

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2000**

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**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2000

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

**A. Financial Reporting Entity**

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

1. 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
2. provision by the organization of specific financial benefits or burdens to the City; or
3. fiscal dependency by the organization on the City such as from the lack of authority to determine its budget or issue its own bonded debt without City approval.

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

**B. Basis of Presentation**

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

**1. Governmental Fund Types**

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

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

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

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

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

**CITY OF ALBUQUERQUE, NEW MEXICO**  
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**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, 2000

**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, 2000, were accrued based on actuarial estimates of the City's self-insurance programs. At June 30, 2000, 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, 2000, and 1999, over the estimated payment period. Revenues consist primarily of charges to other funds, the amounts of which approximate the cost of claims and other risk management costs arising from the activities of those funds.

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

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

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

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

**CITY OF ALBUQUERQUE, NEW MEXICO**  
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**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 4,975 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**  
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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**I. Property and Equipment**

**General Fixed Assets Account Group**

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

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

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

**Proprietary and Nonexpendable Trust Funds**

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

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

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

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

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

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

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

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

**J. Accrued Employee Benefits**

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

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

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2000

**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, 2000 and 1999, fund equity was reserved for:

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

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

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

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

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

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

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

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

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

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.

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, 2000

**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, 2000 and 1999, 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 2000, several supplemental appropriations were necessary. Following are the programs with expenditures that exceeded their appropriations at the end of the fiscal year.

General Fund:		General Fund, continued:	
Joint committee on intergovern-		Fire station 5	45,565
mental and legislative relations	\$ 12,728	Fire station 6	39,817
Special audits	48,038	Fire station 7	46,457
Fiscal agent fees	23,525	Fire station 10	41,939
Property tax administration fees	8,695	Fire station 12	35,355
Legal department administration	82,442	Fire station 13	48,429
Office of employee relations	16,735	Fire station 14	28,985
Planning	22,518	Fire station 15	75,159
Early retirement	135,858	Fire station 16	12,131
Salary accrual	385	Fire station 17	5,002
Public access channel	17,500	Fire station 18	75,171
Education channel	5,000	Fire station 19	55,007
Transfer to Plaza Del Sol Fund	10,000	Fire CIP funded employees	1,236
Fire station 1	39,568	Fire technical services	33,896
Fire station 2	19,268	Fire operations center	5,796
Fire station 3	62,692	Police northeast area command	107,364
Fire station 4	33,058	Police north valley area command	160,726

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2000

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

**R. Budgets, continued**

<b>General Fund, continued:</b>		<b>Special Revenue Funds, continued:</b>	
Police westside area command	152,863	<b>Lodgers Tax Fund:</b>	
Police southeast area command	60,332	Lodgers promotion	\$ 51,231
Police foothills area command	142,678	Special lodgers promotion	4,000
Off duty police overtime	116,119	<b>Enterprise Funds:</b>	
Police central investigations	880,920	<b>Golf Course Fund:</b>	
Police support services	41,472	Affordable and quality golf	144,990
Environmental planning studies	4,801	<b>Joint Water and Sewer Fund:</b>	
Cultural and rec. services security	2,900	CIP funded employees	9,475
<b>Cultural - Capital Improvement</b>		Low income utility credit program	9,764
Program funded employees	58,912	Debt service	372,033
Community cultural events	75,718	Transfer from cash restricted for	
Explora science center	4,166	debt service to cash restricted	
Community and youth recreation	484,310	for capital acquisition	1,000,000
Parks and land management	29,917	<b>Parking Facilities Fund:</b>	
Albuquerque geographic		Parking operations	5,316
information system	3,017	<b>Refuse Disposal Fund:</b>	
Storm drainage maintenance	129,718	Collections and disposal	127,900
Transportation engineering	23,378	Early retirement/sick leave	
Street cleaning	54,512	conversion	231,235
Traffic engineering/electricity	149,390	Payment to General Fund for services	63,713
Environmental services	961	<b>Transit Fund:</b>	
Animal services	70,405	Operations	180,982
Multiservice centers	10,036	Trolleys	31,519
Community services administration	107,205	<b>Internal Service Funds:</b>	
Transfer to Corrections and		<b>Communications Fund:</b>	
Detention Fund	1,793,000	Radio maintenance	11,533
<b>Special Revenue Funds:</b>		City telephones	3,070
<b>Corrections and Detention Fund:</b>		Payment to General Fund for services	4,142
Corrections and detention	4,586,622	<b>Fleet Management Fund:</b>	
Detoxification program	66,620	Fleet management	586,100
Payment to General Fund for services	37,000	<b>Risk Management Fund:</b>	
<b>Gas Tax Road Fund:</b>		Tort liability claims	2,255,500
Street services	69,746	Payment to General Fund for services	23,726

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, 2000

**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, 2000, 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	\$ 100,000,000	\$ 3,734,301	\$ 103,734,301
U.S. Treasury obligations	19,759,375	-	19,759,375
Obligations of federal agencies or instrumentalities	358,079,059	47,247,871	405,326,930
State of New Mexico investment council	-	3,255,042	3,255,042
State of New Mexico local government investment pool	-	5,979,682	5,979,682
State of New Mexico Mortgage Finance Authority bonds	-	305,000	305,000
City of Albuquerque special assessment district bonds	-	-	-
<b>Total investments</b>	<u>477,838,434</u>	<u>60,521,896</u>	<u>538,360,330</u>
Certificates of deposit	104,437	-	104,437
Bank accounts (book balance)	<u>(8,130,493)</u>	<u>1,365,452</u>	<u>(6,765,041)</u>
<b>Total bank balances</b>	<u>(8,026,056)</u>	<u>1,365,452</u>	<u>(6,660,604)</u>
Accrued interest receivable	4,675,723	1,254,912	5,930,635
Imprest cash funds	<u>-</u>	<u>80,961</u>	<u>80,961</u>
<b>Total other</b>	<u>4,675,723</u>	<u>1,335,873</u>	<u>6,011,596</u>
<b>Total cash, investments, accrued interest and cash with fiscal agents</b>	<u>\$ 474,488,101</u>	<u>\$ 63,223,221</u>	<u>\$ 537,711,322</u>
<b>Cash, investments and accrued interest:</b>			
Unrestricted	\$ 256,036,033	\$ 35,789,857	\$ 291,825,890
Restricted	<u>126,747,381</u>	<u>27,433,364</u>	<u>154,180,745</u>
<b>Total cash, investments and accrued interest</b>	<u>382,783,414</u>	<u>63,223,221</u>	<u>446,006,635</u>
<b>Cash with fiscal agents:</b>			
Unrestricted	48,846,689	-	48,846,689
Restricted	<u>42,857,998</u>	<u>-</u>	<u>42,857,998</u>
<b>Total cash with fiscal agents</b>	<u>91,704,687</u>	<u>-</u>	<u>91,704,687</u>
<b>Total cash, investments, accrued interest and cash with fiscal agents</b>	<u>\$ 474,488,101</u>	<u>\$ 63,223,221</u>	<u>\$ 537,711,322</u>

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2000

**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, 2000, are categorized below to indicate the level of risk assumed by the City:

**1. Investment Categories of Credit Risk**

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

	Category			
	1	2	Not Categorized	Total
Repurchase agreements	\$ -	\$103,734,301	\$ -	\$103,734,301
U.S. Treasury obligations	19,759,375	-	-	19,759,375
Obligations of federal agencies or instrumentalities	405,326,930	-	-	405,326,930
State of New Mexico investment council			3,255,042	3,255,042
State of New Mexico local government investment pool	-	-	5,979,682	5,979,682
State of New Mexico Mortgage Finance Authority bonds	<u>305,000</u>	<u>-</u>	<u>-</u>	<u>305,000</u>
<b>Total investments</b>	<b><u>\$425,391,305</u></b>	<b><u>\$103,734,301</u></b>	<b><u>\$ 9,234,724</u></b>	<b><u>\$538,360,330</u></b>

**2. Deposit Categories of Credit Risk**

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

	Category		
	A	C	Total
Bank accounts (bank balance)	\$ 302,538	\$ 3,704,379	\$ 4,006,917
Certificates of deposit	<u>100,000</u>	<u>4,437</u>	<u>104,437</u>
<b>Total deposits</b>	<b><u>\$ 402,538</u></b>	<b><u>\$ 3,708,816</u></b>	<b><u>\$ 4,111,354</u></b>

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2000**

**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, 2000, consists of the following:

	<u>First Security Bank</u>	<u>Bank of America</u>	<u>Compass Bank</u>	<u>Wells Fargo Bank</u>	<u>First State Bank</u>	<u>Bank 1st</u>
Total amount on deposit	\$ 909,696	\$ 139,359	\$ 2,312	\$ 2,955,324	\$ 226	\$ 104,437 *
Less FDIC coverage	<u>100,000</u>	<u>100,000</u>	<u>2,312</u>	<u>100,000</u>	<u>226</u>	<u>100,000</u>
Total uninsured public funds	809,696	39,359	-	2,855,324	-	4,437
50% collateral requirement	<u>404,848</u>	<u>19,680</u>	<u>-</u>	<u>1,427,662</u>	<u>-</u>	<u>2,219</u>
Pledged securities, fair value	<u>947,940</u>	<u>178,679</u>	<u>-</u>	<u>4,006,018</u>	<u>-</u>	<u>-</u>
Pledged in excess (deficit) of requirement	<u>\$ 543,092</u>	<u>\$ 158,999</u>	<u>\$ -</u>	<u>\$ 2,578,356</u>	<u>\$ -</u>	<u>\$ (2,219)</u>

\* As of November 10, 2000, the investment was reduced to the FDIC coverage amount.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2000

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

Included on Exhibit A-I, "Combined Balance Sheet - All Fund Types and Account Groups", are balances of receivables which are reported net of allowances for uncollectible accounts. The amounts of these receivables that have allowances as of June 30, 2000, are as follows:

	<u>Total receivables</u>	<u>Allowance for uncollectible accounts</u>	<u>Net receivables</u>
<b>General Fund</b>			
Taxes	\$ 22,550,382	\$ 158,502	\$ 22,391,880
Other	2,254,419	214,673	2,039,746
<b>Total General Fund</b>	<b><u>\$ 24,804,801</u></b>	<b><u>\$ 373,175</u></b>	<b><u>\$ 24,431,626</u></b>
<b>Special Revenue Funds:</b>			
Air Quality Fund	\$ 248,726	\$ -	\$ 248,726
Corrections and Detention Fund	1,817,329	1,551,223	266,106
Gas Tax Road Fund	397,906	-	397,906
Housing Authority	382,400	-	382,400
Lodgers Tax Fund	746,486	-	746,486
Plaza Del Sol Building Fund	84,970	-	84,970
Recreation Bond	33,993	-	33,993
Albuquerque Biological Park Projects Fund	1,038	-	1,038
City/County Projects Fund	1,440	-	1,440
City Housing Fund	30,511	-	30,511
Community Development Fund	42,586	-	42,586
Housing & Neighborhood Economic Development Fund	296,213	-	296,213
JTPA Fund	139,487	-	139,487
Metropolitan Redevelopment Fund	25	-	25
Urban Development Fund	9,220,098	-	9,220,098
<b>Total Special Revenue Funds</b>	<b><u>\$ 13,443,208</u></b>	<b><u>\$ 1,551,223</u></b>	<b><u>\$ 11,891,985</u></b>
<b>Debt Service Funds:</b>			
General Obligation Bond	\$ 9,295,018	\$ -	\$ 9,295,018
Special Assessment	21,112,618	-	21,112,618
Housing Authority	1,090,011	-	1,090,011
<b>Total Debt Service Funds</b>	<b><u>\$ 31,497,647</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 31,497,647</u></b>
<b>Capital Projects Funds:</b>			
Infrastructure Tax Fund	\$ 2,227,799	\$ -	\$ 2,227,799
<b>Enterprise Funds:</b>			
Airport	\$ 3,674,780	\$ 75,255	\$ 3,599,525
Golf	2,909	-	2,909
Joint Water and Sewer	16,223,057	808,035	15,415,022
Parking Facilities	108,591	47,644	60,947
Refuse Disposal	2,554,286	116,637	2,437,649
Transit	302,727	278	302,449
<b>Total Enterprise Funds</b>	<b><u>\$ 22,866,350</u></b>	<b><u>\$ 1,047,849</u></b>	<b><u>\$ 21,818,501</u></b>

Property taxes of \$1,079,437 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 \$9,295,018. The allowance for uncollectable amounts includes delinquent property taxes in the General Fund of \$158,502.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2000

**NOTE 4 INTERFUND RECEIVABLES AND PAYABLES**

The interfund receivables and payables reported on Exhibit A-I, "Combined Balance Sheet - All Fund Types and Account Groups" as of June 30, 2000, consist of the following:

	<u>Due from other funds</u>	<u>Due to other funds</u>
General Fund	<u>\$ 1,446,802</u>	<u>\$ 729,395</u>
Special Revenue Funds:		
Corrections and Detention	-	325,013
Plaza del Sol Building	-	18,277
Gas Tax Fund	-	307,454
Job Training Partnership Act	-	796,058
	<u>-</u>	<u>1,446,802</u>
Debt Service Funds		
Sales Tax Debt Service Fund	<u>711,834</u>	<u>-</u>
Enterprise Funds:		
Parking Facilities Debt Service Fund	<u>-</u>	<u>711,834</u>
Internal Service Funds:		
Employee Insurance	<u>729,395</u>	<u>-</u>
Total	<u>\$ 2,888,031</u>	<u>\$ 2,888,031</u>

**NOTE 5 INTERFUND ADVANCES**

Interfund advances to be repaid from revenues or proceeds from the sale of assets are as follows as of June 30, 2000.

	<u>Advances to other funds</u>	<u>Advances from other funds</u>
General Fund:		
Advance to Capital Acquisition Fund	\$ 112,000	\$ -
Advance to Open Space Expendable Trust Fund	195,636	-
	<u>307,636</u>	<u>-</u>
Debt Service Funds:		
Sales Tax Refunding Debt Service Fund:		
Advance to Parking Facilities Fund **	<u>26,542,338</u>	<u>-</u>
Capital Projects Funds:		
Capital Acquisition Fund:		
Advance from General Fund	<u>-</u>	<u>112,000</u>
Enterprise Funds:		
Joint Water and Sewer Fund:		
Advance to Supplies Inventory Management Fund *	129,630	-
Parking Facilities Fund:		
Advance from Sales Tax Refunding Debt Service Fund **	<u>-</u>	<u>26,542,338</u>
Total Enterprise Funds	<u>129,630</u>	<u>26,542,338</u>
Internal Service Funds:		
Supplies Inventory Management Fund:		
Advance from Joint Water and Sewer Fund *	<u>-</u>	<u>129,630</u>
Fiduciary Funds:		
Open Space Expendable Trust Fund:		
Advance from General Fund	<u>-</u>	<u>195,636</u>
Total advances	<u>\$ 26,979,604</u>	<u>\$ 26,979,604</u>

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

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

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2000**

**NOTE 6 FIXED ASSETS**

The changes in the General Fixed Assets Account Group for the year ended June 30, 2000, are as follows:

	Balance July 1	Additions	Deductions	Balance June 30
Land	\$ 184,490,526	\$ 4,648,167	\$ -	\$ 189,138,693
Buildings	107,374,755	16,751,185	-	124,125,940
Improvements other than buildings	258,387,921	7,961,580	-	266,349,501
Equipment	141,896,190	22,600,323	9,410,106	155,086,407
Construction work in progress	155,963,802	46,944,739	18,661,016	184,247,525
<b>Total</b>	<b>\$ 848,113,194</b>	<b>\$ 98,905,994</b>	<b>\$ 28,071,122</b>	<b>\$ 918,948,066</b>

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

The proprietary and similar fiduciary fund type property and equipment at June 30, 2000 and 1999, are as follows:

	Enterprise		Internal Service		Fiduciary	
	2000	1999	2000	1999	2000	1999
Land	\$ 54,953,621	\$ 49,615,929	\$ 283,842	\$ 283,842	\$ -	\$ -
Land and improvements acquired from						
U.S. Air Force	7,630,077	7,630,077	-	-	-	-
Buildings and other improvements	186,334,146	180,185,235	406,001	406,001	-	-
Runways and other improvements	242,073,125	225,377,727	-	-	-	-
Improvements other than buildings and runways	1,178,425,825	1,095,566,002	735,311	735,311	-	-
Machinery, equipment and other	127,688,361	122,386,434	1,585,871	1,646,790	2,297	2,297
	1,797,105,155	1,680,761,404	3,011,025	3,071,944	2,297	2,297
Less accumulated depreciation	814,930,896	746,668,871	2,020,737	2,022,930	2,297	2,297
Net	982,174,259	934,092,533	990,288	1,049,014	-	-
Construction work in progress	79,839,719	99,019,960	-	-	-	-
<b>Total</b>	<b>\$ 1,062,013,978</b>	<b>\$ 1,033,112,493</b>	<b>\$ 990,288</b>	<b>\$ 1,049,014</b>	<b>\$ -</b>	<b>\$ -</b>

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2000

**NOTE 6 FIXED ASSETS, continued**

Changes to property and equipment of the Enterprise funds for 2000 and 1999 include the following amounts of capitalized interest:

	2000			1999		
	Total Interest	Interest Related to Tax-Exempt Borrowing	Net	Total Interest	Interest Related to Tax-Exempt Borrowing	Net
Interest expense	\$ 33,494,571	\$ 6,916,504	\$ 26,578,067	\$ 35,224,866	\$ 3,632,858	\$ 31,592,008
Interest income	6,792,617	<u>2,474,166</u>	4,318,451	6,718,846	<u>2,431,177</u>	4,287,669
Capitalized interest		<u>\$ 4,442,338</u>			<u>\$ 1,201,681</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, 2000, are as follows:

	Outstanding July 1	Increases	Decreases	Outstanding June 30
General Obligation Bonds	\$ 152,825,000	\$ 24,105,000	\$ 38,750,000	\$ 138,180,000
Sales Tax Revenue Bonds	121,313,179	25,600,000	2,768,543	144,144,636
Special Assessment Debt				
With Governmental Commitment	9,925,000	-	2,045,000	7,880,000
Housing Authority				
Revenue Bonds and Notes	14,504,855	-	391,899	14,112,956
Accrued employee benefits	<u>19,024,430</u>	<u>1,416,029</u>	<u>-</u>	<u>20,440,459</u>
Total	<u>\$ 317,592,464</u>	<u>\$ 51,121,029</u>	<u>\$ 43,955,442</u>	<u>\$ 324,758,051</u>

General Obligation Bonds are direct obligations of the City for which its full faith and credit are pledged and are payable from taxes levied on property located within the City.

On August 1, 1999, the City issued \$24,105,000 General Obligation General Purpose Bonds with an average coupon rate of 4.58%. The proceeds of these bonds were deposited into the Capital Projects Acquisition Fund and will be used for various construction projects for police, libraries, transit, parks, fire, facilities, and citizens centers.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2000**

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

**A. General, continued**

General obligation bonds outstanding at June 30, 2000, are as follows:

Issue	Amount	Interest Rate	Final Maturity	Call Provisions
January 1, 1992 General Purpose September 1, 1992	\$ 4,000,000	5.20/5.90%	July 1, 2001	Not callable
Water and Sewer	7,100,000	4.90/5.25%	July 1, 2002	Not callable
March 1, 1994 General Purpose	12,200,000	4.60/4.90%	July 1, 2002	Not callable
March 1, 1994 Storm Sewer	15,000,000	4.90/5.00%	July 1, 2003	Not callable
February 1, 1996 General Purpose	9,000,000	5.00%	July 1, 2004	Not callable
February 1, 1996 Storm Sewer	3,500,000	5.00/5.50%	July 1, 2005	Not callable
January 1, 1997 General Purpose	18,500,000	5.00%	July 1, 2005	Not callable
January 1, 1997 Storm Sewer	6,700,000	5.00%	July 1, 2006	Not callable
February 1, 1998 General Purpose	21,070,000	4.00/5.00%	July 1, 2005	Not callable
February 1, 1998 Storm Sewer	6,350,000	5.00%	July 1, 2007	100% beginning July 1, 2005
February 1, 1999 General Purpose	12,000,000	3.63/3.95%	July 1, 2006	Not callable
February 1, 1999 Storm Sewer	4,760,000	4.00/4.05%	July 1, 2008	100% beginning July 1, 2006
August 1, 1999 General Purpose	<u>18,000,000</u>	4.50/4.75	July 1, 2009	100% beginning July 1, 2007
	<u>\$ 138,180,000</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, 2000, based on the most recent assessed taxable valuation of \$6,856,281,348, the City may issue an additional \$179,481,000 of general purpose general obligation bonds. Included in the general obligation bonds outstanding at June 30, 2000, are Storm Sewer bonds in the amount of \$43,410,000 that are not subject to the legal debt limit.

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

On January 20, 2000, the City issued \$25,600,000 of Taxable Gross Receipts Tax Improvement Revenue Bonds with a variable interest rate. The interest rate will be based on comparable tax exempt obligations and is adjusted weekly. The interest rate in effect at June 30, 2000 was 6.65%. These bonds were advanced to the Parking Fund for the construction of four parking structures within the City. Until construction begins, the Parking Fund has temporarily used these monies (\$25,465,000 after payment of \$134,400 of underwriters' fees) to purchase U.S. government securities.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2000

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

**A. General, continued**

Sales tax revenue bonds outstanding at June 30, 2000, are as follows:

<u>Issue</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Final Maturity</u>	<u>Call Provisions</u>
November 18, 1991 B Refunding and Improvement	\$ 17,209,636	6.35/7.10%	July 1, 2019	103% beginning July 1, 2011
May 1, 1992 Refunding	7,785,000	5.65/6.30%	July 1, 2007	102% beginning July 1, 2002
March 7, 1995	3,000,000	adjustable weekly	July 1, 2023	100% beginning March 7, 1995
October 15, 1996 Refunding	12,015,000	5.00%	July 1, 2011	100% beginning July 1, 2007
January 15, 1999 A Refunding	6,070,000	3.75/5.00%	July 1, 2015	100% beginning July 1, 2009
January 15, 1999 B Refunding	45,335,000	4.60/5.00%	July 1, 2025	100% beginning July 1, 2009
March 15, 1999 C Refunding	27,130,000	4.75/5.25%	July 1, 2022	100% beginning July 1, 2009
January 20, 2000 A	25,600,000	adjustable weekly	July 1, 2014	100% beginning January 20, 2000
	<u>\$144,144,636</u>			

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 year ended June 30, 2000.

Special Assessment Debt in the amount of \$7,880,000 outstanding at June 30, 2000, with interest rates from 4.35% to 6.65%, matures through January 1, 2015.

Housing Authority Revenue Bonds and Notes are issued to finance low-income housing and are secured by a first pledge of a specific portion of the annual contributions payable to the Authority by the Department of Housing and Urban Development and by a lien on the rents, revenues, fees and income of the Authority derived from, or in connection with, the operation of low-rent projects, after providing for the payment of operating expenditures of the projects. The notes are also secured by mortgages on real property acquired in connection with the operation of the projects. Housing Authority Bonds of \$1,290,000 issued May 1, 1972 and outstanding at June 30, 2000, 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, 2000, 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 \$9,125,338 held by the Federal Financing Bank at 6.6%, mature through November 1, 2016.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2000

NOTE 7 LONG-TERM DEBT, continued

**B. Enterprise**

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

On May 4, 2000, the City issued \$47,200,000 Subordinate Lien Adjustable Rate Airport Revenue Bonds with an adjustable rate of interest as follows:

The \$40,000,000 of Series 2000B bonds are taxable bonds and were issued for the construction of a consolidated rental car facility and for costs related to architecture, engineering, design, site preparation, installation of utilities and paving associated with that facility.

The \$7,200,000 of Series 2000A bonds are tax exempt and were issued for improvements to certain roadways serving the Consolidated Rental Car Facility and Airport general aviation areas.

Each series of the Series 2000 Bonds initially bears interest at a weekly interest rate as determined by the City bond ordinance and is re-determined on a weekly basis by a remarketing agent. The interest is paid monthly. The interest rate on the Series 2000A bonds shall not exceed the maximum bond interest rate of 12% and the interest rate on the Series 2000B bonds shall not exceed the maximum bond interest rate of 15%.

Airport Revenue bonds outstanding at June 30, 2000 and 1999, are as follows:

Issue	Amount		Interest Rate	Final Maturity	Call Provisions
	2000	1999			
January 1, 1995 A	\$ 47,860,000	\$ 49,590,000	5.35/6.60%	July 1, 2016	105% beginning July 1, 2000
January 1, 1995 B	1,995,000	2,845,000	5.55/7.00%	July 1, 2016	100% beginning January 1, 1997
May 3, 1995 Refunding	57,800,000	59,900,000	adjustable weekly	July 1, 2014	100% on any interest payment date
January 31, 1996 A	24,700,000	30,000,000	adjustable weekly	July 1, 2017	100% on any interest payment date
April 3, 1997 Refunding	31,350,000	32,260,000	6.25/6.75%	July 1, 2018	102% beginning July 1, 2007
September 1 1998 Refunding	42,685,000	42,685,000	3.80/5.00%	July 1, 2019	100% beginning July 1, 2008
May 4 2000 2000 A	7,200,000	-	adjustable weekly	July 1, 2020	100% on any interest payment date
May 4 2000 2000 B	40,000,000	-	adjustable weekly	July 1, 2020	100% on any interest payment date
Total outstanding	253,590,000	217,280,000			
Unamortized discounts	(572,706)	(579,242)			
Deferral on refunding	(5,694,674)	(6,177,992)			
Net outstanding	<u>\$ 247,322,620</u>	<u>\$ 210,522,766</u>			

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2000

NOTE 7 LONG-TERM DEBT, continued

**B. Enterprise**

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 May 1, 2000, the City issued \$26,375,000 in Joint Water and Sewer System Refunding Revenue Bonds. The Series 2000A bonds have a weighted average interest rate of 5.00%. The bonds are secured by a lien on net revenues of the City's Joint Water and Sewer System. The net proceeds of \$26,704,164 (after payment of underwriting fees and other issuance costs) were used to purchase state and local government securities. Those securities, together with an additional \$602,928, were deposited in an irrevocable trust with an escrow agent to refund \$25,885,000 of Series 1990B bonds, leaving \$855,000 outstanding bonds. In order to obtain debt service savings and restructure debt service, the City refunded the Series 1990B bonds maturing in the years 2002 through 2006. The refunded bond escrow agent will pay the principal and interest on the refunded bonds when due. As a result, these bonds are considered defeased and the liability for the bonds has been removed from the Joint Water and Sewer Fund. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$895,432. This difference, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2006 using the effective-interest method. The Fund completed the advance refunding to reduce total debt service payments over the next 6 years by \$1,506,487 and to obtain an economic gain (difference between the present values of the debt service payments on the old debt and new debt) of \$1,324,589.

Joint Water and Sewer Revenue Bonds outstanding at June 30, 2000 and 1999, are as follows:

Issue	Amount		Interest Rate	Final Maturity	Call Provisions
	2000	1999			
June 1, 1990 A	\$ 9,991,710	\$ 9,991,710	6.00/7.20%	July 1, 2008	100% beginning July 1, 2000
June 1, 1990 B					
Refunding	855,000	27,540,000	6.50/7.00%	July 1, 2001	102% beginning July 1, 2000
July 1, 1990 C	3,060,000	5,920,000	6.45/7.00%	July 1, 2001	102% beginning July 1, 2000
January 1, 1992	515,000	750,000	4.70/6.25%	July 1, 2002	102% beginning July 1, 2002
January 1, 1994 A	54,350,000	68,390,000	2.75/4.60%	July 1, 2005	Not callable
August 1, 1995	29,910,000	33,445,000	3.625/6.00%	July 1, 2007	Not callable
June 15, 1997	42,610,000	46,315,000	4.75%	July 1, 2009	100% beginning July 1, 2006
January 1, 1999A	89,680,000	91,980,000	3.80/5.25%	July 1, 2011	Not callable
May 1, 2000A	26,375,000	-	5.00%	July 1, 2006	Not callable
Total outstanding	257,346,710	284,331,710			
Unamortized discounts	6,287,162	6,345,936			
Deferral on refunding	(7,733,451)	(8,539,815)			
Accreted interest	10,246,181	8,868,128			
Net outstanding	\$ 266,146,602	\$ 291,005,959			

Included in the outstanding Joint Water and Sewer Revenue Bonds, are the June 1, 1990A Issue, capital appreciation bonds in the principal amount of \$9,991,710. No payment of principal or interest is due on these bonds until the year 2003. In accordance with the bond agreement the payment for these bonds is not provided for in the current revenue rate structure; however, interest in the amount of \$10,246,181 has accreted as of June 30, 2000, 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.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2000

NOTE 7 LONG-TERM DEBT, continued

**B. Enterprise, continued**

**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, 2000 and 1999, was \$22,681,000 and \$23,295,800 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, 2000, was \$5,957,093.

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, 2000, was \$1,838,967.

On July 1, 1997, the City executed a promissory note with the New Mexico Environment Department that converted an existing line of credit agreement of \$9,000,000 to a long term note payable with an interest rate of 5.00% with annual payments of \$1,015,429. Final payment is due on July 1, 2008. The balance due at June 30, 2000, was \$6,562,932.

On June 14, 2000, the City executed a promissory note with the New Mexico Environment Department that converted an existing line of credit agreement of \$15,000,000 to a long term note payable with an interest rate of 4.00% with annual payments of \$1,587,627. Final payment is due on July 1, 2012. The balance due at June 30, 2000, was \$14,900,000.

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

Refuse Disposal Revenue Bonds outstanding at June 30, 2000 and 1999, are as follows:

Issue	Amount		Interest Rate	Final Maturity	Call Provisions
	2000	1999			
October 1, 1989	\$ -	\$ 945,000	6.60/7.00%	July 1, 2000	102% beginning July 1, 1999
September 1, 1992	13,185,000	13,555,000	3.80/5.80%	July 1, 2012	102% beginning July 1, 2002
July 1, 1995	12,395,000	12,580,000	3.85/5.25%	July 1, 2009	Not callable
February 1, 1998	9,155,000	9,670,000	3.75/5.00%	July 1, 2013	100% beginning July 1, 2007
Total outstanding	34,735,000	36,750,000			
Unamortized discounts	(96,095)	(111,137)			
Deferral on refunding	(511,717)	(606,527)			
Net outstanding	\$ 34,127,188	\$ 36,032,336			

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2000

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

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

The annual debt service requirements, including \$435,274,243 of interest, on the obligations outstanding at June 30, 2000, not including Housing Authority notes that are held by HUD are as follows:

<u>Year ending June 30</u>	<u>General Long- Term Debt</u>	<u>Enterprise Debt</u>
2001	\$ 47,894,371	\$ 71,478,320
2002	43,203,664	72,363,600
2003	38,381,083	72,163,662
2004	29,331,622	71,940,441
2005	29,400,619	68,708,575
2006-2010	90,262,218	296,581,156
2011-2015	60,181,260	145,461,264
2016-2020	57,032,610	82,941,465
2021-2025	<u>42,924,751</u>	<u>4,129,900</u>
<b>Total</b>	<b><u>\$ 438,612,198</u></b>	<b><u>\$ 885,768,383</u></b>

**D. Arbitrage**

Section 148 of the Internal Revenue Code provides generally that bonds issued by a municipality will be "arbitrage bonds", if any portion of the proceeds of the bonds are reasonably expected to be invested in obligations with a yield that is "materially higher" than the yield on the bonds. While municipalities are entitled to earn a certain amount of positive arbitrage during the period the bonds are outstanding, Section 148(f) generally requires that these earnings be paid to the Internal Revenue Service (IRS) at least every five years. The City has accrued in the Capital Acquisition Fund an estimated amount of \$3,212,014 arbitrage interest due the IRS as of June 30, 2000.

**NOTE 8 DEMAND BONDS**

Included in long-term debt (Notes 7A and 7B) is \$173,380,000 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, 2000, no amounts were drawn on the "take out" agreement which is as follows:

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

Remarketing Agent	Smith Barney, Inc.
Terms of "Take-Out" Agreement:	
Purchaser	Canadian Imperial Bank of Commerce
Method of Purchase	Direct Pay Letter of Credit
Expiration Date	January 15, 2002
Annual Fee	.25% on the stated amount of the letter of credit
Stated Amount at Time of Issuance	\$7,523,541.67 (Principal outstanding plus 295 days of interest at 15%)
Bonds Outstanding at 6/30/2000	\$3,000,000

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2000**

**NOTE 8 DEMAND BONDS, continued**

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

Remarketing Agent	Smith Barney, Inc.
Terms of "Take-Out" Agreement:	
Purchaser	Bayerische Hypo-und Vereinsbank, AG
Method of Purchase	Direct Pay Letter of Credit
Expiration Date	November 30, 2003
Annual Fee	.25% on the stated amount of the letter of credit
Stated Amount at Time of Issuance	\$67,963,699 (Principal outstanding plus 35 days of interest at 15%)
Bonds Outstanding at 6/30/2000	\$57,800,000

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

Remarketing Agent	Smith Barney, Inc.
Terms of "Take-Out" Agreement:	
Purchaser	Bayerische Landesbank
Method of Purchase	Direct Pay Letter of Credit
Expiration Date	January 31, 2001
Annual Fee	.29% on the stated amount of the letter of credit
Stated Amount at Time of Issuance	\$39,961,644 (Principal outstanding plus 60 days of interest at 15%)
Bonds Outstanding at 6/30/2000	\$24,700,000

**Airport Subordinate Lien Adjustable Rate Revenue Bonds, Series 2000 A & B May 4, 2000**

Remarketing Agent	Dain Rauscher, Inc.
Insured by	Ambac Assurance Inc.
Terms of "Take-Out" Agreement:	
Purchaser	Morgan Guaranty Trust Company of New York
Method of Purchase	Liquidity Facility
Expiration Date	May 3, 2005
Annual Fee	.175% on the stated amount of the liquidity facility
Stated Amount at Time of Issuance	\$47,858,193 (Principal outstanding plus 35 days of interest at 12% for 2000A and 15% for Series 2000B)
Bonds Outstanding at 6/30/2000	\$47,200,000

**Variable Rate Taxable Gross Receipts Tax Improvement Bonds, Series 2000A, January 20, 2000**

Remarketing Agent	Dain Rauscher, Inc.
Insured by	MBIA Insurance Corporation
Terms of "Take-Out" Agreement:	
Purchaser	Bank of America, N.A.
Method of Purchase	Liquidity Facility
Expiration Date	Jan 20, 2005
Annual Fee	.11% on the stated amount of the liquidity facility
Stated Amount at Time of Issuance	\$27,733,333 (Principal outstanding plus 200 days of interest at 15%.
Bonds Outstanding at 6/30/2000	\$25,600,000

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2000

**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, 2000, is as follows:

General Long-Term Debt Account Group:	
Sales Tax Revenue Bonds	\$43,955,482
Enterprise Funds:	
Joint Water and Sewer Revenue Bonds	<u>55,585,000</u>
Total	<u>\$99,540,482</u>

**NOTE 10 CONDUIT BONDS**

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

**Industrial Revenue Bonds**

As of June 30, 2000, there were seventy-four series of Industrial Revenue Bonds outstanding. The aggregate principal amount payable for the thirty-two series issued after July 1, 1995, is \$750.9 million. The aggregate principal amount payable for the forty-two series issued prior to July 1, 1995, could not be determined; however, the original issue amount issued totaled \$662.6 million.

**Metropolitan Redevelopment Bonds**

As of June 30, 2000, there were ten series of Metropolitan Redevelopment Bonds outstanding. The aggregate principal amount payable for the one series issued after July 1, 1995 is \$350,000. The aggregate principal amount for the nine series issued prior to July 1, 1995, could not be determined; however, the original amount issued totaled \$36,600,000.

**NOTE 11 DEFICIT FUND EQUITIES**

**Special Revenue Funds**

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

	Deficit	Deficit
	<u>Fund Equity **</u>	<u>Unreserved Fund Balance*</u>
Community Development Fund	\$ -	\$ 867,570
Corrections and Detention Fund	1,445,378	1,916,061
Job Training Partnership Act Fund	2,397	16,169
Operating Grants Fund	-	4,512,924

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

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

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2000**

**NOTE 11 DEFICIT FUND EQUITIES, continued**

**Capital Projects Funds**

While the total unreserved fund balance of the Capital Acquisition Fund is not in a deficit position, deficit unreserved fund balances for certain purposes result because capital expenditures and encumbrances are made prior to issuance of general obligation bonds. The resulting deficit unreserved fund balances at June 30, 2000, are:

	Deficit Unreserved <u>Fund Balance</u>
Fire Protection	\$ 1,115,424
Street Improvements	2,591,560
Community Services Building	423,253

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, 2000, are:

	Deficit Unreserved <u>Fund Balance</u>
Quarter Cent Streets	\$ 255,940
Quarter Cent Storm Drain	97,344

While the total fund balances of the Infrastructure Tax Fund and the Special Assessment Capital Fund are not in a deficit position, deficit unreserved fund balances result because capital expenditures and encumbrances are made in anticipation of additional revenues and transfers. The resulting deficit unreserved fund balances at June 30, 2000, are \$8,351,079 for the Infrastructure Tax Fund and \$2,697,669 for the Special Assessment Capital Fund.

**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, 2000, the deficit unreserved retained earnings were \$2,964,329 and \$46,339,956 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, 2000, in the amount of \$1,671,821 and \$7,678,106, respectively.

**Internal Service Funds**

The deficit fund equity of the Risk Management Fund increased to \$4,868,663 at June 30, 2000 from the \$2,837,685 deficit fund equity at June 30, 1999. The increase in deficit equity was primarily due to an unanticipated judgment on a claim for approximately \$2.2 million in connection with a land use suit filed against the City. The judgment has been appealed to the US Court of Appeals and is expected to be reversed in the City's favor.

At June 30, 2000, the Fleet Management Fund had a deficit unreserved retained earnings of \$378,906, which will be eliminated through adjustment of charges to City departments.

At June 30, 2000, the Employee Insurance Fund had a deficit unreserved retained earnings of \$2,060,541. Operating revenues of the fund are not intended to cover costs of operations while utilizing contributed capital to fund operations.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2000

**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 2000 tax levy had a taxable value of \$6,856,281,348. 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 2000 weighted average residential and non-residential City rate for both operations and debt service was 11.166 mills.

Taxes are payable in two equal installments on November 1 and May 1 and become delinquent after 30 days. Property taxes receivable at June 30, 2000, are as follows:

General Fund	\$1,079,437
General Obligation Debt Service Fund	9,295,018

**NOTE 13 INTERFUND TRANSFERS**

Interfund transfers for the year ended June 30, 2000, were as follows:

From	To	
General Fund	Corrections and Detention Fund	\$ 14,862,000
General Fund	Operating Grants Fund	2,922,037
General Fund	Gas Tax Fund	867,000
General Fund	Capital Acquisition Fund	6,514,000
General Fund	Sales Tax Refunding Debt Service Fund	180,000
General Fund	City/County Building Debt Service Fund	95,000
General Fund	Parking Facilities Fund	628,000
General Fund	Transit Fund	15,094,000
General Fund	Vehicle/Equipment Replacement Fund	61,000
General Fund	Acquisition and Management of Open Space Expendable Trust Fund	97,000
Recreation Fund	General Fund	315,000
Lodgers Tax Fund	Sales Tax Refunding Debt Service Fund	3,972,000
Albuquerque Biological Park		
City/County Projects Fund	General Fund	71,000
City/County Facilities Fund	City/County Building Debt Service Fund	1,050,000
Plaza del Sol Building Fund	Sales Tax Refunding Debt Service Fund	274,000
Capital Acquisition Fund	Capital Acquisition Fund	3,542,296
Special Assessment Capital Fund	Special Assessment Debt Service Fund	972,090
Infrastructure Tax Fund	Transit Fund	1,250,000
Joint Water & Sewer Fund	General Fund	320,000
Refuse Disposal Fund	General Fund	495,000
Risk Management Fund	General Fund	267,000
Acquisition and Management of Open Space Nonexpendable Trust Fund	Acquisition and Management of Open Space Expendable Trust Fund	1,338,617
Urban Enhancement Nonexpendable Trust Fund	Urban Enhancement Expendable Trust Fund	456,886
<b>Total transfers</b>		<u>\$ 55,643,926</u>
	<b>Transfers In</b>	<b>Transfers Out</b>
Exhibit A-2, "Combined Statement of Revenues, Expenditures, and Changes in Unreserved Fund Balances-All Governmental Fund Types and Expendable Trust Funds"	\$ 38,671,926	\$ 52,766,423
Exhibit A-4, "Combined Statement of Revenues, Expenses, and Changes in Unreserved Retained Earnings/Fund Balances-All Proprietary and Similar Fiduciary Fund Types"	16,972,000	2,877,503
<b>Total transfers</b>	<u>\$ 55,643,926</u>	<u>\$ 55,643,926</u>

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2000

**NOTE 14 SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

Significant financial data for the enterprise funds as of and for the year ended June 30, 2000, (in thousands of dollars) is as follows:

	Airport Fund	Golf Course Fund	Joint Water and Sewer Fund	Parking Facilities Fund	Refuse Disposal Fund	Transit Fund	Total
Operating revenues	\$ 45,144 **	\$ 3,897	\$ 103,606	\$ 3,512	\$ 35,587	\$ 2,807	\$ 194,553
Depreciation and amortization	21,418	405	41,986	705	4,563	3,541	72,618
Bad debt expense	-	-	50	4	25	-	79
Operating income (loss)	6,690	119	5,534	8	3,630	(22,578)	(6,597)
Operating transfers in	-	-	-	628	-	16,344	16,972
Operating transfers out	-	-	(320)	-	(495)	-	(815)
Net income (loss)	4,550	214	5,703	466	1,609	(4,476)	8,066
<b>Current year contributed capital:</b>							
Contributions - Federal and State grants	11	-	2,162	-	-	3,181 *	5,354
Contributions - Customers and developers	-	-	12,899	-	-	-	12,899
Transfers from other funds	-	-	-	80	-	2,906	2,986
Property and equipment additions	36,097	324	45,664	980	4,430	3,441	90,936
Working capital	2,790	34	10,524	161	4,107	722	18,338
Restricted assets	84,402	1,265	86,154	25,457	12,810	8,012	218,100
Total assets	403,552	6,351	779,623	40,071	67,403	37,204	1,334,204
Bonds and other long-term liabilities payable from operating revenues	247,323	-	316,930	26,542	34,127	-	624,922
Total fund equity	140,492	6,115	416,995	12,545	27,359	34,289	637,795

\*Contributions of the Transit Fund consist of \$5,423,321 for Federal grants, net of \$2,242,079 for depreciation on certain assets acquired with Federal grants, which results in a net increase to contributed capital of \$3,181,242.

\*\*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, 2000

**NOTE 15 CONTRIBUTED CAPITAL**

The changes in contributed capital for the years ended June 30, 2000 and 1999, are as follows:

	<u>Proprietary Funds</u>		<u>Totals</u> <u>(Memorandum Only)</u>	
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Year ended June 30</u>	
			<u>2000</u>	<u>1999</u>
<b>Contributions from outside sources:</b>				
Balance, July 1	\$ 465,135,289	\$ -	\$ 465,135,289	\$ 447,418,224
State, Federal and other grants	7,596,371	-	7,596,371	7,466,982
Developers	12,511,538	-	12,511,538	12,323,846
Customers	387,204	-	387,204	469,067
Depreciation on certain assets acquired with Federal grants	<u>(2,242,079)</u>	<u>-</u>	<u>(2,242,079)</u>	<u>(2,542,830)</u>
Balance, June 30	<u>483,388,323</u>	<u>-</u>	<u>483,388,323</u>	<u>465,135,289</u>
<b>Contributions from other City funds:</b>				
Balance, July 1	147,376,349	9,893,849	157,270,198	148,800,328
Transfers from Capital Acquisition Fund for assets purchased from proceeds of general obligation bonds	2,905,717	-	2,905,717	269,601
Transfer of funds from the Trust and Agency Fund which previously held funds used for group insurance		-	-	8,163,164
Transfer of equipment from:				
Vehicle and Equipment Replacement Fund	80,375	71,710	152,085	-
General Fixed Asset Account Group	<u>-</u>	<u>-</u>	<u>-</u>	<u>37,105</u>
Balance, June 30	<u>150,362,441</u>	<u>9,965,559</u>	<u>160,328,000</u>	<u>157,270,198</u>
Total contributed capital	<u>\$ 633,750,764</u>	<u>\$ 9,965,559</u>	<u>\$ 643,716,323</u>	<u>\$ 622,405,487</u>

**NOTE 16 DEFINED BENEFIT PENSION PLAN**

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

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

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

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2000

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

**FUNDING POLICY** - Covered employees are required by State statute to contribute a percentage of their gross salary; the City of Albuquerque is also required by State statute to contribute a certain percent depending on the type of plan. The following are the plans covered by the City, contribution requirements, and contributions actually made (in thousands of dollars) for the year ended June 30, 2000.

<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%	\$ 4,791	19.01%	\$ 27,707
General - Bus Drivers	13.15%	788	9.15%	548
General - Other	7.00%	141	7.00%	141
Police	16.30%	6,262	18.50%	7,107
Fire	15.20%	3,795	20.25%	4,977
		<u>\$ 15,777</u>		<u>\$ 40,480</u>

The total required contributions and amounts actually paid (in thousands of dollars) in prior years is as follows:

<u>Fiscal year ended June 30</u>	<u>Employee</u>	<u>Employer</u>
1999	\$14,687	\$37,676
1998	14,284	37,183

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, 2000, was \$215,572,371; the total payroll for all employees of the City of Albuquerque was \$237,020,588.

**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, 2000, were approximately \$144,828. The number of retired employees covered under the life insurance benefit was 2,350 at June 30, 2000, and the amount of life insurance coverage for these retired employees was \$42,313,000.

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

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

Eligible retirees are: (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.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2000

**NOTE 17 POSTEMPLOYMENT BENEFITS, continued**

**RETIREE HEALTH CARE ACT CONTRIBUTIONS, continued**

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

Contributions from participating employers and participating employees become the property of the Retiree Health Care Fund and are not refundable under any circumstances, including termination of employment or termination of the participating employer's operation or participation in the Retiree Health Care Act. The employer, employee, and retiree contributions are required to be remitted to the Retiree Health Care Authority on a monthly basis.

The Retiree Health Care Authority issues a separate, publicly available audited financial report that includes post employment benefit expenditures of premiums and claims paid, participant contributions (employer, employee, and retiree), and net expenditures for the fiscal year. The report may be obtained by writing to the Retiree Health Care Authority, 625 Don Casper, Santa Fe, New Mexico 87501.

The City of Albuquerque remitted \$2,155,724 in employer contributions and \$1,077,862 in employee contributions in fiscal year ended June 30, 2000.

**NOTE 18 DEFERRED COMPENSATION**

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

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

Federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of these closure and postclosure care costs in the Refuse Disposal Fund (Enterprise) as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$1,071,663 reported as other liabilities payable from restricted assets at June 30, 2000, represents the cumulative amount reported to date based on the use of 29% of the estimated capacity of the Cerro Colorado Landfill. The City will recognize the remaining estimated cost of closure and postclosure care of \$2,406,037 as the remaining estimated capacity is filled. These amounts are based on what it would cost to perform all closure and postclosure care in 2000. The City expects to close the landfill in the year 2024. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

The City has set aside \$1,071,663 for future postclosure costs. This amount is reported as a restricted asset on the balance sheet. The City expects that future inflation costs will be paid from interest earnings on these annual contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

**NOTE 20 RISK MANAGEMENT**

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

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2000**

**NOTE 20 RISK MANAGEMENT, continued**

All funds of the City participate in the program and make payments to the Risk Management Fund based on actuarial estimates of the amounts needed to pay prior- and current-year claims and to establish a reserve for catastrophic losses. That reserve was \$1,000,000 at June 30, 2000 and 1999, and is included in the retained deficit of the Risk Management Fund. The claims liabilities reported in the Fund are based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated.

The amounts and changes in the Fund's claims liability in fiscal year 2000 and 1999 were:

	2000	1999
Claims liability at July 1	\$ 30,772,560	\$ 36,241,188
Current year claims and changes in estimate	13,670,952	11,719,885
Claim payments	(14,172,954)	(17,188,513)
 Claim liability at June 30	 \$ 30,270,558	 \$ 30,772,560
 The components of the claims liability at June 30 are:		
Current portion	\$ 10,795,000	\$ 10,947,500
Noncurrent portion	19,475,558	19,825,060
 Total claims liability	 \$ 30,270,558	 \$ 30,772,560

**NOTE 21 NEW FUNDS**

In fiscal year 2000, the City established the following fund as follows:

**Gas Tax Road Fund**

This special revenue fund accounts for the expenditure of the Gas Tax remitted to the City by the State of New Mexico. This fund had revenues of \$4,610,938, interfund transfer in of \$867,000 and expenditures of \$5,437,746 during the year.

**Transportation Infrastructure Tax Fund**

This Capital Projects Fund accounts for the expenditure of the transportation infrastructure quarter cent gross receipts tax revenues. This revenue is dedicated for the construction and maintenance of streets, trails and for improvements to the transit system. This fund had revenues of \$10,160,888 and incurred expenditures of \$8,000,071 including a transfer of \$1,250,000 to the Transit Fund for expanded transit services.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2000**

**NOTE 22 COMMITMENTS AND CONTINGENT LIABILITIES**

At June 30, 2000, 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	\$ 28,859,886
Golf Course Fund	151,842
Joint Water and Sewer Fund	26,878,874
Parking Facilities Fund	6,886,820
Refuse Disposal Fund	4,498,150
Transit Fund	18,599,076
<b>Internal Service Funds:</b>	
Supplies Inventory Management Fund	606,660
Risk Management Fund	393,234
Fleet Management Fund	125,467
Employee Insurance Fund	3,087,065
Communications Fund	1,774

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 \$868,965 were incurred for the year ended June 30, 2000. Lease commitments for future years are as follows:

2001	\$758,705
2002	595,072
2003	373,816
2004	221,653

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 \$15,080,000 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.

**CITY OF ALBUQUERQUE, NEW MEXICO**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2000**

**NOTE 23 DEPOSIT IN JOINT WATER AND SEWER FUND**

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

On October 2, 2000, the City Council voted for a measure directing the City to withdraw the condemnation of New Mexico utilities, Inc. and to cease all negotiations to acquire the Utility. The \$15,980,000 deposit held by the court will be returned to the Joint Water and Sewer Fund.

**NOTE 24 SUBSEQUENT EVENTS**

On July 27, 2000, the City issued \$44,080,000 of General Obligation General Purpose bonds, Series 2000A. The proceeds of the Series 2000A bonds will be used to finance improvements for parks, libraries, museum, police, facilities, transit, streets, citizens' centers, and the zoo.

Also on July 27,2000, the City issued \$6,750,000 of General Obligation Storm Sewer bonds, Series 2000B. The proceeds of the Series 2000B bonds will be used to finance improvements to the City's storm sewer system.

On July 27, 2000, the City entered into two loan agreements with New Mexico Finance Authority for Special Assessment District 226. The first loan for \$11,568,376 will be used to finance the construction of parks, pavements, sanitary sewer lines, storm sewer lines, and water lines. The second loan for \$788,685 will be used for the construction of electric and natural gas lines.