

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 1998**

**INDEX**

<b>NOTE 1</b>	<b>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES.....</b>	<b>2</b>
<b>NOTE 2</b>	<b>CASH AND CASH EQUIVALENTS.....</b>	<b>10</b>
<b>NOTE 3</b>	<b>RECEIVABLES AND ALLOWANCES FOR UNCOLLECTIBLE ACCOUNTS.....</b>	<b>12</b>
<b>NOTE 4</b>	<b>INTERFUND RECEIVABLES AND PAYABLES.....</b>	<b>13</b>
<b>NOTE 5</b>	<b>INTERFUND ADVANCES .....</b>	<b>13</b>
<b>NOTE 6</b>	<b>FIXED ASSETS .....</b>	<b>14</b>
<b>NOTE 7</b>	<b>LONG-TERM DEBT .....</b>	<b>15</b>
<b>NOTE 8</b>	<b>DEMAND BONDS .....</b>	<b>21</b>
<b>NOTE 9</b>	<b>REFUNDED BONDS .....</b>	<b>22</b>
<b>NOTE 10</b>	<b>INDUSTRIAL REVENUE BONDS .....</b>	<b>22</b>
<b>NOTE 11</b>	<b>DEFICIT FUND EQUITIES .....</b>	<b>23</b>
<b>NOTE 12</b>	<b>PROPERTY TAXES .....</b>	<b>24</b>
<b>NOTE 13</b>	<b>INTERFUND TRANSFERS .....</b>	<b>25</b>
<b>NOTE 14</b>	<b>SEGMENT INFORMATION FOR ENTERPRISE FUNDS .....</b>	<b>26</b>
<b>NOTE 15</b>	<b>CONTRIBUTED CAPITAL.....</b>	<b>27</b>
<b>NOTE 16</b>	<b>DEFINED BENEFIT PENSION PLANS .....</b>	<b>27</b>
<b>NOTE 17</b>	<b>POSTEMPLOYMENT BENEFITS.....</b>	<b>28</b>
<b>NOTE 18</b>	<b>DEFERRED COMPENSATION .....</b>	<b>29</b>
<b>NOTE 19</b>	<b>LANDFILL CLOSURE AND POSTCLOSURE CARE COST.....</b>	<b>29</b>
<b>NOTE 20</b>	<b>RISK MANAGEMENT .....</b>	<b>30</b>
<b>NOTE 21</b>	<b>NEW FUNDS .....</b>	<b>30</b>
<b>NOTE 22</b>	<b>RESTATEMENT.....</b>	<b>31</b>
<b>NOTE 23</b>	<b>COMMITMENTS AND CONTINGENT LIABILITIES .....</b>	<b>32</b>
<b>NOTE 24</b>	<b>YEAR 2000 ISSUES (UNAUDITED).....</b>	<b>33</b>
<b>NOTE 25</b>	<b>DEPOSIT IN JOINT WATER AND SEWER FUND .....</b>	<b>34</b>
<b>NOTE 26</b>	<b>SUBSEQUENT EVENTS.....</b>	<b>34</b>

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 1998

**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, 1998

**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, 1998**

**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, 1998, were accrued based on actuarial estimates of the City's self-insurance programs. At June 30, 1998, 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, 1998, and 1997, 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 bonded 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, 1998

**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 8,867 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, 1998

**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 other improvements	15 - 50 years
Runways and other improvements	15 - 20 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, 1998

**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, 1998 and 1997, 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, 1998

**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, 1998 and 1997, 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 1998, 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, 1998

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

**R. Budgets, continued**

<b>General Fund:</b>		<b>General Fund (continued):</b>	
Cultural plan of Albuquerque	\$ 2,042	Street maintenance	\$ 38,975
Albuquerque economic development	818	Traffic engineering/electricity	6,223
Property tax administration fee	119,818	Transportation services	612
Real property	8,737	Multiservice centers	6,223
City/County building renovations	772	Albuquerque development services	1,642
Dues and memberships	4,231	Research, planning, and evaluation	416
Early retirement	1,203,878	<b>Special Revenue Funds:</b>	
Public access channel	431	<b>Air Quality Fund:</b>	
Fire operations	253,723	Indirect overhead	625
Fire prevention	18,096	<b>Corrections and Detention Fund:</b>	
Technical services	174,253	Corrections and detention	1,310,771
Police field services	9,851	<b>Enterprise Funds:</b>	
North valley area command	1,599	<b>Airport Fund:</b>	
Westside area command	22,266	Payments for general fund services	14,790
Southeast area command	4,630	<b>Golf Course Fund:</b>	
Foothill area command	2,397	Golf operations	18,016
Off duty police	203,577	Payments for general fund services	2,142
Police investigations	1,909,616	<b>Joint Water and Sewer Fund:</b>	
Police administration	2,023	Public works administration	76,622
Police support services	121,426	Computer services	71,298
Operations review	4,201	Utility acquisition	5,980,000
Gang enforcement	39,466	Computer services	105,440
Public library	186,266	<b>Parking Facilities Fund:</b>	
Cultural - CIP funded employees	157,269	Parking operations	59,231
Community cultural affairs	22,100	Parking control	7,489
Explora science center	1,187	<b>Refuse Disposal Fund:</b>	
Zoo	159,900	Early retirement	62,152
Biological park	16,405	Payments for general fund services	31,349
Convention center	107,368	<b>Internal Service Funds:</b>	
Public works-CIP funded employees	258,747	<b>Supplies Inventory Management Fund:</b>	
Storm drainage/maintenance	60,988	Inventory management	27,783
Construction coordination	33,464	<b>Risk Management Fund:</b>	
general administration	24,442	Other risks	1,831,139
One stop shop	41,748	Tort liability claims	4,983,642
Hydrology	1,889	Payments for general fund services	22,755
Construction management	48,692		

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, 1998

**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, 1998, 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	\$ 226,000,000	\$ 712,489	\$ 226,712,489
U.S. Treasury obligations	55,145,313	-	55,145,313
Obligations of federal agencies or instrumentalities	205,864,928	18,093,836	223,958,764
State of New Mexico local government investment pool	-	4,621,297	4,621,297
State of New Mexico Mortgage Finance Authority bonds	-	850,000	850,000
Certificates of deposit	94,000	-	94,000
City of Albuquerque special assessment district bonds	-	45,000	45,000
<b>Total investments</b>	<u>487,104,241</u>	<u>24,322,622</u>	<u>511,426,863</u>
Bank accounts (book balance)	<u>167,682</u>	<u>1,300,877</u>	<u>1,468,559</u>
Accrued interest receivable	4,624,913	458,240	5,083,153
Imprest cash funds	-	58,830	58,830
<b>Total other</b>	<u>4,624,913</u>	<u>517,070</u>	<u>5,141,983</u>
<b>Total cash, investments, accrued interest and cash with fiscal agents</b>	<u>\$ 491,896,836</u>	<u>\$ 26,140,569</u>	<u>\$ 518,037,405</u>
<b>Cash, investments and accrued interest:</b>			
Unrestricted	\$ 307,360,784	\$ 24,789,289	\$ 332,150,073
Restricted	90,398,346	1,351,280	91,749,626
<b>Total cash, investments and accrued interest</b>	<u>397,759,130</u>	<u>26,140,569</u>	<u>423,899,699</u>
<b>Cash with fiscal agents:</b>			
Unrestricted	61,306,051	-	61,306,051
Restricted	32,831,655	-	32,831,655
<b>Total cash with fiscal agents</b>	<u>94,137,706</u>	<u>-</u>	<u>94,137,706</u>
<b>Total cash, investments, accrued interest and cash with fiscal agents</b>	<u>\$ 491,896,836</u>	<u>\$ 26,140,569</u>	<u>\$ 518,037,405</u>

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 1998

**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, 1998, 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				Total
	1	2	3	Not Categorized	
Repurchase agreements	\$ -	\$ 712,489	\$226,000,000	\$ -	\$226,712,489
U.S. Treasury obligations	55,145,313	-	-	-	55,145,313
Obligations of federal agencies or instrumentalities	223,958,764	-	-	-	223,958,764
State of New Mexico local government investment pool	-	-	-	4,621,297	4,621,297
State of New Mexico Mortgage Finance Authority bonds	850,000	-	-	-	850,000
Certificates of deposit	94,000	-	-	-	94,000
City of Albuquerque special assessment district bonds	45,000	-	-	-	45,000
<b>Total investments</b>	<b><u>\$280,093,077</u></b>	<b><u>\$ 712,489</u></b>	<b><u>\$226,000,000</u></b>	<b><u>\$ 4,621,297</u></b>	<b><u>\$511,426,863</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		Total
	A	C	
Bank accounts (bank balance)	<u>\$ 305,570</u>	<u>\$ 6,993,832</u>	<u>\$ 7,299,402</u>

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 1998**

**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, 1998, consists of the following:

	First Security Bank	Nations Bank	Western Bank	Norwest Bank	Bank of New Mexico	First State Bank
Total amount on deposit	\$ 1,296,007	\$ 1,157,594	\$ 3,597	\$ 4,840,231	\$ 1,359	\$ 614
Less FDIC coverage	<u>100,000</u>	<u>100,000</u>	<u>3,597</u>	<u>100,000</u>	<u>1,359</u>	<u>614</u>
Total uninsured public funds	1,196,007	1,057,594	-	4,740,231	-	-
50% collateral requirement	<u>598,004</u>	<u>528,797</u>	<u>-</u>	<u>2,370,116</u>	<u>-</u>	<u>-</u>
Pledged securities, fair value	<u>257,442</u>	<u>5,524,199</u>	<u>-</u>	<u>1,700,384</u>	<u>-</u>	<u>-</u>
Pledged in excess (deficit) of requirement	<u>\$ (340,562)</u>	<u>\$ 4,995,402</u>	<u>\$ -</u>	<u>\$ (669,732)</u>	<u>\$ -</u>	<u>\$ -</u>

As of July 1, 1998, the banks with a deficit in pledged securities had provided sufficient collateral in order to provide the required pledge.

**C. Deferred Compensation Plans' Assets**

As of June 30, 1998, the combined market value of assets in the City's deferred compensation plans for participating employees was \$922,794, which is reported in the Agency Fund.

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

Included on Exhibit A-1, "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, 1998, are as follows:

	Total receivables	Allowance for uncollectible accounts	Net receivables
<b>General Fund</b>			
Taxes	\$ 22,298,163	\$ 518,722	\$ 21,779,441
Other	2,455,920	260,000	2,195,920
<b>Total General Fund</b>	<u>\$ 24,754,083</u>	<u>\$ 778,722</u>	<u>\$ 23,975,361</u>
<b>Debt Service Funds:</b>			
General Obligation Bond	\$ 3,364,718	\$ 2,077,893	\$ 1,286,825
Special Assessment	7,076,712	-	7,076,712
Housing Authority	<u>1,090,012</u>	<u>-</u>	<u>1,090,012</u>
<b>Total Debt Service Funds</b>	<u>\$ 11,531,442</u>	<u>\$ 2,077,893</u>	<u>\$ 9,453,549</u>
<b>Enterprise Funds:</b>			
Airport	\$ 3,529,543	\$ 79,379	\$ 3,450,164
Golf	7,180	-	7,180
Joint Water and Sewer	13,477,185	842,063	12,635,122
Parking Facilities	163,937	3,698	160,239
Refuse Disposal	2,179,024	92,967	2,086,057
Transit	<u>184,413</u>	<u>433</u>	<u>183,980</u>
<b>Total Enterprise Funds</b>	<u>\$ 19,541,282</u>	<u>\$ 1,018,540</u>	<u>\$ 18,522,742</u>

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 1998

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

Property taxes of \$851,610 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 \$3,364,718. The allowance for uncollectible amounts includes delinquent property taxes in the General Fund and General Obligation Bond Debt Service Fund of \$518,722 and \$2,077,893 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, 1998, consist of the following:

	Due from other funds	Due to other funds
General Fund	\$ 194,477	\$ -
Special Revenue Funds:   Albuquerque Biological Park	-	6,020
Job Training Partnership Act	-	188,457
Total	\$ 194,477	\$ 194,477

**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, 1998.

	Advances to other funds	Advances from other funds
General Fund:   Advance to Capital Acquisition Fund	\$ 112,000	\$ -
Advance to Open Space Expendable Trust Fund	195,636	-
	307,636	-
Debt Service Funds:   Sales Tax Refunding Debt Service Fund:		
Advance to Airport Fund **	825,916	-
Advance to Parking Facilities Fund **	3,521,823	-
	4,347,739	-
Capital Projects Funds:   Capital Acquisition Fund:		
Advance from General Fund	-	112,000
Enterprise Funds:   Airport Fund:		
Advance from Sales Tax Refunding Debt Service Fund **	-	825,916
Joint Water and Sewer Fund:		
Advance to Supplies Inventory Management Fund *	229,630	-
Parking Facilities Fund:		
Advance from Sales Tax Refunding Debt Service Fund **	-	3,521,823
Total Enterprise Funds	229,630	4,347,739
Internal Service Funds:   Supplies Inventory Management Fund:		
Advance from Joint Water and Sewer Fund *	-	229,630
Fiduciary Funds:   Open Space Expendable Trust Fund:		
Advance from General Fund	-	195,636
Total advances	\$ 4,885,005	\$ 4,885,005

\* 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, 1998**

**NOTE 6 FIXED ASSETS**

The changes in the General Fixed Assets Account Group for the year ended June 30, 1998, are as follows:

	<u>Balance July 1</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30</u>
Land	\$ 170,545,607	\$ 11,289,449	\$ -	\$ 181,835,056
Buildings	93,683,644	4,933,729	-	98,617,373
Improvements other than buildings	232,513,922	6,022,855	-	238,536,777
Equipment	121,831,997	13,373,594	5,947,799	129,257,792
Construction work in progress	<u>154,315,538</u>	<u>47,020,164</u>	<u>13,390,030</u>	<u>187,945,672</u>
<b>Total</b>	<u>\$ 772,890,708</u>	<u>\$ 82,639,791</u>	<u>\$ 19,337,829</u>	<u>\$ 836,192,670</u>

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, Open Space acquisitions and other facilities.

The proprietary and similar fiduciary fund type property and equipment at June 30, 1998 and 1997, are as follows:

	<u>Enterprise</u>		<u>Internal Service</u>		<u>Fiduciary</u>	
	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>	<u>1998</u>	<u>1997</u>
Land	\$ 41,387,491	\$ 37,324,303	\$ 283,842	\$ 283,842	\$ -	\$ -
Land and improvements acquired from U.S. Air Force	7,630,077	7,630,077	-	-	-	-
Buildings and other improvements	179,917,343	179,302,372	406,001	406,001	-	-
Runways and other improvements	225,311,410	226,702,702	-	-	-	-
Improvements other than buildings and runways	1,054,305,774	995,126,436	735,311	735,311	-	-
Machinery, equipment and other	<u>117,340,391</u>	<u>115,557,691</u>	<u>1,645,854</u>	<u>1,623,588</u>	<u>2,297</u>	<u>2,297</u>
	1,625,892,486	1,561,643,581	3,071,008	3,048,742	2,297	2,297
Less accumulated depreciation	<u>676,053,653</u>	<u>615,383,717</u>	<u>1,926,321</u>	<u>1,845,104</u>	<u>2,297</u>	<u>2,297</u>
Net	949,838,833	946,259,864	1,144,687	1,203,638	-	-
Construction work in progress	<u>80,986,242</u>	<u>72,251,586</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total</b>	<u>\$ 1,030,825,075</u>	<u>\$ 1,018,511,450</u>	<u>\$ 1,144,687</u>	<u>\$ 1,203,638</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 1998

**NOTE 6 FIXED ASSETS, continued**

Changes to property and equipment of the Enterprise funds for 1998 and 1997 include the following amounts of capitalized interest:

	1998			1997		
	Total Interest	Interest Related to Tax-Exempt Borrowing	Net	Total Interest as restated	Interest Related to Tax-Exempt Borrowing	Net as restated
Interest expense	\$ 37,442,780	\$ 4,508,609	\$ 32,934,171	\$ 36,571,188	\$ 6,797,009	\$ 29,774,179
Interest income	8,855,944	<u>2,463,588</u>	6,392,356	9,992,391	<u>2,504,789</u>	7,487,602
Capitalized interest		<u>\$ 2,045,021</u>			<u>\$ 4,292,220</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, 1998, are as follows:

	Outstanding July 1	Increases	Decreases	Outstanding June 30
General Obligation Bonds	\$ 172,155,000	\$ 44,380,000	\$ 47,370,000	\$ 169,165,000
Sales Tax Revenue Bonds	93,021,989	27,800,000	6,164,757	114,657,232
Special Assessment Debt				
With Governmental Commitment	8,880,000	-	2,320,000	6,560,000
Housing Authority				
Revenue Bonds and Notes	15,224,187	-	347,673	14,876,514
Accrued employee benefits	<u>18,721,319</u>	<u>571,452</u>	<u>-</u>	<u>19,292,771</u>
Total	<u>\$ 308,002,495</u>	<u>\$ 72,751,452</u>	<u>\$ 56,202,430</u>	<u>\$ 324,551,517</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 1998, the City issued \$44,380,000 of General Obligation bonds as follows.

On February 2, 1998, the City issued \$38,030,000 in General Obligation General Purpose Bonds with an average coupon rate of 4.5% and \$6,350,000 General Obligation Storm Sewer Bonds with a coupon rate of 5.0%. The proceeds of these bonds were deposited into the Capital Projects Acquisition Fund and will be used for various construction projects for streets, parks, fire, facilities, police, libraries, museums, transportation, biological park and a citizens center.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 1998**

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

**A. General, continued**

General obligation bonds outstanding at June 30, 1998, are as follows:

Issue	Amount	Interest Rate	Final Maturity	Call Provisions
January 1, 1992 General Purpose	\$ 12,000,000	5.20/5.90%	July 1, 2001	Not callable
September 1, 1992 General Purpose	2,070,000	4.70/4.90%	July 1, 1999	Not callable
September 1, 1992 Water and Sewer	12,120,000	4.90/5.25%	July 1, 2002	Not callable
November 1, 1993 Series B	10,595,000	3.80/5.00%	July 1, 2000	Not callable
March 1, 1994 Series A	30,400,000	4.60/4.90%	July 1, 2002	Not callable
March 1, 1994 Series B	15,000,000	4.90/5.00%	July 1, 2003	Not callable
February 1, 1996 Series A	14,000,000	5.00%	July 1, 2004	Not callable
February 1, 1996 Series B	3,500,000	5.00/5.50%	July 1, 2005	Not callable
January 1, 1997 Series A	26,900,000	5.00%	July 1, 2005	Not callable
January 1, 1997 Series B	6,700,000	5.00%	July 1, 2006	Not callable
February 1, 1998 Series A	29,530,000	4.00/5.00%	July 1, 2005	Not callable
February 1, 1998 Series B	6,350,000	5.00%	July 1, 2007	Not callable
	<u>\$ 169,165,000</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, 1998, based on the most recent assessed taxable valuation of \$5,469,636,000, the City may issue an additional \$103,885,000 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 July 2, 1997, the City issued \$27,800,000 of Gross Receipts Tax Revenue bonds with a variable interest rate. The interest rate will be based on comparable tax exempt obligations. The interest rate in effect at June 30, 1998, was 4.35%. The proceeds of the bonds will be used in acquiring, constructing, extending, equipping and improving a public safety communication system, a building for a communications and emergency operations center, and for a criminalistic lab.

Sales tax revenue bonds outstanding at June 30, 1998, are as follows:

Issue	Amount	Interest Rate	Final Maturity	Call Provisions
July 1, 1973	\$ 950,000	5.70%	July 1, 2003	102%
October 7, 1991 A	33,500,000	4.70%	July 1, 2022	Not callable
November 26, 1991 B Refunding and Improvement	17,677,232	5.40/7.10%	July 1, 2019	103% beginning July 1, 2011
July 1, 1992 Refunding	9,370,000	5.00/6.30%	July 1, 2007	102% beginning July 1, 2002
January 11, 1995	6,000,000	6.00%	July 1, 2015	100% beginning January 4, 1995
March 15, 1995	5,700,000	6.00%	July 1, 2023	100% beginning March 7, 1995
October 15, 1996 Refunding	14,960,000	4.50/5.00%	July 1, 2011	100% beginning July 1, 2007
July 2, 1997	26,500,000	4.35%	July 1, 2013	102% beginning July 1, 2004
	<u>\$114,657,232</u>			

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 1998**

**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.

The City issued no Special Assessment Bonds in fiscal years ending June 30, 1998 or 1997.

Special Assessment Debt in the amount of \$6,560,000 outstanding at June 30, 1998, with interest rates from 4.25 to 10.10%, matures through July 1, 2013.

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 \$1,420,000 issued May 1, 1972 and outstanding at June 30, 1998, 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, 1998, 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 \$9,758,896 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 March 18, 1998, the City, in an early bond call, redeemed series 1995B Airport revenue bonds in the amount of \$8,590,000. An additional \$1,700,000 of these bonds were also redeemed on June 3, 1998. As a result of these redemptions, the outstanding balance was reduced to \$3,675,000.

On June 3, 1998, the City, also in an early bond call, redeemed \$4,000,000 of series 1996A Airport revenue bonds. As a result, the outstanding balance was reduced to \$35,000,000.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 1998

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

**B. Enterprise, continued**

Airport Revenue bonds outstanding at June 30, 1998 and 1997, are as follows:

Issue	Amount		Interest Rate	Final Maturity	Call Provisions
	1998	1997			
April 15, 1989					
Refunding	\$ 41,425,000	\$ 41,835,000	6.50/7.60%	July 1, 2019	102% beginning July 1, 1997
January 1, 1995 A	51,230,000	52,785,000	5.35/6.60%	July 1, 2016	105% beginning July 1, 2000
January 1, 1995 B	3,675,000	13,965,000	5.55/7.00%	July 1, 2016	100% beginning January 1, 1997
May 3, 1995			adjustable		
Refunding	61,900,000	63,700,000	weekly	July 1, 2014	100% on any interest payment date
			adjustable		
January 31, 1996 A	35,000,000	39,000,000	weekly	July 1, 2017	100% on any interest payment date
April 3, 1997					
Refunding	32,800,000	33,310,000	6.25/6.75%	July 1, 2018	102% beginning July 1, 2007
Total outstanding	226,030,000	244,595,000			
Unamortized discounts	(3,524,669)	(3,609,243)			
Deferral on refunding	(2,887,923)	(3,101,287)			
Net outstanding	<u>\$ 219,617,408</u>	<u>\$ 237,884,470</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 July 10, 1997, the City issued \$46,715,000 in Joint Water and Sewer Revenue Bonds with an average interest rate of 4.75%. The proceeds from these bonds will be used to extend, repair, replace and otherwise improve the City's water and sanitary sewer system.

Joint Water and Sewer Revenue Bonds outstanding at June 30, 1998 and 1997, are as follows:

Issue	Amount		Interest Rate	Final Maturity	Call Provisions
	1998	1997			
June 1, 1990 A	\$ 9,991,710	\$ 9,991,710	6.00/7.20%	July 1, 2015	100% beginning July 1, 2000
June 1, 1990 B					
Refunding	28,290,000	31,060,000	6.50/7.00%	July 1, 2006	102% beginning July 1, 2000
July 1, 1990 C	8,600,000	11,555,000	6.45/7.00%	July 1, 2005	102% beginning July 1, 2000
January 1, 1992	56,565,000	57,490,000	4.70/6.25%	July 1, 2017	102% beginning July 1, 2002
January 1, 1994 A	81,880,000	88,710,000	2.75/4.60%	July 1, 2005	Not callable
August 1, 1995	36,840,000	37,540,000	3.625/6.00%	July 1, 2007	Not callable
June 15, 1997	46,515,000	-	4.75%	July 1, 2009	100% beginning July 1, 2006
Total outstanding	268,681,710	236,346,710			
Unamortized discounts	(1,305,878)	(1,432,773)			
Deferral on refunding	(4,701,852)	(6,066,619)			
Accreted interest	7,583,930	6,387,156			
Net outstanding	<u>\$ 270,257,910</u>	<u>\$ 235,234,474</u>			

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 1998

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

**B. Enterprise, continued**

Included in the Joint Water and Sewer Revenue Bonds outstanding, June 1, 1990 A Issue, are 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 \$7,583,930 has accreted as of June 30, 1998, 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, 1998 and 1997, was \$23,866,600 and \$24,394,600 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, 1998, was \$6,522,269.

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, 1998, 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. The project is expected to be complete within four years from the date of the loan agreement.

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, 1998, was \$2,197,052.

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 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, 1998, was \$7,840,871.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 1998

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

**B. Enterprise, continued**

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

On March 3, 1998, the City issued \$10,170,000 in Refuse Removal and Disposal Revenue Bonds with an average interest rate of 4.41%. The proceeds from the series 1998 bonds will be used to extend, repair, equip and otherwise improve the City's solid waste and refuse disposal system.

Refuse Disposal Revenue Bonds outstanding at June 30, 1998 and 1997, are as follows:

Issue	Amount		Interest Rate	Final Maturity	Call Provisions
	1998	1997			
October 1, 1989	\$ 1,670,000	\$ 2,330,000	6.60/7.00%	July 1, 2000	102% beginning July 1, 1999
September 1, 1992	14,070,000	14,580,000	3.80/5.80%	July 1, 2012	102% beginning July 1, 2002
July 1, 1995	12,760,000	12,935,000	3.85/5.25%	July 1, 2009	Not callable
February 1, 1998	10,170,000	-	3.75/5.00%	July 1, 2013	100% beginning July 1, 2007
Total outstanding	38,670,000	29,845,000			
Unamortized discounts	(130,031)	(235,893)			
Deferral on refunding	(698,696)	(788,548)			
Net outstanding	\$ 37,841,273	\$ 28,820,559			

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

The annual debt service requirements, including \$462,360,170 of interest, on the obligations outstanding at June 30, 1998, not including Housing Authority notes that are held by HUD are as follows:

	Year ending June 30	General Long- Term Debt	Enterprise Debt
1999		\$ 54,278,618	\$ 63,414,149
2000		46,192,598	65,668,172
2001		41,984,809	65,900,509
2002		37,879,271	66,678,515
2003		32,281,539	66,744,725
2004-2008		88,118,262	297,868,355
2009-2013		57,681,150	152,464,822
2014-2018		38,182,132	99,504,399
2019-2023		46,805,070	10,671,550
Total		\$ 443,403,449	\$ 888,915,196

**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 that would be due the IRS as of June 30, 1998.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 1998**

**NOTE 8 DEMAND BONDS**

Included in long-term debt (Notes 7A and 7B) is \$168,600,000 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, 1998, no amounts were drawn on the "take out" agreement which is as follows:

**Sales Tax Revenue Bonds January 22, 1992**

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	\$38,965,209 (Principal outstanding plus 295 days of Interest at 15%)
Bonds Outstanding at 6/30/98	\$33,500,000

**Sales Tax Revenue Bonds January 4, 1995**

Remarketing Agent	Rauscher Pierce Refsnes, 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	\$6,737,500 (Principal outstanding plus 295 days of Interest at 15%)
Bonds Outstanding at 6/30/98	\$6,000,000

**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 6/30/98	\$5,700,000

**Airport Subordinate Lien Adjustable Tender Refunding Revenue Bonds May 3, 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	March 3, 1998
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 6/30/98	\$61,900,000

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 1998**

**NOTE 8 DEMAND BONDS, continued**

**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 6/30/98	\$35,000,000

**Sales Tax Revenue Bonds July 15, 1997**

Remarketing Agent	Smith Barney, Inc.
Terms of "Take-Out" Agreement:	
Purchaser	Bayerische Landesbank
Method of Purchase	Direct Pay Letter of Credit
Expiration Date	July 1, 2013
Annual Fee	.10% on the stated amount of the letter of credit
Stated Amount at Time of Issuance	\$28,488,630 (Principal outstanding plus 205 days of Interest at 4.35%)
Bonds Outstanding at 6/30/98	\$26,500,000

**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, 1998, is as follows:

General Long-Term Debt Account Group:	
Sales Tax Revenue Bonds	\$ 3,650,000
Enterprise Funds:	
Refuse Revenue Bonds	11,305,000
Joint Water and Sewer Revenue Bonds	<u>105,025,000</u>
Total	<u>\$119,980,000</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, 1998, there were sixty-eight series of Industrial Revenue Bonds outstanding. The aggregate principal amount payable for the twelve series issued after July 1, 1995, is \$504.5 million. The aggregate principal amount payable for the fifty-six series issued prior to July 1, 1995, could not be determined; however, their original issue amounts totaled \$838.0 million.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 1998

**NOTE 11 DEFICIT FUND EQUITIES**

**Special Revenue Funds**

The funds which have deficit unreserved fund balances are:

	<b>Deficit Unreserved Fund Balance*</b>
Albuquerque Biological Park Projects Fund	\$ 9,891
Corrections and Detention Fund	470,234
City Housing Fund	61,379
Community Development Fund	3,464,537
Job Training Partnership Act Fund	706,924
Operating Grants Fund	2,842,040

\* 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, 1998, are:

	<b>Deficit Unreserved Fund Balance</b>
Community Services Building	\$ 108,322
Information Systems	2

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, 1998, are:

	<b>Deficit Unreserved Fund Balance</b>
Tingley Aqua Park Botanical	\$ 624,078
Quarter Cent Streets	6,009,112

**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, 1998, the deficit unreserved retained earnings were \$10,735,878 and \$49,566,218 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, 1998, in the amount of \$3,062,649 and \$4,511,219, respectively.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 1998**

**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 1998 tax levy had a taxable value of \$5,469,635,735. 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 1998 weighted average residential and non-residential City rate for both operations and debt service was 11.362 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, 1998, are as follows:

General Fund	\$ 851,610
General Obligation Debt Service Fund	3,364,718



**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 1998

**NOTE 13 INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 1998, were as follows:

From	To		
General Fund	Community Development Fund	\$	863,000
General Fund	Corrections and Detention Fund		12,825,500
General Fund	Operating Grants Fund		4,101,328
General Fund	Capital Acquisition Fund		6,273,000
General Fund	Sales Tax Refunding Debt Service Fund		1,119,000
General Fund	City/County Building Debt Service Fund		95,000
General Fund	Parking Facilities Fund		1,385,000
General Fund	Transit Fund		16,073,000
General Fund	Vehicle/Equipment Replacement Fund		5,252,000
General Fund	Acquisition and Management of Open Space Expendable Trust Fund		615,000
Recreation Fund	General Fund		339,000
Lodgers Tax Fund	Sales Tax Refunding Debt Service Fund		3,975,000
Law Enforcement Protection Fund	Operating Grants Fund		75,349
City/County Projects Fund	General Fund		128,000
City/County Facilities Fund	City/County Building Debt Service Fund		1,150,000
Plaza del Sol Building Fund	Sales Tax Refunding Debt Service Fund		360,000
Capital Acquisition Fund	Capital Acquisition Fund		4,028,069
Quality of Life Fund	General Fund		1,726,611
Joint Water & Sewer Fund	General Fund		95,000
Parking Facilities Fund (Debt Service)	Sales Tax Refunding Debt Service Fund		31,000
Refuse Disposal Fund	General Fund		375,000
Vehicle/Equipment Replacement Fund	General Fund		3,250,000
Vehicle/Equipment Replacement Fund	Capital Acquisition Fund		79,135
Housing Authority (Debt Service Fund)	Housing Authority Fund		1,071,484
Acquisition and Management of Open Space Nonexpendable Trust Fund	Acquisition and Management of Open Space Expendable Trust Fund		1,234,331
Urban Enhancement Nonexpendable Trust Fund	Urban Enhancement Expendable Trust Fund		503,718
<b>Total transfers</b>			<u><u>\$ 67,023,525</u></u>
		<u>Transfers In</u>	<u>Transfers Out</u>
Exhibit A-2, "Combined Statement of Revenues, Expenditures, and Changes in Unreserved Fund Balances-All Governmental Fund Types and Expendable Trust Funds"		\$ 49,565,525	\$ 64,784,476
Exhibit A-4, "Combined Statement of Revenues, Expenses, and Changes in Unreserved Retained Earnings/Fund Balances-All Proprietary and Similar Fiduciary Fund Types"		<u>17,458,000</u>	<u>2,239,049</u>
<b>Total transfers</b>		<u><u>\$ 67,023,525</u></u>	<u><u>\$ 67,023,525</u></u>

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 1998

**NOTE 14 SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

Significant financial data for the enterprise funds as of and for the year ended June 30, 1998, (in thousands of dollars) is as follows:

	<u>Airport Fund</u>	<u>Golf Course Fund</u>	<u>Joint Water and Sewer Fund</u>	<u>Parking Facilities Fund</u>	<u>Refuse Disposal Fund</u>	<u>Transit Fund</u>	<u>Total</u>
Operating revenues	\$ 42,378 **	\$ 3,612	\$ 88,936	\$ 3,003	\$ 31,392	\$ 3,004	\$ 172,325
Depreciation and amortization	20,716	360	40,714	698	3,792	3,296	69,576
Bad debt expense	43	-	-	-	-	-	43
Operating income (loss)	6,860	115	(4,904)	(291)	1,193	(19,487)	(16,514)
Operating transfers in	-	-	-	1,385	-	16,073	17,458
Operating transfers out	-	-	(95)	(31)	(375)	-	(501)
Net income (loss)	3,476	205	(9,227)	373	37	(2,343)	(7,479)
<b>Current year contributed capital:</b>							
Contributions - Federal and State grants	27	-	4,508	-	-	(1,992) *	2,543
Contributions - Other	-	-	13,624	-	-	-	13,624
Transfers from other funds	-	-	2	-	-	1,024	1,026
<b>Property and</b>							
equipment additions	11,332	357	66,011	294	7,202	582	85,778
Working capital	8,467	171	9,629	11	2,849	1,547	22,674
Restricted assets	55,627	911	61,280	39	18,130	5,906	141,893
Total assets	361,621	6,304	746,009	14,803	68,857	33,161	1,230,755
<b>Bonds and other long-term</b>							
liabilities payable from operating revenues	220,874	-	311,341	3,522	37,841	-	573,578
Total fund equity	130,771	5,661	384,526	11,074	24,075	31,621	587,728

\*Contributions of the Transit Fund consist of \$1,092,240 for Federal grants, net of \$3,084,516 for depreciation on certain assets acquired with Federal grants, which results in a net decrease to contributed capital of \$1,992,276.

\*\*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, 1998

**NOTE 15 CONTRIBUTED CAPITAL**

The changes in contributed capital for the years ended June 30, 1998 and 1997, are as follows:

	<u>Proprietary Funds</u>		<u>Totals</u> (Memorandum Only)	
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Year ended June 30</u>	
			<u>1998</u>	<u>1997</u>
<b>Contributions from outside sources:</b>				
Balance, July 1	\$ 431,250,954	\$ -	\$ 431,250,954	\$ 401,299,802
State, Federal and other grants	5,627,346	-	5,627,346	19,225,099
Developers	13,176,124	-	13,176,124	12,115,897
Customers	448,316	-	448,316	577,472
Depreciation on certain assets acquired with Federal grants	<u>(3,084,516)</u>	<u>-</u>	<u>(3,084,516)</u>	<u>(1,967,316)</u>
Balance, June 30	<u>447,418,224</u>	<u>-</u>	<u>447,418,224</u>	<u>431,250,954</u>
<b>Contributions from other City funds:</b>				
Balance, July 1	146,080,580	1,693,580	147,774,160	143,126,093
Transfers from Capital Acquisition Fund for assets purchased from proceeds of general obligation bonds	1,024,113	-	1,024,113	4,633,912
Transfer of equipment from Vehicle and Equipment Replacement Fund	-	-	-	14,155
Transfer of equipment from General Fixed Asset Account Group	<u>2,055</u>	<u>-</u>	<u>2,055</u>	<u>-</u>
Balance, June 30	<u>147,106,748</u>	<u>1,693,580</u>	<u>148,800,328</u>	<u>147,774,160</u>
Total contributed capital	<u>\$ 594,524,972</u>	<u>\$ 1,693,580</u>	<u>\$ 596,218,552</u>	<u>\$ 579,025,114</u>

**NOTE 16 DEFINED BENEFIT PENSION PLANS**

**PENSION TRUST FUND** - As of June 30, 1998, there were three active retirees in the City of Albuquerque Supplemental Retirement Plan, reflected in the accompanying financial statements as the Pension Trust Fund. This plan was established by the City in 1946 and 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. At June 30, 1998, the plan assets exceeded City of Albuquerque's estimate of projected benefit obligation by \$32,000. This plan has been fully funded since June 30, 1978 and no further funding is required.

**RETIREMENT PLAN** - Substantially all of the City of Albuquerque 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, 1998

**NOTE 16 DEFINED BENEFIT PENSION PLANS, 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, 1998.

<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%	\$4,448	19.01%	\$25,726
General - Bus Drivers	13.15%	691	9.15%	481
General - Other	7.00%	176	7.00%	176
Police	16.30%	5,820	18.50%	6,605
Fire	15.20%	3,149	20.25%	4,195

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, 1998, was \$199,501,970; the total payroll for all employees of the City of Albuquerque was \$223,684,554.

**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, 1998, were approximately \$105,000. The number of retired employees covered under the life insurance benefit was 2,049 at June 30, 1998, and the amount of life insurance coverage for these retired employees was \$35,322,772.

**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 unless that person retires on or before July 1, 1995, in which event the time period required for employee and employer contributions shall become the period of time between July 1, 1990, and the date of retirement; or (2) retirees defined by the act who retired prior to July 1, 1990.

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, 1998

**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 \$1,995,020 in employer contributions and \$997,510 in employee contributions in fiscal year ended June 30, 1998.

**NOTE 18 DEFERRED COMPENSATION**

The City of Albuquerque offers its employees four 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.

Effective August 20, 1996, the United States Code provides that new deferred compensation plans established under Internal Revenue Code Section 457 (IRC Sec. 457) will not be considered eligible plans "unless all assets and income of the plan described in subsection (b)(6) are held in trust for the exclusive benefit of the participants and their beneficiaries." Existing plans also are required to comply with this requirement by January 1, 1999.

Prior to the amendment of IRC Sec. 457, all amounts of compensation deferred under the plans, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights were considered (until paid or made available to the employee or other beneficiary) solely the property and rights of the City, subject only to the claims of the City's general creditors. Participants' rights under the plans were considered to be equal to those of general creditors of the City in amounts equal to the fair market value of the deferred account for each participant.

As a result of the amendments to IRC Sec. 457, two deferred compensation plans, as of June 30, 1998, now comply with those provisions and are no longer reported as assets or liabilities in the Agency Fund. The trust documents of the remaining two deferred compensation plans are in the process of being amended in order to comply with the provisions of IRC Sec. 457 by January 1, 1999, and are reported in the Agency Fund.

**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 as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$2,047,301 reported as other liabilities payable from restricted assets at June 30, 1998, represents the cumulative amount reported to date based on the use of 30% of the estimated capacity of the Cerro Colorado Landfill. The City will recognize the remaining estimated cost of closure and postclosure care of \$4,047,139 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 1998. 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 \$2,047,301 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.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 1998**

**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, 1998 and 1997, 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.

The amounts and changes in the Fund's claims liability in fiscal year 1998 and 1997 were:

	1998	1997
Claims liability at July 1	\$ 28,681,516	\$ 37,458,582
Current year claims and changes in estimate	20,500,385	4,441,301
Claim payments	(12,940,713)	(13,218,367)
 Claim liability at June 30	 \$ 36,241,188	 \$ 28,681,516
 The components of the claims liability at June 30 are:		
Current portion	\$ 18,062,076	\$ 10,604,488
Noncurrent portion	18,179,112	18,077,028
 Total claims liability	 \$ 36,241,188	 \$ 28,681,516

**NOTE 21 NEW FUNDS**

In fiscal year 1998, the City established two new funds as follows:

**Albuquerque Biological Park Projects Fund**

This fund is used to account for the receipt of contributions and donations earmarked for specific projects associated with the Albuquerque Biological Park. This special revenue fund had revenues of \$690,396 and expenditures of \$684,810 during the year.

**Culture and Recreation Fund**

This fund is used to account for the receipt of contributions and donations earmarked for specific projects associated with the Culture and Recreation Department. This special revenue fund had revenues of \$705,951 and expenditures of \$336,450 during the year.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 1998

**NOTE 22 RESTATEMENT**

**Changes required by application of GASB Statement No. 31**

In accordance with the provisions of Statement No. 31 of the Governmental Accounting Standards Board "Accounting and Financial Reporting for Certain investments and for External investment Pools" (GASB 31), the City is now recording investments at fair value instead of at cost. Accordingly, the Balance Sheets of all Fund Types having investments as a component of its assets have been restated as of June 30, 1997, as shown below. In addition, the Statements of Revenues, Expenditures and Changes in Unreserved Fund Balances/Retained Earnings of all Fund Types having interest income have been restated for the fiscal year ended June 30, 1997, as shown below.

**Balance Sheet:**

All amounts are shown in thousands.

	Fund Types						
	General	Special	Debt	Capital	Enterprise	Internal	Fiduciary
	Fund	Revenue Funds	Service Funds	Projects Funds	Funds	Service Funds	Funds
<b>Cash, investments and accrued interest - Unrestricted:</b>							
As stated	\$ 36,697	\$ 24,237	\$ 17,363	\$ 118,477	\$ 23,863	\$ 40,675	\$ 44,532
Adjustment	(65)	(37)	(135)	(211)	(43)	(72)	198
As restated	\$ 36,632	\$ 24,200	\$ 17,228	\$ 118,266	\$ 23,820	\$ 40,603	\$ 44,730
<b>Cash, investments and accrued interest - Restricted:</b>							
As stated	\$ -	\$ -	\$ -	\$ -	\$ 84,689	\$ -	\$ -
Adjustment	-	-	-	-	(167)	-	-
As restated	\$ -	\$ -	\$ -	\$ -	\$ 84,522	\$ -	\$ -
<b>Due to other governments:</b>							
As stated	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,656
Adjustment	-	-	-	-	-	-	(35)
As restated	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,621
<b>Reserved Fund Balance:</b>							
As stated	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 38,968
Adjustment	-	-	-	-	-	-	233
As restated	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 39,201
<b>Unreserved Fund Balance/Retained Earnings:</b>							
As stated	\$ 27,762	\$ 15,075	\$ 17,286	\$ 91,384	\$ (35,247)	\$ 11,643	\$ -
Adjustment	(65)	(37)	(135)	(211)	(210)	(72)	-
As restated	\$ 27,697	\$ 15,038	\$ 17,151	\$ 91,173	\$ (35,457)	\$ 11,571	\$ -
<b>Total Fund Balance/Retained Earnings:</b>							
As stated	\$ 46,905	\$ 36,266	\$ 32,402	\$ 116,905	\$ 575,138	\$ 13,336	\$ 39,134
Adjustment	(65)	(37)	(135)	(211)	(210)	(72)	233
As restated	\$ 46,840	\$ 36,229	\$ 32,267	\$ 116,694	\$ 574,928	\$ 13,264	\$ 39,367

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 1998

**NOTE 22 RESTATEMENT, continued**

**Statement of Revenues, Expenditures, and Changes in Unreserved Fund Balance/Retained Earnings:**

All amounts are shown in thousands.

	Fund Types						
	General	Special	Debt	Capital	Enterprise	Internal	Fiduciary
	Fund	Revenue	Service	Projects	Funds	Service	Funds
<b>Interest Income</b>							
As stated	\$ 2,787	\$ 1,377	\$ 3,975	\$ 6,450	\$ 6,630	\$ 2,635	\$ 1,599
Adjustment	123	76	227	600	858	190	168
As restated	<u>\$ 2,910</u>	<u>\$ 1,453</u>	<u>\$ 4,202</u>	<u>\$ 7,050</u>	<u>\$ 7,488</u>	<u>\$ 2,825</u>	<u>\$ 1,767</u>
<b>Change in reserves:</b>							
As stated	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (999)
Adjustment	-	-	-	-	-	-	(168)
As restated	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,167)</u>
<b>Beginning Unreserved Fund Balance/Retained Earnings:</b>							
As stated	\$ 24,399	\$ 20,590	\$ 20,688	\$ 108,346	\$ (42,020)	\$ 7,913	\$ -
Adjustment	(188)	(113)	(362)	(811)	(1,068)	(262)	-
As restated	<u>\$ 24,211</u>	<u>\$ 20,477</u>	<u>\$ 20,326</u>	<u>\$ 107,535</u>	<u>\$ (43,088)</u>	<u>\$ 7,651</u>	<u>\$ -</u>
<b>Ending Fund Balance/Retained Earnings:</b>							
As stated	\$ 27,762	\$ 15,075	\$ 17,286	\$ 91,384	\$ (35,247)	\$ 11,643	\$ -
Adjustment	(65)	(37)	(135)	(211)	(210)	(72)	-
As restated	<u>\$ 27,697</u>	<u>\$ 15,038</u>	<u>\$ 17,151</u>	<u>\$ 91,173</u>	<u>\$ (35,457)</u>	<u>\$ 11,571</u>	<u>\$ -</u>

**Other Changes**

Other changes in the prior year financial statements were made to conform to the presentation for the year ended June 30, 1998 for comparison purposes.

**NOTE 23 COMMITMENTS AND CONTINGENT LIABILITIES**

At June 30, 1998, 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	\$ 3,341,439
Golf Course Fund	64,488
Joint Water and Sewer Fund	12,056,755
Parking Facilities Fund	34,659
Refuse Disposal Fund	2,036,030
Transit Fund	4,625,382
<b>Internal Service Funds:</b>	
Supplies Inventory Management Fund	9,007,863
Risk Management Fund	1,684,952
Fleet Management Fund	49,352

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 1998

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

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 \$493,924 were incurred for the year ended June 30, 1998. Lease commitments for future years are as follows:

1999	\$562,512
2000	532,904
2001	340,187
2002	86,311

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

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

In connection with the bond issues related to the operation of apartments managed in trust by an independent organization, the City has a contingent liability of \$15,410,000 in the event that the net revenues are not sufficient to cover the debt service on these bonds.

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

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

**NOTE 24 YEAR 2000 ISSUES (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 includes 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 significant progress has been made in upgrading the core financial accounting systems.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 1998**

**NOTE 25 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 and is recorded as a deposit in the Joint Water and Sewer Fund.

**NOTE 26 SUBSEQUENT EVENTS**

On September 8, 1998, the New Mexico Supreme Court ruled in favor of the plaintiffs against the City of Albuquerque, which, in this case, tested the constitutionality of the monetary damage caps in the state tort claims act. As a result, the plaintiffs were awarded approximately \$6,000,000 in damages. The liability for payment of this claim has been recorded as an increase in the Current portion of claims and judgements payable of the Risk Management Fund as of June 30, 1998. In addition to the award, the New Mexico Supreme Court also changed the standard by which these cases would be adjudicated in the future. This is more likely to result in the monetary damage caps being upheld in future cases.

On October 7, 1998, the City, in an early bond call, redeemed \$2,500,000 of series 1996A Airport revenue bonds. As a result, the outstanding balance was reduced to \$32,500,000.