, 1999, are as follows:

	July 1 as restated	Additions	Deductions	Balance June 30
Land	\$ 181,835,056	\$ 2,764,901	\$ 109,431	\$ 184,490,526
Buildings	98,617,373	8,757,382	-	107,374,755
Improvements other than buildings	238,536,777	19,851,144	-	258,387,921
Equipment	136,953,233	12,057,370	7,114,413	141,896,190
Construction work in progress	174,283,368	34,242,127	52,561,693	155,963,802
<b>Total</b>	<b>\$ 830,225,807</b>	<b>\$ 77,672,924</b>	<b>\$ 59,785,537</b>	<b>\$ 848,113,194</b>

The construction work in progress consists of expenditures made in connection with the Capital Projects and Quality of Life Funds. The major amounts are for parks and recreational facilities, the Tingley Aqua Park/Botanical gardens and other facilities.

The proprietary and similar fiduciary fund type property and equipment at June 30, 1999 and 1998, are as follows:

	Enterprise		Internal Service		Fiduciary	
	1999	1998	1999	1998	1999	1998
Land	\$ 49,615,929	\$ 41,387,491	\$ 283,842	\$ 283,842	\$ -	\$ -
Land and improvements acquired from U.S. Air Force	7,630,077	7,630,077	-	-	-	-
Buildings and other improvements	180,185,235	179,917,343	406,001	406,001	-	-
Runways and other improvements	225,377,727	225,311,410	-	-	-	-
Improvements other than buildings and runways	1,095,566,002	1,054,305,774	735,311	735,311	-	-
Machinery, equipment and other	122,386,434	117,340,391	1,646,790	1,645,854	2,297	2,297
	1,680,761,404	1,625,892,486	3,071,944	3,071,008	2,297	2,297
Less accumulated depreciation	746,668,871	676,053,653	2,022,930	1,926,321	2,297	2,297
Net	934,092,533	949,838,833	1,049,014	1,144,687	-	-
Construction work in progress	99,019,960	80,986,242	-	-	-	-
<b>Total</b>	<b>\$ 1,033,112,493</b>	<b>\$ 1,030,825,075</b>	<b>\$ 1,049,014</b>	<b>\$ 1,144,687</b>	<b>\$ -</b>	<b>\$ -</b>

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 1999

**NOTE 6 FIXED ASSETS, continued**

Changes to property and equipment of the Enterprise funds for 1999 and 1998 include the following amounts of capitalized interest:

	1999			1998		
	Total Interest	Interest Related to Tax-Exempt Borrowing	Net	Total Interest as restated	Interest Related to Tax-Exempt Borrowing	Net as restated
Interest expense	\$ 35,224,866	\$ 3,632,858	\$ 31,592,008	\$ 37,442,780	\$ 4,508,609	\$ 32,934,171
Interest income	6,718,846	<u>2,431,177</u>	4,287,669	8,855,944	<u>2,463,588</u>	6,392,356
Capitalized interest		<u>\$ 1,201,681</u>			<u>\$ 2,045,021</u>	

**NOTE 7 LONG-TERM DEBT**

**A. General**

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

The changes in the General long-term Debt Account Group for the year ended June 30, 1999, are as follows:

	Outstanding July 1	Increases	Decreases	Outstanding June 30
General Obligation Bonds	\$ 169,165,000	\$ 21,630,000	\$ 37,970,000	\$ 152,825,000
Sales Tax Revenue Bonds	114,657,232	78,535,000	71,879,053	121,313,179
Special Assessment Debt				
With Governmental Commitment	6,560,000	5,310,000	1,945,000	9,925,000
Housing Authority				
Revenue Bonds and Notes	14,876,514	-	371,659	14,504,855
Accrued employee benefits	<u>19,292,771</u>	<u>-</u>	<u>268,341</u>	<u>19,024,430</u>
Total	<u>\$ 324,551,517</u>	<u>\$ 105,475,000</u>	<u>\$ 112,434,053</u>	<u>\$ 317,592,464</u>

General Obligation Bonds are direct obligations of the City for which its full faith and credit are pledged and are payable from taxes levied on property located within the City. During the fiscal year 1999, the City issued \$21,630,000 of General Obligation bonds as follows:

On February 1, 1999, the City issued \$16,870,000 in General Obligation General Purpose Bonds with an average coupon rate of 3.82% and \$4,760,000 General Obligation Storm Sewer Bonds with an average coupon rate of 4.03%. The proceeds of these bonds were deposited into the Capital Projects Acquisition Fund and will be used for various construction projects for streets, police, libraries, and storm sewer.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 1999**

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

**A. General, continued**

General obligation bonds outstanding at June 30,1999, are as follows:

<u>Issue</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Call Provisions</u>
January 1, 1992 General Purpose September 1, 1992	\$ 8,000,000	5.20/5.90%	July 1, 2001	Not callable
Water and Sewer	10,645,000	4.90/5.25%	July 1, 2002	Not callable
November 1, 1993 Storm Sewer	3,070,000	3.80/5.00%	July 1, 2000	Not callable
March 1, 1994 General Purpose	21,300,000	4.60/4.90%	July 1, 2002	Not callable
March 1, 1994 Storm Sewer	15,000,000	4.90/5.00%	July 1, 2003	Not callable
February 1, 1996 General Purpose	11,500,000	5.00%	July 1, 2004	Not callable
February 1, 1996 Storm Sewer	3,500,000	5.00/5.50%	July 1, 2005	Not callable
January 1, 1997 General Purpose	22,700,000	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	25,300,000	4.00/5.00%	July 1, 2005	Not callable
February 1, 1998 Storm Sewer	6,350,000	5.00%	July 1, 2007	100% beginning July 1, 2005
February 1, 1999 General Purpose	14,000,000	3.63/3.95%	July 1,2006	Not callable
February 1, 1999 Storm Sewer	<u>4,760,000</u>	4.00/4.05%	July 1,2008	100% beginning July 1, 2006
	<u>\$ 152,825,000</u>			

The Constitution of the State of New Mexico limits the amount of general purpose government obligation bonds that may be issued by a municipality to four percent of the taxable valuation of property located within the City. At June 30, 1999, based on the most recent assessed taxable valuation of \$5,656,900,848, the City may issue an additional \$123,476,000 of general purpose general obligation bonds.

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

On February 12, 1999, the City issued \$6,070,000 of Municipal Gross Receipts Tax Refunding Revenue Bonds, Series 1999A, with an average coupon rate of 4.62%. The net proceeds of \$6,000,000 (exclusive of \$132,213 of underwriters' fees and other issuance costs and \$62,213 of original issue premium) were used to purchase U.S. government securities. These securities were deposited into an irrevocable trust with an escrow agent to provide for the early redemption of the \$6,000,000 Municipal Gross Receipts Tax Adjustable Tender Revenue Bonds, Series 1995. The bonds were redeemed on April 7, 1999. Interest due on the Series 1995 bonds prior to their redemption were paid directly by the City. As a result, the Series 1995 bonds are considered to be defeased and the liability for those bonds has been removed from the General Long Term Debt Account Group. The advance refunding was undertaken to reduce the interest rate risk on these bonds.

Also on February 12, 1999, the City issued \$45,335,000 of Municipal Gross Receipts Tax Refunding Revenue Bonds, Series 1999B, with an average coupon rate of 4.98%. The refunding provided for the full redemption of the Series 1991A Gross Receipts Tax Adjustable Tender Revenue Bonds and a partial refunding of the 1991B Gross Receipts/Lodgers Tax Refunding and Improvement Revenue "Capital Appreciation" Bonds detailed below:

The net proceeds of \$30,150,000 (exclusive of \$310,742 of underwriters' fees and other issuance costs and \$469,258 of original issue discount) plus an additional \$3,350,000 were used to purchase U.S. government securities. These securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the remaining \$33,500,000 of the Series 1991A bonds through April 7, 1999, at which time they were redeemed. As a result, the Series 1991A bonds are considered to be defeased and the liability for those bonds has been removed from the General Long Term Debt Account Group. The advance refunding was undertaken to reduce the interest rate risk on these bonds.



**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 1999**

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

**A. General, continued**

The net proceeds of \$14,023,540 (exclusive of \$143,518 of underwriters' fees and other issuance costs and \$237,942 of original issue discount) plus an additional \$565,308 were used to purchase U.S. government securities. These securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the Series 1991B bonds maturing on July 1, 1999 through July 1, 2011. In addition, the Series 1991B bonds maturing on or after July 1, 2012 will be redeemed on July 1, 2011 with a call premium of 103%. The total amount of the Series 1991B bonds to be partially redeemed is \$27,585,000. As a result, that portion of the Series 1991B bonds described above are considered to be defeased and the liability for those bonds has been removed from the General Long Term Debt Account Group. The advance refunding was undertaken to defer the payment of principal to future years resulting in a net increase in debt service payments over the next 26 years by \$3,566,658 and to achieve an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$216,122.

On April 13, 1999, the City issued \$27,130,000 of Municipal Gross Receipts Tax Refunding Revenue Bonds, Series 1999C, with an average coupon rate of 4.98%. The Series 1999C provided for the full redemption of two bond issues as described below:

The net proceeds of \$25,826,817 (exclusive of \$315,208 of underwriters' fees and other issuance costs and \$297,975 of original issue discount) plus an additional \$800,000 were used to purchase U.S. government securities. These securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the remaining \$26,500,000 of the Series 1997 Gross Receipts Tax Adjustable Tender Revenue Bonds through August 1, 2001, at which time they will be redeemed. The interest on these bonds was fixed at 4.35% upon issuance and is effective through July 31, 2001. As a result, the Series 1997 bonds are considered to be defeased and the liability for those bonds has been removed from the General Long Term Debt Account Group. The advance refunding was undertaken to reduce the interest rate risk at August 1, 2001.

The net proceeds of \$690,469 (exclusive of \$11,131 of underwriters' fees and other issuance costs and \$11,600 of original issue premium) plus an additional \$292,000 were used to purchase U.S. government securities. These securities were deposited into an irrevocable trust with an escrow agent to provide for all future debt service payments on the remaining \$950,000 of the Series 1973 Gross Receipts Revenue Bonds through July 1, 1999, at which time those bonds were redeemed. As a result, the Series 1973 bonds are considered to be defeased and the liability for those bonds has been removed from the General Long Term Debt Account Group. The advance refunding was undertaken to defer the payment of principal to future years resulting in a net increase to debt service payments over the next 22 years by \$600,708 and resulted in an economic loss (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$15,130.

Sales tax revenue bonds outstanding at June 30, 1999, 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	16,553,179	6.35/7.10%	July 1, 2019	103% beginning July 1, 2011
May 1, 1992 Refunding	8,610,000	5.65/6.30%	July 1, 2007	102% beginning July 1, 2002
March 7, 1995	5,100,000	adjustable weekly	July 1, 2023	100% beginning March 7, 1995
October 15, 1996 Refunding	12,515,000	5.00%	July 1, 2011	100% beginning July 1, 2007
January 15, 1999 A Refunding	6,070,000	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	<u>27,130,000</u>	4.75/5.25%	July 1, 2022	100% beginning July 1, 2009
	<u>\$121,313,179</u>			

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 1999**

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

**A. General, continued**

Special Assessment Debt with Governmental Commitment is secured by pledges of revenues from special assessments levied. The outstanding bonds 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 of paving and sidewalk improvement districts are additionally secured by pledges of one-half of motor fuel tax revenues of the City, to be used only in the event that revenues from assessments and interest levied are not sufficient to meet debt service requirements. All Special Assessment debt is callable at 100% on any semi-annual interest payment date.

On February 1, 1999, the City issued \$5,310,000, of Special Assessment Bonds. The proceeds, net of underwriters fees and other costs of issuance, will be used for water lines, storm sewer, sanitary sewer, paving, natural gas and electric services for District 224.

Special Assessment Debt in the amount of \$9,925,000 outstanding at June 30, 1999, with interest rates from 3.65 to 10.10%, matures through January 1, 2015.

Housing Authority Revenue Bonds and Notes are issued to finance low-income housing and are secured by a first pledge of a specific portion of the annual contributions payable to the Authority by the Department of Housing and Urban Development and by a lien on the rents, revenues, fees and income of the Authority derived from, or in connection with, the operation of low-rent projects, after providing for the payment of operating expenditures of the projects. The notes are also secured by mortgages on real property acquired in connection with the operation of the projects. Housing Authority Bonds of \$1,355,000 issued May 1, 1972 and outstanding at June 30, 1999, with an interest rate of 5.375%, mature through May 1, 2013.

Housing Authority notes held by the Department of Housing and Urban Development at June 30, 1999, consist of \$3,309,218 at contract rates of 5.25 to 8.00%, \$347,000 renewable annually at a contract interest rate of 8.00%, and \$41,400 at variable interest rates. Additional notes of \$9,452,237 held by the Federal Financing Bank at 6.6%, mature through November 1, 2016.

**B. Enterprise**

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

On September 10, 1998, the City issued \$42,685,000 in Airport Refunding Revenue Bonds with an average interest rate of 4.3%. The proceeds of these bonds were used to retire \$41,425,000 of the 1989 Airport Refunding Bonds. The net proceeds of \$41,548,462 (exclusive of \$760,482 of underwriting fees and other issuance costs and \$376,056 of original issue discount) plus an additional \$814,006 were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to redeem the remaining balance of \$41,425,000 of the April 15, 1989 Refunding issue on October 15, 1998. As a result, these bonds are considered defeased and the liability for the bonds has been removed from the Airport Fund. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$3,703,433. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2019 using the effective-interest method. The Fund completed the advance refunding to reduce the total debt service payments over the next 21 years by \$7,928,594 and to obtain an economic gain (difference between the present values of the debt service payments on the old debt and new debt) of \$6,428,290.

On October 7, 1998, the City, in an early bond call, redeemed \$2,500,000 of series 1996A Airport revenue bonds. An additional \$2,500,000 of these bonds were also redeemed on March 9, 1999. As a result, the outstanding balance was reduced to \$30,000,000.

On June 28, 1999, the City, also in an early bond call, redeemed series 1995B Airport revenue bonds in the amount of \$830,000. As a result of this redemption, the outstanding balance was reduced to \$2,845,000.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 1999**

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

**B. Enterprise, continued**

Airport Revenue bonds outstanding at June 30, 1999 and 1998, are as follows:

Issue	Amount		Interest Rate	Final Maturity	Call Provisions
	1999	1998			
April 15, 1989					
Refunding	\$ -	\$ 41,425,000	6.50/7.60%	July 1, 2019	102% beginning July 1, 1997
January 1, 1995 A	49,590,000	51,230,000	5.35/6.60%	July 1, 2016	105% beginning July 1, 2000
January 1, 1995 B	2,845,000	3,675,000	5.55/7.00%	July 1, 2016	100% beginning January 1, 1997
May 3, 1995			adjustable		
Refunding	59,900,000	61,900,000	weekly	July 1, 2014	100% on any interest payment date
			adjustable		
January 31, 1996 A	30,000,000	35,000,000	weekly	July 1, 2017	100% on any interest payment date
April 3, 1997					
Refunding	32,260,000	32,800,000	6.25/6.75%	July 1, 2018	102% beginning July 1, 2007
September 1 1998					
Refunding	42,685,000	-	3.80/5.00%	July 1, 2019	100% beginning July 1, 2008
Total outstanding	217,280,000	226,030,000			
Unamortized discounts	(579,242)	(3,524,669)			
Deferral on refunding	(6,177,992)	(2,887,923)			
Net outstanding	<u>\$ 210,522,766</u>	<u>\$ 219,617,408</u>			

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

On January 6, 1999, the City issued \$93,030,000 in Joint Water and Sewer System Refunding and Improvement Revenue Bonds. The Series 1999A bonds have a weighted average interest rate of 4.93%. The bonds are secured by a lien on pledged revenues of the City's Joint Water and Sewer System. The net proceeds of \$97,652,947 (after payment of underwriting fees and other issuance costs) together with an additional \$5,265,756 were used as follows:

to extend, repair, replace and otherwise improve the Joint Water and Sanitary Sewer System	\$44,000,000
to purchase state and local government securities	\$58,918,703

Those securities were deposited in an irrevocable trust with an escrow agent to refund \$55,585,000 of Series 1992 bonds, leaving \$750,000 outstanding as of June 30, 1999. In order to obtain debt service savings and restructure debt service, the City refunded the Series 1992 bonds maturing in the years 2003 through 2017. The refunded bond escrow agent will pay the principal and interest on the refunded bonds when due. As a result, these bonds are considered defeased and the liability for the bonds has been removed from the Joint Water and Sewer Fund. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$5,505,337. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2011 using the effective-interest method. The Fund completed the advance refunding to reduce the total debt service payments over the next 18 years by \$11,751,420 and to obtain an economic gain (difference between the present values of the debt service payments on the old debt and new debt) of \$3,332,430.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 1999**

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

**B. Enterprise, continued**

Joint Water and Sewer Revenue Bonds outstanding at June 30, 1999 and 1998, are as follows:

Issue	Amount		Interest Rate	Final Maturity	Call Provisions
	1999	1998			
June 1, 1990 A	\$ 9,991,710	\$ 9,991,710	6.00/7.20%	July 1, 2008	100% beginning July 1, 2000
June 1, 1990 B					
Refunding	27,540,000	28,290,000	6.50/7.00%	July 1, 2006	102% beginning July 1, 2000
July 1, 1990 C	5,920,000	8,600,000	6.45/7.00%	July 1, 2001	102% beginning July 1, 2000
January 1, 1992	750,000	56,565,000	4.70/6.25%	July 1, 2002	102% beginning July 1, 2002
January 1, 1994 A	68,390,000	81,880,000	2.75/4.60%	July 1, 2005	Not callable
August 1, 1995	33,445,000	36,840,000	3.625/6.00%	July 1, 2007	Not callable
June 15, 1997	46,315,000	46,515,000	4.75%	July 1, 2009	100% beginning July 1, 2006
January 1, 1999A	<u>91,980,000</u>	<u>-</u>	3.80/5.25%	July 1, 2011	Not callable
Total outstanding	284,331,710	268,681,710			
Unamortized discounts	6,345,936	(1,305,878)			
Deferral on refunding	(8,539,815)	(4,701,852)			
Accreted interest	<u>8,868,128</u>	<u>7,583,930</u>			
Net outstanding	<u>\$ 291,005,959</u>	<u>\$ 270,257,910</u>			

Included in the outstanding Joint Water and Sewer Revenue Bonds, are the June 1, 1990A Issue, capital appreciation bonds in the principal amount of \$9,991,710. No payment of principal or interest is due on these bonds until the year 2003. In accordance with the bond agreement the payment for these bonds is not provided for in the current revenue rate structure; however, interest in the amount of \$8,868,128 has accreted as of June 30, 1999, and; accordingly, the interest expense and related liability are included in the financial statements of the Joint Water and Sewer Fund. The accreted interest is included as a reduction of the undesignated unreserved deficit.

**Joint Water and Sewer Loan Agreements**

A Water Rights Contract with the United States Government was entered into by the City during the fiscal year ended June 30, 1963 to pay a portion of the construction, operation, and maintenance costs for the San Juan-Chama diversion project in return for a portion of the water rights resulting from the project. The contract provides for payment in fifty annual installments with final maturity in 2022, and has an interest rate of 3.046%. The amount of the contract outstanding at June 30, 1999 and 1998, was \$23,295,800 and \$23,866,600 respectively.

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

On October 1, 1994, the City executed a promissory note with the New Mexico Environment Department that converted an existing line of credit agreement of \$7,907,582 to a long term notes payable with an interest rate of 5.00% with annual payments of \$601,809. Final payment is due on October 1, 2013. The balance due at June 30, 1999, was \$6,246,574.

On July 31, 1995, the City signed a line of credit agreement with the New Mexico Environment Department. The agreement provides that the City may draw a total of \$15,000,000 to reconfigure the Wastewater Treatment Plant suitable for ammonia and nitrate nitrogen removal. As of June 30, 1999, the City has drawn \$15,000,000 on the line of credit agreement. The City is paying interest at the rate of 4% on the unpaid principal amount on each December 1. In addition, the City promises to make annual principal and interest payments beginning on or about the first anniversary of project completion, with the final maturity no more than 12 years beyond the project completion date.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 1999**

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

**B. Enterprise, continued**

On October 5, 1995, the City executed a promissory note with the New Mexico Environment Department that converted an existing \$4,000,000 line of credit agreement. The note payable of \$2,521,846 (total draws on the line of credit at the time of project completion) has an interest rate of 5.00% with annual payments of \$284,528. Final payment is due on October 1, 2007. The balance due at June 30, 1999, was \$2,022,377.

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 5.00 with annual payments of \$1,015,429. Final payment is due on July 1, 2008. The balance due at June 30, 1999, was \$7,217,486.

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

Refuse Disposal Revenue Bonds outstanding at June 30, 1999 and 1998, are as follows:

Issue	Amount		Interest Rate	Final Maturity	Call Provisions
	1999	1998			
October 1, 1989	\$ 945,000	\$ 1,670,000	6.60/7.00%	July 1, 2000	102% beginning July 1, 1999
September 1, 1992	13,555,000	14,070,000	3.80/5.80%	July 1, 2012	102% beginning July 1, 2002
July 1, 1995	12,580,000	12,760,000	3.85/5.25%	July 1, 2009	Not callable
February 1, 1998	9,670,000	10,170,000	3.75/5.00%	July 1, 2013	100% beginning July 1, 2007
Total outstanding	36,750,000	38,670,000			
Unamortized discounts	(111,137)	(130,031)			
Deferral on refunding	(606,527)	(698,696)			
Net outstanding	<u>\$ 36,032,336</u>	<u>\$ 37,841,273</u>			

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

The annual debt service requirements, including \$416,178,949 of interest, on the obligations outstanding at June 30, 1999, not including Housing Authority notes that are held by HUD are as follows:

Year ending June 30	General Long-Term Debt	Enterprise Debt
2000	\$ 48,456,580	\$ 67,000,516
2001	44,240,377	67,971,103
2002	39,394,241	67,846,250
2003	34,096,272	67,548,749
2004	24,655,027	67,999,158
2005-2009	81,222,930	293,721,675
2010-2014	44,207,368	143,393,941
2015-2019	57,325,989	68,624,476
2020-2024	48,914,251	5,509,700
2025	8,452,500	-
Total	<u>\$ 430,965,535</u>	<u>\$ 849,615,568</u>

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 1999**

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

**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. The City has estimated and accrued in the Agency Fund the amount of arbitrage interest due the IRS as of June 30, 1999.

**NOTE 8 DEMAND BONDS**

Included in long-term debt (Notes 7A and 7B) is \$95,000,000 of various demand bonds, the proceeds of which were used to (a) provide funds for certain capital improvements, (b) establish bond reserve funds in accordance with the trust agreements, (c) establish a construction period interest account, and (d) pay costs incurred to issue the bonds. The bonds are included in the summary of annual debt service requirements in Note 7C assuming retirement in accordance with the related mandatory sinking fund redemption requirements.

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

At June 30, 1999, no amounts were drawn on the "take out" agreement which is as follows:

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

Remarketing Agent	Smith Barney, Inc.
Terms of "Take-Out" Agreement:	
Purchaser	Canadian Imperial Bank of Commerce
Method of Purchase	Direct Pay Letter of Credit
Expiration Date	January 15, 2002
Annual Fee	.25% on the stated amount of the letter of credit
Stated Amount at Time of Issuance	\$7,523,541.67 (Principal outstanding plus 295 days of Interest at 15%)
Bonds Outstanding at 6/30/99	\$5,100,000

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

Remarketing Agent	Smith Barney, Inc.
Terms of "Take-Out" Agreement:	
Purchaser	Bayerische Hypo-und Vereinsbank, AG
Method of Purchase	Direct Pay Letter of Credit
Expiration Date	November 30, 2003
Annual Fee	.25% on the stated amount of the letter of credit
Stated Amount at Time of Issuance	\$67,963,699 (Principal outstanding plus 35 days of Interest at 15%)
Bonds Outstanding at 6/30/99	\$59,900,000

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

Remarketing Agent	Smith Barney, Inc.
Terms of "Take-Out" Agreement:	
Purchaser	Bayerische Landesbank
Method of Purchase	Direct Pay Letter of Credit
Expiration Date	January 31, 2001
Annual Fee	.29% on the stated amount of the letter of credit
Stated Amount at Time of Issuance	\$39,961,644 (Principal outstanding plus 60 days of Interest at 15%)
Bonds Outstanding at 6/30/99	\$30,000,000

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 1999**

**NOTE 9 REFUNDED BONDS**

The City has refunded various bond issues by issuing refunding bonds, the proceeds of which have been placed in escrow and used to purchase securities of the United States Government and related agencies at various interest rates and maturities sufficient to meet all debt service requirements of the refunded debt. These assets are administered by trustees and are restricted to use for retirement of the refunded debt. The liability for the refunded bonds and the related securities and escrow accounts are not included in the accompanying general purpose financial statements as the City satisfied its obligation for payment of the refunded debt upon completion of the refunding transactions. Refunded debt outstanding at June 30, 1999, is as follows:

General Long-Term Debt Account Group:	
Sales Tax Revenue Bonds	\$ 50,680,382
Enterprise Funds:	
Joint Water and Sewer Revenue Bonds	<u>111,830,000</u>
Total	<u>\$162,510,382</u>

**NOTE 10 INDUSTRIAL REVENUE BONDS**

From time to time, the City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 1999, there were seventy-three series of Industrial Revenue Bonds outstanding. The aggregate principal amount payable for the twenty-nine series issued after July 1, 1995, is \$745.5 million. The aggregate principal amount payable for the forty-four series issued prior to July 1, 1995, could not be determined; however, their original issue amounts totaled \$675.7 million.

**NOTE 11 DEFICIT FUND EQUITIES**

Special Revenue Funds

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

	Deficit	Deficit
	Fund Equity	Unreserved Fund Balance*
Corrections and Detention Fund	\$ 49,136	\$ 1,028,666
Community Development Fund	-	3,047,967
Job Training Partnership Act Fund	4,748	1,121,728
Operating Grants Fund	-	1,464,979

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

Capital Projects Funds

While the total unreserved fund balance of the Capital Acquisition Fund is not in a deficit position, deficit unreserved fund balances for certain purposes result because capital expenditures and encumbrances are made prior to issuance of general obligation bonds. The resulting deficit unreserved fund balances at June 30, 1999, are:

	Deficit
	Unreserved Fund Balance
Community Services Building	\$ 523,573

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 1999**

**NOTE 11 DEFICIT FUND EQUITIES, continued**

Capital Projects Funds, continued

While the total unreserved fund balance of the Quality of Life Fund is not in a deficit position, deficit unreserved fund balances for certain purposes result because capital expenditures and encumbrances are made in anticipation of additional revenues and transfers. The resulting deficit unreserved fund balances at June 30, 1999, are:

	<u>Deficit Unreserved Fund Balance</u>
Quarter Cent Streets	\$ 2,195,494
Quarter Cent Storm Drain	97,338

Enterprise Funds

The operating revenues of the Airport Fund and the Joint Water and Sewer Fund are not intended to cover depreciation on property acquired as contributed capital. As a result, the negative unreserved retained earnings has grown each year. At June 30, 1999, the deficit unreserved retained earnings were \$7,826,626 and \$54,624,014 respectively.

The operating revenues of the Parking Facilities and Transit Funds are not intended to cover the operating costs of the parking facilities and transit system. The operation of each enterprise is dependent on an annual subsidy transfer from the General Fund that is intended to cover the remaining operating costs, excluding depreciation. While the total fund equities of the Parking Facilities and Transit Funds are not in a deficit position, the funds have deficit unreserved retained earnings at June 30, 1999, in the amount of \$2,137,508 and \$5,444,492, respectively.

Internal Service Funds

The deficit fund equity of the Risk Management Fund increased to \$2.8 million at June 30, 1999 from the \$91 thousand deficit fund equity at June 30, 1998. The increase in deficit equity was primarily due to a reversal of a prior decision by the New Mexico Supreme Court regarding the validity of a claim challenging the former cap of tort claim damages. This \$6.2 million loss was recognized in fiscal year 1998 after the adoption of the fiscal year 1999 budget. That budget did not include the effect of that loss in adopting the premium rates charged to other City funds. Due to a more favorable loss experience than projected for fiscal year 1999, the projected deficit of \$4.2 million deficit fund equity was reduced to \$2.7 million. The City expects to eliminate this deficit by June 30, 2001 by increasing the annual assessment to all operating funds and through an improved loss experience that the City expects to achieve.

**NOTE 12 PROPERTY TAXES**

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied each year on July 1 on the taxable valuation of property located in the City as of the preceding January 1. The taxable valuations for the various classes of property are determined by the Bernalillo County Assessor and the State of New Mexico Department of Taxation and Revenue at one-third of assessed valuation. Property in the City for the fiscal year 1999 tax levy had a taxable value of \$5,656,900,848. 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 1999 weighted average residential and non-residential City rate for both operations and debt service was 11.357 mills.

Taxes are payable in two equal installments on November 1 and May 1 and become delinquent after 30 days. Property taxes receivable at June 30, 1999, are as follows:

General Fund	\$1,000,613
General Obligation Debt Service Fund	\$3,868,273



**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 1999**

**NOTE 13 INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 1999, were as follows:

From	To		
General Fund	Corrections and Detention Fund	\$ 13,415,000	
General Fund	Operating Grants Fund	3,481,641	
General Fund	Capital Acquisition Fund	5,929,000	
General Fund	Sales Tax Refunding Debt Service Fund	1,857,000	
General Fund	City/County Building Debt Service Fund	95,000	
General Fund	Parking Facilities Fund	1,486,000	
General Fund	Transit Fund	16,117,000	
General Fund	Vehicle/Equipment Replacement Fund	1,671,000	
General Fund	Acquisition and Management of Open Space Expendable Trust Fund	96,000	
Recreation Fund	General Fund	313,000	
Lodgers Tax Fund	Sales Tax Refunding Debt Service Fund	4,135,000	
City/County Projects Fund	General Fund	131,000	
City/County Facilities Fund	City/County Building Debt Service Fund	930,000	
Plaza del Sol Building Fund	Sales Tax Refunding Debt Service Fund	360,000	
Capital Acquisition Fund	Capital Acquisition Fund	3,749,250	
Quality of Life Fund	General Fund	72,726	
Joint Water & Sewer Fund	General Fund	320,000	
Refuse Disposal Fund	General Fund	512,000	
Vehicle/Equipment Replacement Fund	Capital Acquisition Fund	20,000	
Risk Management Fund	General Fund	22,000	
Acquisition and Management of Open Space Nonexpendable Trust Fund	Acquisition and Management of Open Space Expendable Trust Fund	1,272,634	
Urban Enhancement Nonexpendable Trust Fund	Urban Enhancement Expendable Trust Fund	<u>456,468</u>	
<b>Total transfers</b>			<b><u>\$ 56,441,719</u></b>
		<b><u>Transfers In</u></b>	<b><u>Transfers Out</u></b>
Exhibit A-2, "Combined Statement of Revenues, Expenditures, and Changes in Unreserved Fund Balances-All Governmental Fund Types and Expendable Trust Funds"	\$ 38,838,719		\$ 53,858,617
Exhibit A-4, "Combined Statement of Revenues, Expenses, and Changes in Unreserved Retained Earnings/Fund Balances-All Proprietary and Similar Fiduciary Fund Types"	<u>17,603,000</u>		<u>2,583,102</u>
<b>Total transfers</b>	<b><u>\$ 56,441,719</u></b>		<b><u>\$ 56,441,719</u></b>

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 1999**

**NOTE 14 SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

Significant financial data for the enterprise funds as of and for the year ended June 30, 1999, (in thousands of dollars) is as follows:

	Airport Fund	Golf Course Fund	Joint Water and Sewer Fund	Parking Facilities Fund	Refuse Disposal Fund	Transit Fund	Total
Operating revenues	\$ 42,791 **	\$ 3,758	\$ 98,961	\$ 3,196	\$ 33,436	\$ 2,556	\$ 184,698
Depreciation and amortization	21,266	372	42,508	720	4,254	3,516	72,636
Bad debt expense	-	-	-	41	17	-	58
Operating income (loss)	5,450	134	778	(74)	2,346	(20,952)	(12,318)
Operating transfers in	-	-	-	1,486	-	16,117	17,603
Operating transfers out	-	-	(320)	-	(512)	-	(832)
Net income (loss)	2,371	240	(3,494)	925	1,423	(3,476)	(2,011)
<b>Current year contributed capital:</b>							
Contributions - Federal and State grants	2,788	-	2,405	-	253	(522) *	4,924
Contributions - Customers and developers	-	-	12,793	-	-	-	12,793
Transfers from other funds	-	-	-	-	-	270	270
Property and equipment additions	17,796	354	43,263	39	8,853	2,334	72,639
Working capital	1,863	(13)	6,785	(26)	4,204	1,321	14,134
Restricted assets	60,405	1,000	100,657	1	12,671	5,929	180,663
Total assets	360,860	6,160	781,606	14,008	68,723	32,232	1,263,589
<b>Bonds and other long-term liabilities payable from</b>							
operating revenues	210,584	-	330,329	1,840	36,032	-	578,785
Total fund equity	135,932	5,901	396,230	11,998	25,750	30,436	606,247

\*Contributions of the Transit Fund consist of \$2,021,221 for Federal grants, net of \$2,542,830 for depreciation on certain assets acquired with Federal grants, which results in a net decrease to contributed capital of \$521,609.

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

Interfund revenues of the enterprise funds are not significant.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 1999**

**NOTE 15 CONTRIBUTED CAPITAL**

The changes in contributed capital for the years ended June 30, 1999 and 1998, are as follows:

	<u>Proprietary Funds</u>		<u>Totals</u> <u>(Memorandum Only)</u>	
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Year ended June 30</u>	
			<u>1999</u>	<u>1998</u>
<b>Contributions from outside sources:</b>				
Balance, July 1	\$ 447,418,224	\$ -	\$ 447,418,224	\$ 431,250,954
State, Federal and other grants	7,466,982	-	7,466,982	5,627,346
Developers	12,323,846	-	12,323,846	13,176,124
Customers	469,067	-	469,067	448,316
Depreciation on certain assets acquired with Federal grants	<u>(2,542,830)</u>	<u>-</u>	<u>(2,542,830)</u>	<u>(3,084,516)</u>
Balance, June 30	<u>465,135,289</u>	<u>-</u>	<u>465,135,289</u>	<u>447,418,224</u>
<b>Contributions from other City funds:</b>				
Balance, July 1	147,106,748	1,693,580	148,800,328	147,774,160
Transfers from Capital Acquisition Fund for assets purchased from proceeds of general obligation bonds	269,601	-	269,601	1,024,113
Transfer of funds from the Trust and Agency Fund which previously held funds used for group insurance		8,163,164	8,163,164	-
Transfer of equipment from General Fixed Asset Account Group	<u>-</u>	<u>37,105</u>	<u>37,105</u>	<u>2,055</u>
Balance, June 30	<u>147,376,349</u>	<u>9,893,849</u>	<u>157,270,198</u>	<u>148,800,328</u>
Total contributed capital	<u>\$ 612,511,638</u>	<u>\$ 9,893,849</u>	<u>\$ 622,405,487</u>	<u>\$ 596,218,552</u>

**NOTE 16 DEFINED BENEFIT PENSION PLAN**

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

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

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

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 1999**

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

**FUNDING POLICY** - Covered employees are required by State statute to contribute a percentage of their gross salary; the City of Albuquerque is also required by State statute to contribute a certain percent depending on the type of plan. The following are the plans covered by the City, contribution requirements, and contributions actually made (in thousands of dollars) for the year ended June 30, 1999.

<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%	\$4,455	19.01%	\$25,761
General - Bus Drivers	13.15%	682	9.15%	475
General - Other	7.00%	154	7.00%	154
Police	16.30%	5,871	18.50%	6,663
Fire	15.20%	3,525	20.25%	4,623

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, 1999, was \$200,667,095; the total payroll for all employees of the City of Albuquerque was \$234,527,819.

**NOTE 17 POSTEMPLOYMENT BENEFITS**

In addition to providing pension benefits described in Note 16, the City provides certain health care and life insurance benefits for retired employees. Substantially all of the City's employees may become eligible for those benefits if they reach the normal retirement eligibility conditions while working for the City.

**LIFE INSURANCE BENEFITS:** Life insurance benefits authorized by the City's Merit System Ordinance and Personnel Rules and Regulations for eligible employees are reduced by 50%, not to exceed \$25,000, upon retirement. Life insurance benefits are paid through premiums to an insurance company under an indemnity plan. The insurance company has the right to adjust the premiums based on claims paid. Historically, the claims paid in any one year have not exceeded the premiums. The City recognizes the cost of providing the life insurance benefits by charging the insurance premiums to expenditures. The life insurance costs for the fiscal year ended June 30, 1999, were approximately \$117,444. The number of retired employees covered under the life insurance benefit was 2,210 at June 30, 1999, and the amount of life insurance coverage for these retired employees was \$39,259,522.

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

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

Eligible retirees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the Retiree Health Care Act on the person's behalf.

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

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 1999

**NOTE 17 POSTEMPLOYMENT BENEFITS, continued**

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, 625 Don Casper, Santa Fe, New Mexico 87501.

The City of Albuquerque remitted \$2,006,671 in employer contributions and \$1,003,335 in employee contributions in fiscal year ended June 30, 1999.

**NOTE 18 DEFERRED COMPENSATION**

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

**NOTE 19 LANDFILL CLOSURE AND POSTCLOSURE CARE COST**

Federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and postclosure care costs in the Refuse Disposal Fund (Enterprise) as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$1,179,444 reported as other liabilities payable from restricted assets at June 30, 1999, represents the cumulative amount reported to date based on the use of 32% of the estimated capacity of the Cerro Colorado Landfill. The City will recognize the remaining estimated cost of closure and postclosure care of \$2,298,256 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 1999. The City expects to close the landfill in the year 2024. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The City has set aside \$1,179,444 for future postclosure costs. This amount is reported as a restricted asset on the balance sheet. The City expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

**NOTE 20 RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts and civil rights (including law enforcement and employment related exposures); theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City uses the Risk Management Fund (an internal service fund) to account for and finance its uninsured risks of loss. Under this program, the Risk Management Fund provides coverage for up to a maximum of \$500,000 for each worker's compensation incident, \$1,050,000 for each tort liability claim, and \$50,000 for each City real or personal property damage claim. With the exception of the Corrections and Detention Center, the Risk Management Fund provides unlimited coverage for civil rights claims. Beginning in fiscal year 1997, the coverage on the Corrections and Detention Center was provided by private insurance with a limit of \$1,000,000 and a \$25,000 deductible. The City purchases commercial insurance for claims in excess of coverage provided by the Fund and for all other risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

All funds of the City participate in the program and make payments to the Risk Management Fund based on actuarial estimates of the amounts needed to pay prior- and current-year claims and to establish a reserve for catastrophic losses. That reserve was \$1,000,000 at June 30, 1999 and 1998, and is included in the retained earnings of the Risk Management Fund. The claims liabilities reported in the Fund are based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 1999**

**NOTE 20 RISK MANAGEMENT, continued**

The amounts and changes in the Fund's claims liability in fiscal year 1999 and 1998 were:

	1999	1998
Claims liability at July 1	\$ 36,241,188	\$ 28,681,516
Current year claims and changes in estimate	11,719,885	20,500,385
Claim payments	(17,188,513)	(12,940,713)
 Claim liability at June 30	 \$ 30,772,560	 \$ 36,241,188
 The components of the claims liability at June 30 are:		
Current portion	\$ 10,947,500	\$ 18,062,076
Noncurrent portion	19,825,060	18,179,112
 Total claims liability	 \$ 30,772,560	 \$ 36,241,188

**NOTE 21 NEW AND DISCONTINUED FUNDS**

In fiscal year 1999, the City established two new funds as follows:

Communications Fund

This internal service fund provides communication services to the City departments and, on a limited basis, to certain outside organizations. This fund had revenues of \$1,180,865 and expenditures of \$850,765 during the year.

Employee Insurance Fund

This fund is used to account for the collection of the withholding of the employees' insurance deductions and the City's portion of the insurance premiums and the payment of insurance premiums in connection with the health and life insurance benefits provided the City's employees. The City's portion was charged to other City funds based on a percentage of the payroll costs associated with those funds. This internal service fund had revenues of \$20,023,371 and expenditures of \$19,700,106 during the year. In addition, the fund received the accumulated balance of \$8,163,164, recorded as contributed capital in the fund, of the money that had been held on deposit in the City's Trust and Agency fund.

In fiscal year 1999, the City discontinued the following fund:

Pension Trust Fund

During March, 1999, the City purchased annuity contracts from an insurance company for the three remaining active retirees, or their beneficiaries, of the City of Albuquerque's Supplemental Retirement Plan. The plan is reflected in the accompanying financial statements as the Pension Trust Fund. This plan had been established by the City in 1946 and was discontinued in 1954 when the City joined the Public Employees' Retirement Association of the State of New Mexico. Since then, no new members have been added to this plan.

As a result, the fund no longer has an obligation to make further payments in accordance with the plan and is no longer necessary. The remaining fund balance of \$45,002 was transferred to the General Fund in a residual equity transfer.

**NOTE 22 RESTATEMENTS**

Correction of an error in the City Housing Fund

The City conducted a review of the deferred revenue in this fund and determined that the entire stated amount of deferred revenue should have been recognized as revenue in earlier years. Accordingly the Total fund balance and the Unreserved fund balances of the Fund and of the Special Revenue Funds type was increased by \$640,798 and \$542,446 as of June 30, 1998 and 1997, respectively. The stated income of the fund and the Special Revenue Funds type for fiscal year ended June 30, 1998 was increased by \$98,352.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 1999**

**NOTE 22 RESTATEMENTS, continued**

Correction of errors in the General Fixed Assets Account Group.

In fiscal year ended June 30, 1995, the City removed individual assets, costing \$500 dollars or less, from the General Fixed Assets Account Group. The aggregate amount of \$2,565,147 of these assets, acquired before July 1, 1985, had again been erroneously deducted in subsequent years. Accordingly, Equipment, as of July 1, 1998, was increased by \$7,695,441.

In previous years, the City had included costs in certain projects as "Construction work in progress" under the assumption that those costs would be capitalized in the future. It was determined that these costs should not be capitalized and accordingly, the "Construction work in progress" was reduced by \$13,662,304.

Other Changes

Other changes in the prior year financial statements were made to conform to the presentation for the year ended June 30, 1999 for comparison purposes.

**NOTE 23 COMMITMENTS AND CONTINGENT LIABILITIES**

At June 30, 1999, uncompleted construction and other commitments in the proprietary and similar fiduciary fund types that will be paid from assets restricted for construction, improvements and replacements or from operating revenues were as follows:

<b>Enterprise Funds:</b>	
Airport Fund	\$16,759,181
Golf Course Fund	77,327
Joint Water and Sewer Fund	18,635,164
Parking Facilities Fund	3,611
Refuse Disposal Fund	2,222,767
Transit Fund	440,405
<b>Internal Service Funds:</b>	
Supplies Inventory Management Fund	4,912,649
Risk Management Fund	1,454,708
Fleet Management Fund	100,053
Employee Insurance Fund	590,681
Communications Fund	14

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 \$626,207 were incurred for the year ended June 30, 1999. Lease commitments for future years are as follows:

2000	\$758,879
2001	523,449
2002	337,863
2003	182,305

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

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

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 1999**

**NOTE 23 COMMITMENTS AND CONTINGENT LIABILITIES, continued**

In connection with the bond issues related to the operation of apartments managed in trust by an independent organization, the City has a contingent liability of \$15,295,000 in the event that the net revenues are not sufficient to cover the debt service on these bonds.

On January 6, 1999, the City entered into a forward refunding agreement to issue \$26,375,000 in Joint Water and Sewer Refunding Revenue Bonds. The Series 2000A bonds, to be dated on or about May 1, 2000, will have a weighted average interest rate of 5%. Proceeds from the sale of the bonds will be used to refund \$25,885,000 aggregate principal amount of the Joint Water and Sewer Refunding Revenue Bonds, Series 1990B maturing after July 1, 2001.

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

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

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

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

**NOTE 25 SUBSEQUENT EVENTS**

On September 10, 1999, the City issued \$24,105,000 of General Obligation General Purpose bonds, Series 1999C. The proceeds of the Series 1999C bonds will be used for construction projects for parks and recreation, fire protection, facilities and equipment, police protection, public libraries, vehicles and equipment for public transportation, equipment for the biological park and for citizens' centers.

On October 5, 1999, the City's voters authorized the issuance of general obligation bonds for the following purposes:

Streets	\$ 31,365,000
Parks and recreation	16,710,000
Storm sewer	11,260,000
Public facilities and equipment	7,660,000
Fire protection	6,250,000
Senior, Family and Community Centers	6,080,000
Public transit	5,410,000
Police	5,355,000
Museum	5,050,000
Library	3,585,000
Zoo and Biological Park	<u>2,930,000</u>
	 <u>\$ 101,655,000</u>



**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 1999**

**NOTE 26 YEAR 2000 ISSUES (REQUIRED SUPPLEMENTAL INFORMATION - UNAUDITED)**

The City of Albuquerque initiated in 1996, a concentrated effort in the planning and upgrading of the central financial systems applications. After the initial assessment of the Year 2000 (Y2K) requirements a budget request was prepared and approved by the City administration as part of the General Obligation bond proposal, which was submitted to the voters in the fall of 1997. A total of \$800,000 was approved for the remediation of core computer systems and software. In January 1998, the Y2K Project Initiation Plan was implemented which covers the remediation of systems affected by the Y2K for the entire City. During the FY99 budget process an additional \$5 million was approved by the City Council for the Y2K effort. Contractors have been hired for code remediation, independent testing, and project management.

An inventory of all systems has been completed and the systems prioritized based on mission critical status. A total of eight priority categories have been identified as follows: 1) waste water, 2) police and fire radio system, 3) police and fire emergency system(e911), 4) water system, 5) traffic signals, 6) police and fire embedded systems, 7) financial systems and 8) human resources/payroll. These systems are receiving priority funding.

Each prioritized system has a project manager and team responsible for preparing a project plan that identifies the specific tasks and time frame including the technical issues of converting the systems or switching to compliant systems. Each manager reports the project status to the City's Information Services Committee (ISC) on a monthly basis.

All conversions to Y2K systems include installation of the software in a separate test region, developing test data, and running test scripts. The test data results are reviewed by both the user department staff as well as the technical staff prior to acceptance and final transfer of the compliant system to the production region. As of this date, the status is as follows: 1) WasteWater is 90% complete. Final testing is scheduled for 11/26/99. The contingency plan is to revert to manual operation. 2) Police/Fire radio system is 85% complete. Full implementation is scheduled for 12/31/99. The contingency plan is to utilize the conventional system which remains in place. 3) Police/Fire emergency system (E911) is installed and 100% complete. 4) Water System is 100% complete. The system is gravity fed no technology involved. 5) Traffic Signals are 100% complete. 6) Police/Fire embedded systems were reviewed. No Y2K issues detected. 7) Financial systems have been upgraded to Y2K compliant versions. 8) Human Resources/Payroll system has been converted to the Y2K compliant version. The first payroll under this version will be 11/23/99.