

**NEW ISSUE**  
Book Entry Only

**RATINGS:**  
Moody's Investor Service, Inc.: Aa1  
Standard & Poor's: AA+  
Fitch Ratings: AA+

In the opinion of Hughes & Strumor, Ltd. Co., Bond Counsel, under existing regulations, rulings and judicial decisions and assuming continuous compliance with certain covenants set forth in the documents pertaining to the Bonds and certain requirements of the Internal Revenue Code of 1986, as amended, as described herein, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes. In the opinion of Bond Counsel, interest on the Bonds will not be treated as an item of tax preference in calculating the federal alternative minimum taxable income of individuals and corporations; however, interest on the Bonds will be included in the adjusted current earnings of certain corporations and may, therefore, affect a corporation's alternative minimum tax. Additionally, in the opinion of Bond Counsel, interest on the Bonds is exempt from taxation by the State of New Mexico. (See "TAX MATTERS" herein.)

**\$13,940,000**  
**BERNALILLO COUNTY, NEW MEXICO**  
**GENERAL OBLIGATION REFUNDING BONDS**  
**SERIES 2005**

Dated: Date of Issuance

Due: February 1, as detailed below:

The Bonds will be issued as fully registered bonds, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, the securities depository for the Bonds, to which principal and interest payments on the Bonds will be made. Individual purchases will be made in book entry form only in denominations of \$1,000 or any integral multiple thereof. Purchasers of the Bonds will not receive physical delivery of bond certificates. (See "THE BONDS; BOOK ENTRY ONLY SYSTEM"). Interest is payable semi-annually on February 1 and August 1, commencing February 1, 2006. Principal is payable annually as detailed below. The Bonds are subject to redemption prior to maturity as more fully described herein.

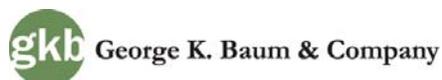
**MATURITIES, INTEREST RATES AND YIELDS**

<u>Due</u> <u>February 1</u>	<u>Principal</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>Due</u> <u>February 1</u>	<u>Principal</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>
2006	\$165,000	3.500%	2.750%	2011	\$250,000	4.000%	3.250%
2007	\$1,540,000	4.000%	2.880%	2012	\$560,000	3.750%	3.370%
2008	\$920,000	3.500%	2.950%	2013	\$585,000	3.750%	3.470%
2008	\$635,000	4.000%	2.950%	2014	\$600,000	4.000%	3.600%
2009	\$1,540,000	4.000%	3.040%	2015	\$620,000	4.000%	3.680%
2010	\$1,350,000	3.375%	3.140%	2018	\$690,000	3.750%	3.970%
2010	\$240,000	4.000%	3.140%	2019	\$725,000	3.875%	4.070%
2011	\$1,450,000	3.500%	3.250%	2020	\$750,000	4.000%	4.100%

**\$1,320,000 Term Bond, 4.000% maturing February 1, 2017, to yield 3.850%**

The Bonds are general obligations of the County. The Bonds are payable from general (*ad valorem*) taxes which may be levied against all taxable property within the County without limitation as to rate or amount. The Bonds were authorized for the purpose of refunding certain of the County's outstanding general obligation bonds..

The Bonds are being offered when, as and if issued by the County, subject to the prior approval of Hughes & Strumor, Ltd. Co., Albuquerque, New Mexico, as Bond Counsel. Certain other matters will be passed upon by Hughes & Strumor, Ltd. Co. as Disclosure Counsel, and for the Underwriter by Virtue, Najjar and Brown, PC, as counsel to the Underwriter. It is anticipated that the Bonds will be available for delivery through the Depository Trust Company, New York, New York on or about September 27, 2005.



Official Statement Dated: September 14, 2005.

# **BERNALILLO COUNTY, NEW MEXICO**

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## **COUNTY COMMISSION**

Alan B. Armijo, Chair  
E. Tim Cummins, Vice Chair  
Teresa L. Córdova, Commissioner  
Deanna Archuleta-Loeser, Commissioner  
Michael Brasher, Commissioner

## **COUNTY OFFICIALS**

Thaddeus Lucero, Manager  
Patrick J. Padilla, Treasurer  
Mark J. Carrillo, Assessor  
Mary E. Herrera, Clerk

## **COUNTY FINANCE DEPARTMENT**

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## USE OF INFORMATION IN THIS OFFICIAL STATEMENT

This Official Statement is furnished to prospective purchasers of the Bernalillo County, New Mexico General Obligation Refunding Bonds, Series 2005 (the “Bonds”) in the aggregate principal amount of \$13,940,000, by Bernalillo County, New Mexico (the “County”). The offering of the Bonds is made only by way of this Official Statement which supersedes any other information or materials used in connection with the offer or sale of the Bonds. Additional information concerning the County, the Bonds, and other aspects of this offering may be obtained from the Deputy County Manager for Finance, One Civic Plaza, N.W., Suite 10111, Albuquerque, New Mexico 87102, Telephone: (505) 768-4020.

This Official Statement, which includes the title page, does not constitute an offer to sell the Bonds in any state to any person to whom it is unlawful to make such offer in such state. No dealer, salesman, or other person has been authorized to give any information or to make any representations, other than those contained in this Official Statement, in connection with the offering of the Bonds, and if given or made, such information or representation must not be relied upon.

The information, estimates and expressions of opinion contained in the Official Statement are subject to change without notice, and neither the delivery of this Official Statement nor any sale of the Bonds shall, under any circumstances, create any implication that there has been no change in the affairs of the County or in the information, estimates or opinions set forth herein, since the date of this Official Statement.

All terms used in this Official Statement which are not defined herein shall have the meanings given such terms in Resolution No. 62-2005 authorizing issuance of the Bonds adopted by the Board of County Commissioners (the “Board”) on August 23, 2005 (the “Bond Resolution”).

### **The Prices or Yields at Which The Bonds Are Offered to The Public by The Underwriter May Vary From The Initial Public Offering Prices or Yields Appearing on The Cover of This Official Statement.**

The County has entered into an Undertaking (the “Undertaking”) for the benefit of the holders of the Bonds to send certain financial information and operating data to certain information repositories annually and to provide notice to the Municipal Securities Rulemaking Board of Certain Events, pursuant to the requirements of Section (b)(5)(i) of Securities and Exchange Commission Rule 15c2-12 (17 C.F.R. Part 240, § 240.15c2-12) (the “Rule”).

AND

The County has not failed to comply with any prior such undertaking under the Rule. A failure by the Issuer to comply with the Undertaking will not constitute an event of default under the Bond Resolution (although Bondholders will have any available remedy at law or in equity). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bond in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

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## SUMMARY INFORMATION

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The following information is not a full description of the Bonds and is entirely subject to the more complete information contained elsewhere in this Official Statement, which includes the appendices.

Purpose:	The Bonds will be used to refund the County's outstanding Series 1995, Series 1996 and Series 2000 General Obligation Bonds and to pay for the costs of issuance of the Bonds.
Authorization:	The Bonds were authorized by Resolution No. 62-2005 adopted by the Board of County Commissioners on August 23, 2005.
Security:	These Bonds are General Obligation Refunding Bonds of the County and are payable from general ( <i>ad valorem</i> ) taxes which may be levied against all taxable property within the County without limitation as to rate or amount.
Compliance:	The County undertakes to comply with Rule 15c2-12. ( <i>See "APPENDIX B."</i> )
Delivery:	Delivery of the Bonds to the purchaser through the facilities of the Depository Trust Company is expected on or about September 27, 2005.
Redemption:	The Bonds are subject to redemption prior to maturity as more fully described herein ( <i>see "The Bonds; Prior Redemption"</i> ).
Paying Agent/ Registrar:	Initially, the Deputy County Manager for Finance or any successor named by the Board of County Commissioners.

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## PURPOSE AND PLAN OF FINANCING

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Proceeds received by the County from the sale of the Bonds will be used primarily to fund an escrow to defease the Refunded Bonds and to pay costs associated with the issuance of the Bonds.

The following table shows the estimated sources and uses of the proceeds of the Bonds and other available funds.

### SOURCES OF FUNDS

Par amount of the Bonds:	\$13,940,000
Premium:	<u>176,940.85</u>
Total:	\$14,116,940.85
<b>TOTAL SOURCES OF FUNDS:</b>	
Underwriter's Discount:	\$70,584.70
Deposit to Escrow Account:	13,953,950.50
Costs of Issuance <sup>1</sup> :	<u>92,405.64</u>
<b>TOTAL USES OF FUNDS:</b>	<b>\$14,116,940.85</b>

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<sup>1</sup> Includes legal fees, printing, Underwriter's discount and other miscellaneous fees (see "UNDERWRITING").

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## **THE BONDS**

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### **AUTHORIZATION**

The Bonds are issued pursuant to the Public Securities Act, Section 6-14-1 through 6-14-12 NMSA 1978 and Sections 6-15-1 through 6-15-28, NMSA 1978, which authorizes counties to issue general obligation refunding bonds payable from ad valorem taxes.

Proceeds from the Bonds will be used to refund all or a portion of the County's Outstanding General Obligation Bonds, Series 1995, Series 1996 and Series 2000.

### **DESCRIPTION OF THE BONDS**

The Bonds are dated September 27, 2005 and will bear interest from that date, payable on February 1 and August 1 in each year commencing February 1, 2006. The Bonds will bear interest at the rates per annum and mature in the amounts and at the times set forth on the cover page of this Official Statement. The principal and interest of the Bonds is payable through the Depository Trust Company, New York, New York.

### **SECURITY FOR THE BONDS**

The Bonds are general obligation refunding bonds of the County and are payable from ad valorem taxes which shall be levied against all taxable property within the County without limitation as to rate or amount. The County has covenanted in the Bond Resolution to levy in addition to all other taxes, direct annual ad valorem taxes sufficient to pay the principal of and interest on the Bonds. The County may pay the principal of and interest on the Bonds from any funds belonging to the County.

The Bonds are general obligations of the County. The Bonds are payable from general (*ad valorem*) taxes which may be levied against all taxable property within the County without limitation as to rate or amount.

### **REGISTRATION**

The Bernalillo Deputy County Manager for Finance will initially serve as the registrar and paying agent for the Bonds.

## **BOOK ENTRY ONLY SYSTEM**

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for the Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bond is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to The County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from The County or Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC[nor its nominee], Agent, or The County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of The County or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to The County or Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC’s book-entry system has been obtained from sources that the County believes to be reliable, but the County takes no responsibility for the accuracy thereof.

**LIMITATIONS ON REMEDIES AVAILABLE TO OWNERS OF BONDS**

There is no provision for acceleration of maturity of the principal of the Bonds in the event of a default in the payment of principal of or interest on the Bonds. Consequently, remedies available to the owners of the Bonds may have to be enforced from year to year.

The enforceability of the rights and remedies of the owners of the Bonds, and the obligations incurred by the County in issuing the Bonds, are subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor’s rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

**PRIOR REDEMPTION**

Bonds maturing on and after February 1, 2016 are subject to redemption, in whole or in part, at the option of the County at any time on or after February 1, 2015 at par, plus accrued interest to the date of redemption.

The Term Bond maturing on February 1, 2017 is subject to mandatory sinking fund redemption prior to its maturity date, by lot, in the principal amounts and on February 1 on the years specified below, at a price equal to 100% of the principal amount to be redeemed plus accrued interest, if any, to the redemption date.

<b>YEAR</b>	<b>PRINCIPAL AMOUNT</b>
2016	\$650,000
2017	\$670,000*

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\*Maturity

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**DEBT AND OTHER OBLIGATIONS**  
(as of September 1, 2005)

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**GENERAL OBLIGATION BONDS OUTSTANDING<sup>1</sup>**

<b>G.O. Bond Series</b>	<b>Original Issue</b>	<b>October 1, 2005 Outstanding Principal</b>
1997	\$11,170,000	\$8,715,000
1999	18,676,000	14,550,000
2000	10,160,000	2,165,000
2001	4,600,000	4,600,000
2002	16,400,000	15,775,000
2002A	9,190,000	7,990,000
2003	10,200,000	9,845,000
2004	3,029,000	3,029,000
2005	13,940,000	<u>13,940,000</u>
<b>TOTAL</b>		<u><b>\$80,609,000</b></u>

*Source: Bernalillo County Finance Department*

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<sup>1</sup>Outstanding amounts represents outstanding balances prior to the advanced refunding to be accomplished through the issuance of the Bonds.

**DEBT SERVICE SCHEDULE**

Below is a summary of the principal and interest payments on the Bonds as well as the currently scheduled principal and interest payments on the County's outstanding debt as affected by the Series 2005 Refunding.

<b>Date</b>	<b>Principal</b>	<b>Rate (%)</b>	<b>Interest</b>	<b>Principal and Interest</b>	<b>Annual Principal and Interest</b>
02/01/06	\$165,000	3.500	\$182,897.85	\$347,897.85	\$347,897.85
08/01/06			262,609.38	262,609.38	
02/01/07	1,540,000	4.000	262,609.38	1,802,609.38	2,065,218.75
08/01/07			231,809.38	231,809.38	
02/01/08	920,000	3.500	16,100.00	936,100.00	
02/01/08	635,000	4.000	215,709.38	850,709.38	2,018,618.75
08/01/08			203,009.38	203,009.38	
02/01/09	1,540,000	4.000	203,009.38	1,743,009.38	1,946,018.75
08/01/09			172,209.38	172,209.38	
02/01/10	1,350,000	3.375	22,781.25	1,372,781.25	
02/01/10	240,000	4.000	149,428.13	389,428.13	1,934,418.75
08/01/10			144,628.13	144,628.13	
02/01/11	1,450,000	3.500	25,375.00	1,475,375.00	
02/01/11	250,000	4.000	119,253.13	369,253.13	1,989,256.25
08/01/11			114,253.13	114,253.13	
02/01/12	560,000	3.750	114,253.13	674,253.13	788,506.25
08/01/12			103,753.13	103,753.13	
02/01/13	585,000	3.750	103,753.13	688,753.13	792,506.25
08/01/13			92,784.38	92,784.38	
02/01/14	600,000	4.000	92,784.38	692,784.38	785,568.75
08/01/14			80,784.38	80,784.38	
02/01/15	620,000	4.000	80,784.38	700,784.38	781,568.75
08/01/15			68,384.38	68,384.38	
02/01/16	650,000	4.000	68,384.38	718,384.38	786,768.75
08/01/16			55,384.38	55,384.38	
02/01/17	670,000	4.000	55,384.38	725,384.38	780,768.75
08/01/17			41,984.38	41,984.38	
02/01/18	690,000	3.750	41,984.38	731,984.38	773,968.75
08/01/18			29,046.88	29,046.88	
02/01/19	725,000	3.875	29,046.88	754,046.88	783,093.75
08/01/19			15,000.00	15,000.00	
02/01/20	750,000	4.000	15,000.00	765,000.00	780,000.00
	<b>\$13,940,000</b>		<b>\$3,414,179.10</b>	<b>\$17,354,179.10</b>	<b>\$17,354,179.10</b>

Source: Bernalillo County Finance Department

**COUNTY GENERAL OBLIGATION DEBT SERVICE AS REFUNDED BY THE BONDS**

**BERNALILLO COUNTY  
DEBT SERVICE SCHEDULE BY FISCAL YEAR  
GENERAL OBLIGATION BONDS  
T561**

<b>Fiscal Year</b>	<b>Series 1997</b>	<b>Series 1999</b>	<b>Series 2000<sup>1</sup></b>	<b>Series 2001</b>	<b>Series 2002</b>	<b>Series 2002A</b>	<b>Series 2003</b>	<b>Series 2004</b>	<b>Series 2005</b>	<b>Totals</b>
2006	\$908,624	\$1,414,525	\$464,622	\$211,155	\$1,289,873	\$ 859,323	\$783,568	\$189,114	\$347,897	\$6,468,700
007	905,603	1,407,250	511,245	211,155	1,297,123	852,223	786,248	126,076	2,065,218	8,162,139
2008	905,913	1,410,488	502,545	421,210	1,305,363	844,823	788,448	126,076	2,018,618	8,323,482
2009	904,518	1,413,813	497,175	420,978	1,312,288	840,648	790,375	126,076	1,946,018	8,251,887
2010	901,519	1,415,338	499,225	420,109	1,316,388	840,985	795,863	126,076	1,934,418	8,249,919
2011	897,188	1,419,950		418,709	1,318,668	839,110	792,863	126,076	1,989,256	7,801,818
2012	891,669	1,422,538		422,560	1,323,668	836,535	794,263	126,076	788,506	6,605,813
2013	884,963	1,427,988		421,560	1,325,268	838,260	793,893	126,076	792,506	6,610,512
2014	877,069	1,431,188		424,763	1,333,078	833,075	795,208	126,076	785,568	6,606,023
2015	867,988	1,437,025		427,035	1,337,815	830,563	794,995	126,076	781,568	6,603,064
2016	857,719	1,440,388		428,348	1,339,815	841,163	798,740	126,076	786,768	6,619,015
2017	943,888	1,441,275		428,670	1,338,730	834,000	795,940	126,076	780,768	6,689,347
2018	926,494	1,449,463		432,943	1,339,955	-	796,603	126,076	773,968	5,845,500
2019	-	1,454,725		431,228	1,338,193	-	795,465	126,076	783,093	4,928,779
2020	-	1,457,063		428,625	1,333,353	-	792,945	1,008,076	780,000	5,800,061
2021	-	-	-	430,000	1,330,345	-	788,685	972,076	-	3,521,106
2022	-	-	-	435,200	1,324,455	-	787,635	1,256,038	-	3,803,328
2023	-	-	-	-	-	-	784,875	-	-	784,875
	<b>11,673,151</b>	<b>21,443,013</b>	<b>2,474,812</b>	<b>6,814,245</b>	<b>22,504,373</b>	<b>10,090,705</b>	<b>14,256,608</b>	<b>5,064,292</b>	<b>17,354,179</b>	<b>111,675,367</b>

Source: Bernalillo County Finance Department

<sup>1</sup>The Series 2005 General Obligation Refunding Bonds partially refunded the Series 2000 General Obligation Bonds.

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## FINANCIAL DATA

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### COUNTY VALUATION

2004 Assessed Valuation:	\$10,091,960,621
Estimated Actual Value: <sup>1</sup>	\$40,593,968,775

### BONDED INDEBTEDNESS

Outstanding Bonds <sup>2</sup>	\$67,684,000
Series 2005 Bonds	13,985,000
Authorized and Unissued Bonds <sup>3</sup>	<u>18,761,000</u>
Total Direct Debt after Issuance of the Series 2005 Bonds	<u>\$100,430,000</u>

*Source: Bernalillo County Finance Department*

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<sup>1</sup>Actual value is computed by adding exemptions to the assessed value and multiplying by 3).

<sup>2</sup>Outstanding balances at September 1, 2005 less amounts of Series 1995, Series 1996 and Series 2000 advance refunded from proceeds of the Bonds.

<sup>3</sup>Includes the \$2,761,000 authorized from the 2002 general election and \$16,000,000 authorized but not issued from the 2004 general election.

## DIRECT AND OVERLAPPING DEBT

	<b>G.O. Bonds Outstanding (4)</b>	<b>% Applicable to Bernalillo County</b>	<b>County Share of G.O. Debt</b>
Bernalillo County (1)	\$100,304,000	100.00%	\$100,304,000
State of New Mexico (2)	220,940,000	28.95%	63,952,946
City of Albuquerque (2)	159,296,000	82.01%	130,632,172
Albuquerque Public Schools (2)	134,850,000	99.46%	134,123,985
Albuquerque Metropolitan Arroyo Flood Control Authority (2)	18,550,000	100.00%	18,550,000
Albuquerque Technical/Vocation Institute (2)	25,430,000	99.46%	25,293,088
Moriarity School District (3)	19,695,000	0.54%	<u>106,035</u>
Total Direct and Overlapping G.O. Debt			<u><u>\$473,088,227</u></u>

### Ratios:

Direct and Overlapping G.O. Debt as a Percentage of Taxable Assessed Valuation	4.69%
Direct and Overlapping G.O. Debt as a Percentage of Actual Market Valuation	1.17%
Assessed Valuation Per Capita (2004 Estimate Population 593,765 )	\$16,996.56
Direct and Overlapping G.O. Debt Per Capita	\$796.86

(1) *Outstanding G.O. debt at September 1, 2005*

(2) *Outstanding G.O. debt at December 31, 2004*

(3) *Outstanding G.O. debt at June 30, 2004*

(4) *Amount does not include any bonds which have been advanced refunded and fully defeased by and escrow containing cash and securities fully guaranteed by the United States Government in an amount required to pay all principal and interest on the refunded bond as they come due.*

*Sources: Bernalillo County Finance Department, City of Albuquerque Department of Finance and Administrative Services, New Mexico Public Education Department, New Mexico Department of Finance and Administration*

**BONDING CAPACITY**

Legal Bonding Capacity	\$403,678,843
Less total bonds to be outstanding	<u>(100,430,000)</u>
Capacity in excess of present requirements	\$303,248,843

*Source: Bernalillo County Finance Department*

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**ASSESSED VALUATION**

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**PROPERTY SUBJECT TO TAXATION**

Real property is subject to taxation with certain exemptions. Within the real property classification, exemptions include: property of the United States of America; property of the State, all counties, towns, cities and school districts or other municipal corporations; public libraries; community ditches and all laterals thereof; all church property not used for commercial purposes; all property used for educational and charitable purposes; all cemeteries not used or held for private or corporate profit; motor vehicles (other than mobile homes) and all bonds of the State, counties, municipalities and districts. Also, certain amounts of the taxable value of property is exempt from taxation if such property is owned by the head of a family who is a State resident (\$2,000 of residential property) or is owned by a veteran or a veteran’s unmarried surviving spouse if the veteran or spouse is a State resident (\$2,000 of residential property). All tangible personal property has been exempted from property taxation by statute except for tangible personal property used, produced, manufactured, held for sale, leased or maintained by a person for purposes of his profession, business or occupation (unless otherwise specifically exempted from property taxation by the Federal or State Constitution or law); tangible property for which the owner has claimed a deduction from depreciation for federal income tax purposes; mobile homes; livestock; and certain inventories of personal property.

**ASSESSMENT OF PROPERTY**

The County assessor sets the value of most residential and nonresidential real and personal property within the County; however, those properties used in the businesses of railroads, communications, pipelines, public utilities and airlines are valued by the Central Assessment Bureau, Property Tax Division of the Taxation and Revenue Department. The Central Assessment Bureau also is responsible for the valuation of electric generating facilities, mineral properties and certain industrial machinery. The value of oil and natural gas property and equipment is determined by the Oil and Gas Accounting Division of the Taxation and Revenue Department based on the prior calendar

year's output. The net taxable value of all property is one-third of the actual value (the "Assessment Ratio").

The value of residential property for property taxation purposes is its market value as determined by sales of comparable property or, if that method cannot be used due to the lack of comparable sales data for the property being valued, then its value is determined using an income method or costs method of valuation. Regardless of the method used for valuation, the valuation authority must apply generally accepted appraisal techniques.

Each county assessor must mail a notice by April 1 of each year to each property owner informing him of the net taxable value of his property that has been valued for property taxation purposes, the tax ratio, the classification of the property valued, and other information. The Central Assessment Bureau must also send notices by May 1 of each year to property owners with property subject to valuation by the Property Tax Division. A property owner may protest the value or classification of his or her property by filing a petition of protest with the Director of the Property Tax Division or with the appropriate county assessor. The protest hearing may be held before the Director of the Property Tax Division or before the appropriate county valuation protest board, dependent upon whether the Property Tax or the local county assessor was responsible for review of the valuation. A property owner may appeal an order made by the Director of the Property Tax Division or a county valuation protest board by filing with the court of appeals a notice of appeal within 45 days of the date the order was made.

## **REASSESSMENT**

New Mexico has a state-wide property reassessment program. The program's objective is to keep property values close to their market values so that there will be a high correlation between the value of a property and its share of the tax burden. The first reassessment under this present program was in 1986, and such reassessments will continue to occur biannually. In 2002, property values were adjusted to their 2000 market levels.

## **LIMITATION ON INCREASES IN VALUATION OF RESIDENTIAL REAL PROPERTY**

Effective for the tax year 2002 and thereafter, residential real property values may not exceed 103% of the prior years value or 106.1% of the preceding two years value. The limitation does not apply to first year property, property having physical improvements made during the prior year, or property where there is a change of ownership or use or zoning.

The limitation does not apply until a county has achieved a sales ratio value of 85%, as measured by the median ratio of value for property taxation purposes of sales price.

**CENTRALLY ASSESSED PROPERTY BY INDUSTRY CLASS**

<b>G.O. Bond Series</b>	<b><u>Original Issue</u></b>	<b>10/1/05 <u>Outstanding Principal</u></b>
1997	\$11,170,000	\$8,715,000
1999	18,676,000	14,550,000
2000	10,160,000	2,165,000
2001	4,600,000	4,600,000
2002	16,400,000	15,775,000
2002A	9,190,000	7,990,000
2003	10,200,000	9,845,000
2004	3,029,000	3,029,000
2005	13,940,000	<u>13,940,000</u>
<b>TOTAL</b>		<b>\$80,609,000</b>

*Source: State of New Mexico, Property Tax Division Appraisal Bureau Audit/Compliance Unit*

**ASSESSED VALUATION COMPARISON**

<b><u>Tax Year</u></b>	<b><u>Bernalillo County</u></b>	<b><u>City of Albuquerque</u></b>	<b><u>Albuquerque Public Schools</u></b>
2004	\$10,091,960,621	\$8,276,006,548	\$10,037,626,828
2003	\$9,660,815,811	\$7,883,833,602	\$9,609,046,239
2002	\$9,351,411,056	\$7,619,420,780	\$9,415,384,004
2001	\$9,134,321,827	\$7,289,625,807	\$9,111,055,779
2000	\$8,556,955,697	\$6,808,876,223	\$8,414,389,808
1999	\$8,543,509,487	\$6,601,390,162	\$8,152,257,439
1998	\$6,922,594,872	\$5,708,309,544	\$6,915,162,313
1997	\$6,704,501,819	\$5,184,693,295	\$6,556,310,480
1996	\$6,360,178,414	\$5,184,695,224	\$6,434,311,611
1995	\$6,216,096,985	\$5,077,421,148	\$6,287,304,154
1994	\$5,242,580,014	\$4,312,040,404	\$5,294,046,953
1993	\$5,170,771,547	\$4,256,318,634	\$5,163,986,238
1992	\$5,093,834,032	\$4,196,606,572	\$5,079,289,065
1991	\$5,001,385,449	\$4,145,192,424	\$4,988,114,689
1990	\$4,857,775,554	\$4,011,654,196	\$4,845,502,078

*Source: Bernalillo County Finance Department*

**COUNTY OF BERNALILLO, NEW MEXICO PRINCIPAL TAXPAYERS AS OF 2004**

<b>Taxpayer</b>	<b>Industry</b>	<b>Net Taxable Value</b>	<b>Tax Amount</b>
Public Service Company of New Mexico Electric	Utility	\$121,419,009	\$5,356,797
Qwest Corp fka U.S. West Communications	Telecommunications	100,941,715	4,666,925
Public Service Company of New Mexico Gas Services	Utility	26,678,211	1,187,295
Comcast Cablevision of New Mexico	Cable Franchise	21,694,211	996,894
Southwest Airlines	Airline	21,089,467	969,082
Simon Property Group Ltd. (Cottonwood Mall)	Real Estate	20,483,754	941,249
Heitman Properties of NM (Coronado Mall-partial)	Real Estate	19,111,489	878,192
Crescent Real Estate (Hyatt Hotel)	Real Estate	15,965,071	832,595
Verizon Wireless LLC	Telecommunications	14,715,110	676,174
GCC Rio Grande Inc.	Real Estate	17,666,667	601,800
Voicestream PCS II Corp. (T-Mobile)	Telecommunications	12,022,694	552,455
Alltel Communications Inc. - NM	Telecommunications	11,773,257	540,993
Winrock Property Evaluation Service (Winrock Mall)	Real Estate	11,743,269	539,615
AT&T Communications	Telecommunications	7,995,539	412,355
AHS Albuquerque Regional Medical Center	Health Care	8,314,168	382,044
Delta Airlines	Airline	7,785,475	357,750
Time Warner Telecom of NM LLC	Telecommunications	7,000,000	321,657
HUB of Albuquerque LLC	Real Estate	6,147,719	320,610
Cobisa-Person/Delta-Person	Real Estate	9,473,614	315,389
Cigna Corporation	Health Care	5,492,029	252,364

*Source: Bernalillo County Finance Department*

**TAX RATES**

**YIELD CONTROL**

Section 7-37-7.1, NMSA 1978, limits the allowable increase in property taxes from the preceding year. Specifically, no rate shall be set or assessment imposed which will produce current tax revenues in excess of the prior year's tax revenues plus a percent that is determined by a growth control factor. The growth control factor is the sum of ("G") the growth in the assessed valuation due to net new additions to the property tax rolls, expressed as a percent of the prior year's assessed, and ("I") the percentage change, not in excess of five percent, in the annual business indicator index between the prior calendar year and the year next preceding the prior calendar year. The resulting yield control equation is:

Current tax revenues = prior tax revenues x (G+I)

Where: G is never less than 100%  
 I is never less than 0% or more than 5%

The annual business indicator index is defined as “annual implicit price deflator index for state and local government purchases of goods and services, as published in the United States Department of Commerce monthly publication entitled “Summary of Current Business” or any successor publication for the calendar year.” The yield control formula applies to both residential and nonresidential property, but the calculations for each property class are made separately. Additionally, the yield control formula applies to any authorized operating levy but not to any debt service levy.

**20-MILL LIMITATION ANALYSIS**

Article VIII, Section 2 of the New Mexico Constitution limits the total ad valorem taxes for operational purposes levied by all overlapping governmental units within the County to \$20.00 per \$1,000 of assessed value. This limitation does not apply to special levies, such as levies for bond issues, authorized at an election by a majority of the qualified voters within the County. The overlapping operational levies of the County were within the 20-mill limit.

**RESIDENTIAL AND NON-RESIDENTIAL PROPERTY**

Property in New Mexico is subclassified as either residential or nonresidential based on its use. The calculation of revenue limitations for Yield Control, as discussed above, is performed separately for each property class. The result is that levies for operational purposes may be different for each property class. The County’s residential assessed valuation was \$6,290,127,716 and the value on nonresidential property was \$2,387,603,420. The levies below are shown for each property class.

**TAX RATES IN BERNALILLO COUNTY**

**Residential Tax Rates Residential Tax Rates - Per \$1,000 Assessed Valuation  
 Within 20 Mill Limit for General Purposes**

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
State of New Mexico	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Bernalillo County	7,031	7,007	5,918	5,608	5,014	6,312
City of Albuquerque	3.019	3.019	2.014	2.019	2.020	1.963
AMAFA	.183	.186	0.188	0.188	0.193	0.188
Albuquerque MSD #12	.240	.239	0.239	0.239	0.237	0.230
Total	12.122	\$12.125	\$8.359	\$8.054	\$7.464	\$8.693

**Over 20 Mill Limit-Interest, Principal, Judgments, etc.**

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
State of New Mexico	1.028	1.520	1.123	1.765	\$1.529	\$1.482
Bernalillo County	.830	1.147	1.200	1.254	1.450	-0-
City of Albuquerque	7.976	7.976	8.976	8.976	8.976	8.976
Albuquerque MSD #12	8.040	8.036	6.504	8.034	8.042	8.035
AMAFCA	.675	.675	.675	0.675	0.675	0.675
UNM Hospitals	6.500	6.500	6.500	6.500	3.467	3.371
Mental Health Center	-0-	-0-	-0-	-0-	0.403	0.392
Albuquerque Tech/Voc	3.019	3.011	3.008	3.008	2.989	2.922
Total	28.068	28.865	27.986	\$30.212	\$27.531	\$25.853

Total Levy Total Levy

	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>	<u>1999</u>
State of New Mexico	\$1.028	\$1.520	\$1.123	\$1.765	\$1.529	\$1.482
Bernalillo County	8.200	8.154	7.118	7.185	6.964	6.812
City of Albuquerque	10.995	10.995	10.990	10.995	10.996	10.939
Albuquerque MSD #12	8.280	8.275	6.273	8.273	8.279	8.265
AMAFCA	.858	.861	.863	0.863	0.868	0.863
UNM Hospitals	6.500	6.500	6.500	6.500	3.467	3.371
Mental Health Center	-0-	-0-	-0-	-0-	0.403	0.392
Albuq. Tech/Voc Inst.	3.019	3.011	3.008	3.008	2.989	2.922
Total Residential Levy	<u>\$38.022</u>	<u>\$39.316</u>	<u>\$35.875</u>	<u>\$38.589</u>	<u>\$35.485</u>	<u>\$35.046</u>

Other County  
Rates: Total Levy

<u>City of Albuquerque</u>						
Total Non-Residential	\$44,377	\$45.704	\$41.417	\$45.248	\$43.240	\$41.413
<u>Village of Tijeras</u>						
Total Residential	\$27,862	\$28.456	\$25.086	\$27.777	\$24.644	\$25.530
Total Non-Residential	\$28,480	\$35.548	\$32.122	\$34.296	\$32.685	\$30.908

<u>Village of Corrales</u>						
Total Residential	\$27,027	\$30.399	\$27.404	\$30.818	\$27.584	\$26.840
Total Non-Residential	\$32,857	\$37.578	\$35.224	\$39.341	\$36.912	\$35.225
 <u>Village of Los Ranchos</u>						
Total Residential		\$27.460	\$24.022	\$26.731	\$23.681	\$22.749
Total Non-Residential		\$33.323	\$29.897	\$32.612	\$30.533	\$28.968

Source: Bernalillo County Finance Department

## TAX COLLECTIONS

### METHODS OF TAX COLLECTION

Current taxes for all units of government are collected by the County treasurer and distributed monthly to the various political subdivisions to which they are due.

Property taxes are payable to the County Treasurer in two (2) equal installments due on November 10 of the tax year in which the tax bill was prepared and mailed and on April 10 of the following year. Pursuant to Section 7-38-46, NMSA 1978, property taxes are delinquent thirty days after the date on which they are due.

### INTEREST ON DELINQUENT TAXES

Pursuant to Section 7-38-49, NMSA 1978, if property taxes are not paid for any reason within thirty (30) days after the due date, interest on the unpaid taxes shall accrue from the thirtieth (30th) day after they are due until the date they are paid. Interest accrues at the rate of one percent (1%) per month or any fraction of a month.

### PENALTY FOR DELINQUENT TAXES

Pursuant to Section 7-38-50, NMSA 1978, if property taxes become delinquent, a penalty of one percent (1%) of the delinquent tax for each month, or any portion of a month, remaining unpaid shall be imposed, but the total penalty shall not exceed five percent (5%) of the delinquent taxes. The minimum penalty imposed is \$5.00. A County can suspend application of the minimum penalty requirement for any tax year.

If property taxes become delinquent because of an intent to defraud by the property owner, fifty percent (50%) of the property taxes due or fifty dollars (\$50.00), whichever is greater, shall be added as a penalty.

## REMEDIES AVAILABLE FOR NON-PAYMENT OF TAXES

Pursuant to Section 7-38-47, NMSA 1978, property taxes are the personal obligation of the person owning the property on the date on which the property was subject to valuation for property taxation purposes. A personal judgment may be rendered against the taxpayer for payment of taxes that are delinquent, together with any penalty and interest on the delinquent taxes.

Taxes on real property are a lien against the real property. Pursuant to Section 7-38-65, NMSA 1978, delinquent taxes on real property may be collected by selling the real property on which the taxes are delinquent.

Pursuant to Section 7-38-53, NMSA 1978, delinquent property taxes on personal property may be collected by asserting a claim against the owner(s) of the personal property for which the taxes are delinquent.

## TAX COLLECTION HISTORY - BERNALILLO COUNTY

<u>Tax Year</u>	<u>Net Taxes Charged to Treasurer</u>	<u>Taxes Collected To Date</u>	<u>Percentage Collected</u>
As of June 30, 2005			
2004	\$400,292,096	\$383,127,289	99.78%
2003	386,342,930	380,457,426	99.57%
2002	342,830,820	340,045,362	99.37%
2001	356,580,516	354,341,141	99.19%
2000	311,999,812	310,662,517	98.48%
1999	293,865,653	293,204,471	95.71%
As of June 30, 2004			
2003	\$386,695,130	\$369,590,539	95.58%
2002	342,657,220	337,093,690	98.38%
2001	356,655,653	353,450,599	99.10%
2000	312,507,353	310,314,025	99.30%
1999	294,321,962	293,045,664	99.57%
1998	259,239,168	258,459,615	99.70%
As of June 30, 2003			
2002	\$342,574,636	\$325,780,959	95.12%
2001	356,754,439	349,063,518	97.84%
2000	312,553,943	309,181,738	98.92%
1999	294,350,780	292,718,711	99.45%
1998	259,304,680	258,309,133	99.62%
1997	250,229,931	249,770,008	99.82%
1996	235,171,198	234,956,596	99.91%

<u>Tax Year</u>	<u>Net Taxes Charged to Treasurer</u>	<u>Taxes Collected To Date</u>	<u>Percentage Collected</u>
As of June 30, 2002			
2001	\$360,196,852	\$341,320,253	95.58%
2000	314,394,841	306,645,723	98.01%
1999	302,620,378	292,115,772	99.24%
1998	259,221,833	258,566,450	99.70%
1997	249,687,335	249,736,076	99.80%
1996	236,219,558	234,946,726	99.90%
As of June 30, 2001			
2000	\$313,805,354	\$293,841,628	93.64%
1999	293,349,030	287,330,428	97.95%
1998	259,629,855	257,841,666	99.31%
1997	250,304,933	249,449,947	99.66%
1996	235,246,027	234,859,087	99.04%
1995	222,099,664	221,898,970	99.91%
As of June 30, 2000			
1999	\$302,620,378	\$270,446,038	89.37%
1998	259,398,991	254,542,809	98.13%
1997	249,939,838	248,336,201	99.36%
1996	235,229,602	234,782,416	99.78%
1995	222,112,727	221,887,672	99.90%
As of June 30, 1999			
1998	\$259,904,334	\$244,793,157	94.19%
1997	249,966,823	245,850,320	98.35%
1996	235,313,495	234,363,377	99.60%
1995	222,116,842	221,774,526	99.85%
1994	199,423,547	199,183,107	99.88%
As of June 30, 1998			
1997	\$248,672,058	\$235,469,597	94.69%
1996	235,413,276	232,179,916	98.63%
1995	222,173,118	221,440,863	99.984%
1994	199,439,465	199,126,379	99.84%
1993	196,448,465	196,154,644	99.85%

<u>Tax Year</u>	<u>Net Taxes Charged to Treasurer</u>	<u>Taxes Collected To Date</u>	<u>Percentage Collected</u>
As of June 30, 1997			
1996	\$235,837,039	\$225,156,832	95.47%
1995	222,391,544	217,912,560	97.99%
1994	199,483,017	198,761,446	99.64%
1993	196,476,041	196,018,779	99.77%
As of June 30, 1996			
1995	\$222,138,366	\$212,631,009	95.72%
1994	199,937,655	196,891,387	98.48%
1993	196,472,280	195,552,153	99.53%
1992	169,228,414	168,747,450	99.72%
As of June 30, 1995			
1994	\$199,957,363	\$196,070,757	98.06%
1993	196,486,842	194,832,128	99.16%
1992	169,240,337	168,644,627	99.65%
1991	160,880,525	160,305,128	99.64%
As of June 30, 1994			
1993	\$196,695,608	\$187,008,239	95.07%
1992	169,303,050	166,110,317	98.11%
1991	160,920,886	159,174,177	98.91%
1990	150,706,753	149,639,182	99.29%

*Source: Bernalillo County Treasurer*

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## THE COUNTY

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### GENERAL

The economic and population hub of New Mexico, Bernalillo County, is located in the north central region of the state at the conjunction of Interstate Highways 25 and 40. Its boundaries encompass the entire City of Albuquerque. With 556,678 residents, (2000 Census) Bernalillo County ranks 100<sup>th</sup> in population of the nation's 3,141 counties. The County comprises nearly 31% of New Mexico's population total and 80% of the three county Albuquerque MSA, and is home to the University of New Mexico, Kirtland Air Force Base and Sandia National Laboratories

The Albuquerque MSA continues to enjoy strong population growth, continued residential and non-residential construction and unemployment rates below the State as a whole and the nation. The positive influence of defense related industries located in the County is a historical fact; however, economic diversification has increased in recent years. The mission of Sandia National Laboratories has changed over the years to include non-defense research. Sandia has entered into a number of joint research projects with private industry and has placed a major emphasis on the transfer of technology to benefit existing industries and to spawn new ones. It is anticipated that the greater diversification in the role of Sandia will further the diversification of the area economy. Because of its accessibility and tourist facilities, the County and the surrounding area is the gateway for tourism in New Mexico as well as an attraction in its own right. The County and the City of Albuquerque features the historic "Old Town", the Sandia Peak Tramway and ski area, a number of nationally recognized museums and the Cibola National Forest. Other attractions include the Albuquerque International Balloon Fiesta, the National Hispanic Cultural Center, the Gathering of Nations native American event, the National Arabian Horse Show and the New Mexico State Fair. There are several Indian pueblos within easy driving distance that draw many tourists because of their historical and cultural significance and arts.

### COUNTY GOVERNMENT

Bernalillo County operates under commission-manager form of government and provides for public safety, highways and streets, sanitation, cultural and recreational services, public improvements, planning and zoning, and general administrative services. Legislative and some executive power is vested in a five-member Board of County Commissioners, who are elected for four-year terms from single member districts. Administration is overseen by a County Manager, who has responsibility for 25 departments.

Brief resumes of the County Manager, key financial staff members, and the five county Commissioners are as follows:

## **THE GOVERNMENT BODY**

Bernalillo County was established by the laws of 1876, under the provisions of the Act now referred to as Section 4-1-1 of the New Mexico State Statutes Annotated, 1978 Compilation. The County operates under the commission-manager form of government and provides for public safety, highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, and general administrative services. Brief resumes of the County Manager, key financial staff members and the five County Commissioners are as follows:

### **BERNALILLO COUNTY COMMISSIONERS**

*Alan B. Armijo, Chair, District 1.* Term expires December 2008; first elected, November 2002. Joins the Board of Commissioners after serving as an Albuquerque City Councilman for twelve years. Mr. Armijo has a long and distinguished career in public service. He is currently the Governmental Liaison for APS where he has over twenty-three years of experience as a teacher and coach and 30 years as an educator. He holds a Master and Bachelor's Degree in Education from the University of New Mexico and a certificate from the Harvard John F. Kennedy School of Government Program. He is an advocate for education, youth programs, smart planning for growth and operating a fiscally responsible government.

*E. Tim Cummins, Vice-Chair, District 4.* Term expires December 2008; first elected November 2000. Attended Albuquerque Public Schools and the University of New Mexico. Has served as a City Councilor of the City of Albuquerque. Mr. Cummins has spent countless hours helping the community and served as one of the seven original trustees for the Endowment Foundation for All Faiths and as a member on the Board of Governors for Goodwill Industries. Occupation: Commercial Real Estate Broker.

*Teresa L. Córdova, Commissioner, District 2.* Term expires December 2008; Has extensive experience working with residents and community leaders to identify issues and deliver solutions to the South Valley. A professor in Community and Regional Planning at the University of New Mexico, she has taught classes in land use, economic development and community based planning since 1991. Through UNM, she directs the Resource Center for Raza Planning, a student group of planning and policy analysts. She received a Ph.D. from the University of California, Berkeley, is the recipient of the YWCA "Woman on the Move" award and was an Outstanding South Valley Citizen. She also served on the Unification Charter Commission and was former president of the Rio Grande Community Development Corporation

*Deanna Archuleta-Loeser, Commissioner, District 3.* Term expires December, 2008; actively involved and has focused her efforts on economic development, education and transportation. She is a professor of Sociology at the University of New Mexico and has taught there since 2000. She served as President of the Summit Park Neighborhood Association, giving her a first-hand opportunity to develop the district's vision and direction. She also served as a representative of the Big I Task Force, as a member of the City of Albuquerque Transit Advisory Board, Vice-President of the APS Citizens' Advisory Council, PTA President and Instructional Council Parent Representative for Montezuma Elementary. A New Mexico native, she received her Masters from the University of New Mexico and is currently finishing her Doctoral degree.

*Michael Brasher, Commissioner, District 5.* Term expires December 2008; actively involved in his community and regularly attends neighborhood association meetings in the district. He is the General Manager of KANW Radio, a noncommercial educational station owned and operated by the Albuquerque Public Schools. He possesses twenty-five years of experience in broadcasting. A lifelong resident of the Albuquerque community, he is an avid bicyclist and enjoys the native terrain and dry temperate climate.

## **COUNTY MANAGER AND STAFF**

*Thaddeus Lucero, County Manager.* Graduated from the University of Washington in Seattle with a Bachelor of Arts Degree in Urban Planning in 1981, then attended John F. Kennedy School of Government - Harvard University Program for Senior Executives in July 1996. From 1985-1991, Mr. Lucero worked for the City of Seattle as a Neighborhood Planner and as Economic Development Manager. Mr. Lucero began his career with Bernalillo County as a Senior Zoning Inspector in 1992, and was then promoted to Program Planner in February 1993. Mr. Lucero served as Zoning, Building and Planning Director for Bernalillo County from 1994 to 1997. He was appointed Community Services Division Director on January 5, 1998 and managed the day-to-day operations and long-term objectives for the following departments: Housing, Parks and Recreation and Zoning, Building and Planning. Mr. Lucero was appointed County Manager effective September 20, 2003.

*Dan Mayfield, Deputy County Manager for Finance.* Joined Bernalillo County as Comptroller in March of 1989. Has progressive managerial experience in accounting and finance since 1972. Mayfield received an MBA from New Mexico Highlands University and a BBA from the University of New Mexico. Mr. Mayfield received CGFM, Certificate # 2254 issued in 1995.

## **RETIREMENT PLAN**

*Plan Description.* Substantially all of the Bernalillo County full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, PO Box 2123, Santa Fe, New Mexico 87504-2123.

*Funding Policy.* Plan members are required to contribute 9.15-16.3% of their gross salary and the County is required to contribute 9.15-21.25% depending upon the division of the gross covered salary. The contribution requirements of plan members and the County are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The County's contributions to PERA for the years ending June 30, 2003, 2002, and 2001 were \$5,547,120, \$5,481,717, and \$5,481,324, respectively, equal to the amount of the required contributions for each year. The following table outlines the divisions the County participates in and the contributions for the year ending June 30, 2003.

<u>Covered Division</u>	<u>Employee</u>		<u>Employer</u>	
	<u>Percent</u>	<u>Dollars</u>	<u>Percent</u>	<u>Dollars</u>
General-management, blue collar and white collar	13.15%	\$4,205,942	9.15%	\$2,926,568
General-other	9.15%	\$58,336	9.15%	\$66,209
Sheriff	16.30%	\$1,784,253	18.50%	\$2,025,072
Fire	16.20%	\$694,485	21.25%	\$910,975

*Source: Bernalillo County*

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## SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES OF THE COUNTY

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### 2004 AUDIT REPORT

Meyners + Company, LLC, Certified Public Accountants & Consultants, of Albuquerque, New Mexico and the office of the State Auditor conducted the audit of the County's general-purpose financial statements and the combining and individual fund and account group financial statements for the fiscal year ended June 30, 2004.

*See "APPENDIX C – STATE OF NEW MEXICO COUNTY OF BERNALILLO COMPREHENSIVE ANNUAL FINANCIAL REPORT, FISCAL YEAR ENDED JUNE 30, 2004"* for the County's complete audited financial statements.

### BASIS OF PRESENTATION - FUND ACCOUNTING

The accounts of the County are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped into the following generic fund types:

### GOVERNMENTAL FUND TYPES

1. General Fund - The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund. It is funded primarily through property, sale and other miscellaneous taxes.
2. Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

3. Capital Project Funds - The Capital Project Funds are used to account for financial resources to be used for the acquisition of major capital facilities and related costs. Capital Project funding is comprised of bond proceeds, federal and state grants and/or current federal funds.
4. Special Revenue Funds - The County receives funds from various sources, the expenditure of which is legally restricted to specified purposes. These revenues and expenditures are accounted for in this fund.

*Proprietary Fund Type-Enterprise Funds.*

Enterprise funds are established to account for operations (a) that are financed and operated in a manner similar to private business enterprises -- where the intent of the governing body is that the costs (expenses including depreciation) of providing services on a continuing basis be financed or recovered primarily through user charges; and (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control and accountability.

*Fiduciary Fund Type-Agency Funds.*

Agency funds are used to account for assets held by the County as an agent for individuals, private organizations, other governments and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

*Fixed Assets and Long-Term Liabilities*

The accounting and reporting treatment applied to the fixed assets and long-term liabilities associated with a fund are determined by its measurement focus. All governmental funds are accounted for on a spending or “financial flow” measurement focus. This means that only current assets and current liabilities are generally included on their balance sheets. Their reported fund balance (net current assets) is considered a measure of “available spendable resource.” Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of “available spendable sources” during a period.

Fixed assets used in governmental fund type operations (general fixed assets) are accounted for in the General Fixed Assets Account Group, rather than in governmental funds. No depreciation has been provided on general fixed assets. All fixed assets are valued at historical cost, except for donated assets which are valued at their fair market value on the date donated.

Long-term liabilities expected to be financed from governmental funds are accounted for in the General Long-Term Debt Account Group, not in the governmental funds.

The two account groups are not “funds.” They are concerned only with the measurement of financial position. They are not involved with the measurement of the results of operations.

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Because they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures

or fund liabilities. They are instead reported as liabilities in the General Long-Term Debt Account Group.

#### **BASIS OF ACCOUNTING**

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when they become measurable and available as net current assets. If the amounts of revenues cannot be reasonably estimated or realization is not assured, or if the revenues will not be available to pay current liabilities, they are not recorded as a revenue in the current year. Under these accounting policies, property taxes collected but unremitted to the County and expenditures in excess of grant revenues are accrued as receivables at the year end.

*[Remainder of page intentionally left blank]*

## THE COUNTY'S CURRENT FINANCES

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets			
	Expenses	Charges for Service	Operating	Capital	Primary Government		Component Unit	
			Grants and Contributions	Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Redevelopment Corporation
Primary Government:								
Government activities								
General government	\$ 37,501,192	\$16,687,785	\$ 504,723	\$ 6,355	\$ (20,302,329)	\$ -	\$ (20,302,329)	\$ -
Public safety	32,294,831	-	356,530	21,216,205	(10,722,096)	-	(10,722,096)	-
Culture and recreation	82,328,864	-	8,503,339	103,493	(73,722,032)	-	(73,722,032)	-
Health and welfare	11,409,199	97	841,768	1,644,695	(8,922,639)	-	(8,922,639)	-
Public works	18,785,416	-	11,509,565	873,929	(6,401,922)	-	(6,401,922)	-
Interest and other charges	14,651,079	-	-	-	(14,651,079)	-	(14,651,079)	-
Total governmental activities	196,970,581	16,687,882	21,715,925	23,844,677	(134,722,097)	-	(134,722,097)	-
Business-like activities:								
Solid waste	3,353,335	3,054,698	148,490	-	-	(150,147)	(150,147)	-
Housing Authority	1,672,735	1,528,126	-	-	-	(144,609)	(144,609)	-
Seybold Village Handicapped Project	126,954	31,563	-	-	-	(95,391)	(95,391)	-
Regional Juvenile Detention Center	1,275,350	1,331,114	-	-	-	55,764	55,764	-
Total business-like activities	6,428,374	5,945,501	148,490	-	-	(334,383)	(334,383)	-
Total primary government	\$203,398,955	\$22,633,383	\$21,864,415	\$23,844,677	\$(134,722,097)	\$ (334,383)	\$(135,056,480)	\$ -
Component unit:								
Redevelopment Corporation	\$ 392,493	\$ 97,643	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (294,850)

Continuation of table from previous page

	<b>Business-Type</b>		<b>Redevelopment</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Total</b>	<b>Corporation</b>
General Revenues:				
Property taxes	94,043,897	-	94,043,897	
Gross receipts taxes	38,725,557	-	38,725,557	
Motor vehicle taxes	3,547,419	-	3,547,419	
Cigarette taxes	6,477	-	6,477	
Gas taxes	1,553,716	-	1,553,716	
Investment income	5,184,585	5,175	5,189,760	2,538
Operating grants	-	708,896	708,896	230,634
Miscellaneous revenue	11,332,291	119,379	11,451,670	
Transfers	200,000	(200,000)	-	
Total general revenues and transfers	154,593,942	633,450	155,227,392	233,172
Change in net assets	19,871,845	299,067	20,170,912	(61,678)
Beginning net assets	325,034,598	3,931,578	328,966,176	686,061
Prior period adjustment	1,296,260	(171,336)	1,124,924	-
Beginning net assets - as adjusted	326,330,858	3,760,242	330,091,100	686,061
Ending net assets	\$ 346,202,703	\$ 4,059,309	\$ 350,262,012	\$ 624,383

Source: Audited Financial Statements for year ended June 30, 2004.

**REVENUES, EXPENDITURES AND FUND BALANCES**

	<b>Actual 6/30 2001</b>	<b>Actual 6/30 2002</b>	<b>Actual 6/30 2003</b>
<b><u>Revenues</u></b>			
Property tax – recurring	57,810	66,757	69,807
Property tax – nonrecurring	-	-	-
Gross receipts tax	30,556	31,057	33,187
Intergovernmental	1,738	1,292	3,648
Licenses, permits and fees	872	1,167	2,690
Charges for services	3,657	4,300	7,532
Investment income	3,264	2,645	2,395
Public works revenue	-	-	3,027
Miscellaneous	1,556	1,286	1,300
<b>Total revenues</b>	<b>\$99,453</b>	<b>\$108,504</b>	<b>\$123,586</b>
<b><u>Expenditures</u></b>			
General government	35,547	35,976	34,336
Public safety	47,942	50,037	58,766
Health and welfare	4,089	5,846	2,946
Culture and recreation	8,285	8,373	9,015
Public works	-	-	9,259
Debt service	-	51	215
<b>Total expenditures</b>	<b>\$95,863</b>	<b>\$100,283</b>	<b>\$114,537</b>
<b>Excess revenues over expenditures</b>	<b>3,590</b>	<b>8,221</b>	<b>9,049</b>
<b><u>Other funding sources (uses)</u></b>			
Operating transfers in	5,945	1,475	-
Operating transfers (out)	(8,434)	(6,250)	(7,775)
<b>Excess (deficiency) of revenues and other funding sources over expenditures and other funding uses</b>	<b>1,101</b>	<b>3,446</b>	<b>1,274</b>
Residual equity transfer in	-	-	-
Prior period adjustment	(1,044)	(2,803)	-
Beginning fund balance	38,694	38,751	40,706
<b>Ending fund balance</b>	<b>\$38,751</b>	<b>\$39,394</b>	<b>\$41,980</b>
<b>Detail of ending fund balance</b>			
Reserved	5,708	4,121	7,361
Designated for subsequent year's expenses	33,043	35,273	34,619
Unreserved fund balance	-	-	-

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## AREA ECONOMIC INFORMATION

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### POPULATION

<u>Year</u>	<u>Bernalillo County</u>	<u>Albuquerque MSA</u>	<u>State</u>
1960	262,199	292,500	951,023
1970	315,774	353,800	1,017,055
1980	420,262	485,500	1,303,303
1990	480,577	589,131	1,515,069
2000	556,678	712,738	1,819,046
2005 est.	562,678	780,614	1,829,146

*Source: U.S. Department of Commerce, Bureau of the Census, except as indicated in footnotes.*

### PER CAPITA PERSONAL INCOME - BERNALILLO COUNTY

<u>Year</u>	<u>Bernalillo County</u>	<u>New Mexico</u>	<u>U.S.A.</u>	<u>% of N.M.</u>	<u>% of U.S.</u>
2003	\$30,064	\$24,995	\$31,472	120.28%	95.5%
2002	\$29,432	\$24,228	\$30,804	121.7%	95.5%
2001	\$29,658	\$24,088	\$30,575	123.0%	95.3%
2000	\$27,046	\$22,135	\$29,845	122.1%	88.7%
1999	\$25,677	\$21,042	\$29,847	122.0%	86.0%
1998	\$25,154	\$20,656	\$27,939	121.7%	90.0%
1997	\$24,052	\$19,698	\$26,883	122.1%	89.4%
1996	\$23,413	\$18,964	\$25,334	123.4%	92.4%

*Source: U.S. Department of Commerce, Bureau of Economic Analysis (released September 2002).*

## NON-AGRICULTURAL EMPLOYMENT - ALBUQUERQUE MSA\*

	2000 <sup>r</sup>	2001 <sup>r</sup>	2002 <sup>r</sup>	2003 <sup>r</sup>	2004 <sup>p</sup>
<b>Albuquerque MSA<sup>1</sup></b>					
Total Employment	357.4	362.2	361.7	363.1	370.8
Natural Resources & Mining & Construction	23.6	24.8	23.4	24.1	25.8
Manufacturing	27.6	27.1	24.8	23.4	22.6
Trade, Transportation & Utilities	66.2	66.0	65.9	65.7	66.2
Wholesale Trade	14.2	13.8	13.4	13.0	12.8
Retail Trade	41.4	41.6	41.8	42.2	42.9
Transp., Warehousing & Utilities	10.7	10.6	10.6	10.5	10.5
Information	11.1	11.4	11.0	10.2	9.4
Financial Activities	19.4	19.6	18.9	18.8	19.2
Professional & Business Services	58.7	58.6	57.8	57.5	59.2
Educational & Health Services	37.3	39.3	41.3	42.7	45.2
Leisure & Hospitality	33.6	34.2	34.8	35.8	36.3
Other Services	10.9	11.1	11.5	11.7	11.9
Government	69.0	70.2	72.4	73.4	74.9

*r* Revised. *p* Preliminary. *(1)* Bernalillo, Sandoval and Valencia counties.

*Note:* Industry classifications are based on the North American Industry Classification System (NAICS).

*Source:* New Mexico Dept. of Labor, Economic Research and Analysis.

*Table prepared by:* Bureau of Business and Economic Research, University of New Mexico.

## CIVILIAN LABOR FORCE - BERNALILLO COUNTY

Bernalillo County	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Labor Force	291,622	295,489	297,111	300,353	305,411
Employment	279,944	283,298	282,739	284,668	289,729
Unemployment	11,678	12,191	14,372	15,685	15,682
Percentage Unemployment – Bern. County	4.0%	4.1%	4.8%	5.2%	5.1%
Percentage Unemployment – New Mexico	5.0%	4.9%	5.5%	5.9%	5.7%
Percentage Unemployment – United States	4.0%	4.7%	5.8%	6.0%	5.5

## MAJOR EMPLOYERS

<b>ORGANIZATION</b>	<b>EMPLOYEES</b>	<b>DESCRIPTION</b>
Kirtland Air Force Base (Civilian)	17,125	Air Force Materiel Command
University of New Mexico	15,832	Educational Institution
Albuquerque Public Schools	11,700	Educational Institution
Sandia National Labs	7,700	Research Development
City of Albuquerque	6,937	Government
State of New Mexico	5,660	Government
Presbyterian Hospital	5,800	Hospital
Kirtland AFB (Military)	5,240	Defense
Lovelace Sandia Health Systems	5,400	Health Care
Intel Corporation	5,200	Semiconductor Manufacturer
UNM Hospital	4,380	Hospital
U.S. Postal Service	2,200	Government
PNM Electric & Gas Services	1,790	Utilities Provider
Albuquerque Technical-Vocational Institute	1,850	Educational Institution
Veterans Affairs Medical Center	1,700	Hospital
Bernalillo County	1,780	Government
Qwest Communications	1,400	Telecommunications Provider
Sandia Casino	1,644	Indian Gaming
CitiCard	1,250	Financial Institution
Honeywell Defense Avionics Systems	1,150	Aircraft Avionics Manufacturer
Isleta Gaming Palace	1,100	Indian Gaming
Albuquerque Publishing Co.	1,200	Newspaper Publisher
Bank of America	1,360	Financial Institution
Sprint PCS	900	Customer Service Center

*Source: Albuquerque Economic Development, Inc. 2005 Survey*

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## LITIGATION

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At the time of the original delivery of the Bonds, the County will deliver a no-litigation certificate to the effect that no litigation or administrative action or proceeding is pending or, to the knowledge of the appropriate officials, threatened, restraining or enjoining, or seeking to restrain or enjoin, the issuance and delivery of the Bonds, the levying or collecting of taxes to pay the principal of and interest on the Bonds or contesting or questioning the proceedings and authority under which the Bonds have been authorized and are to be issued, sold, executed or delivered, or the validity of the Bonds.

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## TRANSCRIPT AND CLOSING DOCUMENTS

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A complete transcript of proceedings and a no-litigation certificate (described above under “**LITIGATION**”) will be delivered by the County when the Bonds are delivered. The County will at that time also provide a certificate issued by the County Commission’s Chair relating to the accuracy and completeness of this Official Statement.

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## LEGAL MATTERS

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The County has engaged Hughes & Strumor, Ltd. Co., Albuquerque, New Mexico as Bond Counsel in connection with the issuance of the Bonds. Legal matters incident to the issuance of the Bonds and with regard to the tax-exempt status of the interest thereof (*see* “**TAX EXEMPTION**” below) are subject to the approving legal opinion of Bond Counsel. A signed copy of its opinion, dated the date of the original delivery of the Bonds will be delivered at the time of original delivery of the Bonds. Certain other matters will be passed upon by Hughes & Strumor, Ltd. Co. as disclosure counsel, and for the Underwriter by Virtue, Najjar and Brown, PC, as counsel to the Underwriter.

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## UNDERTAKING TO PROVIDE ONGOING DISCLOSURE

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The County has entered into an undertaking (the “Undertaking”) for the benefit of the holders of the Bonds to send certain financial information and operating data to certain information repositories annually and to provide notice to the Municipal Securities Rulemaking Board of certain events, pursuant to the requirements of Section (b)(5)(i) of Securities and Exchange Commission Rule 15c-2-12 (17 C.F.R. Part 240, § 240.15c2-12) (the “Rule”). (See “**APPENDIX B**” hereto.)

The County has not failed to comply with any prior such undertaking under the Rule. A failure by the County to comply with the Undertaking will not constitute an Event of Default under the Bond Resolution (although Bondholders will have any available remedy at law or in equity). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

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## TAX MATTERS

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In the opinion of Hughes & Strumor, Ltd. Co., Bond Counsel, to be delivered at the time of the original issuance of the Bonds, under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is not includible in gross income for federal income tax purposes. Bond Counsel is further of the opinion that interest on the Bonds is exempt from taxation by the State and its political subdivisions. A form of opinion of Bond Counsel is attached hereto as Appendix A.

The Internal Revenue Code of 1986, as amended (the “Code”), imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal tax purposes of interest on obligations, such as the Bonds. The County has covenanted in the Bond Ordinance to comply with certain guidelines designed to assure that interest on the Bonds will not become includible in gross income. Failure to comply with these covenants may result in interest on the Bonds being included in gross income from the date of issue of the Bonds. The opinion of Bond Counsel assumes compliance with such covenants.

Bond Counsel has opined that interest on the Bonds is not a specific preference item for purposes of the alternative minimum tax provisions contained in the Code; however, interest on the Bonds will be included in the adjusted current earnings of certain corporations in the calculation of alternative minimum tax.

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes “original issue discount,” the accrual of which,

to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

Prospective purchasers of the Bonds should be aware that ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with “excess net passive income,” foreign corporations subject to the branch profits tax, life insurance companies and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the Bonds. Bond Counsel does not express any opinion regarding such collateral tax consequences. Prospective purchasers of the Bonds should consult their tax advisors regarding collateral federal income tax consequences.

Bond Counsel’s opinions are based on existing law, which is subject to change. Such opinions are further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinions to reflect any facts or circumstances that may thereafter come to Bond Counsel’s attention, or to reflect any changes in law that may thereafter occur or become effective. Moreover, Bond Counsel’s opinions are not a guarantee of a particular result, and are not binding on the IRS or the courts; rather, such opinions represent Bond Counsel’s professional judgment based on its review of existing law, and in reliance on the representations and covenants that it deems relevant to such opinions.

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## **INVESTMENT PROCEDURES FOR BERNALILLO COUNTY**

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### **INVESTMENTS**

Various sections of the New Mexico Statutes Annotated 1978, as amended, control how New Mexico’s local governments (including counties, municipalities and school districts) (“Local Governments”) may invest funds not immediately necessary for public use. The primary purpose of these laws is to provide for safety of invested principal.

## LEGAL INVESTMENTS

Local Governments, with the advice and consent of the body charged with the supervision and control of the Local Government's respective funds, have limited investment power over all sinking funds, or money remaining unexpended from the proceeds of any issue of bonds or other negotiable securities of the Local Government that is entrusted to the local public body's care and custody and all money not immediately necessary for the public use and not deposited in qualified banks, savings and loan associations and credit unions. These funds may only be invested in statutorily authorized investments as follows:

- (1) Bonds or negotiable securities of the State of New Mexico or of any county, municipality or school district which has a taxable valuation of real property of at least one million dollars (\$1,000,000) and has not defaulted in the payment of interest or sinking fund obligations or failed to pay any bonds at maturity at any time within the last five years;
- (2) Bonds or negotiable securities of the United States including U.S. Treasury bonds, notes or bills;
- (3) Other securities issued by the United States government or its agencies or instrumentalities that are backed by the full faith and credit of the United States government, or issued by agencies guaranteed by the United States government, which include Government National Mortgage Association (GNMA) mortgaged backed securities,

BUT DOES NOT INCLUDE Federal National Mortgage Association (FNMA) mortgage backed securities or Federal Home Loan Mortgage Corporation (FHLMC) mortgage backed securities, securities of the Federal Land Bank and the Federal Farm Credit Bank; and

- (4) Any bonds or other obligations issued pursuant to the Municipal Housing Law or issued by any public housing authority or agency in the United States, when such bonds or other obligations are secured by a pledge of annual contributions to be paid by the United States government or any agency thereof...provided, however, that nothing contained in the Municipal Housing Law shall be construed as relieving any person...from any duty of exercising reasonable care in selecting securities;
- (5) contracts with banks, savings and loan associations or credit unions for the present purchase and resale at a specified time in the future of specific securities at specified prices at a price differential representing the interest income to be carried by the investor backed by the United States having a market value of at least one hundred two percent of the contract. The collateral securing such contracts with the foregoing financial institutions must be shown on the financial institution's books as being the property of the investing Local Government and the designation of the collateral must be contemporaneous with the investor;
- (6) New Mexico also has a short term (less than thirty (30) days) investment fund created in the state treasury. The fund consists of all deposits from governmental entities and that are placed in the custody of the state treasurer for short-term investment purposes pursuant to law. The state treasurer shall invest the fund in permitted investments as set forth above and may elect to have the short-term investment fund consolidated for investment purposes with the state funds under the control of the state treasurer; provided that accurate and detailed accounting records are maintained for the account of each participating local government or entity and that a proportionate amount of

interest earned is credited to each of the separate government accounts. The funds shall be invested to achieve its objective, which is to realize the maximum return consistent with safe and prudent management. At the end of each month, all interest earned from investment of the short-term investment fund shall be distributed by the state treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of the time the amounts in the funds were invested. No fees or transfer expenses are charged to the participating entities who invest in the short-term investment fund.

### **CURRENT INVESTMENTS**

As of the date of this Official Statement, the County's investible funds were invested only in statutorily permitted investments set forth above.

No funds of the County are invested in derivative securities, i.e., securities whose rate of return is determined by reference to some other instrument, index or commodity.

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### **RATINGS**

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Moody's Investors Service, Inc. has assigned a municipal bond rating of "Aa1" to the Bonds. Standard & Poor's has assigned a municipal bond rating of AA+ to the Bonds. Fitch Ratings has assigned a municipal bond rating of "AA+" to the Bonds. These ratings reflect only the view of such rating agencies, and an explanation of the significance of such ratings may be obtained only from each rating agency. There is no assurance that such ratings will remain for any given period of time or that they will not be revised downward or withdrawn entirely by such rating agencies, if in their judgment, circumstances so warrant. Any such downward revision or withdrawal may have an adverse effect on the market price for the Bonds.

*[Remainder of page intentionally left blank]*

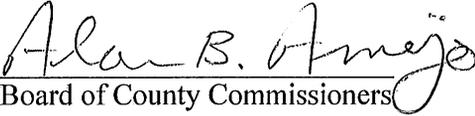
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**COUNTY APPROVAL OF OFFICIAL STATEMENT**

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This Official Statement is deemed final; has been authorized and approved by the County; is considered to be true, complete and correct in all material aspects; and does not contain any untrue statements of material fact or omit to state a material fact necessary to make the statements made herein, in light of the circumstances under which they were made, not misleading.

**BERNALILLO COUNTY, NEW MEXICO**

  
Board of County Commissioners

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**APPENDIX A**

**FORM OF LEGAL OPINION**

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**APPENDIX A**  
**FORM OF LEGAL OPINION**

September \_\_\_\_, 2005

Board of County Commissioners  
Bernalillo County  
One Civic Plaza, N.W., Suite 10111  
Albuquerque, New Mexico 87102

**\$13,940,000**  
**Bernalillo County, New Mexico**  
**General Obligation Refunding Bonds**  
**Series 2005**

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Board of County Commissioners of Bernalillo County, New Mexico (the "County") of its above-captioned bonds (the "Bonds"). We have examined the Constitution and laws of the State of New Mexico and such certified proceedings and other documentation as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished to us, without undertaking to verify them by independent investigation.

Based upon the foregoing, we are of the opinion that, under existing law:

1. The Bonds are valid and binding general obligations of the County.
2. All taxable property within the County is subject to *ad valorem* taxation without limitation as to rate or amount to pay the Bonds. The County is required by law to include in its annual tax levy the principal and interest coming due on the Bonds to the extent the necessary funds are not provided from other sources.
3. The interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. The opinions set forth in the preceding sentence are subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986

that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

4. The interest on the Bonds is exempt from taxation by the State of New Mexico under present New Mexico laws.

With regard to the Official Statement, without having undertaken to determine independently the accuracy or completeness of the statements contained in the Official Statement, but on the basis of our telephone conferences with the representatives of the County and our examination of the Official Statement and documents referenced in the Official Statement that we believe are material, nothing has come to our attention which leads us to believe that the Official Statement contains any untrue statement of a material fact or omits to state any material fact necessary to make the statements therein, in light of the circumstances in which they were made, not misleading in any material respect except that we have not been engaged, or undertaken to review the accuracy, completeness or sufficiency of the financial or statistical information contained in the appendices to the Official Statement or other statistical and financial information contained in the Official Statement and therefore we express no opinion thereon, (except that we consent to the inclusion of a form of this opinion in the Official Statement).

The rights of the owners of the Bonds and the enforceability of the Bonds are subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditor's rights generally and by equity principles whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention in law that may hereafter occur.

Very truly yours,

**Hughes & Strumor, Ltd. Co.**

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**APPENDIX B**

**UNDERTAKING TO PROVIDE ONGOING DISCLOSURE**

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## **APPENDIX B**

### **CONTINUING DISCLOSURE UNDERTAKING**

**\$13,940,000**

**BERNALILLO COUNTY, NEW MEXICO  
GENERAL OBLIGATION REFUNDING BONDS  
SERIES 2005**

This instrument constitutes the written undertaking by the Bernalillo County, New Mexico (the “Issuer”) for the benefit of the holders of the above-captioned bonds (the “Bonds”) required by Section (b)(5)(i) of Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (17 C.F.R. Part 240, § 240.15c2-12) (the “Rule”). Capitalized terms used in this undertaking and not otherwise defined in Bernalillo County, New Mexico a resolution adopted by the Board of County Commissioners on August 23, 2005 (the “Resolution”) shall have the meanings assigned such terms in subsection 3 hereof.

1. The Issuer undertakes to provide the following information as provided herein:
  - a. Annual Financial Information;
  - b. Audited Financial Statements, if any; and
  - c. Material Event Notices.
  
2.
  - a. The Issuer shall, while any Bonds are Outstanding, provide the Annual Financial Information on or before March 31 of each year (the “Report Date”), beginning in 2006 to each then existing NRMSIR and the SID, if any. The Issuer may adjust the Report Date if the Issuer changes its fiscal year by providing written notice of the change of fiscal year and the new Report Date to each then existing NRMSIR and the SID, if any; provided that the new Report Date shall be 270 days after the end of the new fiscal year and provided further that the period between the final Report Date relating to the former fiscal year and the initial Report Date relating to the new fiscal year shall not exceed one year in duration. It shall be sufficient if the Issuer provides to each then existing NRMSIR and the SID, if any, the Annual Financial Information by specific reference to documents previously provided to each NRMSIR and the SID, if any, or filed with the Securities and Exchange Commission and, if such a document is a final official statement within the meaning of the Rule, available from the Municipal Securities Rulemaking Board.
    - b. If not provided as part of the Annual Financial Information, the Issuer shall provide the Audited Financial Statements when and if available while any Bonds are Outstanding to each then existing NRMSIR and the SID, if any.
    - c. If a Material Event occurs while any Bonds are Outstanding, the Issuer shall provide a Material Event Notice in a timely manner to the Municipal Securities Rulemaking Board

at 1640 King Street, #300, Alexandria, VA 22314, and the SID, if any. Each Material Event Notice shall be so captioned and shall prominently state the date, title and CUSIP numbers of the Bonds.

d. The Issuer shall provide in a timely manner to the Municipal Securities Rulemaking Board and to the SID, if any, notice of any failure by the Issuer while any Bonds are Outstanding to provide to each then existing NRMSIR and the SID, if any, Annual Financial Information on or before the Report Date.

e. Any filing under this undertaking may be made solely by transmitting such filing to the Texas Municipal Advisory Council (the “MAC”) as provided at <http://www.disclosureusa.org> unless the United States Security and Exchange Commission has withdrawn the interpretive advice in its letter to the MAC dated September 7, 2004.

3. The following are the definitions of the capitalized terms used herein and not otherwise defined in the Resolution:

a. “Annual Financial Information” means the financial information (which shall be based on financial statements prepared in accordance with generally accepted accounting principles (“GAAP”) for governmental units as prescribed by the Governmental Accounting Standards Board (“GASB”)) or operating data with respect to the Issuer, provided at least annually, of the type included in the final official statement with respect to the Bonds; which Annual Financial Information may, but is not required to, include Audited Financial Statements.

b. “Audited Financial Statements” means the Issuer’s annual financial statements, prepared in accordance with GAAP for governmental units as prescribed by GASB, which financial statements shall have been audited by such auditor as shall be then required or permitted by the laws of the State.

c. “Material Event” means any of the following events, if material, with respect to the Bonds:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions or events affecting the tax-exempt status of the security;
- (vii) Modifications to rights of security holders;
- (viii) Bond calls;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the securities; and

- (xi) Rating changes.
- d. “Material Event Notice” means written or electronic notice of a Material Event.
- e. “NRMSIR” means a nationally recognized municipal securities information repository, as recognized from time to time by the Securities and Exchange Commission for the purposes referred to in the Rule. The NRMSIRs as of the date hereof are:

Bloomberg Municipal Repository  
100 Business Park Drive  
Skillman, NJ 08558  
Phone: (609) 279-3225  
Fax: (609) 279-5962  
<http://www.bloomberg.com/markets/rates/municontacts.html>  
Email: [Munis@Bloomberg.com](mailto:Munis@Bloomberg.com)

DPC Data Inc.  
One Executive Drive  
Fort Lee, NJ 07024  
Phone: (201) 346-0701  
Fax: (201) 947-0107  
<http://www.dpcdata.com>  
Email: [nrmsir@dpcdata.com](mailto:nrmsir@dpcdata.com)

FT Interactive Data  
Attn: NRMSIR  
100 William Street, 15th Floor  
New York, NY 10038  
Phone: 212-771-6999; 800-689-8466  
Fax: 212-771-7390  
<http://www.ftid.com>  
Email: [NRMSIR@interactivedata.com](mailto:NRMSIR@interactivedata.com)

Standard & Poor's Securities Evaluations, Inc.  
55 Water Street  
45th Floor  
New York, NY 10041  
Phone: (212) 438-4595  
Fax: (212) 438-3975  
[www.jjkenny.com/jjkenny/pser\\_descrip\\_data\\_rep.html](http://www.jjkenny.com/jjkenny/pser_descrip_data_rep.html)  
Email: [nrmsir\\_repository@sandp.com](mailto:nrmsir_repository@sandp.com)

- f. “SID” means a state information depository as operated or designated by the State as such for the purposes referred to in the Rule.

4. Unless otherwise required by law and subject to technical and economic feasibility, the Issuer shall employ such methods of information transmission as shall be requested or recommended by the designated recipients of the Issuer's information.

5. The continuing obligation hereunder of the Issuer to provide Annual Financial Information, Audited Financial Statements, if any, and Material Event Notices shall terminate immediately once Bonds no longer are Outstanding. This undertaking, or any provision hereof, shall be null and void in the event that the Issuer delivers to each then existing NRMSIR and the SID, if any, an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require this undertaking, or any such provision, are invalid, have been repealed retroactively or otherwise do not apply to the Bonds. This undertaking may be amended without the consent of the Bondholders, but only upon the delivery by the Issuer to each then existing NRMSIR and the SID, if any, of the proposed amendment and an opinion of nationally recognized bond counsel to the effect that such amendment, and giving effect thereto, will not adversely affect the compliance of this undertaking by the Issuer with the Rule.

6. Any failure by the Issuer to perform in accordance herewith shall not constitute an "Event of Default" under the Bonds and the Resolution, and the rights and remedies provided by the Resolution upon the occurrence of an "Event of Default" shall not apply to any such failure; however, Bondholders may sue to enforce performance of the undertakings set forth herein.

*[Remainder of page intentionally left blank]*

**In Witness Whereof**, Bernalillo County, New Mexico has caused this instrument to be signed, subscribed, and executed, and attested with the signature of the Chair of the Board of County Commissioners; has caused its corporate seal to be affixed on this instrument; all as of September 27, 2005.

Bernalillo County, New Mexico  
Board of County Commissioners

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Chair

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**APPENDIX C**

**STATE OF NEW MEXICO  
COUNTY OF BERNALILLO  
COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FISCAL YEAR ENDED JUNE 30, 2004**

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**STATE OF NEW MEXICO  
COUNTY OF BERNALILLO**

**COMPREHENSIVE  
ANNUAL  
FINANCIAL  
REPORT  
Fiscal Year Ended June 30, 2004**

**COUNTY OF BERNALILLO GOVERNMENT  
Board of County Commissioners  
Thaddeus Lucero, County Manager  
Daniel J. Mayfield, Deputy County Manager**

**Prepared by:  
The Budget and Finance Division**

COUNTY OF BERNALILLO, NEW MEXICO

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# County of Bernalillo

State of New Mexico

## BOARD OF COUNTY COMMISSIONERS

ALAN B. ARMIGO, CHAIR  
DISTRICT 1  
E. TIM CUMMINS, VICE CHAIR  
DISTRICT 4  
STEVE D. GALLEGOS, MEMBER  
DISTRICT 2  
TOM RUTHERFORD, MEMBER  
DISTRICT 3  
MICHAEL BRASHER, MEMBER  
DISTRICT 5

THADEUS LUCERO, COUNTY MANAGER



ONE CIVIC PLAZA, N.W.  
ALBUQUERQUE, NEW MEXICO 87102  
ADMINISTRATION (505) 768-4000  
COMMISSION (505) 768-4217  
FAX (505) 768-4329

MARK J. CARRILLO, ASSESSOR  
MARY HERRERA, CLERK  
MERRI RUDE, PROBATE JUDGE  
DARREN P. WHITE, SHERIFF  
ALEX A. ASEYTA, JR., TREASURER

November 12, 2004

### Board of County Commissioners (Current)

Alan B. Armijo, Chair  
E. Tim Cummins, Vice Chair  
Steve D. Gallegos, Member  
Tom Rutherford, Member  
Michael Brasher, Member

One Civic Plaza, 10<sup>th</sup> Floor  
Albuquerque, New Mexico 87102

Dear Commissioners:

County Management hereby submits the Comprehensive Annual Financial Report (CAFR) of the County of Bernalillo (the County), New Mexico, for fiscal year ending June 30, 2004. The responsibility for the accuracy of the information presented and the completeness and fairness of presentation, including accompanying notes and disclosures rests with County Management. As indicated by the independent auditors' report, the financial statements fairly present the financial position and the results of County operations as measured by the financial activity of its various funds. The purpose of the CAFR is to provide citizens, investors, grantor agencies, regulating agencies and other interested parties with reliable financial information about the County.

The County prepares the CAFR using the financial reporting requirements as prescribed by the Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements- and Management's Discussion and Analysis- for State and Local Governments* (GASB 34). The GASB Statement requires that management provide a narrative introduction, overview and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the report of the independent auditors.

The County's CAFR consist of four major sections:

1. The Introductory Section includes this letter of transmittal that provides information about the organizational structure of the County, the County's economy, internal control structure, budgetary controls, cash management, and risk management.
2. The Financial Section is prepared in accordance with GASB 34 requirements by including the MD&A and the Basic Financial Statements including notes. The Basic Financial Statements include government-wide financial statements that present an overview of the County's entire financial operations and the fund financial statements that present the financial information of each of the County's major funds, as well as non-major governmental, proprietary, fiduciary and other funds. Also included in this section is the Independent Auditors' Report on the financial statements and schedules.
3. The Statistical Information Section contains tables that include general information about the County and the comparative data for prior years.
4. Single Audit Information includes the Schedule of Expenditures of Federal Awards as required by the Single Audit Act and the related findings and recommendations by the County's independent auditors.

The CAFR of the County includes all government activities, organizations and functions for which the County is financially accountable. The criteria for determining the governmental activities and potential component units to be reported in the County's combined financial statements are set forth in Note I. A., Page 35, to the financial statements. Based on the criteria, this report includes a wide variety of services such as public safety, highways and streets, sanitation, health and social services, culture and recreation, public improvements, planning and zoning and general administrative services. Additionally, the Bernalillo County Housing Redevelopment Corporation is included, as a component unit, in this report. Excluded from this report are the Bernalillo County Mental Health and Retardation Center and University Hospital/Bernalillo County Medical Center because they do not meet the criteria for inclusion as component units as defined in Note I. A. to the financial statements.

## **PROFILE OF THE COUNTY**

Bernalillo County is located in the central region of the state and is the economic and population hub of New Mexico. Its boundaries encompass the entire City of Albuquerque. With 556,678 residents (2000 Census), the County ranks 100<sup>th</sup> in population of the nation's 3,141 counties. It comprises nearly 31% of New Mexico's population and 80% of the three county Albuquerque Metropolitan Statistical Area, (MSA); Sandoval and Valencia being the other two counties.

The County provides public safety, highways and streets, sanitation, cultural and recreational services, public improvements, building, planning and zoning, and general administrative services. The County has a Commission-Manager form of government in which most of the day-to-day administrative duties are delegated to a County Manager. All legislative power within the County is vested in a five-member Board of Commissioners, each of whom are elected for four-year terms from single member districts, with a two-term limit. The executive functions are divided; the powers are shared by the Board and four elected County officials: the Treasurer, Assessor, Clerk, and Sheriff.

The County maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board. The County's legal level of budgetary control is at the fund level, except for the Emergency Medical Services and Fire Districts funds, whose legal level of budgetary authority is at the program or district level. Appropriations within a fund may be adjusted with the approval of the County Manager or Deputy County Managers as long as the total fund appropriations remain the same. Appropriation adjustments between funds require approval of the Board and the New Mexico State Department of Finance and Administration (DFA). The Local Government Division of DFA is the agency responsible for regulating the budgetary affairs of the County. Budget adjustments that do not require DFA approval are limited to transfers of budget between departments within a fund or transfers between line items within a department within a fund. State statutes prohibit the County from making expenditures in excess of the final approved budget at the fund level. The appropriated amounts reflected in the accompanying financial statements represent object class by department.

County management is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgements by management are required in order to assess the expected benefits and related costs of internal control structure policies and procedures.

All internal control evaluations occur within this framework. The internal control structure is designed with the objective of providing the Board with reasonable assurance that assets are safeguarded against loss resulting from unauthorized use or disposition and that transactions are executed in accordance with the Board's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. The County's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

## **FACTORS AFFECTING FINANCIAL CONDITION**

### **Local Economy**

Bernalillo County, with Albuquerque making up 80% of its population, has emerged as a hub for commerce and industry in the Southwest. It accounts for nearly half of all economic activity in New Mexico. In the 2004 *Sperling's BestPlaces*, the Albuquerque MSA ranked 12<sup>th</sup> overall out of the top 200 metro areas in the country. Albuquerque MSA in the Cost of Doing Business category ranked number one (based on cost of labor, energy, taxes and office space), 42<sup>nd</sup> in Job Growth category, and 39<sup>th</sup> in the Educational Attainment category (based on share of populations over age 25 with a bachelor's degree or higher).

According to the University of New Mexico's Bureau of Business and Economic Research (BBER), the Albuquerque MSA economy finally picked up the pace in the second quarter of 2004 following a slow recovery from mild recession in the last half of 2001 and the first half of 2002. For the first time in almost three years, non-farm employment growth exceeded 1.0 percent, posting a 1.6% gain (5,800 net new jobs). Personal income growth also appeared relatively strong, reaching an estimated 5.9% in the second quarter of 2004. The second quarter unemployment rate was 4.8%, down almost a full percentage point from the 5.7% rate a year

ago. The impetus for the second quarter surge came from several sources, including the employment sectors enjoying significantly higher growth in the second quarter than in the first quarter of the year. Natural resources, mining, and construction employment growth increased to 5.2 % in the second quarter from 3.7% in the first.

New housing units were slightly lower in the Albuquerque MSA. Throughout the Albuquerque MSA single-family housing units were down .6% according to the second quarter 2004 *Albuquerque Metropolitan Housing Digest*, published by the Home Builders Association of Central New Mexico. During the second quarter the total value of contracts awarded for new construction increased 5.8%, compared to a year ago. Residential contracts jumped 21%, non-residential building contracts plunged 25.4%, and contracts for other than buildings leaped 25.7%.

Several employment sectors, manufacturing, wholesale trade, and information, continued to decline. These three sectors, accounting for about twelve percent of Albuquerque MSA employment, have each been in the decline mode for the last two years. Manufacturing has been subject to extensive layoffs and plant closures for several years, the most recent being the closings of Philips Semiconductors and Honeywell ACS with the loss of almost 800 jobs. Manufacturing employment dropped another 3.4% during the second quarter of 2004. Retail trade employment growth increased to 1.5% in the second quarter of 2004 from non-growth in the preceding period, a substantial increase for so large a sector, and a major contribution to total employment growth. Local government was another sector with accelerating employment growth during the second quarter of 2004, posting a 3.2% increase following a 2.0% gain in the preceding quarter. The largest contributor of the number of jobs was in the educational services, health care and social assistance sector which added 2,133 employees, a 5% gain.

### **Capital Improvements Program**

Each year the Board of County Commissioners updates the Capital Improvements Program (CIP) in order to plan, both long and short range financing for the County's capital projects. The CIP process provides for the development and submittal of requests for the annual and six-year requests for the Capital Improvements Program. A wide range of public facilities and equipment is considered in the CIP. There are statutory requirements that provide for design, construction, major repair, reconstruction or replacement of facilities such as buildings, jails, courthouses, roadways, bridges, parks, and some heavy equipment. The County can use several types of funding for the CIP that includes General Obligation Bonds, Revenue Bonds, Special Assessment District Bonds, Federal grants and State grants and appropriations.

Citizen involvement is solicited to determine and prioritize the needs of the County by holding public meetings. The Board of County Commissioners holds periodic advertised meetings at various locations within each Commission District to solicit public input and discuss the public's requests. Capital improvement projects selected by the Board and adopted in the CIP that are to be funded by General Obligation Bonds are placed on the ballot in the next General Election. The General Obligation Bond schedule is based on a two-year cycle and issuance is currently limited to \$16 million dollars by the Board of County Commissioners. Other Capital improvement projects are included in the State of New Mexico Infrastructure Program for funding consideration.

## Tax Structure

Taxable property valuations were \$9.633 billion in 2004, a \$349 million increase from the previous year. Current property tax collections are 95.40% of the levy, compared to 94.82% in the prior year. The property tax burden has shifted significantly to residential property since the current tax system was put in place in the mid-1980s. In 1986 non-residential property comprised 46% of the net taxable valuation, but today in the wake of several property revaluations, this figure has dropped to 29%. In the 2003 tax year, the property base (valuations) grew 3.8%. Property revaluations represented a 1.1% increase. New construction grew by 2.7%.

Tax on revalued property is limited by the yield control formula. New construction represents a source of new tax revenue for the County. The State of New Mexico's yield control adjustment limits the tax increase from existing property to five percent or the cost of living factor whichever is less. This year the adjustment was limited to 1.2% percent for existing properties. Future increases in residential property tax values will be limited to three percent until the property is sold. As a result, mill levies are expected to increase and the County's bonding capacity will be affected. Allocation of the mill rate for fiscal year 2004 (tax year 2003) and the prior year is based on the following:

Operational:	<u>2004</u>	<u>2003</u>
Residential	7.007	5.918
Non-residential	11.600	10.520
Debt Service	.830	.950
Open Space	.250	.250
Judgement	.067	.000

The County gross receipt tax rate is 5.375% as of June 30, 2004. There was an increase of approximately 5.6% in gross receipts tax revenue in fiscal year 2004 compared to an increase of 6.3% percent in the previous year. The breakdown and sources of the gross receipt tax rate are as follows:

	<u>Tax Rate</u>	<u>Percent</u>
State General Fund	5.000	93.1%
County Wide	0.250	4.6%
County Environmental (outside City limits)	0.125	2.3%

Additional information about revenues, tax rates, and levies is presented in the statistical section of this report.

## CASH MANAGEMENT AND INVESTMENTS

Cash temporarily idle during the year was invested in flexible repurchase agreements, the New Mexico State Treasurer's Investment Pool, certificates of deposit, Government National Association (GNMA) securities, and Private Export Funding Corporation securities as authorized by New Mexico State Statute and the County's investment policy. It is the County's policy to minimize investment risk by investing in instruments that are insured, collateralized, or backed

by the full faith and credit of the U.S. Government while seeking to obtain a competitive yield on the total portfolio.

## **RISK MANAGEMENT**

Bernalillo County operates a Risk Management program within the Budget and Finance Division. This program has an aggressive loss control and safety program. Through claims control efforts and the safety program, the County has been successful in holding insurance premiums to a moderate increase during the past year. The County is a member of the Workers' Compensation and Multi-line Insurance Pools administered by the New Mexico County Insurance Authority. The Workers' Compensation Pool provides coverage for all Bernalillo County employees, including temporary and part-time workers. The premium depends upon the total payroll and loss experience specific to each County. The pools are authorized by joint powers agreements and are funded entirely by member contributions.

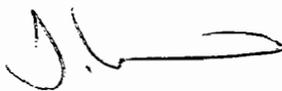
## **INDEPENDENT AUDIT**

New Mexico State Statute 12-6-3, NMSA 1978 Compilation requires that an annual audit of a governmental unit's accounting records and Comprehensive Annual Financial Report be performed by independent public accountants. The audit for the fiscal year ended June 30, 2004 was performed by the firm of Meyners and Company, LLC. Federal law also requires that a single audit be performed for federal grant funds in conformance with the provisions of the Single Audit Act of 1984 and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." All information related to the single audit, including the schedule of expenditures of federal awards, findings and recommendations, and the independent auditors' reports on the internal control structure and compliance with applicable laws and regulations are included in the Single Audit Section.

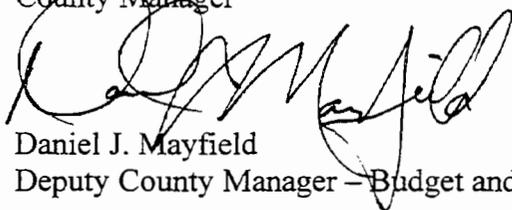
## **ACKNOWLEDGEMENTS**

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Budget and Finance Division. We also would like to express our appreciation to all departments who assisted and contributed to the preparation of this report. The Board of County Commissioners is recognized for their stewardship in conducting the financial operations of the County in a responsible and progressive manner.

Sincerely,

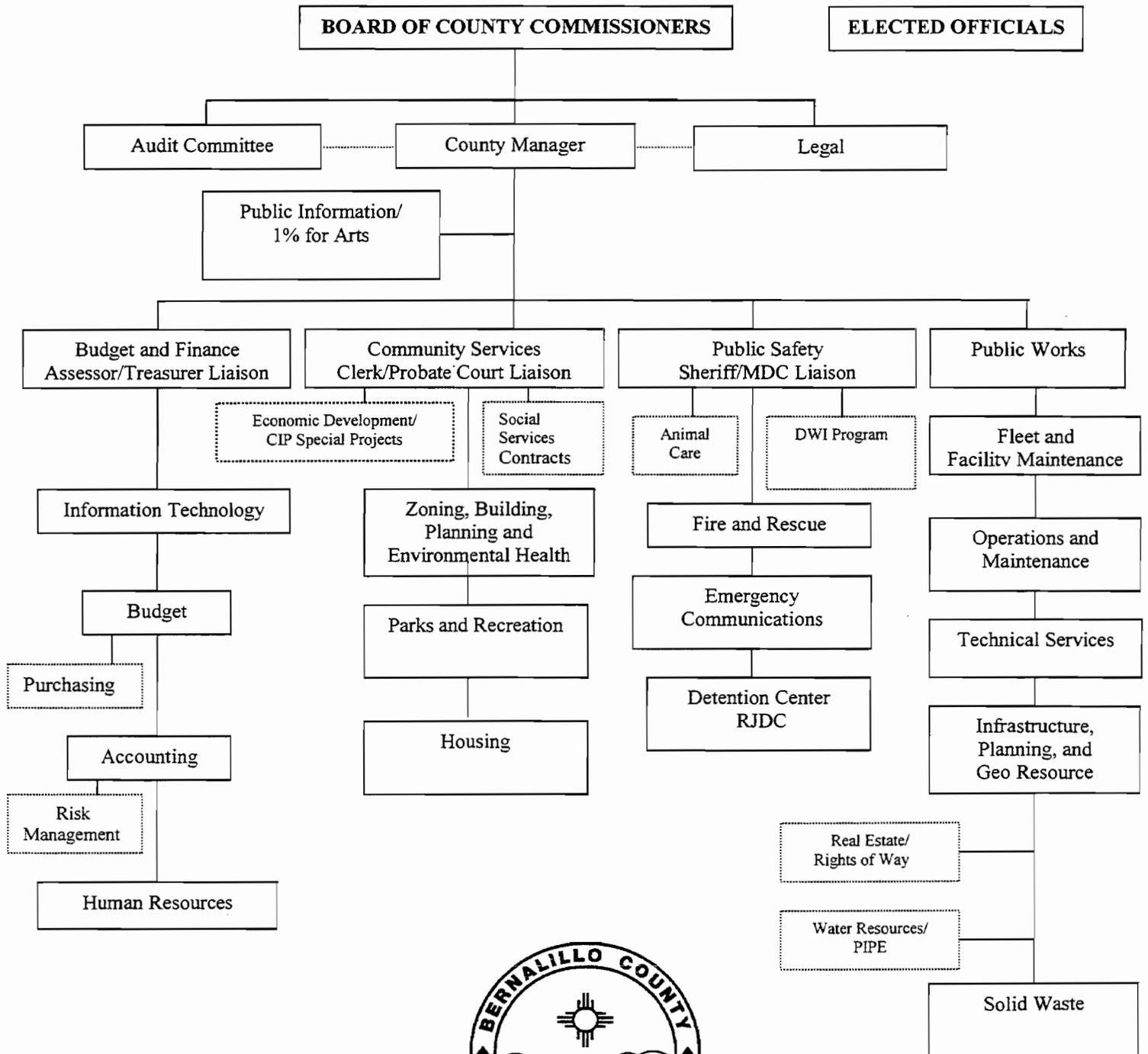


Thaddeus Lucero  
County Manager



Daniel J. Mayfield  
Deputy County Manager – Budget and Finance Division

# BERNALILLO COUNTY ORGANIZATIONAL CHART



# COUNTY OF BERNALILLO

## PRINCIPAL OFFICIALS

June 30, 2004

### COUNTY COMMISSIONERS

Alan B. Armijo, Chair	District 1
E. Tim Cummins, Vice Chair	District 4
Steve D. Gallegos, Member	District 2
Tom Rutherford, Member	District 3
Michael Brasher, Member	District 5

### COUNTY ELECTED OFFICIALS

Darren P. White	County Sheriff
Alex A. Abeyta, Jr.	County Treasurer
Mary Herrera	County Clerk
Mark J. Carrillo	County Assessor
Merri Rudd	Probate Judge

### COUNTY MANAGER

Thaddeus Lucero

### Budget and Finance Division

Daniel J. Mayfield, CGFM, Deputy County Manager  
Teresa Byrd, Budget Director  
Gregory Stricklin, CPA, Accounting Director

# COUNTY OF BERNALILLO, NEW MEXICO

## CONTRIBUTORS

**June 30, 2004**

Daniel J. Mayfield, CGFM  
Deputy County Manager

Stella Lujan, CPA  
Finance Systems Director

### **Financial Reporting Personnel**

Gregory Stricklin, CPA  
Accounting Director

Bonnie Ulibarri-Romero, CPA  
Financial Administrator

Ray Garcia  
Financial Administrator

Jeff P. Lovato, MBA  
Financial Administrator

Larry Herrera  
Accounting Officer

Cindy Torres  
Accounting Officer

Leticia Carreon  
Accounting Senior

Jessie Fairbanks  
Accounting Senior

Anita Montoya  
Accounting Senior





MEYNER'S +  
 COMPANY, LLC  
*Certified Public Accountants*  
*Consultants to Business*

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500 Marquette NW, Suite 800  
 Albuquerque, NM 87102  
 P. 505/842-8290  
 F. 505/842-1568  
 E. cpa@meyners.com

## INDEPENDENT AUDITORS' REPORT

The Board of County Commissioners  
 County of Bernalillo and  
 Mr. Domingo P. Martinez, CGFM  
 New Mexico State Auditor

We have audited the accompanying basic financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County of Bernalillo, New Mexico (County) as of and for the year ended June 30, 2004, which collectively comprise the County's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the County's nonmajor governmental, fiduciary, and nonmajor enterprise funds presented as supplementary information in the accompanying combining and individual fund financial statements and schedules as of and for the year ended June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof, and the budgetary comparison for major governmental funds for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental, fiduciary and nonmajor

The Board of County Commissioners  
County of Bernalillo and  
Mr. Domingo Martinez, CGFM  
New Mexico State Auditor

enterprise fund of the County, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the budget comparisons for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2004, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying management's discussion and analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements of the County taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Also, the schedules listed as other supplementary information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the County. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

The accompanying information listed as the statistical section in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

*Mayne + Company, LLC*

November 12, 2004

**COUNTY OF BERNALILLO NEW MEXICO**  
**Management's Discussion and Analysis**  
**June 30, 2004**

As management of the County of Bernalillo (County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-vi of this report.

**Financial Highlights**

- The government-wide assets of the County exceed its liabilities as of June 30, 2004 by \$350,262,012 (net assets) for the primary government and by \$624,383 for the Redevelopment Corporation (Component Unit). Of this amount, \$265,676,107 is invested in capital assets, net of related debt for the primary government and \$264,939 for the component unit. Of the remaining balance, \$47,164,322 is restricted for specific purposes and \$37,421,583 is unrestricted for the primary government and \$359,444 for the component unit and may be used to meet the government's ongoing obligations to citizens and creditors.
- The County's total net assets for the primary government increased by \$20,170,912 or by 6.1% during the fiscal year from \$330,091,100 (restated) in FY03 to \$350,262,012 in FY04.
- As of June 30, 2004, the County's governmental activities and the business-type activities have net assets of \$346,202,703 and \$4,059,309, respectively.
- The County's General Fund increased \$4,503,774 from \$43,429,177 (restated) in FY03 to \$47,932,951 in FY04. Of this amount, \$43,609,351 or 90.9% of the general fund is reserved for subsequent year's expenditures.
- The County was able to maintain adequate reserves as required by the State of New Mexico Department of Finance and Administration, Local Government Division – 3/12 of the General Fund Budget for FY05.
- During the year, the County sold \$10,210,000 of General Obligation Bonds. \$4,700,000 for roads, \$1,315,000 for storm drains, \$1,000,000 for library resources, \$525,000 for parks and recreation, \$1,500,000 for public safety, and \$1,170,000 for ADA facilities improvements.
- The County has \$301,437,321 in available bonding capacity or 78.2% of allowable bonding capacity per the New Mexico State Constitution (see page 137).
- During the year the County sold \$12,000,000 of Gross Receipts Tax Revenue Bonds for the purposes of acquiring land, constructing, purchasing, furnishing, equipping, rehabilitating or making additions to one or more public buildings.

- The County property valuations increased 3.76% from \$9.28 billion in FY03 to \$9.63 billion in FY04.
- The County maintained its Aa1 rating with Moody's Investors Service, Inc. and AA+ for Standard & Poor's Rating Service.

## **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business. Revenues are recorded when earned and expenses recorded when a liability is incurred, regardless of the timing of related cash flows. For example, property taxes are recognized as revenues in the year for which they are levied.

The statement of net assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the County's net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguished functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (Business-type activities). The governmental activities of the County include general government, public works, public safety, health and welfare, and culture and recreation. The Business-type activities of the County include Solid Waste, Bernalillo Housing Authority, Seybold Village Handicapped Project, and the Regional Juvenile Detention Center.

The government-wide financial statements include not only the County itself (known as the primary government), but also a legally separate Housing Redevelopment Corporation for which the County is financially accountable. Financial information for the Bernalillo County Housing Redevelopment Corporation is reported separately from the financial information presented for the primary government itself. The government-wide financial statements can be found on pages 23-24 of this report.

**Fund financial statement.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other

state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. For this purpose, the County considers revenues to be available if they are collected within 60 days of the current fiscal period. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

In addition to the General fund, the County maintains fifty-two other individual governmental funds of which seventeen are classified as Special Revenue funds, thirteen are classified as Debt Service funds, and twenty-two are classified as Capital Projects funds. Information for the General fund, the grant fund, and the 1999 Revenue Bond Capital Projects fund all of which are considered to be major funds, is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The County adopts an annual appropriated budget for its General fund. A budgetary comparison statement for the General fund is presented on page 29. In addition, the County adopts an annual budget for other non-major funds. A budgetary comparison statement is presented in the aggregate and individually for all those funds.

The basic governmental fund financial statements can be found on pages 25-28 of this report.

**Proprietary funds.** The County maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *Business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for Solid Waste, Housing Authority, Seybold Village Handicapped Project, and the Regional Juvenile Detention Center. An *Internal service fund* is used to account for operations that provide services to other departments or agencies of the County on a cost-reimbursement basis. The County's internal service fund is the Risk Management fund, which is used to account for its risk management activities. Because the services provided by the Risk Management fund predominantly benefit governmental rather than business-type functions, this fund is included within *governmental activities* in the government-wide financial statements. The basic proprietary fund financial statements can be found on pages 30-32 of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements

because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary funds financial statements can be found on page 33 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements can be found on pages 35-65 of this report.

**Other information.** The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the Notes to the Financial Statements. Combining and individual fund statements and schedules can be found on pages 66-108 of this report.

### **Government-wide Financial Analysis**

This is the third year that the County has presented its financial statements under the new reporting model required by the Governmental Accounting Standards Board Statement No. 34 (GASB 34), Basic Financial Statements – and Management's Discussion and Analysis (MD&A) – for State and Local Governments. This is the second year that the County has included comparative analysis of government-wide data for the MD&A.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County's primary government, assets exceed liabilities by \$350,262,012 at the close of the most recent fiscal year. The County's component unit – Redevelopment Corporation's net assets exceeded liabilities by \$624,383. By far the largest portion of the County's net assets (75.8% percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment) less any debt, used to acquire those assets, that is still outstanding. In the prior year, the County's investment in capital assets was 79.0% of net assets. The County uses these capital assets to provide services to the citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

## County of Bernalillo Net Assets

	Governmental Activities		Business-type Activities		Total	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
<b>Assets:</b>						
Current and other assets	\$220,550,839	\$175,990,309	\$ 1,975,886	\$2,233,851	\$222,526,725	\$178,224,160
Capital assets	478,864,013	487,489,712	2,894,514	2,552,611	481,758,527	490,042,323
<b>Total assets</b>	<b>699,414,852</b>	<b>663,480,021</b>	<b>4,870,400</b>	<b>4,786,462</b>	<b>704,285,252</b>	<b>668,266,483</b>
<b>Liabilities:</b>						
Long-term liabilities	276,140,000	264,315,422	-	9,556	276,140,000	264,324,978
Other liabilities	77,072,149	74,130,001	811,091	845,328	77,883,240	74,975,329
<b>Total liabilities</b>	<b>353,212,149</b>	<b>338,445,423</b>	<b>811,091</b>	<b>854,884</b>	<b>354,023,240</b>	<b>339,300,307</b>
<b>Net Assets:</b>						
Invested in capital assets, net of related debt	262,781,593	258,269,827	2,894,514	2,521,602	265,676,107	260,791,429
Restricted	47,164,322	23,926,773	-	-	47,164,322	23,926,773
Unrestricted	36,256,788	42,837,998	1,164,795	1,409,976	37,421,583	44,247,974
<b>Total net assets</b>	<b>\$346,202,703</b>	<b>\$325,034,598</b>	<b>\$4,059,309</b>	<b>\$3,931,578</b>	<b>\$350,262,012</b>	<b>\$328,966,176</b>

Restricted net assets in the amount of \$47,164,322 represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$37,421,583 may be used to meet the government's ongoing obligations to citizens and creditors.

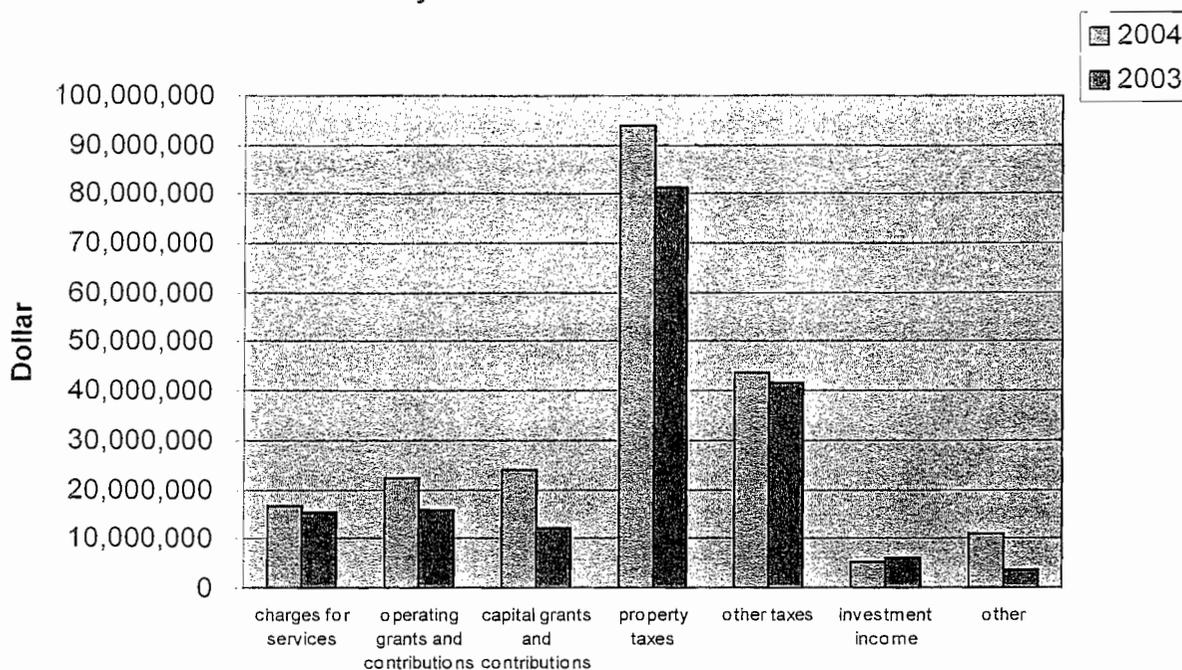
At the end of the current fiscal year, the County is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

**Governmental activities.** Governmental activities during the year increased the County's net assets by \$19,871,845 in FY04 as compared to \$9,719,542 in FY03.

## County of Bernalillo's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$16,687,882	\$ 15,426,450	\$ 5,945,501	\$ 5,368,316	\$22,633,383	\$ 20,794,766
Operating grants and contributions	21,715,925	15,613,995	148,490	292,097	21,864,415	15,906,092
Capital grants and contributions	23,844,677	12,263,064	-	-	23,844,677	12,263,064
<b>General revenues:</b>						
Property taxes	94,043,897	81,442,677	-	-	94,043,897	81,442,677
Other taxes	43,833,169	41,602,958	-	-	43,833,169	41,602,958
Investment income	5,184,585	6,067,056	5,175	6,243	5,189,760	6,073,299
Grants and contributions not restricted to specific programs	-	-	708,896	632,117	708,896	632,117
Other	11,332,291	3,488,475	119,379	100,748	11,451,670	3,589,223
Total revenues	<u>216,642,426</u>	<u>175,904,675</u>	<u>6,927,441</u>	<u>6,399,521</u>	<u>223,569,867</u>	<u>182,304,196</u>
<b>Expenses:</b>						
General government	37,501,192	35,401,110	-	-	37,501,192	35,401,110
Public works	32,294,831	17,430,834	-	-	32,294,831	17,430,834
Public safety	82,328,864	70,268,870	-	-	82,328,864	70,268,870
Health and welfare	18,785,416	18,236,535	-	-	18,785,416	18,236,535
Culture and recreation	11,409,199	10,970,249	-	-	11,409,199	10,970,249
Interest on long-term debt	14,651,079	13,877,535	-	-	14,651,079	13,877,535
Solid Waste	-	-	3,353,335	3,256,760	3,353,335	3,256,760
Housing Authority	-	-	1,672,735	1,632,148	1,672,735	1,632,148
Seybold Village	-	-	126,954	135,129	126,954	135,129
Juvenile Detention Center	-	-	1,275,350	1,190,085	1,275,350	1,190,085
Total expenses	<u>196,970,581</u>	<u>166,185,133</u>	<u>6,428,374</u>	<u>6,214,122</u>	<u>203,398,955</u>	<u>172,399,255</u>
Increase in net assets before transfers	19,671,845	9,719,542	499,067	185,399	20,170,912	9,904,941
Transfers in (out)	200,000	-	(200,000)	-	-	-
Increase in net assets	<u>19,871,845</u>	<u>9,719,542</u>	<u>299,067</u>	<u>185,399</u>	<u>20,170,912</u>	<u>9,904,941</u>
Net assets –beginning	325,034,598	275,231,891	3,931,578	3,746,179	328,966,176	278,978,070
Restatement	1,296,260	40,083,165	(171,336)	-	1,124,924	40,083,165
Net assets – beginning as restated	<u>326,330,858</u>	<u>315,315,056</u>	<u>3,760,242</u>	<u>3,746,179</u>	<u>330,091,100</u>	<u>319,061,235</u>
Net assets – ending	<u>\$ 346,202,703</u>	<u>\$ 325,034,598</u>	<u>\$ 4,059,309</u>	<u>\$ 3,931,578</u>	<u>\$ 350,262,012</u>	<u>\$ 328,966,176</u>

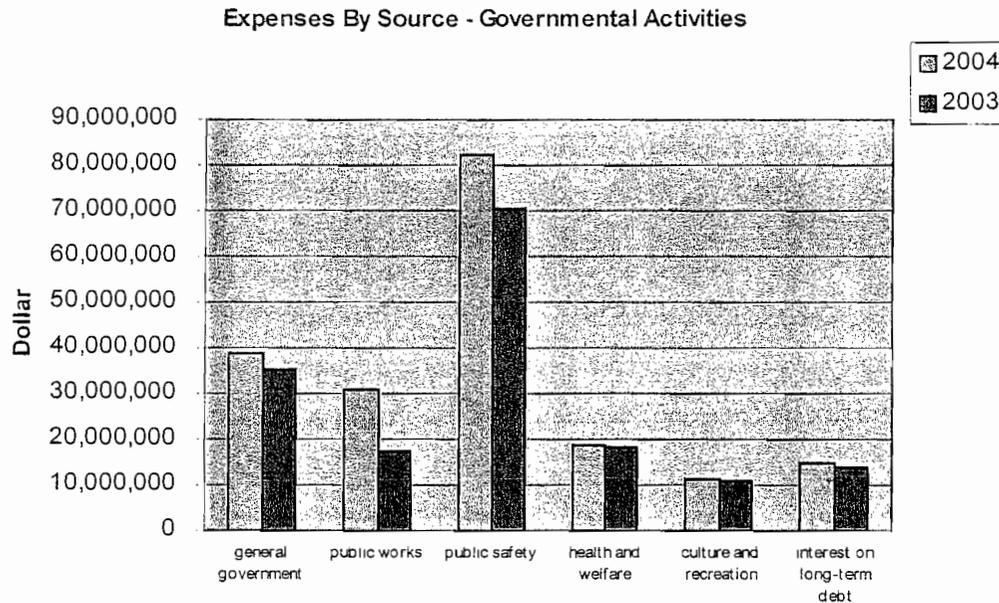
### Revenues By Source - Governmental Activities



Governmental Activities revenues increased by \$40.7 million during the year from \$175.9 million in FY03 to \$216.6 in FY04, an increase of 23.1%. Key elements in the growth of governmental activities revenues are as follows:

- Property taxes revenue increased \$12.6 million from \$81.4 million to \$94.0 million in FY04. The increase in property tax revenue accounts for 30% of the total increase of revenues during the year and is attributed to three different factors. Taxable property valuation within the County increased 3.7% to \$9.633 billion or by \$349 million from the previous year. In FY04, the County's operational residential mill levy rate increased from 5.918 to 7.007 and the operational non-residential mil levy rate increased from 10.520 to 11.600. The debt service mill levy rate decreased slightly from 0.95 to 0.83. The changes in the mill levy rates contributed to the significant growth in property tax revenues in FY04. Another contributing factor is the increase in the current property tax collection rate from 95.12% to 95.40% in FY04.
- Program revenues Capital Grants and Contributions increased by \$11.6 million from \$12.2 million to \$23.8 million in FY04, a 95% increase. A significant portion of the increase (\$8.5 million) is attributed to an increase in intergovernmental revenue related to the work on the Valley Utilities Project. Another portion of the increase is attributed to a \$2.2 million grant for the repayment of a loan on the Paseo Del Norte road project.
- Operating Grants and Contributions increased by \$6.1 million from \$15.6 million to \$21.7 million in FY04, a 39% increase. In FY04, the County began management of local DWI distribution grant monies that increased public safety grant revenue by approximately \$5.5 million.

- Other revenue increased by \$7.9 from \$3.4 million to \$11.3 million in FY04, an increase of 232%. A majority of this increase is attributed to \$4.2 in revenues received from the City of Albuquerque for reimbursable food, canteen, and utilities costs incurred by the County on behalf of the jointly funded Metropolitan Detention Center. In prior years, these shared costs were incurred by the City and allocated back to the County. The other significant factor in the increase in miscellaneous revenue was a \$1.65 million property tax abatement settlement from Philips Semiconductors. Other amounts include revenue received from legal settlements in the amount of \$910,644 and other miscellaneous reimbursements.



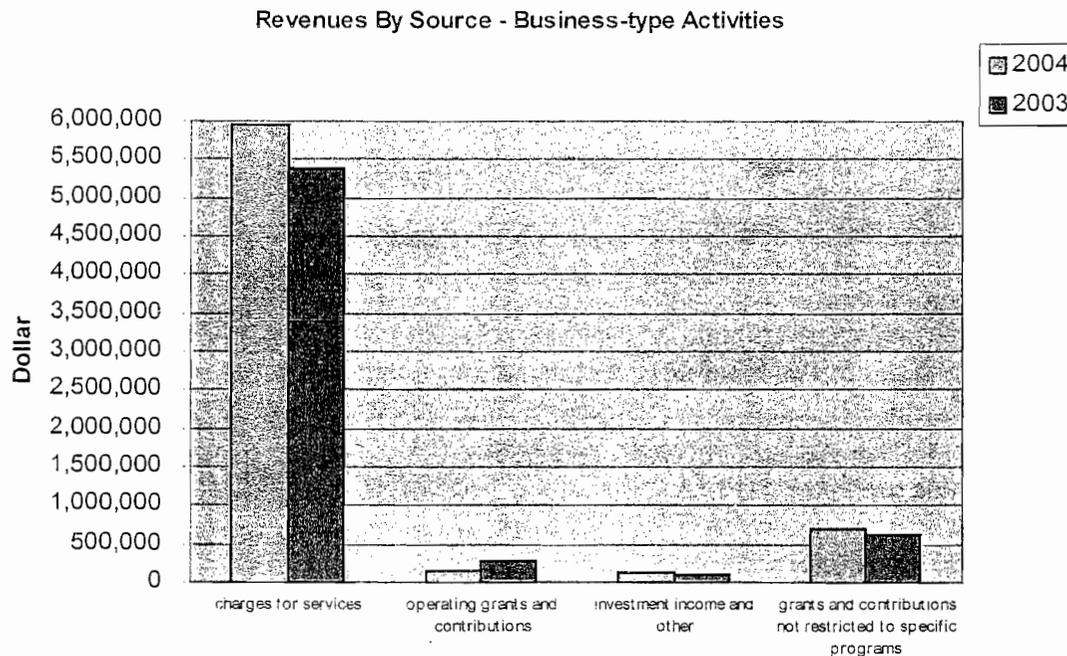
Governmental activities expenses increased by \$30.7 from \$166.2 million to \$196.9 million, an increase of 18%. Key elements in the changes of governmental activities expenses are as follows:

- General government expenses increased from \$35.4 million to \$37.5 million, a 5.9% increase. In FY02, the general government expenses were decreased for the reversal of a contingent liability of \$4.2 million for a pending lawsuit that was settled for \$1.9. The net effect of this prior year transaction reduced general government expenses from \$37.7 million to \$35.4 million in FY03. Had prior year expenses not been reduced for this amount, the net change in expense between FY03 and FY04 would have only been 2.8%. The small increase in general government expenses is attributed in part to the reclassification of \$2.8 million that decreased Facility Management expenses in FY04. Custodian services and maintenance and repairs cost centers that were included within general government category in FY03 were transferred to the Public Works Department in FY04.
- Public works expenses increased from \$17.4 million to \$32.2 million, an increase of 79.8%. A significant part of the increase is attributed to the loss on disposition of capital assets in the amount of \$8.9 million. In FY04, the County turned over ownership of various roads and right-of-ways infrastructure to other local governments. The recorded value of the road and right-of-way infrastructure was \$1.2 million and \$7.7 million, respectively. Another significant increase is due

to the increased work activity on the Valley Utilities Project (\$8.5 million). The increase in public works expenses is also attributed in part to the reorganization of several departments within the County that increased expenditures \$2.8 million.

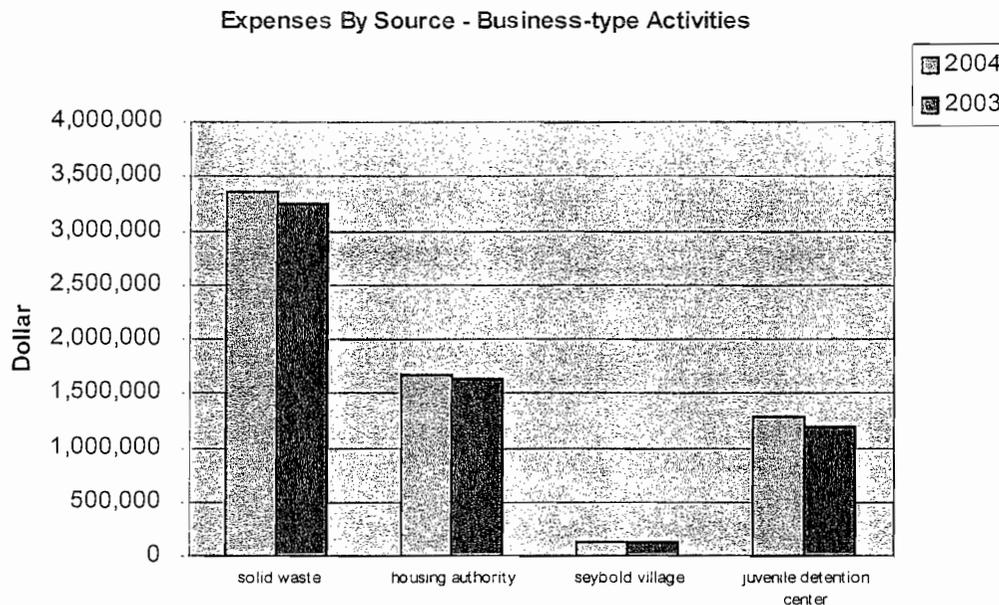
- Public safety expenses increased from \$70.2 million to \$82.3 million, a 17.0% increase. In FY04, the County took over the grant management of local DWI distributions that increased public safety grant expenses by \$5.5 million. In FY04, the County on behalf of the jointly funded Metropolitan Detention Center incurred approximately \$4.2 in expenses for reimbursable food, canteen, and utility costs. In prior years, these shared costs were incurred by the City of Albuquerque (City) and allocated back to the County. In FY04, the County paid for these costs and was reimbursed by the City. Also, in FY04, the MDC became fully operational and the County recognized a full year of depreciation on the \$90.4 million MDC facility. Depreciation expense increased from \$774,062 in FY03 to \$3.6 million in FY04. Also in FY04, the Law Enforcement Block Grant reimbursable expenses increased from \$444,039 to \$1,055,500.

**Business-type activities.** Business-type activities net assets increased by \$299,067 during the current fiscal year. This increase represents the degree to which ongoing program and non-operating revenues have outstripped ongoing expenses in the Housing Authority and Regional Juvenile Detention Center business-type activities in the amount of \$620,838 and \$55,764, respectively. The Solid Waste fund and Seybold Village Handicapped Project fund incurred losses of \$150,147 and \$27,388 respectively before operating transfers out. Overall the Business-type activities experienced an \$334,383 operating loss (program revenues less expenses) before non-operating revenues of \$833,450.



Business-type activities, revenue increased from \$6.4 million in FY03 to \$6.9 in FY04, an 8.2% increase. A key element in the growth of business-type activities revenues is as follows:

- Revenue Program charges for services increased from \$5.3 million in FY03 to \$5.9 million in FY04, a 11.3% increase. The increase in revenues is primarily attributed to the increase in administrative and service fees due to expanding services in both the Housing Authority and Regional Juvenile Detention Center.



Business-type activities expenses increased from \$6.2 million to \$6.4 in FY04, a 3.4% increase. Key elements in the growth of business-type activities expenses are as follows:

- Expenses in the Solid Waste fund increased slightly from \$3.2 million to \$3.3 million in FY04, a 2.0% increase. The increase is attributed to increased cost for salaries and goods and services. A transfer of \$200,000 was made to the General Fund to reimburse the General Fund for indirect cost incurred on behalf of the Solid Waste Fund.
- Expenses in the Juvenile Detention Center increased from \$1.19 million to \$1.27 million in FY04, a 7.1% increase. The increase in expenses is attributed in part to a 5.4% increase in salaries and wage expense in the amount of \$52,514.

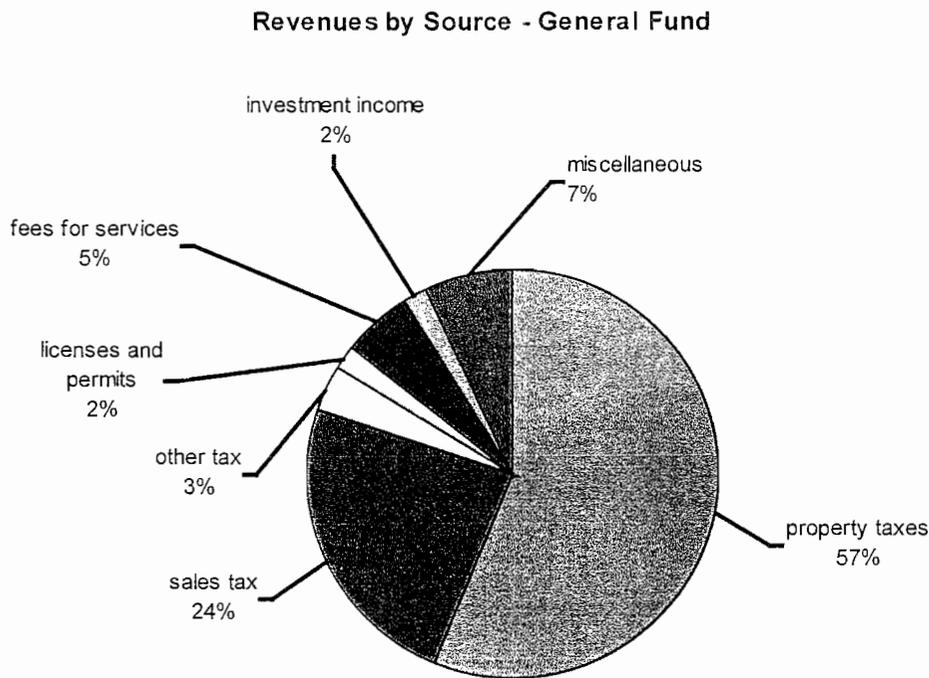
### **Financial Analysis of the County's Funds**

**Governmental Funds.** The focus of the County's governmental funds is to provide information on near-term inflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$168,171,636. Approximately 19.7% of this total, \$51,053,439 constitutes unreserved

fund balance, which is available for spending at the County’s discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed: 1) to subsequent year’s expenditures \$43,609,351 2) encumbrances to liquidate contracts and purchase orders of the prior period \$31,544,867, 3) to pay debt service \$39,867,900, and 4), for a variety of other restricted purposes \$2,096,079.

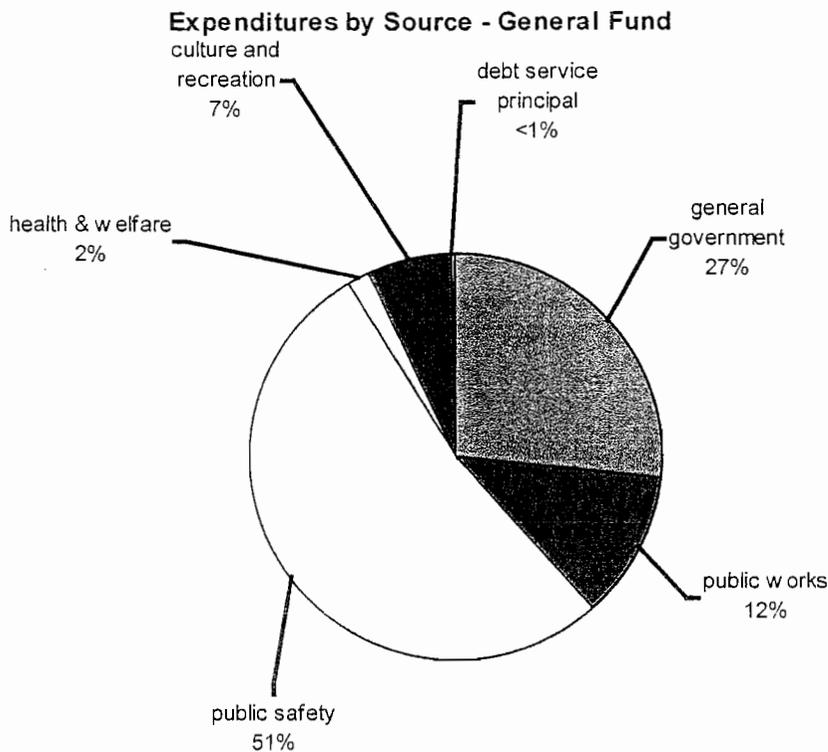
**General Fund.** The fund balance of the County’s general fund increased by \$4,503,774 during the current fiscal year. Key factors in this growth are based on the increase in local taxes from the previous year combined with less than expected incurred expenditures during the year.



General Fund revenues increased by \$24.2 million from \$123.5 million to \$147.7 million, an increase of 19.5%. Key elements in the growth of General Fund revenues are as follows:

- Property taxes revenue increased by \$13.1 million or by 18.7% from \$69.8 million in FY03 to \$82.9 million in FY04. The increase in property tax revenue accounted for 54% of the increase in total revenues. The increase in property tax revenue is attributed to three different factors. In FY04 County taxable property valuation increased 3.7% to \$9.633 billion or by \$349 million from the previous year. In FY04 the County’s operational residential mill levy rate increased from 5.918 to 7.007 and the operational non-residential mill levy rate increased from 10.520 to 11.600. Another contributing factor in the increase in property taxes was the increase in the current property tax collection rate from 94.82% to 95.40% in FY04.

- Miscellaneous revenue increased by \$7.2 million or by 226% from \$3.0 to \$10.2 million in FY04. The increase in miscellaneous revenue accounted for 29% of the increase in total revenues from the previous year. A majority of this increase is attributed to \$4.2 in revenue received from the City of Albuquerque for reimbursable food, canteen, and utilities costs incurred by the County on behalf of the jointly funded Metropolitan Detention Center. In prior years, these shared costs were incurred by the City and allocated back to the County. The other significant factors were a \$1.65 million property tax abatement settlement from Philips Semiconductors and \$410,644 from legal settlements.
- Gross receipt tax revenue increased by \$2.1 million or by 6.3% from \$33.2 million to \$35.3 million in FY04. The increase in gross receipt tax revenue accounted for 8.6% of the increase in total revenues.



In FY04, General Fund expenditures increased \$4.7 million from \$114.5 million to \$119.7 million, a 4.1% increase. A majority of the increase is attributed to \$4.2 in expenditures received from the City of Albuquerque for reimbursable food, canteen, and utilities costs incurred by the County on behalf of the jointly funded Metropolitan Detention Center. In prior years, these shared costs were incurred by the City and allocated back to the County. Also, in FY03, the County expended \$2.0 million in judgement settlements as compared to only \$9,500 in FY04. In FY04, a \$1.6 prior period adjustment was made to fund balance to correct an over statement of prior year expenditures.

Other key elements in the overall growth of General Fund expenditures are as follows:

- Capital outlay for the purchase of new Sheriff and fleet vehicles increased by \$862,035 from \$307,071 to \$1,169,106 in FY04.
- In FY04, County employees on average received an across the board salary increase and an increase in their healthcare benefits. A significant portion of the increase was in the General Fund in the amount of \$2.5 million.

Other changes in the General Fund expenditures were explained in the analysis of the government-wide Statement of Net Activities. Additional comparison of General, Special Revenue, and Debt Service Fund revenue and expenditures of prior years can be found in the statistical section of this report.

**Proprietary funds.** The County proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Unrestricted net assets (deficit) of the Solid Waste Fund, Bernalillo County Housing Authority, Seybold Village Handicapped Project, and the Regional Juvenile Detention Center at the end of the year were \$(16,655), \$2,386,312, \$1,533,995 and \$155,657 respectively. Other factors concerning the finances of these funds have already been addressed in the discussion of the County's business-type activities.

#### **Budgetary Highlights Original Budget – Final Budget Comparison.**

**General Fund.** General fund original budgeted revenues increased \$6.3 million or by 4.6% from \$134.4 million to \$140.7 million (final). General fund original budgeted expenditures increased \$9.9 million or by 7.1% from \$137.7 million to \$147.6 million (final). Significant changes between the original budget and the final amended budget are summarized as follows:

- The original budget for Gross Receipts Tax revenue increased \$845,875 from \$32.8 million to \$33.6 million (final). The increase was based on a higher than expected collection rate that was a result of an improvement in the local area economy.
- The original budget for Fees for Services revenue was decreased \$392,714 from \$7.76 million to \$7.37 million (final). During the year, a budget classification was made to transfer \$621,000 in budget utility revenue to the miscellaneous revenue budget. There were minor budget increases in Clerk fees and Metro Court security services reimbursements that offset the decrease.
- The original budget for Miscellaneous revenue was increased \$5,316,000 from \$594,216 to \$5.9 million (final). In FY04 the County took over the management of the food contract for the Metropolitan Detention Center (MDC). The revenue budget was increased \$4.6 million to establish a budget for food costs incurred by the County on behalf of MDC that are reimbursed by the City of Albuquerque. Another increase of \$621,000 was made to establish a budget for utility costs incurred by the County for MDC that are reimbursed by the City of Albuquerque.
- A budget increase of \$768,071 to "Transfer In" was made to close out several unexpended funds.

- The Cash Appropriations budget was increased \$4.6 million to account for the increase in budgeted expenditures in excess of budget revenues.
- The Information Technology (IT) Department original expenditure budget decreased \$727,154 from \$6.9 million to \$6.2 million. A budget adjustment of \$644,799 was made to establish a reimbursement budget for IT cost associated with the management of the MDC computer and phone line systems that are reimbursed by the City of Albuquerque.
- The Finance and Administration original expenditure budget decreased \$552,939 from \$6.7 million to \$6.2 million to reflect the reduction of multi-line property insurance premiums.
- The General County original expenditure budget increased \$4.7 million from \$11.6 million to \$16.4 million (final). The budget adjustment was needed to establish a budget to reimburse the General Fund reserves for Project Revenue Bond and Gross Receipt Tax Bond expenditures prior to the receipt of the proceeds from the sale of Project Revenue Bonds and GRT Bonds in the amount of \$2,000,000 and \$2,500,000, respectively.
- The County Clerk original expenditure budget increased \$661,019 from \$2.7 million to \$3.4 million (final). A budget adjustment of \$235,127 was made to salaries to increase funding for temporary part time help for the general election and another \$178,500 for the cost of ballots due to the increasing demand for early voting ballots.
- The Sheriff's Office original expenditure budget increased \$885,612 from \$21.7 million to \$22.6 million (final) to account for the increase in salary cost.
- The Metropolitan Detention Center original expenditure budget increased \$5.1 from \$33.2 million to \$38.3 million. Most of the increase was to establish a budget in the amount of \$4.6 million for food cost incurred by the County on behalf of MDC that are reimbursed by the City of Albuquerque.
- The budget for "Transfers out" increased \$1.8 million from \$25.6 million to \$27.4 million. An additional budget transfer of \$1,054,000 was made to Water/Wastewater Fund for water and sewer projects. An additional budget transfer of \$398,904 was made to the TRAN debt service fund to pay for TRAN interest expense. And a final budget transfer of \$350,000 was made to reimburse the Grant Fund for unification election cost.

**Other Major Funds.** The County does not adopt annual budgets for the Grant Fund and 1999 Revenue Bond Fund.

### **Budgetary Highlights – Budget to Actual**

**General Fund.** General Fund revenues exceeded budgetary estimates by \$6,134,305 or by 4.3%. General Fund expenditures were less than budgetary estimates by \$17,295,111, or by 11.7% thus eliminating the need to draw upon existing fund balance. However, during the year the County incurred a deficiency of revenues over expenditures and other financing sources in the amount of (\$7,582,696). A very large portion of this deficiency was attributed to over \$13 million in prior year

accounts payables that were paid in FY04 to the City of Albuquerque for the operations of the Metropolitan Detention Center. Individual significant differences between the General Fund final budget and actual amounts are summarized as follows:

- Property tax revenue had a positive variance of \$1,377,741. The budget projections had projected a 95% collection rate of current property taxes within the County as of June 30, 2004. The actual collection rate was 95.40%. The significant reason for the positive variance was that delinquent taxes and interest on delinquent taxes exceeded projections by \$818,696 and \$363,160, respectively.
- Gross Receipts Tax revenue had a positive variance of \$1,485,469 that was the result of an improvement in the local economy in FY04.
- Investment income revenue had a negative variance of (\$1,675,069). Income revenue projections included expectations that the rate of return on investments would have increased from the previous year with an improved local and national economy; however, interest rates did not increase significantly. During the year, the County had a significant portion of its funds invested in a high yielding investment that matured during the year. The County was unable to obtain a similar rate of return when these funds were re-invested.
- Miscellaneous income had a positive variance of \$4,115,487. This positive variance was attributed to several different factors. In FY04, the County received a \$1.65 million property tax abatement settlement from Philips Semiconductors that had not been budgeted. During the year, the County also received \$1,371,228 in refunds and reimbursement. This amount included a \$500,000 Jail settlement and legal reimbursement of \$410,644.
- Finance and Administration expenditures had a positive variance of \$1,014,729. This variance is primarily attributed to lower insurance premiums and deductibles of \$194,342 and less than expected expenditures from Law Enforcement Officer liability claims in the amount of \$651,169, and lower than expected fleet replacement cost of \$93,590.
- General County expenditures had a positive variance of \$10,666,410. A large portion of the variance, \$4.5 million, is attributed to the establishment of budget to reimburse the General Fund reserves for any expenditures prior to the receipt of the proceeds from the sale of Project Revenue Bonds and GRT Bonds. During the year no expenditures were incurred for these budgeted items. Another large part of the variance was attributed to \$2,424,233 in contingency salary and \$662,817 in salary cap expenditures that did not occur. There was also a positive variance of \$291,543 for space contingency. The remaining variance balance pertained to various other expenditure categories including contractual services, capital outlay, and repair and maintenance.
- Bernalillo County Detention Center had a positive variance of \$1,929,110. This variance is attributed to less than expected cost for food and commissary supplies in the amount of \$1,200,066 and less than expected operating cost of \$786,398.

## **Capital Asset and Debt Administration**

**Capital assets.** The County's investment in capital assets for its governmental and business type activities as of June 30, 2004 amounts to \$481,758,527 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, construction in progress, and infrastructure. Major capital asset events during the current fiscal year included the following:

- Work on the Valley Utilities Project started in FY02 is progressing and is expected to take close to ten years to complete at a cost of nearly \$110 million. The project will provide municipal utilities to properties in the developed areas of the South and North Valleys of the County. During the fiscal year, several significant sewer projects were completed: Pajarito Sanitary Sewer, Areas 6 and 7, Area "D" Sanitary Sewer, Hunter Road/Elsa Road Sanitary Sewer, Love Road Sewer Extension, and Coors 8,9, and 10 Sanitary Sewer Areas.
- Work has been completed on Phase 1 of Isleta Boulevard Reconstruction Project. The road, once part of El Camino Real, remains an important social artery and economic lifeline to the community. The design for the Isleta Boulevard Reconstruction Project Phase 2 has continued with right-of-way acquisition started.
- Through the use of funds from County bonds and the New Mexico Department of Transportation, the Public Works Department was able to complete the construction of a number of local road improvement projects throughout the County. Paving improvements funded from grants were made to 13 roads throughout the County and paving improvements funded from GO Bonds were made to 15 roads throughout the year. Several significant projects were constructed or construction was started including the following; Gatewood Road/Drainage, Five Points Road/Drainage, Prince Street Road/Utilities, and Adobe Acres Roads. Golf Course Road project design was completed and the appraisal and acquisition of 43 right-of-way parcels was finalized. Over 26 miles of County roads throughout the unincorporated areas were paved.
- Completed plans and specifications for Tramway and Isleta Fiber Optic Interconnect Project to improve traffic signal coordination. This project was undertaken as an in-house design endeavor. With money saved from not incurring fees normally charged with an outsourced project, additional resources will be applied to design and construct Phase II of this project to upgrade existing telephone line communication to the Traffic Operations Center at 2400 Broadway.
- Continued coordination with AMAFCA and the Corps of Engineers (COE) on the Southwest Valley Flood Reduction project. The project will provide a major outfall to the Rio Grande by upgrading MRGCD facilities consisting of Isleta, Armijo, and Los Padillas drainways and constructing new facilities to reach the Rio Grande. This outfall system will be the backbone for a regional drainage system serving the majority of the central South Valley area.

**County of Bernalillo's Capital Assets**  
(net of accumulated depreciation)

	Governmental Activities		Business-type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land	\$120,666,798	\$124,501,275	\$ 426,500	\$ 432,002	\$121,093,298	\$ 124,933,277
Buildings	189,323,702	194,534,189	2,020,383	2,081,186	191,344,085	196,615,375
Machinery and equipment	12,311,761	14,202,911	32,322	39,423	12,344,083	14,242,334
Infrastructure	141,412,719	135,644,980	-	-	141,412,719	135,644,980
Leasehold improvements	2,458,173	2,570,333	-	-	2,458,173	2,570,333
Construction in progress	11,266,348	14,615,312	415,309	-	11,681,657	14,615,312
Art	1,424,512	1,420,712	-	-	1,424,512	1,420,712
Total	\$478,864,013	\$487,489,712	\$2,894,514	\$ 2,552,611	\$481,758,527	\$ 490,042,323

Additional information on the County's capital assets can be found in note IV-C. on pages 50-51 of this report.

**Debt administration.** The Bernalillo County Budget and Finance Division has analyzed the existing debt position of the County and has assessed the impact of future financing requirements on the County's ability to service additional debt. Review and analysis of the County's debt position is performed to provide a capital financing plan for infrastructure and other improvements. Long-term financing projections are linked with economic, demographic and financial resources expected to be available to repay the debt. Decisions regarding the use of debt are based upon a number of factors including, but not limited to, the long-term needs of the County and the amount of resources available to repay the debt. The debt policy is not expected to anticipate every future contingency in the County's capital program or future operational needs. Sufficient flexibility is required to enable County management to respond to unforeseen circumstances or new opportunities, when appropriate.

The County will maintain direct tax supported debt at a manageable level that takes into account economic factors including population, assessed valuation, and other current and future tax-supported essential needs. The decision to issue bonds, by either competitive or negotiated sale, is based upon which alternative will provide the County with lower costs. The Board of County Commissioners decides on an issue-by-issue basis which method of sale would be most appropriate. The County encourages the use of competitive sales for all issues unless circumstances dictate otherwise. Negotiated sales are considered if the sale is a complex financing structure. If a negotiated sale is anticipated, the Budget and Finance Division and County Bond Counsel establish a list of prequalified underwriters.

**General Obligation Bonds.** At the end of the current fiscal year, the County had total general obligation debt outstanding of \$83,915,000. The county has outstanding general obligation bonds for capital facilities including road improvements, storm drain improvements, library books, public safety improvements and park facility improvements. General obligation bonds are backed by the full faith and credit of the County government and are supported by ad valorem taxes. The tax rate depends upon debt service schedules and property valuation and is set by the New Mexico Department of Finance and Administration. In fiscal year 2004 this tax is approximately \$.83 per \$1,000 of assessed taxable value in ad valorem taxes to support general obligation bonds, which constitute direct and general obligations of the County. These bonds have retirement dates ranging from August 1, 2010

through December 15, 2023. The ratio of net general obligation bonded debt to taxable valuation and the amount of bonded debt per capita are useful indicators of the County's debt position. The State's Constitution provides for a legal debt limit of four percent (4.0%) of taxable valuation. The ratio for the County is less than one percent (0.9%) of the \$9.633 billion taxable value of property within Bernalillo County, as of June 30, 2004. The County may currently issue up to an additional \$301.4 million of general obligation bonds. The net general bonded debt per capita is \$138.94. The lowest per capita amount in the last ten fiscal years was \$86.04 in fiscal year ended June 30, 1996. The County's ratings on uninsured general obligation bonds as of June 30, 2004 were:

- Moody's Investors Service, Inc. Aa1
- Standard & Poor's Rating Service AA+

At the end of the current fiscal year, the County had total revenue bond debt outstanding of \$191,875,000. The county has six outstanding revenue bonds: the 1996B series, the 1997 series, the 1998 refunding series, the 1999 series, the 2002 series, and the 2004 series. These bonds are payable from net pledged gross receipt tax revenues. Although the bonds are general obligations of the County, the County intends to pay the bonds solely from the net pledged revenues. These bonds have retirement dates ranging from November 15, 2011 through April 1, 2027.

**Revenue Bonds Supported by the Clerk's Office Filing Fees.** At the end of the current fiscal year, the County had total revenue bond debt outstanding of \$350,000 that was supported by net pledged filing fee revenues. Although this bond is a general obligation of the County, the County intends to pay the bond solely from the net pledged filing fee revenues. This bond has a retirement date of 2005.

**General Obligation and Revenue Bonds Outstanding**

	Governmental Activities		Business-type Activities	
	2004	2003	2004	2003
General obligation bonds	\$ 83,915,000	\$ 77,155,000	-	-
Revenue bonds	192,225,000	184,910,378	-	-
<b>Total</b>	<b>\$276,140,000</b>	<b>\$262,065,378</b>	<b>-</b>	<b>-</b>

The County's total bond debt increased by \$14,074,622 during the current fiscal year. Additional information on the County's long-term debt can be found in note IV.F on pages 54-56 of this report and in the statistical section of this report.

**Economic Factors and Next Year's Budgets and Rates**

The County's Board of Commissioners and Manager considered many factors when setting the fiscal year 2005 budget. According to forecasts by the University of New Mexico Bureau of Business and Economic Research (BBER), the outlook for the Albuquerque MSA economy is good. Strength during the forecast period will come from construction, educational and health services, a resurgent manufacturing sector, and consistent moderate gains from several other sectors, including government,

and professional and scientific and technical services. Personal income growth will reach 6.0 percent in 2004 and 2005, and decline to just over 5.5% annually from 2006 through 2009.

Following virtually no employment gains from 2001 to 2003, non-farm employment growth is expected to reach 1.7% in 2004 and 2.5% in 2005, and then level off near 2% annually through 2009. The manufacturing sector will finally enjoy positive employment growth by the end of 2004. For the entire year, manufacturing employment will decline 1.2 %, but will be followed by gains of 3.7% in 2005 and 2.2% in 2006. The closing of Philips Semiconductors and Honeywell Automation and Controls Solutions Division will contribute to the decline in manufacturing job growth this year. On the other hand, new manufacturing jobs are currently being added in 2004, and will be added in 2005. Manufacturing firms that are adding jobs include Ocular Sciences, Noteworthy Industries, Honeywell Defense Avionics, Cabot Superior MicroPowders, Team Specialty Products, MesoFuel, Aerospace Composite Structures, MCT Industries, Stainless Motors, Intellite, Sennheiser New Mexico LLC, Phoenix Cabinets and Countertops, Mechanical Solutions, and Heel Biotherapeutics. Newcomer TempurPedic, a manufacturer of mattresses and related products that the County was instrumental in bringing to New Mexico, is building a factory on the West Side of Albuquerque. TempurPedic plans to employ 300 people in 2005. Eclipse Aviation is adding 300 jobs in the near term, and will add hundreds more in 2007 when it reaches full production mode.

The construction sector will enjoy robust employment growth throughout the forecast period, with a 4.9% increase slated for 2004, and between 3.0% and 4.0% per year beginning in 2005. Construction employment growth will receive a large boost from a large share of the \$1.6 billion infusion state funds to improve New Mexico roads and highways with one-half slated to be spent in the Albuquerque MSA. Other large projects include the Microsystems Engineering and Sciences Application complex, the Center for Integrative Nanotechnology, the International Balloon Museum, and the Uptown “lifestyle center” at Winrock Center.

The government sector, about twenty percent of Albuquerque MSA employment, will enjoy moderate growth close to 2.0% each year through 2009, and will thus provide an element of stability. Local government employment growth will be close to 2.5% annually, while state government employment will exhibit consistent growth of a little less than 2.0% per year. At the federal level, employment has been stable for years, but in the latter part of 2004, there will be an increase of 400 jobs when the U.S. Forest Service opens a financial services center.

Job growth will remain strong in the educational and health services/social assistance sector, but growth will subside during the forecast period. After reaching 4.9% in 2004, growth will ease to 4.4% in 2005 and thereafter decline by about .5% annually, until it reaches 2.6% in 2009. There is a significant expansion by Presbyterian Healthcare Services underway, including the remodeling of one health care facility and the construction of another. The trade sectors face a future of mild growth. Wholesale trade employment will average about .5% gains annually, while retail trade employment remains in the 1.0% to 2.0% range each year. Additional strength will come from the professional, scientific and technical services, each of which will consistently enjoy employment growth in the 2.0% to 2.5% interval annually. Employment in the leisure and hospitality industry showed a 2.0% gain in 2004 and is expected increase to 2.2% in 2005 and 1.0% annually through 2009.

**Request for Information**

This financial report is designed to provide a general overview of the County's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Comptroller, Finance and Budget Division, One Civic Plaza, NW – 10<sup>th</sup> Floor, Albuquerque, New Mexico 87102.

COUNTY OF BERNALILLO, NEW MEXICO  
STATEMENT OF NET ASSETS  
JUNE 30, 2004

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Redevelopment Corporation
<b>ASSETS</b>				
Cash and investments	\$ 176,208,542	\$ 1,245,257	\$ 177,453,799	\$ 164,721
Bond receivable	11,752,547	-	11,752,547	-
Accounts receivable	18,280,820	959,843	19,240,663	704
Accrued interest receivable	495,843	1,587	497,430	176
Note receivable	9,479	-	9,479	-
Due from primary government	-	-	-	550
Due from grantor	10,621,665	-	10,621,665	-
Due from component unit	22,936	-	22,936	-
Internal balances	341,497	(341,497)	-	-
Inventory	38,271	-	38,271	-
Prepaid assets	1,110,825	-	1,110,825	-
Deferred charges	535,414	-	535,414	-
Restricted assets:				
Cash and cash equivalents	500,000	110,696	610,696	226,203
Investment in joint venture	633,000	-	633,000	-
Capital assets (net of accumulated depreciation):				
Land	120,666,798	426,500	121,093,298	36,852
Building	189,323,702	2,020,383	191,344,085	2,078,086
Machinery and equipment	13,736,273	32,322	13,768,595	-
Infrastructure	141,412,719	-	141,412,719	-
Construction in progress	11,266,348	415,309	11,681,657	-
Leasehold improvements	2,458,173	-	2,458,173	-
Total assets	<u>699,414,852</u>	<u>4,870,400</u>	<u>704,285,252</u>	<u>2,507,292</u>
<b>LIABILITIES</b>				
Accounts payable	6,033,710	237,069	6,270,779	3,584
Interest payable	3,919,815	-	3,919,815	-
Retainage payable	235,642	-	235,642	-
Tax anticipation note payable	45,000,000	-	45,000,000	-
Accrued payroll	4,245,596	95,525	4,341,121	-
Due to component unit	550	-	550	-
Deferred revenue	8,366,725	299,516	8,666,241	380
Due to grantor	21,609	-	21,609	-
Due to primary government	-	-	-	22,936
Deposits held in trust for others	-	5,552	5,552	6,009
Noncurrent liabilities:				
Due within one year	10,674,417	9,556	10,683,973	35,000
Due in more than one year	274,714,085	163,873	274,877,958	1,815,000
Total liabilities	<u>353,212,149</u>	<u>811,091</u>	<u>354,023,240</u>	<u>1,882,909</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	262,781,593	2,894,514	265,676,107	264,939
Restricted for:				
Public safety	2,197,943	-	2,197,943	-
Culture and recreation	12,289	-	12,289	-
Health and welfare	3,490,172	-	3,490,172	-
Debt service	8,751,708	-	8,751,708	-
Capital projects	29,193,942	-	29,193,942	-
Other purposes	3,518,268	-	3,518,268	-
Unrestricted	36,256,788	1,164,795	37,421,583	359,444
Total net assets	<u>\$ 346,202,703</u>	<u>\$ 4,059,309</u>	<u>\$ 350,262,012</u>	<u>\$ 624,383</u>

The notes to the financial statements are an integral part of this statement.



**BERNALILLO COUNTY, NEW MEXICO  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2004**

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets			Component Unit	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Redevelopment Corporation
					Governmental Activities	Business-type Activities		
<b>Primary government:</b>								
Governmental activities:								
General government	\$ 37,501,192	\$ 16,687,785	\$ 504,723	\$ 6,355	\$ (20,302,329)	\$ (20,302,329)	\$ -	
Public works	32,294,831	-	356,530	21,216,205	(10,722,096)	(10,722,096)	-	
Public safety	82,328,864	-	8,503,339	103,493	(73,722,032)	(73,722,032)	-	
Culture and recreation	11,409,199	97	841,768	1,644,695	(8,922,639)	(8,922,639)	-	
Health and welfare	18,785,416	-	11,509,565	873,929	(6,401,922)	(6,401,922)	-	
Interest on long-term debt	14,651,079	-	-	-	(14,651,079)	(14,651,079)	-	
Total governmental activities	196,970,581	16,687,882	21,715,925	23,844,677	(134,722,097)	(134,722,097)	-	
<b>Business-type activities:</b>								
Solid waste	3,353,335	3,054,698	148,490	-	(150,147)	(150,147)	-	
Housing Authority	1,672,735	1,528,126	-	-	(144,609)	(144,609)	-	
Seybold Village Handicapped Project	126,954	31,563	-	-	(95,391)	(95,391)	-	
Regional Juvenile Detention Center	1,275,350	1,331,114	-	-	55,764	55,764	-	
Total business-type activities	6,428,374	5,945,501	148,490	-	(334,383)	(334,383)	-	
Total primary government	\$203,398,955	\$ 22,633,383	\$ 21,864,415	\$ 23,844,677	(134,722,097)	(135,056,480)	-	
<b>Component Unit:</b>								
Redevelopment Corporation	\$ 392,493	\$ 97,643	-	-	-	-	(294,850)	
<b>General revenues:</b>								
Property taxes					94,043,897	94,043,897	-	
Gross receipts taxes					38,725,557	38,725,557	-	
Motor vehicle taxes					3,547,419	3,547,419	-	
Cigarette taxes					6,477	6,477	-	
Gas taxes					1,553,716	1,553,716	-	
Investment income					5,175	5,189,760	2,538	
Operating grants					708,896	708,896	230,634	
Miscellaneous					119,379	11,451,670	-	
Transfers					200,000	-	-	
Total general revenue and transfers					154,593,942	155,227,392	233,172	
Change in net assets					19,871,845	20,170,912	(61,678)	
Net assets - beginning					325,034,598	328,966,176	686,061	
Prior period adjustment					(171,336)	1,124,924	-	
Net assets - beginning as restated					326,330,858	330,091,100	686,061	
Net assets - ending					\$ 346,202,703	\$ 350,262,012	\$ 624,383	

The notes to the financial statements are an integral part of this statement.

**COUNTY OF BERNALILLO, NEW MEXICO**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2004**

	<u>General</u>	<u>Grants Fund</u>	<u>Water/ Wastewater Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and investments	\$ 64,216,350	\$ -	\$ 23,704,729	\$ 86,686,014	\$ 174,607,093
Bond receivable	-	-	-	11,752,547	11,752,547
Accounts receivable	16,688,139	-	-	1,592,681	18,280,820
Accrued interest receivable	116,874	-	52,431	326,538	495,843
Note receivable	9,479	-	-	-	9,479
Due from other funds	4,503,471	829,162	129,930	167,350	5,629,913
Due from grantor	-	6,105,325	888,314	3,628,026	10,621,665
Inventory	38,271	-	-	-	38,271
Prepaid assets	120,233	-	-	2,076	122,309
Advances to other funds	1,497,000	-	-	431,097	1,928,097
Cash - restricted	-	-	500,000	-	500,000
<b>Total assets</b>	<u>\$ 87,189,817</u>	<u>\$ 6,934,487</u>	<u>\$ 25,275,404</u>	<u>\$ 104,586,329</u>	<u>\$ 223,986,037</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 1,533,407	\$ 1,730,097	\$ 748,836	\$ 1,631,782	\$ 5,644,122
Retainage payable	-	61,397	151,282	22,963	235,642
TRAN payable	25,000,000	-	-	20,000,000	45,000,000
Accrued payroll	4,036,435	93,093	3,419	112,649	4,245,596
Deferred revenue	7,318,767	456,150	2,214,309	3,105,251	13,094,477
Due to other funds	1,368,257	3,196,750	4,093	1,506,855	6,075,955
Due to grantor	-	-	-	21,609	21,609
Advances from other funds	-	1,397,000	-	100,000	1,497,000
<b>Total liabilities</b>	<u>39,256,866</u>	<u>6,934,487</u>	<u>3,121,939</u>	<u>26,501,109</u>	<u>75,814,401</u>
<b>Fund balances:</b>					
<b>Reserved for:</b>					
Notes receivable	9,479	-	-	-	9,479
Advances to other funds	1,497,000	-	-	431,097	1,928,097
Inventory	38,271	-	-	-	38,271
Prepaid items	120,232	-	-	-	120,232
Debt service	-	-	-	19,867,900	19,867,900
Encumbrances	2,658,618	2,905,922	13,739,434	12,240,893	31,544,867
Subsequent years' expenditures	43,609,351	-	-	-	43,609,351
<b>Unreserved reported in:</b>					
Special revenue fund	-	(2,905,922)	-	6,873,113	3,967,191
Capital projects fund	-	-	8,414,031	38,672,217	47,086,248
<b>Total fund balances</b>	<u>47,932,951</u>	<u>-</u>	<u>22,153,465</u>	<u>78,085,220</u>	<u>148,171,636</u>
<b>Total liabilities and fund balances</b>	<u>\$ 87,189,817</u>	<u>\$ 6,934,487</u>	<u>\$ 25,275,404</u>	<u>\$ 104,586,329</u>	<u>\$ 223,986,037</u>

The notes to the financial statements are an integral part of this statement.

COUNTY OF BERNALILLO, NEW MEXICO  
 RECONCILIATION OF THE BALANCE SHEET GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF NET ASSETS  
 JUNE 30, 2004

Amounts reported for governmental activities in the statement of net assets are different because:

Total Fund Balance Governmental Funds (page 25)	\$ 148,171,636
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	478,864,013
Investments in joint ventures are not reported in the Governmental funds.	633,000
Other long-term assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds.	535,414
Internal service funds are used by management to charge the cost of insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	1,601,449
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(285,388,502)
Accrued Interest Payable	(3,919,815)
Recognition of property tax revenue (less allowance for uncollectible accounts) on full accrual basis. Governmental funds recognize property tax revenue on the modified accrual basis.	5,705,508
Net assets governmental activities. (page 23)	<u>\$ 346,202,703</u>

The notes to the financial statements are an integral part of this statement.

COUNTY OF BERNALILLO, NEW MEXICO  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS

For the Year Ended June 30, 2004

	General	Grants Fund	Water/ Wastewater Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes:					
Property	\$ 82,994,330	\$ -	\$ -	\$ 10,539,969	\$ 93,534,299
Sales	35,315,021	-	-	3,410,536	38,725,557
Motor vehicle	3,547,419	-	-	-	3,547,419
Cigarette	4,397	-	-	2,080	6,477
Gas	1,553,716	-	-	-	1,553,716
Intergovernmental	89,531	11,130,190	10,189,413	24,234,741	45,643,875
Licenses and permits	3,056,543	-	-	2,047,886	5,104,429
Fees for services	7,936,720	-	-	3,563,460	11,500,180
Investment income	3,016,253	-	452,320	1,716,012	5,184,585
Miscellaneous	10,215,755	-	-	874,320	11,090,075
Total revenues	<u>147,729,685</u>	<u>11,130,190</u>	<u>10,641,733</u>	<u>46,389,004</u>	<u>215,890,612</u>
<b>EXPENDITURES</b>					
Current:					
General government	32,330,291	637,333	-	2,781,285	35,748,909
Public works	14,109,333	450,123	-	1,348,441	15,907,897
Public safety	63,197,638	5,948,576	-	2,928,927	72,075,141
Health & welfare	1,872,829	1,740,306	-	14,403,416	18,016,551
Culture and recreation	8,082,613	2,425,065	-	449	10,508,127
Capital outlay	-	-	9,234,323	10,602,262	19,836,585
Debt service:					
Principal	185,375	-	-	10,981,806	11,167,181
Interest	-	-	-	14,294,518	14,294,518
Bond issuance cost	-	-	-	329,926	329,926
Total expenditures	<u>119,778,079</u>	<u>11,201,403</u>	<u>9,234,323</u>	<u>57,671,030</u>	<u>197,884,835</u>
Excess (deficiency) of revenues over expenditures	<u>27,951,606</u>	<u>(71,213)</u>	<u>1,407,410</u>	<u>(11,282,026)</u>	<u>18,005,777</u>
Other financing sources (uses)					
Transfers in	3,768,885	71,213	5,204,432	26,230,437	35,274,967
Transfers out	(27,216,717)	-	-	(7,858,250)	(35,074,967)
Proceeds from bond sales	-	-	-	22,210,000	22,210,000
Discount on revenue bond	-	-	-	(16,117)	(16,117)
Total other financing sources (uses)	<u>(23,447,832)</u>	<u>71,213</u>	<u>5,204,432</u>	<u>40,566,070</u>	<u>22,393,883</u>
Net changes in fund balances	<u>4,503,774</u>	<u>-</u>	<u>6,611,842</u>	<u>29,284,044</u>	<u>40,399,660</u>
Fund balance - beginning	41,979,016	-	15,541,623	48,955,077	106,475,716
Restatement	<u>1,450,161</u>	<u>-</u>	<u>-</u>	<u>(153,901)</u>	<u>1,296,260</u>
Fund balance as restated	<u>43,429,177</u>	<u>-</u>	<u>15,541,623</u>	<u>48,801,176</u>	<u>107,771,976</u>
Fund balance - ending	<u>\$ 47,932,951</u>	<u>\$ -</u>	<u>\$ 22,153,465</u>	<u>\$ 78,085,220</u>	<u>\$ 148,171,636</u>

The notes to financial statements are an integral part of this statement.

COUNTY OF BERNALILLO, NEW MEXICO  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,  
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
 TO THE STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED JUNE 30, 2004

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances total governmental funds (page 27)	\$ 40,399,660
Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	(46,617)
The net effect of sale of capital assets is to increase net assets. In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of capital assets sold.	(8,961,182)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	509,598
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(10,696,776)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(1,332,838)
Change in net assets of governmental activities (page 24)	<u>\$ 19,871,845</u>

The notes to the financial statements are an integral part of this statement.

COUNTY OF BERNALILLO, NEW MEXICO  
**STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP Budgetary Basis)**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2004**

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget Positive (Negative)
Revenues				
Taxes:				
Property	\$ 81,206,370	\$ 80,942,667	\$ 82,320,408	\$ 1,377,741
State shared gross receipts	32,800,000	33,645,875	35,131,344	1,485,469
Motor vehicle	3,545,478	3,545,478	3,547,276	1,798
Cigarette	3,700	3,700	4,786	1,086
Gas	1,524,794	1,524,794	1,535,460	10,666
Intergovernmental	-	-	89,531	89,531
Payments in lieu of taxes	75,915	75,915	126,871	50,956
Licenses and permits	2,546,900	2,621,900	2,335,786	(286,114)
Fees for services	7,765,105	7,372,390	8,335,144	962,754
Investment income	4,353,334	5,137,238	3,462,169	(1,675,069)
Miscellaneous income	594,216	5,910,216	10,025,703	4,115,487
Total revenues	<u>134,415,812</u>	<u>140,780,173</u>	<u>146,914,478</u>	<u>6,134,305</u>
Other financing sources				
Transfers in	3,693,622	4,461,693	3,770,495	(691,198)
Sale of capital assets	100,000	100,000	32,784	(67,216)
Total other financing sources	<u>3,793,622</u>	<u>4,561,693</u>	<u>3,803,279</u>	<u>(758,414)</u>
Total revenue and other financing sources	<u>138,209,434</u>	<u>145,341,866</u>	<u>150,717,757</u>	<u>5,375,891</u>
Prior year cash balance budgeted	25,226,772	29,827,169		
Total budget	<u>163,436,206</u>	<u>175,169,035</u>		
Expenditures				
Current:				
General government:				
County commission	496,035	492,945	459,901	33,044
County manager	1,137,262	1,171,556	1,157,270	14,286
Public information	409,895	426,458	413,055	13,403
Information technology	6,921,928	6,194,774	6,274,855	(80,081)
Finance and administration	6,759,884	6,206,944	5,192,215	1,014,729
General county	11,623,774	16,407,555	5,741,145	10,666,410
Human resources	1,057,400	1,065,899	974,355	91,544
Zoning	2,014,546	2,087,107	2,066,797	20,310
Legal	1,221,515	1,195,399	985,382	210,017
County clerk	2,798,771	3,459,790	3,360,438	99,352
Assessor/reappraisal	2,450,242	2,466,233	2,435,918	30,315
Treasurer	1,646,427	1,677,238	1,669,371	7,867
Other	1,368,467	1,445,921	1,268,285	177,636
Total general government	<u>39,906,146</u>	<u>44,297,819</u>	<u>31,998,987</u>	<u>12,298,832</u>
Public works	15,143,262	15,140,020	14,165,760	974,260
Public safety:				
Fire	7,799,273	7,722,432	7,558,984	163,448
Sheriff	21,699,315	22,584,927	22,896,204	(311,277)
Animal care & regulation	789,683	805,397	686,876	118,521
Juvenile detention center	5,519,416	5,529,905	5,517,935	11,970
Metropolitan detention center	33,228,394	38,352,394	36,423,284	1,929,110
Communications department	2,063,919	1,943,298	1,992,013	(48,715)
Total public safety	<u>71,100,000</u>	<u>76,938,353</u>	<u>75,075,296</u>	<u>1,863,057</u>
Culture and recreation	9,207,333	8,939,747	7,785,553	1,154,194
Health & welfare	2,140,969	2,111,696	1,872,765	238,931
Debt service				
Principal	245,895	245,895	185,375	60,520
Total expenditures	<u>137,743,605</u>	<u>147,673,530</u>	<u>131,083,736</u>	<u>16,589,794</u>
Other financing uses				
Transfers out	25,692,601	27,495,505	27,216,717	278,788
Total expenditures and other financing uses	<u>163,436,206</u>	<u>175,169,035</u>	<u>158,300,453</u>	<u>16,868,582</u>
Deficiency of revenues and other financing sources over expenditures and other financing uses			<u>\$ (7,582,696)</u>	

The notes to the financial statements are an integral part of this statement.

**COUNTY OF BERNALILLO, NEW MEXICO**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**June 30, 2004**

	<u>Business-type Activities</u> <u>Enterprise Funds</u> <u>Total</u> <u>Nonmajor</u>	<u>Governmental</u> <u>Activities-</u> <u>Internal</u> <u>Service Funds</u>
<b>ASSETS</b>		
Current assets:		
Cash and investments	\$ 1,245,257	\$ 1,601,449
Accounts receivable, net	959,843	-
Accrued interest receivable	1,587	-
Due from other funds	490,400	378,828
Prepaid assets	-	988,516
	<u>2,697,087</u>	<u>2,968,793</u>
Noncurrent assets:		
Restricted cash and cash equivalents	110,696	-
Capital assets:		
Land	426,500	-
Buildings	2,858,603	-
Construction in progress	415,309	-
Equipment, machinery, and furniture	1,686,882	-
Less accumulated depreciation	<u>(2,492,780)</u>	<u>-</u>
	<u>3,005,210</u>	<u>-</u>
	<u>5,702,297</u>	<u>2,968,793</u>
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable	237,069	378,828
Compensated absences payable	173,429	-
Accrued payroll	95,525	-
Due to other funds	400,800	-
Deferred revenue	<u>299,516</u>	<u>988,516</u>
	<u>1,206,339</u>	<u>1,367,344</u>
Noncurrent liabilities:		
Deposits held in trust for others	5,552	-
Advance from other funds	<u>431,097</u>	<u>-</u>
	<u>436,649</u>	<u>-</u>
	<u>1,642,988</u>	<u>1,367,344</u>
<b>NET ASSETS</b>		
Invested in capital assets	2,894,514	-
Unrestricted	<u>1,164,795</u>	<u>1,601,449</u>
	<u>\$ 4,059,309</u>	<u>\$ 1,601,449</u>

The notes to the financial statements are an integral part of this statement.

**COUNTY OF BERNALILLO, NEW MEXICO  
STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN FUND NET ASSETS  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2004**

	<b>Business-type Activities - Enterprise Funds Total Nonmajor</b>	<b>Governmental Activities- Internal Service Funds</b>
Operating revenues:		
Administrative and service fees	\$ 5,765,699	\$ 3,167,518
Rental income:		
Tenants	31,307	-
Other income	296,985	-
Total operating revenues	<u>6,093,991</u>	<u>3,167,518</u>
Operating expenses:		
Salaries and wages	2,671,706	-
Contractual services	2,332,338	3,167,518
Materials and supplies	468,891	-
Other services and charges	475,992	-
Landfill expenses	65,036	-
Grant expenditures	300,763	-
Depreciation	113,648	-
Total operating expenses	<u>6,428,374</u>	<u>3,167,518</u>
Operating income (loss)	<u>(334,383)</u>	<u>-</u>
Non-operating revenues:		
Interest income	5,175	-
Operating grants	708,896	-
County contributions	119,379	-
Total nonoperating revenue	<u>833,450</u>	<u>-</u>
Income before transfers out	499,067	-
Transfers out	<u>(200,000)</u>	<u>-</u>
Change in net assets	299,067	-
Total net assets - beginning	3,931,578	1,601,449
Prior period adjustment	(171,336)	-
Total net assets - beginning as restated	<u>3,760,242</u>	<u>1,601,449</u>
Total net assets - ending	<u>\$ 4,059,309</u>	<u>\$ 1,601,449</u>

The notes to the financial statements are an integral part of this statement.

**COUNTY OF BERNALILLO, NEW MEXICO**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2004**

	<b>Business-type Activities- Enterprise Funds Total Nonmajor</b>	<b>Governmental Activities- Internal Service Funds</b>
<b>Cash flows from operating activities:</b>		
Cash received from administration and service fees	\$ 5,979,871	\$ 3,167,518
Cash received from rents	45,972	-
Cash payments to employees for services	(1,926,400)	-
Cash payments to vendors for goods and services	(4,359,981)	(3,168,157)
Miscellaneous cash received	256	-
Net cash used by operating activities	<u>(260,282)</u>	<u>(639)</u>
<b>Cash flows from noncapital and related financing activities:</b>		
Operating grants/subsidies received	67,687	-
Contributions from other funds	19,697	-
Operating transfers out from other funds	(200,000)	-
Payments to other funds	(295,851)	-
Net cash used by noncapital financing activities	<u>(408,467)</u>	<u>-</u>
<b>Cash flows from capital and related financing activities:</b>		
Acquisition of capital assets	(455,003)	-
Capital grants received	641,209	-
Net cash provided by capital and related financing activities	<u>186,206</u>	<u>-</u>
<b>Cash flows from investing activities:</b>		
Interest received on investments	3,750	-
Net decrease in cash and cash equivalents	(478,793)	(639)
Cash and cash equivalents, beginning of year	1,834,746	1,602,088
Cash and cash equivalents, end of year	<u>\$ 1,355,953</u>	<u>\$ 1,601,449</u>
<b>Reconciliation of operating loss to net cash flows used by operating activities:</b>		
Operating income (loss)	\$ (334,383)	\$ -
<b>Adjustments to reconcile operating income to net cash flows:</b>		
Depreciation expense	113,648	-
<b>(Increase) decrease in:</b>		
Accounts receivable	(291,885)	-
Allowance for uncollectable accounts	209,200	-
Prepaid expenses	-	113,458
Deposits held in trust	147	-
<b>Increase (decrease) in:</b>		
Deferred revenue	13,370	(113,458)
Accounts payable	19,514	(10,760)
Due to other funds	7,536	10,121
Tenants payable	226	-
Accrued compensated absences	2,345	-
Net cash flows used by operating activities	<u>\$ (260,282)</u>	<u>\$ (639)</u>

The notes to the financial statements are an integral part of this statement.

**COUNTY OF BERNALILLO, NEW MEXICO  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS**

**June 30, 2004**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and investments	\$ 7,056,908
Receivables:	
Property taxes	22,054,263
Other	<u>1,326,294</u>
Total assets	<u>\$ 30,437,465</u>
 <b>LIABILITIES</b>	
Deposits held in trust for others	\$ 8,383,202
Future collectable	<u>22,054,263</u>
Total liabilities	<u>\$ 30,437,465</u>

The notes to the financial statements are an integral part of this statement.

**COUNTY OF BERNALILLO, NEW MEXICO**  
**STATEMENT OF CASH FLOWS**  
**COMPONENT UNIT - REDEVELOPMENT CORPORATION**  
**Year Ended June 30, 2004**

Cash flows from operating activities:	
Cash received from rents	\$ 95,356
Cash payments to employees for services	(57,295)
Cash payments to vendors for goods and services	(100,681)
Miscellaneous cash received	1,233
Net cash used by operating activities	<u>(61,387)</u>
Cash flows from noncapital and related financing activities:	
Operating grants/subsidies received	230,634
Operating transfers-out from other funds	(550)
Net cash provided by noncapital and related financing activities	<u>230,084</u>
Cash flows from capital and related financing activities:	
Principal paid on bond maturities	(35,000)
Interest paid on bond maturities	(110,273)
Acquisition of capital assets	(1,492)
Net cash applied to capital and related financing activities:	<u>(146,765)</u>
Cash flows from investing activities:	
Interest received on investments	2,558
Net cash provided by investing activities	<u>2,558</u>
Net increase in cash and cash equivalents	24,490
Cash and cash equivalents, beginning of year	<u>366,434</u>
Cash and cash equivalents, end of year	<u>\$ 390,924</u>
Reconciliation of operating loss to net cash flows used by operating activities	
Operating (loss)	\$ (184,577)
Adjustments to reconcile net (loss) to net cash flows:	
Depreciation	122,902
(Increase) decrease in:	
Accounts receivable	(140)
Increase (decrease) in:	
Deferred revenue	(280)
Accounts payable	2,991
Due to other funds	(1,650)
Tenants payable	(633)
Net cash flows used by operating activities	<u>\$ (61,387)</u>

The notes to the financial statements are an integral part of this statement.



**NOTES TO FINANCIAL STATEMENTS**



**COUNTY OF BERNALILLO, NEW MEXICO**  
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**NOTES TO THE FINANCIAL STATEMENTS**

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**COUNTY OF BERNALILLO, NEW MEXICO  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004**

**I. Summary of significant accounting policies**

The financial statements of the County of Bernalillo (County) have been prepared in conformity with generally accepted accounting principles as applied to governmental entities. The significant governmental accounting policies are described below.

**A. Reporting entity**

The County was established by the laws of the Territory of New Mexico of 1876, under the provisions of the act now referred to as Section 4-1-1 of the New Mexico Statutes Annotated, 1978 Compilation. The County operates under the commission-manager form of government and provides the following services as authorized in the grant of powers: public safety (sheriff, fire, emergency medical, etc.), highways and streets, sanitation, health and social services, low rent housing assistance, culture-recreation, public improvements, planning and zoning, and general administration services.

The County's basic financial statements include all activities and accounts of the County's "financial reporting entity."

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body, and either it is able to impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens, on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, activities, or level of services performed or provided by the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Some organizations are included as component units because of their fiscal dependency on the primary government if they are unable to adopt a budget, levy taxes or set rates or charges, or issue bonded debt without approval by the primary government.

**COUNTY OF BERNALILLO, NEW MEXICO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

The financial statements of the Bernalillo County Housing and Redevelopment Corporation (a New Mexico Not-for-Profit Corporation) have been included in the County's combining and combined financial statements as a "discretely presented" component unit. The Bernalillo County Housing and Redevelopment Corporation's (Corporation) governing body is the Bernalillo County Commissioners and is legally separate from the County. All financial operations are under the control of the Bernalillo County Housing Department.

The Corporation was established to provide low rent housing facilities in accordance with the provisions of the United States Housing Act of 1936. The Corporation, with approval of the Commission, has the right to issue, sell and deliver revenue bonds; encumber real estate; and to enter into contracts for the sale of bonds, construction or acquisition of low rent housing facilities. Such bonds, notes, certificates of indebtedness, and obligations shall not constitute a statutory or charter debt limitation or restriction. The Commission will accept title to, or other interest in, any real or personal property upon dissolution of the Corporation at the time final payment is made on authorized obligations to the extent permitted under the laws of the State of New Mexico.

There were no other component units during the fiscal year ended June 30, 2004. Complete financial statements for the Corporation can be obtained from the entity's administrative offices.

**B. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

COUNTY OF BERNALILLO, NEW MEXICO  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004

**C. Measurement focus, basis of accounting, and financial statement presentation**

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures, generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgements, are recorded only when payment is made.

Property taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The County reports the following major governmental funds:

The *General fund* is the County's primary operating fund. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund.

The *Grant fund* accounts for various federal, state and other grant funding sources received by the County. The grants are restricted to specific purposes as agreed to between the County and the funding source as enumerated in the grant agreement/contract.

The *Water/Wastewater fund* accounts for various federal, state and other funding sources received by the County for water/wastewater project planning, design, and construction.

COUNTY OF BERNALILLO, NEW MEXICO  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004

Additionally, the government reports the following fund types

*Internal service funds* account for operations that provide services to other departments or agencies of the County on a cost-reimbursement basis. The County's internal service fund is the Risk Management fund, which is used to account for its risk management activities.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's risk management and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and/or delivering goods in connection with proprietary fund's principal ongoing operations. Approximately 84% of the operating revenues of the County's four proprietary funds consist of user and administrative fees.

The modified accrual basis of accounting is followed by the governmental fund types and agency funds for financial statement purposes. Under the modified accrual basis of accounting, revenues and other governmental fund financial resource increments are recognized in the accounting period in which they become measurable and available to pay liabilities of the current period (amounts collected within 60 days after year end).

Those revenues susceptible to accrual are property taxes, gross receipts taxes, state shared taxes, investment income and charges for services. Grant revenues are recognized as revenues when the related costs are incurred. All other revenues are recognized when they are received and are not susceptible to accrual, because they are usually not measurable until payment is actually received. Expenditures are recorded as liabilities when they are incurred, except for unmatured interest on general long-term debt which is recognized when due, and certain compensated absences which are recognized when the obligations are expected to be liquidated with expendable available financial resources.

**COUNTY OF BERNALILLO, NEW MEXICO  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2004**

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The County reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when resources are received by the County before it has legal claim to them, as when grant monies are received prior to the incurrance of qualifying expenditures. In subsequent periods when both revenue recognition criteria methods are met or when the County has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

When both restricted and unrestricted resources are available for use, it is the County’s policy to use restricted resources first, then unrestricted resources as they are recorded.

**D. Assets, liabilities, and net assets or equity**

***1. Deposits and investments***

Investments in the County’s cash and investment pool are stated at cost, which approximates fair value except for GNMA’s and PEFCO’s which are recorded at fair market value using quoted market prices for financial statement purposes. Interest income, realized gains and losses on investment transactions, and amortization of premiums/discounts on investment purchases are included for financial statement purposes as investment income and are allocated to participating funds based on the specific identification of the source of funds for a given investment.

State Statute Sections 6-10-44 and 6-10-10(f), NMSA 1978, as amended, authorize the County Treasurer to invest in United States Treasury certificates, United States Treasury bonds or negotiable securities of the United States, bonds or negotiable securities of the State of New Mexico or of any county, municipality, or school district and yield maintenance repurchase agreements with the advice and consent of the County Board of Finance. The Treasurer’s investment procedures must be consistent with Bernalillo County Investment Policy (Amended Resolution No. 60-93).

***2. Receivables and payables***

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year that are expected to be paid back within the year are referred to as “due to/from other funds.” Lending/borrowing arrangements not expected to be paid back within the year are referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as “internal balances.”

**COUNTY OF BERNALILLO, NEW MEXICO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable allowance is equal to 6.0% of outstanding property taxes at June 30, 2004.

The County is responsible for assessing, collecting and distributing property taxes for other governmental entities and its own operational and debt service purposes. Property taxes are assessed on November 1 of each year based on the assessed value on the prior January 1 and are payable in two equal installments by November 10 of the year in which the tax bill is prepared and by April 10 of the following year. Property taxes are delinquent if not paid by December 10 and May 10. Taxes on real property are a lien from January 1 of the year for which the taxes are imposed. Collections and remittance of County property taxes are accounted for in the County Treasurer Agency Funds. The billings are considered past due 60 days after the respective tax billing date, at which time the applicable property is subject to lien, and penalties and interest are assessed.

***3. Inventories and prepaid items***

The inventories in the general fund consist of fuel, vehicle parts, and fluids. Inventories are recorded using first-in, first-out cost method. The costs of inventories in governmental fund types are recorded as expenditures when purchased; therefore, the inventory amount is not available for appropriation.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

***4. Restricted assets***

Certain long-term assets in the Enterprise funds and the component unit are classified as restricted assets on the balance sheet because their use is limited to payments for debt service or other purposes such as "deposits held in trust for others."

***5. Capital assets***

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$1,000 and estimated useful life in excess of one year. Purchased or constructed assets are recorded at historical cost or estimated cost. Donated capital assets are recorded as estimated fair market value at the date of the donation.

**COUNTY OF BERNALILLO, NEW MEXICO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government, as well as the component units, is depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Infrastructure	10-80
Buildings and other improvements	15-40
Machinery and equipment	5-10

**6. *Compensated absences***

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

County employees may accumulate limited amounts of sick leave. For governmental funds, expenditures are recognized during the period in which sick leave costs become payable from available, expendable resources. For proprietary funds, sick leave costs are recognized when vested or taken, whichever occurs first.

**7. *Long-term obligations***

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### **8. Net Assets**

The government-wide and business-type activities fund financial statements utilize a net assets presentation. Net assets are categorized as follows:

**Investment in capital assets, net of related debt** – This category reflects the portion of net assets that are associated with capital assets less outstanding capital asset related debt.

**Restricted net assets** – This category reflects the portion of net assets that have third party limitations on their use.

**Unrestricted net assets** – This category reflects net assets of the County, not restricted for any project or other purpose.

### **9. Fund Equity Reservation and Designations**

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted. Designations represent tentative managerial plans that are subject to change. Fund equity was reserved or designated for:

**Reserved for debt service** - Amounts legally restricted for the payment of long-term debt.

**Reserved for inventory** - Segregates a portion to indicate that although supplies inventory is an asset, it does not represent an available, spendable resource.

**Reserved for note receivable** - Segregates a portion to indicate that although the notes receivable is an asset, it does not represent an available, spendable resource.

**Reserved for advances to other funds** - The amount of advances to other funds not available for appropriation and/or expenditure.

**Reserved for prepaid items** - Segregates a portion to indicate that although prepaid items are an asset, it does not represent an available, spendable resource.

**Reserved for encumbrances** - Represents the amounts that were budgeted as current year expenditures, which were unspent at year-end and which were encumbered and rebudgeted for the subsequent year.

**Reserved for subsequent years' expenditures** - Represents the amounts, other than carryover expenditures, that are required to be designated for subsequent years' expenditures.

**Unreserved, undesignated** – Amounts which have not been reserved or designated for any purpose. These funds are available for unrestricted usage by the County.

**COUNTY OF BERNALILLO, NEW MEXICO  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2004**

**10. Cash Flows**

For purposes of the Statement of Cash Flows, the various enterprise funds consider all highly liquid assets (excluding restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

**11. Bond Premiums/Issuance Costs**

In governmental fund types, bond premiums and issuance costs are recognized in the current period. Bond premiums are presented, separately as other financing sources.

**12. Presentation**

Certain reclassifications of prior year information have been made to conform to current year presentation.

**13. Use of Estimates**

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 period. Actual results could differ from those estimates.

**II. Reconciliation of government-wide and fund financial statements**

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

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets –governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.” The details of this difference are as follows:

Bonds and bond anticipation notes payable	\$ (275,603,940)
Capital leases payable	(1,774,674)
Compensated absences	(8,009,888)
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	<u>\$ (285,388,502)</u>

**COUNTY OF BERNALILLO, NEW MEXICO**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**JUNE 30, 2004**

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that, “Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.” The details of this difference are as follows:

Capital outlay	\$ 19,836,585
Expenses- general government	1,069,939
Depreciation expense	<u>(20,953,141)</u>
Net adjustment to decrease net changes in fund balances – total Governmental funds to arrive at changes in net assets of Governmental activities	<u>\$ (46,617)</u>

Another element of that reconciliation states that, “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. The details of this difference are as follows:

Debt issued or incurred:	
Issuance of general obligation bond	\$ (22,210,000)
Bond issuance cost	346,043
Principal repayments:	
General obligation and revenue bonds	10,981,806
Capital leases	<u>185,375</u>
Net adjustment to decrease net changes in fund balances – Total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (10,696,776)</u>

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.” The details of this difference are as follows:

**COUNTY OF BERNALILLO, NEW MEXICO  
 NOTES TO THE FINANCIAL STATEMENTS  
 JUNE 30, 2004**

Compensated absences	\$ (865,030)
Accrued interest	(355,755)
Deferred charges	(78,236)
Amortization of issuance cost	(33,817)
Net adjustment to decrease net changes in fund balances – total Governmental funds to arrive at changes in net assets of Governmental activities	\$ (1,332,838)

**III. Stewardship, compliance and accountability**

**A. Budgetary information**

Actual amounts on the budgetary basis financial statements are prepared on the cash basis of accounting which recognizes revenues when received and expenditures when paid. Annual budgets are adopted for the general, most special revenue, and debt service funds. The proprietary funds, internal service fund, and the following governmental funds did not adopt annual operating budgets during the current fiscal year:

**Special Revenue:**

Grants  
 Farm and Range  
 Public Works Grants  
 Section 8 Housing – Vouchers  
 Sheriff’s Investigative Fund  
 Law Enforcement Block Grants

**Debt Service:**

Series 1996 Reserve  
 Series 1996B Reserve  
 Series 1997 Reserve  
 Refunding Series 1998 Reserve  
 Series 1999 Reserve  
 All Capital Projects Funds  
 Component Unit - Redevelopment Corporation

Budget amounts for Capital Projects Funds and certain Special Revenue Funds are individual project budgets authorized by the County Commission for the entire length of the project. The County Manager has administrative authority to make line item changes within a specific capital project without County Commission approval if the total change does not exceed 10 percent of the original budget. Once the County Commission has approved grant applications for projects, the County Manager is authorized to expend any funds awarded as a result of the grant application.

The County Manager is responsible for preparing the budget from requests submitted by division directors. The appropriated budget is prepared by line item within object class, program, department and fund; revenues expected to be available are estimated to provide for balanced budgeting. The comprehensive budget package is brought before the County Commissioners for approval by resolution. The proposed budget is then submitted by June 1 to the New Mexico Department of Finance and Administration Local Government Division (DFA) for approval. DFA certifies a pending budget by July 1 with final certification of the

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budget by the first Monday of September. The expenditure section of the budget, once adopted, is legally binding. Based on the final certified budget submitted, DFA certifies the allowable tax rates for property taxes in September.

Transfers of appropriations within a fund may be made with cognizant Division Director or elected official approval. Increases or decreases in the budget of a fund or transfers of appropriations between funds must be presented to the County Commission for approval by resolution and must subsequently have DFA approval. Amendments made to the original budget are included in the budgetary comparison statements of this report, which reflect actual to budget.

Budgets and amendments to the budgets for all funds are adopted in a legally permissible manner. The legal level of budgetary control is the fund level. Expenditures may not legally exceed budgeted appropriations at the fund level except for the following funds, whose legal level of budgetary authority is at the program or district level:

Emergency Medical Services  
 Fire Districts

All outstanding encumbrances must be rebudgeted in the next year's budget. During the year, several supplementary appropriations were necessary.

Budgetary compliance – non GAAP financial statements

The County prepares its annual budget on a non-GAAP basis of accounting as described above. A reconciliation of the general fund non-GAAP statement to the GAAP statement is as follows:

	<b>General Fund</b>
Net changes in fund balance – GAAP basis	\$ 4,503,774
(Increases) decreases in assets:	
Accounts receivable	178,951
Due to/from other funds	(749,718)
Accrued interest	354,943
Inventory	1,221
Prepaid	(23,505)
Increase (decrease) in liabilities:	
Accounts payable	(13,694,569)
Deferred revenue	(308,850)
Accrued payroll	704,895
Prior period adjustment	1,450,162
Net changes in fund balance – Budget to Actual	<u>\$ (7,582,696)</u>

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**B. Deficit fund equity**

There is a deficit fund balance in the Series 1997 and 1999 Series Debt Service Funds in the amount of \$200,150 and \$43,649 respectively. Subsequent fiscal year General Fund revenue transfers and interest revenues generated from the 1997 and 1999 Debt Service Reserve Fund will cover the deficits in these funds. There is unreserved/undesignated deficit fund balance in the Public Works Grants Fund and in the Law Enforcement Block Grant Fund in the amount of \$491,349 and \$23,072 respectively. The deficit fund balances are primarily attributed to large encumbrance balances at year-end. The County expects to bill the granting agency in the future to cover the deficits in these funds. There is deficit fund balance of \$42 in the Clerk's Bilingual fund. The County will transfer sufficient funds from the General Fund in FY05 to cover the deficit and to close out this fund. There is a deficit net asset balance of \$16,655 in the Solid Waste Fund. The County expects that FY05 operating revenues will be sufficient to cover the deficit.

**IV. Detailed notes on all funds**

**A. Cash and investments**

The County's deposits are categorized to give an indication of the level of risk assumed by the County at year-end. Category 1 includes deposits that are insured. Category 2 includes deposits that are collateralized with securities held by the pledging financial institution's trust department or agent in the County's name. Category 3 represents uncollateralized deposits, of which the County has none.

	<b>Category</b>		<b>Bank Balance</b>	<b>Book Balance</b>
	<b>1</b>	<b>2</b>		
Bank accounts	\$ 800,000	\$ 4,612,233	\$ 5,412,233	\$ 2,576,190

The County's investments are categorized to give an indication of the level of risk assumed by the County at year-end. Category 1 includes investments that are registered, or for which the securities are held by the County or its agent in the County's name. Category 2 includes uninsured or unregistered investments, or for which securities are held by the counterparty's trust department or agent in the County's name. Category 3 represents uninsured and unregistered investments, not held in the County's name. The County does not have Category 3 investments. The categories of the County's investments at June 30, 2004, were as follows:

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	Category		Carrying Amount	Fair Market Value
	1	2		
Certificates of Deposit	\$ 32,427,380	\$ -	\$ 32,427,380	\$ 32,427,380
Flexible Repurchase Agreements	-	47,234,079	47,234,079	47,234,079
GNMA Pool	12,680,854	-	12,680,854	12,435,280
PEFCO Bonds	2,198,300	-	2,198,300	2,201,200
	<u>\$ 47,306,534</u>	<u>\$ 47,234,079</u>	<u>94,540,613</u>	<u>94,297,939</u>
Investment in State Treasurer's Investment Pool			92,000,000	92,000,000
Total investments			<u>\$186,540,613</u>	<u>\$186,297,939</u>

A reconciliation of cash and investments for the County follows:

Bank accounts	\$ 2,576,190
Petty cash on hand	1,520
Reconciling items	(3,605,996)
Carrying amount of investments	186,540,613
Total cash and investments	<u>\$ 185,512,327</u>

Statement of Net Assets

Cash and investments:	
Primary Government	\$177,453,799
Component Unit	164,721
Restricted assets:	
Primary Government	610,696
Component Unit	226,203
Statement of Fiduciary Net Assets	7,056,908
Total cash, investment and restricted assets	<u>\$185,512,327</u>

The County 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). The pledged collateral is stated at market value as of June 30, 2004. Investments held at the State Investment Pool are monitored by the State Treasurer's Office and the State Treasurer issues separate financial statements, which disclose the collateral pledged to secure these deposits.

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**B. Receivables**

	Taxes	Other	Allowance for Uncollectable Accounts	Net Receivables
Governmental Funds:				
Major Funds:				
General Fund	\$ 14,810,280	\$ 2,535,838	\$ 657,979	\$ 16,688,139
Nonmajor Funds	1,630,421	51,889	89,629	1,592,681
Total governmental activity funds	<u>16,440,701</u>	<u>2,587,727</u>	<u>747,608</u>	<u>18,280,820</u>
Business-type activities:				
Enterprise Funds	-	2,137,398	1,177,555	959,843
Component Unit:				
Redevelopment Corporation	-	704	-	704
Agency Funds	23,560,388	1,326,294	1,506,125	23,380,557
Total Receivables	<u>\$ 40,001,089</u>	<u>\$ 6,052,123</u>	<u>\$ 3,431,288</u>	<u>\$ 42,621,924</u>

Note receivable

On April 16, 1991, the County Commission approved a \$100,000 loan to American G.I. Forum for the purpose of providing housing services to very low-income residents of Bernalillo County. The note is secured by a mortgage on certain real property owned by the American G.I. Forum. The repayment schedule was 24 monthly installments of \$4,166 bearing no interest. The American G.I. Forum did not make the payments as scheduled. Subsequent agreements between the County and the Forum amended the scheduled payment amount and provided for interest to be paid. The latest revision dated December 16, 1997 provides for the Forum to make \$800 monthly payments, including interest at 2.625% adjusted annually to match the current average interest rate for five-year Treasury Notes. The balance on this note was \$9,478 at June 30, 2004.

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**C. Capital assets**

Capital asset activity for the year was as follows:

	Balance			Balance
	June 30,2003	Increases	Decreases	June 30, 2004
<b>Governmental activities</b>				
Capital assets, not being depreciated:				
Land	\$ 124,501,275	\$ 3,900,083	\$ (7,734,560)	\$ 120,666,798
Construction in progress	14,615,312	12,404,474	(15,753,438)	11,266,348
Art	1,420,712	3,800	-	1,424,512
Total capital assets, not being depreciated	140,537,299	16,308,357	(23,487,998)	133,357,658
Capital assets, being depreciated:				
Buildings	231,942,111	4,095,528	(7,650)	236,029,989
Machinery and equipment	60,666,161	3,188,380	(1,523,150)	62,331,391
Infrastructure	186,343,476	13,449,797	(1,439,027)	198,354,246
Leasehold improvements	2,804,000	-	-	2,804,000
Total capital assets being depreciated	481,755,748	20,733,705	(2,969,827)	499,519,626
Less Accumulated depreciation for:				
Buildings	(37,407,922)	(9,298,442)	77	(46,706,287)
Machinery and equipment	(46,463,250)	(5,059,575)	1,503,195	(50,019,630)
Infrastructure	(50,698,496)	(6,482,964)	239,933	(56,941,527)
Leasehold improvements	(233,667)	(112,160)	-	(345,827)
Total accumulated depreciation	(134,803,335)	(20,953,141)	1,743,205	(154,013,271)
Total capital assets, being depreciated, net	346,952,413	(219,436)	(1,226,622)	345,506,355
Governmental activities capital assets, net	\$ 487,489,712	\$ 16,088,921	\$ (24,714,620)	\$ 478,864,013

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	Balance June 30, 2003	Increases	Decreases	Balance June 30, 2004
<b>Business-type activities</b>				
Capital assets, not being depreciated:				
Land	\$ 432,002	\$ -	\$ (5,502)	\$ 426,500
Construction in progress	-	409,807	5,502	415,309
Total capital assets, not being depreciated	432,002	409,807	-	841,809
Capital assets, being depreciated:				
Buildings	2,852,987	5,616	-	2,858,603
Machinery and equipment	1,646,754	40,128	-	1,686,882
Total capital assets being depreciated	4,499,741	45,744	-	4,545,485
Less accumulated depreciation for:				
Buildings	(771,801)	(66,420)	-	(838,221)
Machinery and equipment	(1,607,331)	(47,228)	-	(1,654,559)
Total accumulated depreciation	(2,379,132)	(113,648)	-	(2,492,780)
Total capital assets, being depreciated, net	2,120,609	(67,904)	-	2,052,705
Business-type activities capital assets, net	\$ 2,552,611	\$ 341,903	\$ -	\$ 2,894,514

	Balance June 30, 2003	Increases	Decreases	Balance June 30, 2004
<b>Business-type activities:</b>				
<b>Component Unit:</b>				
Capital assets, not being depreciated:				
Land	\$ 44,563	\$ -	\$ (7,711)	\$ 36,852
Capital assets, being depreciated:				
Buildings	2,542,972	9,202	-	2,552,174
Machinery and equipment	5,130	-	-	5,130
Total capital assets, being depreciated	2,548,102	9,202	-	2,557,304
Less accumulated depreciation for:				
Buildings	(356,059)	(121,876)	-	(477,935)
Machinery and equipment	(257)	(1,026)	-	(1,283)
Total accumulated depreciation	(356,316)	(122,902)	-	(479,218)
Total capital assets, being depreciated, net	2,191,786	(113,700)	-	2,078,086
Business-type activities capital assets, net	\$ 2,236,349	\$ (113,700)	\$ (7,711)	\$ 2,114,938

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

Governmental activities:	
General government	\$ 2,306,220
Public safety	9,907,711
Culture and recreation	728,066
Public works	7,285,530
Health and welfare	725,614
Total depreciation expense-governmental activities	<u>\$ 20,953,141</u>

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Business-type activities:	
Solid waste	\$ 9,093
Housing Authority	61,137
Seybold Village	43,418
Total depreciation expense-business-type activities	<u>\$ 113,648</u>

Depreciation expense was charged to component unit as follows:

Business-types activities, component unit:	
Redevelopment Corporation	<u>\$ 122,902</u>

**D. Interfund receivables, payables, and transfers**

The composition of interfund balances as of June 30, 2004, is as follows:

	<b>Due from Other Funds</b>	<b>Due to Other Funds</b>
Governmental funds:		
Major funds		
General Fund	\$ 4,503,471	\$ 1,368,257
Grants Fund	829,162	3,196,750
Water/Wastewater	129,930	4,093
Total major funds	<u>5,462,563</u>	<u>4,569,100</u>
Nonmajor funds	167,350	1,506,855
Nonmajor enterprise funds	490,400	400,800
Internal service funds:		
Risk Management Fund	378,828	-
Component unit:		
Redevelopment Corporation	550	22,936
	<u>\$ 6,499,691</u>	<u>\$ 6,499,961</u>

**Advances.** For the purpose of financing cost-reimbursement grants, the general fund advanced the grants fund \$1,397,000 and the public works grants fund \$100,000. The environmental fund financed the initial start-up of the solid waste fund through an advance of which \$431,097 is outstanding at June 30, 2004.

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During the year, the County makes various transfers of monies to fund debt service payments, capital projects, and to reimburse the General fund for cost incurred on behalf of other funds. Interfund transfers for the year ended June 30, 2004 were as follows:

	<b>Transfers From</b>	<b>Transfers To</b>
Governmental funds:		
Major funds:		
General Fund	\$ 3,768,885	\$ 27,216,717
Grants Fund	71,213	-
Water/Wastewater	5,204,432	-
Nonmajor funds	26,230,437	7,858,250
Enterprise funds	-	200,000
Total transfers	<u>\$ 35,274,967</u>	<u>\$ 35,274,967</u>

**E. Leases**

Capital Leases

The County is obligated to the State of New Mexico, under certain leases that are accounted for as capital leases. The County does not pay interest on the capital lease obligation. Assets under capital leases totaled \$2,695,850 at June 30, 2004. The following is a schedule of the future minimum lease payments under capital leases at June 30, 2004:

	<b>Amount</b>
2005	\$ 212,282
2006	212,282
2007	212,282
2008	212,282
2009	212,282
2010-2014	713,264
Total minimum lease payments	<u>\$ 1,774,674</u>

Operating Leases

During the fiscal year ended June 30, 2004, the County leased equipment, and office space under operating leases. The County's expenditures on those leases for the fiscal year ended June 30, 2004, were \$1,413,706. The County's future minimum rental commitments, accounted for as operating leases at June 30, 2004, are as follows:

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	<b>Amount</b>
2005	\$ 1,379,829
2006	3,000
2007	3,000
2008	3,000
2009	3,000
Total	<u>\$ 1,391,829</u>

The County shares building expense on One Civic Plaza (City/County Building) on a year-to-year basis. A joint City/County annual operating budget for the building is established one month prior to the commencement of the fiscal year.

During the year, the County, as lessor, leased various office spaces at a cost of approximately \$2.24 million and a carrying amount of \$1.73 million under operating leases. Rental revenue was \$194,733 and depreciation expense on those assets was \$86,169.

**F. Long-term debt**

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2004, was as follows:

	<b>Balance</b>		<b>Amounts</b>		
	<b>June 30, 2003</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance</b>	<b>Due within</b>
			<b>June 30, 2004</b>	<b>One Year</b>	
<b>Governmental Activities:</b>					
Bonds and notes payable:					
G.O. bonds	\$ 77,155,000	10,210,000	\$ (3,450,000)	\$ 83,915,000	\$ 4,465,000
Revenue bonds	184,910,378	12,000,000	(4,685,378)	192,225,000	4,885,000
Long-term note	2,846,428	-	(2,846,428)	-	-
Deferred amounts:					
Bond premiums	23,054		(1,795)	21,259	-
Bond discounts		(16,117)	806	(15,311)	-
Refunding	(619,438)		77,430	(542,008)	-
Total bonds and Notes payable	<u>264,315,422</u>	<u>22,193,883</u>	<u>(10,905,365)</u>	<u>275,603,940</u>	<u>9,350,000</u>
Other liabilities:					
Capital leases	1,577,949	382,100	(185,375)	1,774,674	212,280
Compensated absences	7,144,858	5,199,579	(4,334,549)	8,009,888	1,112,137
Governmental activity Long-term liabilities	<u>\$ 273,038,229</u>	<u>\$ 27,775,562</u>	<u>\$ (15,425,289)</u>	<u>\$ 285,388,502</u>	<u>\$ 10,674,417</u>

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	Balance			Amounts	
	June 30, 2003	Additions	Deletions	Balance June 30, 2004	Due within One Year
<b>Business-type Activities:</b>					
Enterprise funds:					
Compensated absences	\$ 171,085	\$ 164,412	\$ (162,068)	\$ 173,429	\$ 9,556
Component Unit:					
Bonds payable	\$ 1,885,000	\$ -	\$ (35,000)	\$ 1,850,000	\$ 35,000

Compensated absences for governmental activities are generally liquidated by the general fund.

General Obligation Bonds are direct obligations of the County for which its full faith and credit are pledged and are payable from taxes levied on property located within the County. During fiscal year 2004, the County issued \$10,210,000 in general obligation bonds. The general obligation bonds outstanding as of June 30, 2004 are comprised of the following issues:

Issue	Amount	Interest Rate	Final Maturity
Series 1995	\$ 6,135,000	4.70%-5.00%	August 1, 2010
Series 1996	3,775,000	5.00%-5.38%	August 1, 2010
Series 1997	9,195,000	4.50%-6.50%	December 1, 2017
Series 1999	16,235,000	4.50%-6.50%	August 1, 2019
Series 2000	8,815,000	5.10%-7.00%	February 1, 2020
Series 2001	4,600,000	4.10%-4.80%	October 1, 2021
Series 2002	16,400,000	3.20%-4.70%	February 15, 2022
Series 2002A	8,550,000	3.00%-4.25%	February 15, 2017
Series 2003	10,210,000	3.15%-4.65%	December 15, 2023
Total	<u>\$ 83,915,000</u>		

The Gross Receipts Tax Revenue Bonds are limited obligations of the County, payable solely from gross receipts tax revenues. During the fiscal year 2004, the County issued \$12,000,000 in gross receipts tax revenue bonds. The gross receipts tax revenue bonds outstanding as of June 30, 2004 are comprised of the following issues:

Issue	Amount	Interest Rate	Final Maturity
Series 1996	\$ 350,000	5.10%	April 1, 2005
Series 1996B	59,305,000	4.70%-5.70%	April 1, 2027
Series 1997	14,275,000	4.45%-5.75%	October 1, 2017
Refunding Series 1998	50,350,000	4.05%-5.25%	April 1, 2027
Series 1999	54,040,000	5.00%-5.75%	October 1, 2026
Series 2002	1,905,000	3.00%-3.50%	November 15, 2011
Series 2004	12,000,000	3.00%-5.25%	June 15, 2025
	<u>\$ 192,225,000</u>		

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The annual requirement to amortize general obligation and gross receipts tax revenue bonds is as follows:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2005	\$ 9,350,000	\$ 9,857,666	\$ 19,207,666
2006	9,440,000	9,662,783	19,102,783
2007	10,565,000	9,430,354	19,995,354
2008	11,130,000	9,201,874	20,331,874
2009	11,550,000	8,923,741	20,473,741
2010-2014	59,190,000	39,727,025	98,917,025
2015-2019	67,125,000	30,010,843	97,135,843
2020-2024	60,610,000	18,025,451	78,635,451
2025-2027	37,180,000	3,800,240	40,980,240
	<u>\$ 276,140,000</u>	<u>\$ 138,639,977</u>	<u>\$ 414,779,977</u>

At June 30, 2004, the following general obligation bonds were authorized and unissued.

Approved by Voters on	Purpose	Authorized
November 5, 2002	Road Construction and Repair	\$ 1,714,000
November 5, 2002	Storm Drain	1,315,000
November 5, 2002	Parks and Recreation	1,255,000
November 5, 2002	Public Safety	1,506,000
Total		<u>\$ 5,790,000</u>

*Prior Refunding.* In prior years, the County defeased certain general obligation and gross receipts tax revenue bonds by placing cash in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. At June 30, 2004, \$49,275,000 of gross receipts tax revenue bonds and \$9,360,000 of general obligation bonds outstanding are considered defeased.

**Component unit long-term debt**

The annual requirement to amortize the Multifamily Housing Refunding and Improvement Revenue Bonds outstanding as of June 30, 2004, is as follows:

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	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2005	\$ 35,000	\$ 108,225	\$ 143,225
2006	35,000	106,177	141,177
2007	40,000	104,130	144,130
2008	40,000	101,790	141,790
2009	45,000	99,450	144,450
2010-2014	260,000	455,715	715,715
2015-2019	345,000	370,012	715,012
2020-2024	450,000	257,399	707,399
2025-2029	600,000	109,394	709,394
Total	<u>\$ 1,850,000</u>	<u>\$ 1,712,292</u>	<u>\$ 3,562,292</u>

**G. Short-term debt**

**Tax and Revenue Anticipation Notes**

On July 8, 2003, December 15, 2003, and June 30, 2004 the County issued tax and revenue anticipation notes (TRANs) in the amount of \$25,000,000, \$20,000,000, and \$25,000,000 respectively. The County issues TRANs in advance of property tax collections, depositing the proceeds in its general fund. These notes are used to finance current expenditures pending receipt of tax payments in May and November.

Short-term debt activity for the year ended, was as follows:

	<b>Balance June 30, 2003</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2004</b>
<b>Governmental Activities:</b>				
Bonds and notes payable:				
Tax anticipation notes	\$ 30,000,000	\$ 70,000,000	\$ (55,000,000)	\$ 45,000,000

**H. Special assessment bonds**

The County, acting as the agent for the property owners, issued Special Assessment District Improvement Bonds to finance street and road improvements. The bonds are payable from and secured by a pledge of district special assessments. For redemption purposes, the bonds are numbered consecutively. All or any part of the bonds are subject to redemption in numerical order at the option of the County on any interest payment date prior to maturity, at a price equal to the principal amount thereof plus accrued interest to the redemption. The bonds bear interest from their issue date and are paid semiannually thereafter until paid. The bonds are not a debt of the County, and the County did not pledge its full faith and credit for payment of the bonds. The payment of the bonds is not secured by any encumbrance, mortgage, or other pledge of property of the County except for district special assessments. No property of the County, subject to foregoing exception, shall be liable to be forfeited or taken in payment of the bonds.

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The activities relating to the collection of special assessments and the payments on special assessment bonds are included in the agency fund accounts.

The following is a summary of Special Assessment Bonds payable as of June 30, 2004:

<b>Improvement Bonds</b>	<b>Interest Rate</b>	<b>Date Issued</b>	<b>Date Series Matures</b>	<b>Amount of Original Issue</b>	<b>Bonds Outstanding June 30, 2004</b>
Heatherland Hills BC-85-5	6.75%	1/95	9/1/04	\$135,000	\$5,000
Comanche Griegos BC-83-1	7.25%	12/03	12/15/23	\$1,390,000	\$1,390,000

At June 30, 2004, the Second Street, East Mountain, Paradise Hills, and South Valley special assessment bonds had been fully paid. The remaining potential assets were as follows:

	<b>Second Street BC-85-3</b>	<b>East Mountain BC-85-4</b>	<b>Paradise Hills BC-84-2</b>	<b>South Valley BC-84-1</b>
Cash and investments	\$ -	\$ 14,225	\$ 7,174	\$ 13,095
Accounts receivable:				
Billed, but uncollected	1,804	21,699	21,905	62,361
Total	<u>\$ 1,804</u>	<u>\$ 35,924</u>	<u>\$ 29,079</u>	<u>\$ 75,456</u>

In accordance with State Statute Section 4-55A-28, NMSA, 1978 Compilation, the Board of County Commissioners may transfer to the general fund money obtained from the levy of an assessment for an improvement district if:

1. Bonds or assignable certificates were issued to finance the improvement; and
2. The funds obtained by the bonds or assignable certificates were spent for the improvement; and
3. The assessments were levied and collected for the payment of the bonds or assignable certificates; and
4. Either the bondholders or assignable certificate holders are barred by the statute of limitations or a court judgment or decree from collecting the indebtedness; or
5. The bonded indebtedness or assignable certificates have been paid.

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**I. Conduit debt obligations**

From time to time, the County has issued Multifamily Housing Revenue Bonds to provide financial assistance to private-sector entities for the acquisition, construction and rehabilitation of commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance.

During 1998, the County issued Taxable Single Family Mortgage Revenue Bonds for the purpose of providing funds for single family housing loans, including down payment assistance, for County residents. The bonds are payable solely from payments received on the underlying mortgage loans.

Neither the County, the State of New Mexico nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2004, there were eleven series of project revenue bonds outstanding, with an aggregate principal amount payable of \$97,401,000 and one series of mortgage revenue bonds outstanding with a principal amount payable of \$5,038,094.

**J. Reserve fund balance**

The New Mexico Department of Finance and Administration requires that 3/12 of budgeted expenditures be reserved as subsequent-year expenditures to maintain an adequate cash flow until the next significant property tax collection; however, Bernalillo County, with DFA approval, reserves 3/12 of FY05 budgeted expenditures \$31,815,165 plus the reserve for budget stabilization \$4,821,648. The remaining portion of the fund balance is reserved for unencumbered carryover \$6,972,537.

**K. Financial data schedule reconciliation**

The Seybold Village Handicapped Project Enterprise Fund was presented in two columns on the Financial Data Schedule. The net assets reconcile to the financial statements as follows:

<u>Net Assets</u>	<u>Amount</u>
Net Assets – Low Rent 14.850	\$ 1,508,259
Net Assets– CFP 14.872	25,736
Net Assets– Seybold Village Handicapped Project	<u>\$ 1,533,995</u>

The Section 8 Housing-Voucher Special Revenue Fund was presented in accordance with GASB 34 on the Financial Data Schedule. The equity balance was adjusted to remove the effects of the capital asset additions that are not reflected in the governmental fund presentation.

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Net Assets –Housing Choice Voucher 14.871	\$	97,579
Reduction of capital assets		(77,883)
Accumulated depreciation		61,437
Fund balance – Section 8 Housing-Vouchers	\$	<u>81,133</u>

**L. Restatement of prior year fund balance**

A prior year erroneous posting of an accounts payable for \$1,692,835 and an account receivable for \$242,674 in the General Fund were corrected in fiscal year 2004. The effect on the General Fund reserved fund balance as of June 30, 2003 of \$41,979,016 as previously reported was an increase of \$1,450,161 to reflect the corrections. An erroneous posting of interest to the Parks and Recreation Fund in the amount of \$13,943 and to the Road Construction Fund in the amount of \$197,249 was corrected in fiscal year 2004. The effect on the Parks and Recreation Fund and Road Construction unreserved fund balances as of June 30, 2003 of \$2,705,355 and \$1,480,349 respectively, as previously reported was a decrease of \$13,943 and \$197,249 to reflect the correction. A prior year accounts payable in the amount of \$171,336 was not recorded in the correct period. The effect on the Solid Waste Fund net assets of \$540,828 as previously reported was a decrease of \$171,336 to reflect the correction. An erroneous posting of accounts payable to the 1998 Refunding Revenue Bond Fund in the amount of \$57,291 was corrected in fiscal year 2004. The effect on the 1998 Refunding Revenue Bond Fund unreserved fund balance of (\$93,359) as previously reported increase to reflect the correction.

**V. Other information**

**A. Risk management**

The County is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County joined with other county governments to form a Workers' Compensation Pool in July 1987 and a Multiline Pool in January 1989. These public entity risk pools operate as a common risk management and insurance program for workers' compensation and property and casualty coverage. The County pays an annual premium to the pools for general insurance coverage.

The pools are authorized by joint powers agreements entered into by each county as a separate and independent governmental and legal entity pursuant to the provisions of NMSA 1978 Sections 11-1-1 et seq. The agreements for formation of the Pools provide that the pools be self-sustaining through member premiums and reinsure through commercial companies for claims in excess of \$300,000 and \$250,000, respectively, for each insured event. Both pools are funded entirely by member premiums and are administered by the New Mexico County Insurance Authority.

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The Workers' Compensation Pool provides workers' compensation coverage for every County employee. There are 28 counties in this pool, which for fiscal years ended 2004 and 2003 contributed a total of \$3,135,464 and \$2,916,780 respectively. The premium that each county pays depends upon the payroll total and the loss experience specific to that county. For fiscal years ended 2004 and 2003, the County contributed \$404,879 and \$368,022 respectively, to the Worker's Compensation Pool. The self-insured retention level for the pool during the period of coverage July 1, 2003 through June 30, 2004 was \$300,000 (that is the maximum amount of coverage for each insured event before obtaining reinsurance). The pool has reinsurance coverage for losses above that amount from County Reinsurance Limited.

The Multiline Pool provides property and casualty coverage for 24 counties. The coverage includes buildings and contents, automobile physical damage, general liability, personal injury (including civil rights), host and liquor liability, automobile liability, public officials errors and omissions, money and securities, commercial blanket bond (employee fidelity), and depositors forgery. The total premiums for this pool were \$6,113,370 and \$5,775,844 for the years ending December 31, 2004, and 2003, respectively. The County paid premiums to the Multiline Pool in calendar years 2004 and 2003 of \$1,641,169 and \$1,773,052, respectively.

The self-insured retention level for this pool during the period of coverage January 1, 2004 through December 31, 2004 is \$150,000 for property and \$250,000 for liability per occurrence (that is the maximum amount of coverage for each insured event before obtaining reinsurance). The pool has reinsurance coverage for losses above that amount from County Reinsurance Limited, to a policy limit of \$2,000,000. Additionally, the pool has purchased another excess liability policy in the amount of \$3,000,000.

The pooling agreements require the pools to be self-sustaining; it is not possible to estimate the range of contingent losses to be borne by the County. The Pool Boards retain a \$3,000,000 equity prior to evaluating any refunds to the participating counties based upon losses expensed and losses incurred. The pools retain the risk of loss to be shared proportionately by pool participants. The County does not retain the sole risk of losses incurred by the County. There were no payments in excess of insurance coverage for the years ended June 30, 2004, 2003, and 2002.

The New Mexico County Insurance Authority has published its own financial reports for the fiscal year ended June 30, 2004, which can be obtained from the New Mexico Association of Counties, 613 Old Santa Fe Trail, Santa Fe, New Mexico, 87501.

The County carries commercial insurance for all other risks of loss, including law enforcement liability, emergency medical, foreign jurisdiction and excess liability, boiler and machinery, and sheriff reserve and rescue personnel. There were no payments in excess of insurance coverage for the years ended June 30, 2004, 2003, and 2002.

**B. Contingencies**

*Litigation.* The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County Attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the County. There were 78 open cases during fiscal year 2004. Twenty cases were closed subsequent to June 30, 2004. Fifty-eight cases remain open as of June 30, 2004. Insurance deductibles related to outstanding claims are estimated not to exceed \$100,000. The County is not aware of other threatened lawsuits or claims pending in excess of \$50,000.

*Grant Compliance.* The County receives significant financial assistance from the U.S. government. Entitlement to the resources is generally based on compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantor. As of June 30, 2004, management estimates that no material liabilities will result from such audits.

*County Medicaid 1/16 Gross Receipts Tax Equivalent.* Under State Statute Section 27-10-4, NMSA 1978 Compilation, a county which does not enact an ordinance imposing a county health care gross receipts tax pursuant to State Statute Section 7-20E-18, NMSA 1978 Compilation is required to dedicate to the county-supported Medicaid fund "an amount equal to a gross receipts tax rate of 1/16 of one percent applied to the taxable gross receipts tax reported during the prior fiscal year by persons engaging in business in the county." The County is currently complying with this statute through an arrangement with University Hospital. University Hospital transfers the equivalent of 1/16 percent gross receipt tax from revenues it receives to comply with the statute. However, if University Hospital fails to make this transfer, the County is liable for the transfer each year. Currently, that amount is approximately \$8.2 million annually.

*Other.* At June 30, 2004, the County is committed to spend \$5,182,160 under construction contracts for general fixed assets.

**C. Joint ventures**

*Regional Juvenile Detention Center.* The Regional Juvenile Detention Center (RJDC) was established by a joint powers agreement between Bernalillo, Sandoval, and Valencia counties on June 26, 1996. The County manages and operates the facility, which is the primary juvenile detention center for Sandoval and Valencia counties and serves as an adjunct to the County's Juvenile Detention Center. Sandoval and Valencia counties contribute one hundred percent of the costs of the operation of RJDC. The County receives a seven percent administrative fee for its management services. The operation is accounted for in a proprietary fund to provide management control and accountability to participants.

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*Torrance County/Bernalillo County Regional Landfill.* The County and the Torrance County Solid Waste Authority (TCSWA) entered into a joint powers agreement on April 21, 1998 for the construction and operation of a regional landfill. The County contributed \$633,000 toward the initial costs of acquiring, constructing, designing, developing, and equipping the facility, which constitutes its total equity interest. The County's ownership interest is commensurate with the proportion of funds it provided. It is the intent of the parties to establish tipping fees in an amount sufficient to recover all of the operating costs of the landfill.

Upon termination of the agreement, assets and surplus funds will be distributed pro rata between the parties in accordance with their then existing ownership interests.

TCSWA will operate the facility and is designated as the fiscal agent. The financial report of the Torrance County/Bernalillo County Regional Landfill can be obtained from the Torrance County Solid Waste Authority, 515 Allen Street, Estancia, New Mexico 87016.

**D. Retiree Health Care Act**

The Retiree Health Care Act (Act) (Chapter 10, Article 7C NMSA 1978) provides comprehensive core group health insurance for persons who have retired from certain public services in New Mexico. The Retiree Health Care Authority is the administrator of the plan. 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 of 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 consist of institutions of higher education, school districts, or other entities participating in the Public School Insurance Authority, state agencies, state courts, magistrate courts, municipalities or counties, which are affiliated under or covered by the Educational Retirement Act, Public Employees Retirement Act, Volunteer Firefighters Retirement Act, Judicial Retirement Act, or the Magistrate Retirement Act.

Eligible retirees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the Retiree Health Care Act on the person's behalf, unless that person retires on or before July 1, 1995, in which event the time period for contributions becomes the time between July 1, 1990, and the date of retirement; or (2) retirees defined by the Act who retired prior to July 1, 1990.

Each participating employer makes contributions to the fund in the amount of 1.3% of each participating employee's annual salary. Each participating employee contributes to the fund an employee contribution equal to .65% of the employee's annual salary. Each participating

retiree pays a monthly premium for the basic single plan and an additional five dollars (\$5.00) if the eligible participant retired prior to July 1, 1990, and made no contributions to the plan.

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 also includes the approximate number of retirees participating in the plan. That report may be obtained by writing to the Retiree Health Care Authority, 810 W. San Mateo, Suite D, Santa Fe, New Mexico 87505.

For the fiscal year ended June 30, 2004, the County remitted \$625,260 in employer contributions and \$312,631 in employee contributions to the Retiree Health Care Authority.

#### **E. Public employees' retirement**

*Plan Description.* Substantially all of the Bernalillo County full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, PO Box 2123, Santa Fe, New Mexico 87504-2123.

*Funding Policy.* Plan members are required to contribute 9.15-16.3% of their gross salary and the County is required to contribute 9.15-21.25% depending upon the division of the gross covered salary. The contribution requirements of plan members and the County are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The County's contributions to PERA for the years ending June 30, 2004, 2003, and 2002 were \$5,928,824, \$5,547,120, and \$5,481,717 respectively, equal to the amount of the required contributions for each year. In accordance with Chapter 10, Article 11, Section 5 NMSA 1978, the County has elected to make contributions of seventy-five percent of its employees' member contributions under the General-management, blue collar, white collar, sheriff and fire plans. The following table outlines the divisions the County participates in and the contributions for the year ending June 30, 2004.

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<b>Covered Division</b>	<b><u>Employee</u></b>		<b><u>Employer</u></b>	
	<b>Percent</b>	<b>Dollars</b>	<b>Percent</b>	<b>Dollars</b>
General-management, blue collar and white collar	13.15%	\$4,205,942	9.15%	\$2,926,568
General-other	9.15	58,336	9.15	66,209
Sheriff	16.30	1,784,253	18.50	2,025,072
Fire	16.20	694,485	21.25	910,975

**F. Investments at the State Treasurer Local Government Investment Pool**

The investments are valued at fair value based on quoted market prices as of the valuation date. The State Treasurer Local Government Investment Pool is not SEC registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The pool does not have unit shares. Per Section 6-10-10-1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts were invested. Participation in the local government investment pool is voluntary.

