

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.)

\$10,000,000
BERNALILLO COUNTY, NEW MEXICO
GENERAL OBLIGATION BONDS
SERIES 2006

Dated: Date of Issuance

Due: August 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 August 1, 2007. 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

Due (Feb.1)	Principal	Interest Rate	Yield	Due (Feb.1)	Principal	Interest Rate	Yield
2008	\$ 335,000	4.00%	3.550%	2018	\$ 495,000	4.00%	3.970%
2009	350,000	4.00%	3.560%	2019	515,000	4.00%	4.040%
2010	365,000	4.00%	3.570%	2020	540,000	4.00%	4.100%
2011	375,000	4.00%	3.580%	2021	560,000	4.00%	4.150%
2012	395,000	4.00%	3.610%	2022	580,000	4.00%	4.200%
2013	410,000	4.00%	3.640%	2023	605,000	4.125%	4.240%
2014	425,000	4.00%	3.680%	2024	630,000	4.125%	4.280%
2015	440,000	4.00%	3.730%	2025	655,000	4.125%	4.300%
2016	460,000	4.00%	3.790%				
2017	480,000	4.00%	3.880%				

\$1,385,000 Term Bonds at 4.25% due February 1, 2027 to yield 4.33%

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 various public purposes as more fully described herein.

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. It is anticipated that the Bonds will be available for delivery through the Depository Trust Company, New York, New York on or about November 21, 2006.

PIPER JAFFRAY

BERNALILLO COUNTY, NEW MEXICO

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COUNTY COMMISSION

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

COUNTY OFFICIALS

Thaddeus Lucero, Manager
Patrick J. Padilla, Treasurer
Mark J. Carrillo, Assessor
Mary E. Herrera, Clerk
Darren P. White, Sheriff
Merri Rudd, Probate Judge

COUNTY FINANCE DEPARTMENT

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Deputy County Manager for Budget and Finance
One Civic Plaza, N.W., 10th Floor
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TABLE OF CONTENTS

	PAGE #
Use of Information in This Official Statement	iii
Summary Information	1
Purpose and Plan of Financing	2
Sources of Funds	2
The Bonds	2
Authorization	2
Description of the Bonds	3
Security for the Bonds	3
Registration	3
Book Entry Only System	3
Limitations on Remedies Available to Owners of Bonds	6
Prior Redemption	6
Debt And Other Obligations	7
General Obligation Bonds Outstanding	7
Debt Service Schedule	8
Financial Data	10
County Valuation	10
Bonded Indebtedness	10
Direct and Overlapping Debt	11
Bonding Capacity	12
Assessed Valuation	12
Property Subject to Taxation	12
Assessment of Property	12
Reassessment	13
Limitation on Increases in Valuation of Residential Real Property	13
Assessed Valuation Comparison	14
County of Bernalillo, New Mexico Principal Taxpayers as of 2004	15
Tax Rates	16
Yield Control	16
20-Mill Limitation Analysis	16
Residential and Non-Residential Property	17
Tax Rates in Bernalillo County	18
Tax Collections	19
Methods of Tax Collection	19
Interest on Delinquent Taxes	20
Penalty for Delinquent Taxes	20
Remedies Available for Non-Payment of Taxes	20
Tax Collection History - Bernalillo County	21
The County	23
General	23
County Government	24
Bernalillo County Commissioners	24
County Manager and Staff	25
Retirement Plan	26
2004 Audit Report	27

Summary of Significant Accounting Policies of the County	27
Basis of Presentation - Fund Accounting.....	27
Governmental Fund Types.....	27
Basis of Accounting.....	29
The County's Current Finances	30
Revenues, Expenditures and Fund Balances.....	35
Revenues, Expenditures and Fund Balances.....	36
Area Economic Information.....	37
Population	37
Per Capita Personal Income - Bernalillo County	38
Non-Agricultural Employment - Albuquerque MSA	39
Civilian Labor Force - Bernalillo County	40
Major Employers	40
Litigation.....	41
Transcript And Closing Documents.....	41
Legal Matters	42
Undertaking to Provide Ongoing Disclosure.....	42
Tax Matters	43
Investment Procedures For Bernalillo County.....	44
Investments	44
Legal Investments	44
Current Investments.....	45
Ratings	46
County Approval of Official Statement.....	47

APPENDICES

Appendix A	Form of Legal Opinion	A-1
Appendix B	Continuing Disclosure Undertaking	B-1
Appendix C	State of New MexicoCounty of bernalilloComprehensive Annual Financial ReportFiscal Year Ended June 30, 2005.....	C-1

USE OF INFORMATION IN THIS OFFICIAL STATEMENT

This Official Statement is furnished to prospective purchasers of the Bernalillo County, New Mexico General Obligation Bonds, Series 2006 (the “Bonds”) in the aggregate principal amount of \$10,000,000 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. 68-2006 authorizing issuance of the Bonds adopted by the Board of County Commissioners (the “Board”) on August 9, 2006 (the “Bond Resolution”).

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.

SUMMARY INFORMATION

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 for various public purposes throughout Bernalillo County, New Mexico as follows:

STORM DRAINS	\$4,085,000
ROADS	2,686,000
PARKS AND RECREATION	2,349,000
PUBLIC SAFETY	680,000
FACILITY IMPROVEMENT	200,000

AUTHORIZATION: The Bonds were authorized by Resolution No. AR 68-2006 adopted by the Board of County Commissioners on August 9, 2006.

SECURITY: These Bonds are General Obligation Bonds of the County and 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.

COMPLIANCE: The County undertakes to comply with Rule 15c2-12. (*See "APPENDIX B."*)

DELIVERY: Delivery of the Bonds to the purchaser through the facilities of the Depository Trust Company is expected on or about November 16, 2006.

REDEMPTION: The Bonds are subject to redemption prior to maturity as more fully described herein (*see "The Bonds; Prior Redemption"*).

**PAYING AGENT/
REGISTRAR:** Initially, the Deputy County Manager for Finance or any successor named by the Board of County Commissioners.

PURPOSE AND PLAN OF FINANCING

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

SOURCES OF FUNDS

Par amount of the Bonds:	\$10,000,000.00
Original issue discount:	(60,632.75)
TOTAL SOURCES OF FUNDS:	\$9,939,367.25
Project Fund:	\$9,863,419.61
Costs of Issuance ^{**} :	<u>75,947.64</u>
TOTAL USES OF FUNDS:	\$9,939,367.25

THE BONDS

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 authorize counties to issue general obligation bonds payable from ad valorem taxes.

^{**} Includes legal fees, printing, and other miscellaneous fees.

Proceeds from the Bonds will be used to provide funds for projects approved by Bernalillo County voters as follows:

**APPROVED AND UNSOLD
FROM 2004 ELECTION**

Storm Drains	\$4,085,000
Roads	2,686,000
Parks and Recreation	2,349,000
Public Safety	680,000
Facility Improvements	200,000

DESCRIPTION OF THE BONDS

The Bonds are dated as of the date of issuance and will bear interest from that date, payable on February 1 and August 1 in each year commencing August 1, 2007. 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 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 and 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

Optional Redemption

Bonds maturing on and after February 1, 2017 are subject to redemption, in whole or in part, at the option of the County at any time on or after February 1, 2016 at par, plus accrued interest to the date of redemption.

Mandatory Sinking Fund Redemption

The Series 2006 Bonds maturing February 1, 2027 are subject to mandatory sinking fund redemption by lot, on February 1, 2026 and February 1, 2027, at a price equal to 100% of the principal amount thereof and accrued interest to the redemption date as follows:

February 1, 2026	\$680,000
February 1, 2027	705,000*

**Final Maturity – not a sinking fund amount.*

DEBT AND OTHER OBLIGATIONS

(as of October 1, 2006)

GENERAL OBLIGATION BONDS OUTSTANDING

G.O. Bond <u>Series</u>	Original <u>Issue</u>	Outstanding <u>Principal</u>
1997	\$11,170,000	\$8,210,000
1999	18,676,000	14,075,000
2000	10,160,000	1,765,000
2001	4,600,000	4,600,000
2002	16,400,000	15,125,000
2002A	9,190,000	7,420,000
2003	10,210,000	9,460,000
2004	3,029,000	3,029,000
2005	13,940,000	13,775,000
2005A	5,261,000	<u>5,261,000</u>
TOTAL		<u>\$82,720,000</u>

Source: Bernalillo County Finance Department

DEBT SERVICE SCHEDULE

Below is a summary of the principal and interest payments on the Bonds:

Fiscal Year	Principal	Interest	Total
2008	\$ 335,000	\$ 484,735	\$ 819,735
2009	350,000	392,425	742,425
2010	365,000	378,425	743,425
2011	375,000	363,825	738,825
2012	395,000	348,825	743,825
2013	410,000	333,025	743,025
2014	425,000	316,625	741,625
2015	440,000	299,625	739,625
2016	460,000	282,025	742,025
2017	480,000	263,625	743,625
2018	495,000	244,425	739,425
2019	515,000	224,625	739,625
2020	540,000	204,025	744,025
2021	560,000	182,425	742,425
2022	580,000	160,025	740,025
2023	605,000	136,825	741,825
2024	630,000	111,869	741,869
2025	655,000	85,881	740,881
2026	680,000	58,863	738,863
2027	705,000	29,963	734,963
	<u>\$ 10,000,000</u>	<u>4,902,085</u>	<u>\$ 14,902,085</u>

BERNALILLO COUNTY GENERAL OBLIGATION DEBT SERVICE

Fiscal		Series											
Year		1997	1999	2001	2001	2002	2002A	2003	2004	2005	2005A	2006(1)	Totals
2007	\$	905,603	1,407,250	511,245	211,155	1,297,123	852,223	786,248	126,076	2,065,218	277,570		8,439,711
2008		905,913	1,410,488	502,545	421,210	1,305,363	844,823	788,448	126,076	2,018,618	229,186	819,735	9,372,405
2009		904,518	1,413,813	497,175	420,978	1,312,288	840,648	790,375	126,076	1,946,018	229,186	742,425	9,223,500
2010		901,519	1,415,338	499,225	420,109	1,316,388	840,985	795,863	126,076	1,934,418	229,186	743,425	9,222,532
2011		897,188	1,419,950		418,709	1,318,668	839,110	792,863	126,076	1,989,256	489,186	738,825	9,029,831
2012		891,669	1,422,538		422,560	1,323,668	836,535	794,263	126,076	788,506	488,786	743,825	7,838,426
2013		884,963	1,427,988		421,560	1,325,268	838,260	793,893	126,076	792,506	492,986	743,025	7,846,525
2014		877,069	1,431,188		424,763	1,333,078	833,075	795,208	126,076	785,568	488,736	741,625	7,836,386
2015		867,988	1,437,025		427,035	1,337,815	830,563	794,995	126,076	781,568	486,199	739,625	7,828,889
2016		857,719	1,440,388		428,348	1,339,815	841,163	798,740	126,076	786,768	483,236	742,025	7,844,278
2017		943,888	1,441,275		428,670	1,338,730	834,000	795,940	126,076	780,768	479,849	743,625	7,912,821
2018		926,494	1,449,463		432,943	1,339,955		796,603	126,076	773,968	482,036	739,425	7,066,963
2019			1,454,725		431,228	1,338,193		795,465	126,076	783,093	486,544	739,625	6,154,949
2020			1,457,063		428,625	1,333,353		792,945	1,008,076	780,000	491,244	744,025	7,035,331
2021					430,000	1,330,345		788,685	972,076		494,619	742,425	4,758,150
2022					435,200	1,324,455		787,635	1,256,038		482,119	740,025	5,025,472
2023								784,875			479,400	741,825	2,006,100
2024											480,500	741,869	1,222,369
2025											480,700	740,881	1,221,581
2026											-	738,863	738,863
2027											-	734,963	734,963
	\$	10,764,531	20,028,492	2,010,190	6,603,093	21,214,505	9,231,385	13,473,044	4,875,178	17,006,273	8,251,268	14,902,085	128,360,044

FINANCIAL DATA

COUNTY ASSESSED VALUATION

Taxable Value of Property Assessed (1/3 market value)	\$11,271,341,369
Add: Centrally Assessed (Corporate)	<u>444,199,094</u>
Total	<u>\$11,715,540,463</u>
Estimated Actual Value	<u>\$38,625,792,202</u>

BONDED INDEBTEDNESS

Outstanding Bonds	\$82,720,000
Series 2006 Bonds	10,000,000
Authorized and Unissued Bonds**	<u>3,500,000</u>
Total Direct Debt after Issuance of the Series 2006 Bonds	<u>\$96,220,000</u>

Source: Bernalillo County Finance Department

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** Balance of Bonds authorized but not issued from the 2004 general election.

DIRECT AND OVERLAPPING DEBT (AS OF JUNE 30,2006)

	G.O. Bonds Outstanding	Percent Applicable to Bernalillo County	County Share of G.O. Debt
Bernalillo County	\$ 96,220,000	100.00%	\$ 96,220,000
State of New Mexico	273,280,000	28.95%	79,114,560
City of Albuquerque	276,205,000	100.00%	276,205,000
Albuquerque Public Schools	134,175,000	99.45%	133,437,038
Albuquerque Metropolitan Arroyo Flood Control Authority	32,000,000	100.00%	32,000,000
Albuquerque TVI	11,700,000	99.45%	11,635,650
Moriarty School District	19,605,000	0.55%	107,828
			<u>\$628,720,075</u>

Ratios:

Direct and Overlapping Debt as a percentage of Taxable Assessed Valuation	5.37%
Direct and Overlapping Debt as a percentage of Actual Market Value	1.63%
Assessed Valuation Per Capita (2005 Estimated Population 603,562)	\$ 19,410.67
Direct and Overlapping General Obligation Debt Per Capita	\$ 1,041.68

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	\$468,621,619
Less total bonds to be outstanding	<u>(96,220,000)</u> ¹
Capacity in excess of present requirements	\$372,401,619

Source: Bernalillo County Finance Department

¹*Includes Series 2006 Bonds and authorized and issued bonds.*

ASSESSED VALUATION

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 (\$3,500 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 statewide 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.

ASSESSED VALUATION COMPARISON

<u>Tax Year</u>	<u>Bernalillo County</u>	<u>City of Albuquerque</u>	<u>Albuquerque Public Schools</u>
2006	\$11,715,540,463	\$9,714,625,364	\$11,650,648,268
2005	11,002,745,292	9,071,038,260	10,938,714,749
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

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COUNTY OF BERNALILLO, NEW MEXICO PRINCIPAL TAXPAYERS AS OF 2005

<u>Taxpayer</u>	<u>Industry</u>	<u>Taxable Assessed Value</u>	<u>% of Total Assessed Value</u>
Public Service Company of New Mexico Electric	Utility	\$104,305,710	1.032%
Qwest Corp fka U.S. West Communications	Telecommunications	98,991,026	0.980%
Simon Property Group Ltd. (Cottonwood Mall)	Real Estate	20,483,754	0.203%
Public Service Co. of NM Gas Services	Utility	19,719,852	0.195%
Southwest Airlines	Airline	19,433,839	0.192%
Comcast Cablevision of NM Inc.	Cable TV Franchise	19,394,182	0.192%
Heitman Properties of NM (Coronado Mall-partial)	Real Estate	19,111,489	0.189%
GCC Rio Grande	Real Estate	18,333,334	0.180%
Crescent Real Estate (Hyatt Hotel)	Real Estate	15,965,071	0.158%
Voicestream PCS II Corp.	Telecommunications	14,017,627	0.139%
Verizon Wireless	Telecommunications	12,566,690	0.124%
Winrock Mall	Real Estate	11,750,735	0.116%
Alltel Communications Inc. - NM	Telecommunications	11,114,311	0.110%
Delta Airlines	Airline	8,417,044	0.083%
Albuquerque Regional Medical Center	Health Care	8,314,168	0.082%
AT&T Communications	Telecommunications	8,122,814	0.080%
Skywest Airlines	Airline	6,991,997	0.069%
Honeywell International	Electronics	6,756,518	0.067%
Time Warner Telecom of NM LLC	Telecommunications	6,723,655	0.067%
HUB of Albuquerque LLC	Real Estate	6,147,719	0.061%

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:

$$\text{Current tax revenues} = \text{prior tax revenues} \times (G+I)$$

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 sub-classified 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 \$8,410,708,983 and the value on nonresidential property was \$2,860,632,386 for tax year 2006. The levies below are shown for each property class. Rates for 2006 are not yet available.

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TAX RATES IN BERNALILLO COUNTY

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

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
State of New Mexico	\$ -	\$ -	\$ -	\$ -	\$ -
Bernalillo County	6.131	7.031	7.007	5.918	5.608
City of Albuquerque	3.028	3.019	3.019	2.014	2.019
AMAFCA	.180	.183	.186	0.188	0.188
Albuquerque MSD #12	.242	.240	.239	0.239	0.239
Albuquerque TVI	2.488	1.649	1.674		
Total	<u>12.069</u>	<u>12.122</u>	<u>12.125</u>	<u>\$8.359</u>	<u>\$8.054</u>

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

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
State of New Mexico	\$1.234	\$1.028	\$1.520	\$1.123	\$1.765
Bernalillo County	1.147	.830	1.147	1.200	1.254
City of Albuquerque	7.976	7.976	7.976	8.976	8.976
Albuquerque MSD #12	8.036	8.040	8.036	6.504	8.034
AMAFCA	.675	.675	.675	.675	0.675
UNM Hospitals	6.500	6.500	6.500	6.500	6.500
Albuquerque TVI	0.550	3.019	3.011	3.008	3.008
Total	<u>26.118</u>	<u>28.068</u>	<u>28.865</u>	<u>27.986</u>	<u>\$30.212</u>

Total Levy

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
State of New Mexico	\$1.234	\$1.028	\$1.520	\$1.123	\$1.765
Bernalillo County	7.280	8.200	8.154	7.118	7.185
City of Albuquerque	11.004	10.995	10.995	10.990	10.995
Albuquerque MSD #12	8.278	8.280	8.275	6.273	8.273
AMAFCA	.855	.858	.861	.863	0.863
UNM Hospitals	6.500	6.500	6.500	6.500	6.500
Albuquerque TVI	3.038	3.019	3.011	3.008	3.008
Total Residential Levy	<u>\$38.189</u>	<u>\$38.022</u>	<u>\$39.316</u>	<u>\$35.875</u>	<u>\$38.589</u>

Other County
Rates:

	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
<u>City of Albuquerque</u>					
Total Non-Residential	\$41.420	\$44.377	\$45.704	\$41.417	\$45.248
<u>Village of Tijeras</u>					
Total Residential	\$27.180	\$27.862	\$28.456	\$25.086	\$27.777
Total Non-Residential	\$36.973	\$28.480	\$35.548	\$32.122	\$34.296
<u>Village of Corrales</u>					
Total Residential	\$29.753	\$27.027	\$30.399	\$27.404	\$30.818
Total Non-Residential	36.973	\$32.857	\$37.578	\$35.224	\$39.341
<u>Village of Los Ranchos</u>					
Total Residential	\$26.330		\$27.460	\$24.022	\$26.731
Total Non-Residential	\$30.170		\$33.323	\$29.897	\$32.612

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, 2006			
2005	\$427,762,070	\$411,172,774	96.12%
2004	399,943,440	394,567,822	98.68%
2003	386,261,168	383,999,156	99.41%
2002	342,757,047	341,125,698	99.52%
2001	356,534,714	354,681,018	99.48%
2000	311,972,254	310,805,551	99.63%
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%

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%

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%

Source: Bernalillo County Treasurer

THE COUNTY

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 603,562 residents, (2005 Estimated) Bernalillo County ranks 90th in population of the nation's 3,066 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.

The Albuquerque MSA was ranked number 1 in the “Top Ten Best Metros” in the “Best Places for Business and Careers” published in May, 2006. The article noted the area’s low business costs, benefits of an educated and rising household incomes.

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.

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 2006 (Note: Mr. Armijo is unopposed for the District 1 position in the November 2006 election); first elected, November 2002. Joins the Board of County 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.

Teresa L. Córdova, Ph.D., Vice-Chair, District 2. Term expires December 2008; first elected November 2004. 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. Ms. Córdova recently retired as director of the Resource Center for Raza Planning, a student group of planning and policy analysts at the UNM. 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, Commissioner, District 3. Term expires December, 2008; first elected 2004. Worked as a professor of Sociology at the University of New Mexico and taught there for five years. Served as President of the Summit Park Neighborhood Association, giving her a first-hand opportunity to develop the district's vision and direction. 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, received her Masters from the University of New Mexico and is currently finishing her Doctoral degree.

Michael Brasher, Commissioner, District 5. Term expires December 2006 (Note: Mr. Brasher is unopposed for the District 5 position in the November 2006 election); first elected 2002; 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.

E. Tim Cummins, Commissioner, 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.

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, CFGM, Deputy County Manager for Budget and 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, 2006, 2005, and 2004 were \$7,088,026, \$6,532,575, and \$5,928,824, 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, 2006.

<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%	\$4,051,036	9.15%	\$2,842,476
General-other	9.15%	30,503	9.15%	101,179
Sheriff	16.30%	1,824,987	18.50%	2,071,306
Fire	16.20%	778,233	21.25%	1,030,184
Juvenile Detention Center	16.65%	487,429	16.65%	487,429

Source: Bernalillo County

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES OF THE COUNTY

2005 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, 2005. The report of such accounting firm is attached as Appendix C hereto.

See "APPENDIX C – STATE OF NEW MEXICO COUNTY OF BERNALILLO COMPREHENSIVE ANNUAL FINANCIAL REPORT, FISCAL YEAR ENDED JUNE 30, 2005" 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.

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THE COUNTY'S CURRENT FINANCES

Statement of Activities for year ended June 30, 2006 (Preliminary)

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Assets</u>		<u>Total</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		
					<u>Governmental Activities</u>	<u>Business-type Activities</u>	
Primary government:							
Governmental activities:							
General government	\$ 52,599,053	\$ 30,856,985	\$ 280,737	\$ 11,152	\$ (21,450,179)		\$ (21,450,179)
Public works	40,847,247	-	-	22,506,345	(18,340,902)		(18,340,902)
Public safety	109,844,858	-	8,267,824	161,551	(101,415,483)		(101,415,483)
Culture and recreation	14,421,312	151	887,767	1,355,935	(12,177,459)		(12,177,459)
Health and welfare	19,204,043	-	12,511,372	177,626	(6,515,045)		(6,515,045)
Interest on long-term debt	14,199,129	-	-	-	(14,199,129)		(14,199,129)
Total governmental activities	<u>251,115,642</u>	<u>30,857,136</u>	<u>21,947,700</u>	<u>24,212,609</u>	<u>(174,098,197)</u>		<u>(174,098,197)</u>
Business-type activities:							
Solid waste	4,257,715	4,022,140	196,975	-	-	(38,600)	(38,600)
Housing Authority	469,038	79,889	-	-	-	(389,149)	(389,149)
Seybold Village Handicapped Project	168,763	40,163	-	-	-	(128,600)	(128,600)

Regional Juvenile Detention Center	1,273,084	1,245,626	-	-	-	(27,458)	(27,458)
El Centro Familiar	404,069	107,485	-	-	-	(296,584)	(296,584)
Total business-type activities	6,572,669	5,495,303	196,975	-	-	(880,391)	(880,391)
Total primary government	\$ 257,688,311	\$ 36,352,439	\$ 22,144,675	\$ 24,212,609	(174,098,197)	(880,391)	(174,978,588)

Property taxes		95,070,478	-	95,070,478
Gross receipts taxes		74,565,522	-	74,565,522
Motor vehicle taxes		4,132,542	-	4,132,542
Cigarette taxes		5,707	-	5,707
Gas taxes		1,964,503	-	1,964,503
Investment income		9,043,065	50,653	9,093,718
Operating grants		-	534,517	534,517
Miscellaneous		13,182,736	107,233	13,289,969
		-	-	-
		-	16,688	16,688
Total general revenue and transfers		197,964,553	709,091	198,673,644
Change in net assets		23,866,356	(171,300)	23,695,056
		365,264,649	5,175,390	370,440,039
Prior period adjustment		-	(210,033)	(210,033)
		365,264,649	4,965,357	370,230,006
		\$ 389,131,005	\$ 4,794,057	\$ 393,925,062

**Statement of activities for year ended June 30, 2005
(Audited)**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
		Charges for Service	Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-Type Activities	Total
Primary Government:							
Government activities:							
General government	\$ 45,288,911	\$21,395,970	\$ 1,008,250	\$ -	\$ (22,884,691)	\$ -	\$ (22,884,691)
Public safety	34,986,816	-	2,357	13,038,508	(21,945,951)	-	(21,945,951)
Culture and recreation	89,268,696	-	7,427,307	39,915	(81,801,474)	-	(81,801,474)
Health and welfare	11,411,012	60	852,589	1,106,620	(9,451,743)	-	(9,451,743)
Public works	19,266,114	-	12,535,023	874,397	(5,856,694)	-	(5,856,694)
Interest and other charges	15,077,459	-	-	-	(15,077,459)	-	(15,077,459)
Total governmental activities	215,299,008	21,396,030	21,825,526	15,059,440	(157,018,012)	-	(157,018,012)
Business-like activities:							
Solid waste	3,255,586	3,050,320	139,226	-	-	(66,040)	(66,040)
Housing Authority	1,036,213	479,823	-	-	-	(556,390)	(556,390)
Seybold Village Handicapped Project	145,955	31,905	-	-	-	(114,050)	(114,050)
El Centro Familiar	382,877	95,764	-	-	-	(287,113)	(287,113)
Regional Juvenile Detention Center	1,330,647	1,245,191	-	-	-	(85,456)	(85,456)
Total business-like activities	6,151,278	4,903,003	139,226	-	-	(1,109,049)	(1,109,049)
Total primary government	\$221,450,286	\$26,299,033	\$21,964,752	\$15,059,440	\$(157,018,012)	\$ (1,109,049)	\$(158,127,061)

General Revenues:

Property taxes	97,468,762	-	97,468,762
Gross receipts taxes	55,548,897	-	55,548,897
Motor vehicle taxes	3,608,463	-	3,608,463

Cigarette taxes	5,511	-	5,511
Gas taxes	1,680,496	-	1,680,496
Investment income	6,952,564	9,022	6,961,586
Operating grants	-	558,439	558,439
Miscellaneous revenue	10,845,578	119,688	10,965,266
Transfers	200,000	(200,000)	-
Capital contributions-capital assets	-	1,113,598	1,113,598
Total general revenues and transfers	176,310,271	1,600,747	177,911,018
Change in net assets	19,292,259	491,698	19,783,957
Beginning net assets	346,202,703	4,059,309	350,262,012
Reclassifications	(230,313)	624,383	394,070
Beginning net assets – as reclassified	345,972,390	4,683,692	350,656,082
Ending net assets	\$ 365,264,649	\$ 5,175,390	\$ 370,440,039

Source: Audited Financial Statements for year ended June 30, 2005.

Statement of activities for year ended June 30, 2004
(Audited)

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)
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.

Note: No comparable statements of activities were prepared for fiscal years prior to 2004 due to the implementation of GASB 34 and GASB 35. Audited revenues, expenditures and fund balances for the fiscal years ending June 30, 2001, 2002 and 2004 are presented below.

REVENUES, EXPENDITURES AND FUND BALANCES

	Actual 6/30 2003	Actual 6/30 2004	Actual 6/30 2005
<u>Revenues</u>			
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
Total revenues	\$99,453	\$108,504	\$123,586
<u>Expenditures</u>			
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
Total expenditures	\$95,863	\$100,283	\$114,537
Excess revenues over expenditures	3,590	8,221	9,049
<u>Other funding sources (uses)</u>			
Operating transfers in	5,945	1,475	-
Operating transfers (out)	(8,434)	(6,250)	(7,775)
Excess (deficiency) of revenues and other funding sources over expenditures and other funding uses	1,101	3,446	1,274
Residual equity transfer in	-	-	-
Prior period adjustment	(1,044)	(2,803)	-
Beginning fund balance	38,694	38,751	40,706
Ending fund balance	\$38,751	\$39,394	\$41,980
Detail of ending fund balance			
Reserved	5,708	4,121	7,361
Designated for subsequent year's expenses	33,043	35,273	34,619
Unreserved fund balance	-	-	-

AREA ECONOMIC INFORMATION

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.	603,562	797,940	1,928,384

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

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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>
2004	\$31,160	\$26,184	\$33,050		
2003	\$30,014	\$24,892	\$31,484	120.28%	95.5%
2002	\$29,488	\$24,246	\$30,810	121.7%	95.5%
2001	\$29,700	\$24,085	\$30,574	123.0%	95.3%
2000	\$27,078	\$22,134	\$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.

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NON-AGRICULTURAL EMPLOYMENT - ALBUQUERQUE MSA*

	2000^r	2001^r	2002^r	2003^r	2004^r	2005^p
Albuquerque MSA¹						
Total Employment	357.4	362.2	361.7	363.1	370.2	377.8
Natural Resources & Mining & Construction	23.6	24.8	23.4	24.1	25.9	28.4
Manufacturing	27.6	27.1	24.8	23.4	22.6	22.8
Trade, Transportation & Utilities	66.2	66.0	65.9	65.7	66.2	67.2
Wholesale Trade	14.2	13.8	13.4	13.0	12.8	12.9
Retail Trade	41.4	41.6	41.8	42.2	42.9	44.0
Transp., Warehousing & Utilities	10.7	10.6	10.6	10.5	10.5	10.4
Information	11.1	11.4	11.0	10.2	9.6	8.7
Financial Activities	19.4	19.6	18.9	18.8	19.1	19.3
Professional & Business Services	58.7	58.6	57.8	57.5	59.2	60.7
Educational & Health Services	37.3	39.3	41.3	42.7	45.0	46.4
Leisure & Hospitality	33.6	34.2	34.8	35.8	36.1	36.5
Other Services	10.9	11.1	11.5	11.7	11.8	11.9
Government	69.0	70.2	72.4	73.4	74.7	75.9

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.

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CIVILIAN LABOR FORCE - BERNALILLO COUNTY

Bernalillo County	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Labor Force	293,676	294,609	297,819	304,789	311,601
Employment	281,365	280,119	282,019	289,091	296,656
Unemployment	12,311	14,490	15,710	15,698	14,945
Percentage Unemployment Bern. County	4.2%	4.9%	5.3%	5.2%	4.8%
Percentage Unemployment New Mexico	4.9%	5.5%	5.9%	5.7%	5.3%
Percentage Unemployment United States	4.7%	5.8%	6.0%	5.5%	5.1

MAJOR EMPLOYERS

ORGANIZATION	EMPLOYEES	DESCRIPTION
Kirtland Air Force Base (Civilian – includes Sandia National labs)	16,630	Air Force Materiel Command/ Sandia Labs
University of New Mexico	14,050	Educational Institution
Albuquerque Public Schools	11,700	Educational Institution
City of Albuquerque	6,680	Government
Presbyterian Hospital	6,900	Hospital
State of New Mexico	5,660	Government
Kirtland AFB (Military Active Duty)	5,090	Defense
Lovelace Health Systems	5,200	Health Care
Intel Corporation	5,500	Semiconductor Manufacturer
UNM Hospital	4,450	Hospital
U.S. Postal Service	2,200	Government
PNM Electric & Gas Services	1,750	Utilities Provider
Albuquerque Technical-Vocational Institute	1,910	Educational Institution
Veterans Affairs Medical Center	1,810	Hospital
Bernalillo County	1,790	Government
T-Mobile	1,700	Customer service center
Sandia Casino	1,670	Indian Gaming

ORGANIZATION	EMPLOYEES	DESCRIPTION
CitiCard	1,170	Credit card collections
Honeywell Defense Avionics Systems	1,100	Aircraft Avionics Manufacturer
Isleta Gaming Palace	1,100	Indian Gaming
Albuquerque Publishing Co.	1,200	Newspaper Publisher
Bank of America	1,220	Financial Institution
Route 66 Casino	900	Indian Gaming

Source: Albuquerque Economic Development, Inc. 2006 Survey

LITIGATION

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.

TRANSCRIPT AND CLOSING DOCUMENTS

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.

LEGAL MATTERS

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.

UNDERTAKING TO PROVIDE ONGOING DISCLOSURE

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.

TAX MATTERS

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.

INVESTMENT PROCEDURES FOR BERNALILLO COUNTY

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.

RATINGS

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 rating reflect only the view of such rating agencies, and an explanation of the significance of such rating may be obtained from the respective rating agency. There is no assurance that such ratings will remain for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agencies, if in their judgments, 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]

COUNTY APPROVAL OF OFFICIAL STATEMENT

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

/s/ Alan B. Armijo

Chair, Board of County Commissioners

APPENDIX A
FORM OF LEGAL OPINION

APPENDIX A
FORM OF LEGAL OPINION

November ____, 2006

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

\$10,000,000
Bernalillo County, New Mexico
General Obligation Bonds
Series 2006

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.

APPENDIX B

UNDERTAKING TO PROVIDE ONGOING DISCLOSURE

APPENDIX B

CONTINUING DISCLOSURE UNDERTAKING

\$10,000,000

BERNALILLO COUNTY, NEW MEXICO

GENERAL OBLIGATION BONDS

SERIES 2006

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 9, 2006 (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 2007 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

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

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

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

Email: 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 November __, 2006.

BERNALILLO COUNTY, NEW MEXICO

Board of County Commissioners, Chair

APPENDIX C

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



MEYNER'S +
COMPANY, LLC
<i>Certified Public Accountants/ Consultants to Business</i>
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, 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, 2005, 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, 2005, 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, each major fund, and the aggregate remaining fund information of the County as of June 30, 2005, 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 enterprise fund of the County,

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

as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof, and the budget comparisons for the nonmajor governmental and enterprise funds for the year then 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 11, 2005, 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. 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.

Meyners + Company, LLC

November 11, 2005

COUNTY OF BERNALILLO NEW MEXICO
Management's Discussion and Analysis
June 30, 2005

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, 2005. 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-v of this report.

Financial Highlights

- The government-wide assets of the County exceed its liabilities as of June 30, 2005 by \$370,440,039 (net assets) for the primary government. Of this amount, \$259,806,252 is invested in capital assets, net of related debt. Of the remaining balance, \$49,216,804 is restricted for specific purposes and \$61,416,983 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The County's total net assets increased by \$19,553,644 or by 5.8% during the fiscal year from \$350,886,395 (\$350,262,012 primary government and \$624,383 component unit) in FY04 to \$370,440,039 in FY05. In FY05, the County's only component unit, Redevelopment Corporation was dissolved and is reported as an enterprise fund (El Centro Familiar) in the County's financial statements.
- As of June 30, 2005, the County's governmental activities and the business-type activities have net assets of \$365,264,649 and \$5,175,390 respectively.
- The fund balance in the County's general fund increased \$24,375,732 from \$47,932,951 in FY04 to \$72,308,683, a 50.8% increase. Of this amount, \$38,279,946 or 53% of the general fund is for the DFA required reserved and \$26,938,653 or 37% for subsequent year's expenditures.
- The County was able to maintain adequate reserves in the amount of \$38,279,946 as required by the State of New Mexico Department of Finance and Administration, Local Government Division - 3/12 of the General Fund Budget for FY06.
- During the year, the County sold \$3,029,000 of General Obligation Bonds. \$1,714,000 for roads and \$1,315,000 for storm drains.
- The County has \$321,626,474 in available bonding capacity or 79.59% of allowable bonding capacity per the New Mexico State Constitution (see page 146).
- The County property valuations increased 4.57% from \$9.63 billion in FY04 to \$10.10 billion in FY05 (see page 140).

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, the Regional Juvenile Detention Center, and El Centro Familiar. The government-wide financial statements can be found on pages 25-26 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 forty-eight other individual governmental funds of which eighteen are classified as Special Revenue funds, thirteen are classified as Debt Service funds, and seventeen are classified as Capital Projects funds. Information for the General fund and the TRAN Debt Service fund, both 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 31. 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 27-31 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, Regional Juvenile Detention Center, and the El Centro Familiar. 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 32-34 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 35 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 36-65 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 66-114 of this report.

Government-wide Financial Analysis

This is the fourth 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 third 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. The County’s governmental-wide net assets exceed liabilities by \$370,440,039 for the fiscal year ending June 30, 2005. By far the largest portion of the County’s net assets (70%) reflects its investment in capital assets (e.g., infrastructure, 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 75.8% 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>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
Assets:						
Current and other assets	\$234,517,129	\$220,550,839	\$ 2,368,950	\$1,975,886	\$236,886,079	\$220,526,725
Capital assets	481,366,127	478,864,013	5,417,840	2,894,514	486,783,967	481,758,527
Total assets	715,883,256	699,414,852	7,786,790	4,870,400	723,670,046	704,285,252
Liabilities:						
Long-term liabilities	269,724,477	274,714,085	1,986,294	163,873	271,710,771	274,877,958
Other liabilities	80,894,130	78,498,064	625,106	647,218	81,519,236	79,145,282
Total liabilities	350,618,607	353,212,149	2,611,400	811,091	353,230,007	354,023,240
Net Assets:						
Invested in capital assets, net of related Debt	256,203,651	262,781,593	3,602,601	2,894,514	259,806,252	265,676,107
Restricted	49,216,804	47,164,322	-	-	49,216,804	47,164,322
Unrestricted	59,844,194	36,256,788	1,572,789	1,164,795	61,416,983	37,421,583
Total net assets	\$365,264,649	\$346,202,703	\$5,175,390	\$4,059,309	\$370,440,039	\$350,262,012

Restricted net assets in the amount of \$49,216,804 represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$61,416,983 may be used to meet the government's ongoing obligations to citizens and creditors.

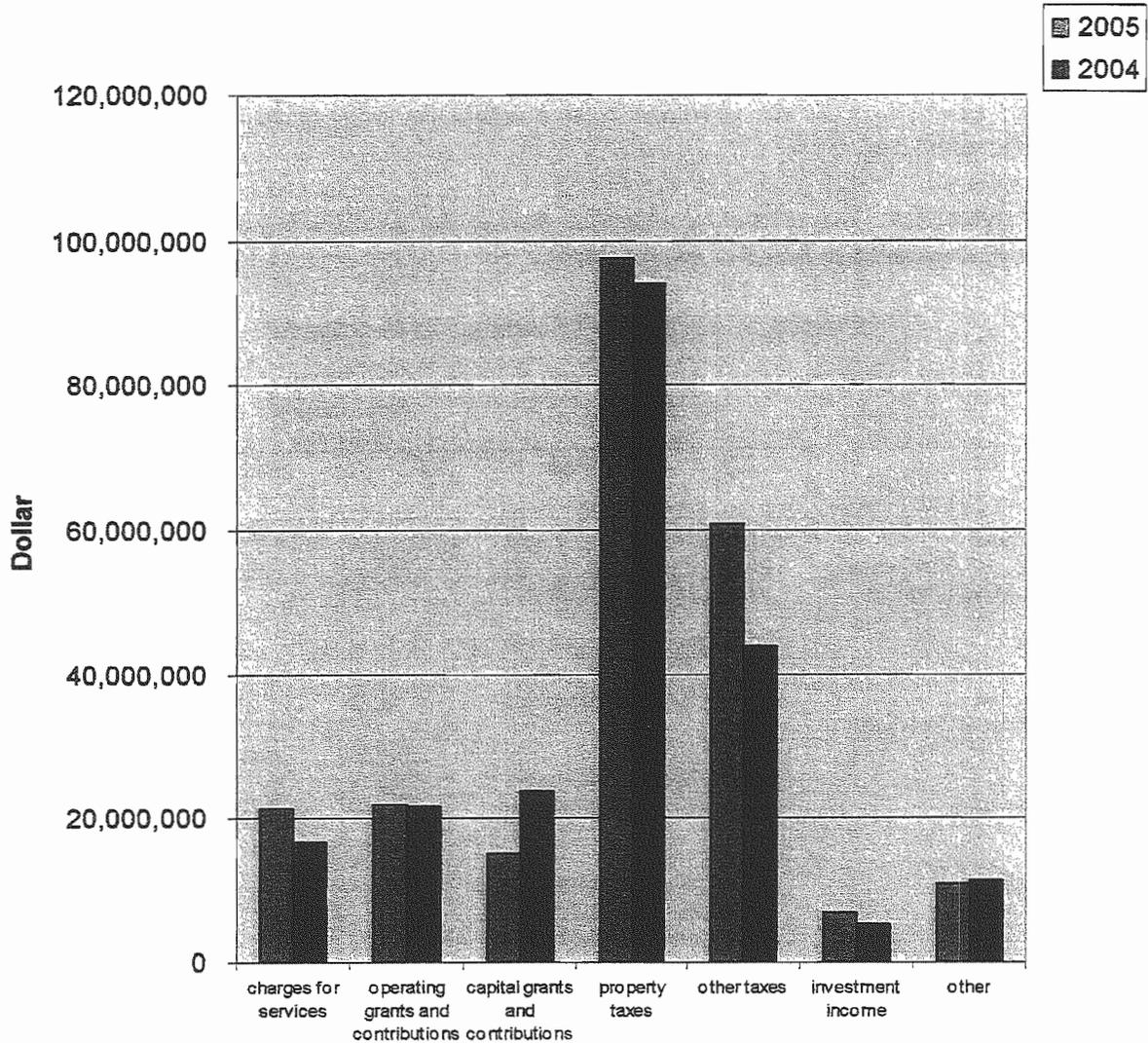
At the end of the current fiscal year, the County is able to report positive balances in all three categories of net assets, and for the government as a whole, as well as for its separate governmental and business-type activities.

Governmental activities. Governmental activities during the year increased the County's net assets by \$19,292,259 as compared to \$19,871,845 in FY04.

County of Bernalillo's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenues:						
Program revenues:						
Charges for services	\$21,396,030	\$ 16,687,882	\$ 4,903,003	\$ 5,945,501	\$26,299,033	\$ 22,633,383
Operating grants and contributions	21,825,526	21,715,925	139,226	148,490	21,964,752	21,864,415
Capital grants and contributions	15,059,440	23,844,677	-	-	15,059,440	23,844,677
General revenues:						
Property taxes	97,468,762	94,043,897	-	-	97,468,762	94,043,897
Other taxes	60,843,367	43,833,169	-	-	60,843,367	43,833,169
Investment income	6,952,564	5,184,585	9,022	5,175	6,961,586	5,189,760
Grants and contributions not restricted to specific programs	-	-	558,439	708,896	558,439	708,896
Other	10,845,578	11,332,291	119,688	119,379	10,965,266	11,451,670
Total revenues	<u>234,391,267</u>	<u>216,642,426</u>	<u>5,729,378</u>	<u>6,927,441</u>	<u>240,120,645</u>	<u>223,569,867</u>
Expenses:						
General government	45,288,911	37,501,192	-	-	45,288,911	37,501,192
Public works	34,986,816	32,294,831	-	-	34,986,916	32,294,831
Public safety	89,268,696	82,328,864	-	-	89,268,696	82,328,864
Health and welfare	19,266,114	18,785,416	-	-	19,266,114	18,785,416
Culture and recreation	11,411,012	11,409,199	-	-	11,411,012	11,409,199
Interest on long-term debt	15,077,459	14,651,079	-	-	15,077,459	14,651,079
Solid Waste	-	-	3,255,586	3,353,335	3,255,586	3,353,335
Housing Authority	-	-	1,036,213	1,672,735	1,036,213	1,672,735
Seybold Village	-	-	145,955	126,954	145,955	126,954
Juvenile Detention Center	-	-	1,330,647	1,275,350	1,330,647	1,275,350
El Centro Familiar	-	-	382,877	-	382,877	-
Total expenses	<u>215,299,008</u>	<u>196,970,581</u>	<u>6,151,278</u>	<u>6,428,374</u>	<u>221,450,286</u>	<u>203,398,955</u>
Increase in net assets before transfers	19,092,259	19,671,845	(421,900)	499,067	18,670,359	20,170,912
Transfers in (out)	200,000	200,000	(200,000)	(200,00)	-	-
Capital contributions	-	-	1,113,598	-	1,113,598	-
Increase in net assets	19,292,259	19,871,845	491,698	299,067	19,783,957	20,170,912
Net assets -beginning	346,202,703	325,034,598	4,059,309	3,931,578	350,262,012	328,966,176
Reclassified	(230,313)	1,296,260	624,383	(171,336)	394,070	1,124,924
Net assets - beginning as restated	345,972,390	326,330,858	4,683,692	3,760,242	350,656,082	330,091,100
Net assets - ending	<u>\$ 365,264,649</u>	<u>\$ 346,202,703</u>	<u>\$5,175,390</u>	<u>\$ 4,059,309</u>	<u>\$370,440,039</u>	<u>\$ 350,262,012</u>

Revenues By Source - Governmental Activities

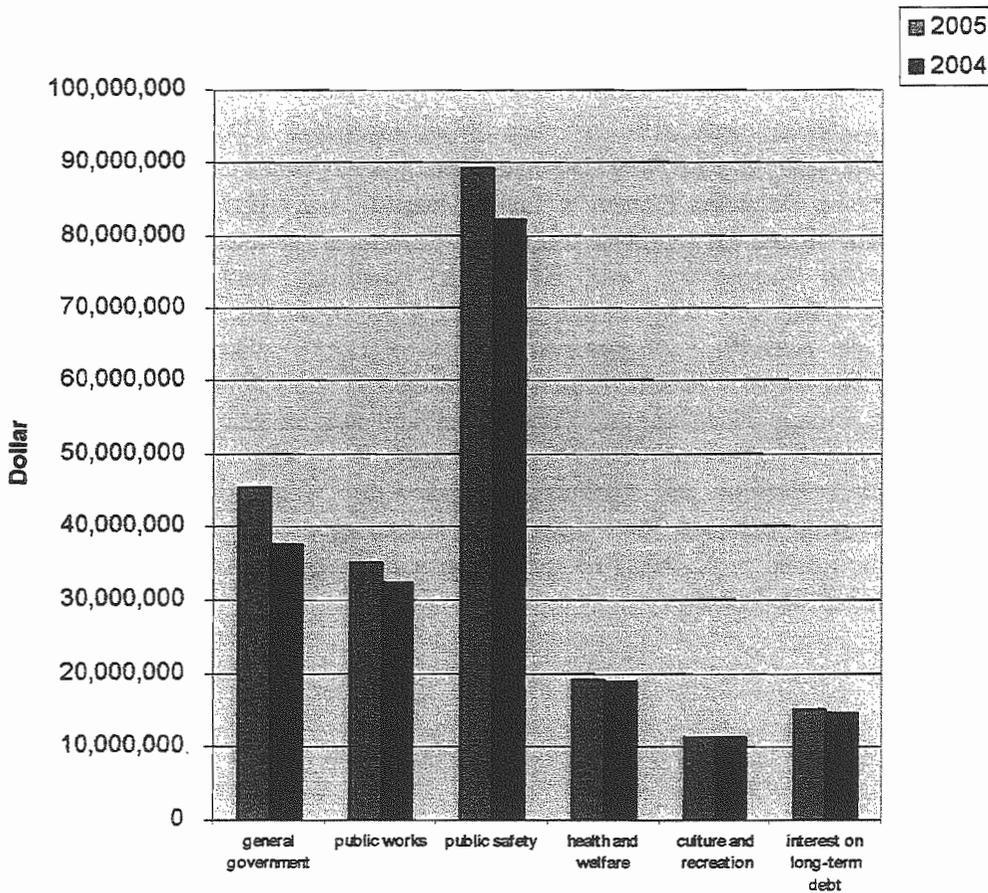


Governmental Activities revenues increased by \$17.8 million from \$216.6 to \$234.4, an increase of 8.2%. Key elements in the growth of governmental activities revenues are as follows:

- General revenues other taxes increased \$17 million from \$43.8 million in FY04 to \$60.8 million in FY05, a 38.8% increase. The increase in other taxes accounts for 54.47% of the total increase of revenues during the year for all Governmental Activities and is attributed to an increase in the County's gross receipt tax rate from 5.375% to 5.5625% that went into effect January 1, 2005.
- Program revenues Charges for Services increased by \$4.7 million from \$16.7 million in FY04 to \$21.4 in FY05, a 28.1% increase. The increase in Charges for Services accounts for 15.2% of the total increase of revenues during the year for all Governmental Activities. The increase is attributed in part to the fees for services for the new Regional Correction Center special revenue fund in the amount \$4.6 million.

- Program revenues Capital Grants and Contributions decreased by \$8.8 million from \$23.8 million in FY04 to \$15.0 million in FY05, a 36.9% increase. There was a significant decrease in road construction project revenues from \$9.0 million in FY04 to \$3.6 million in FY05. In addition, there was a decrease in revenues in the Valley Utility Water Waste/Water project from \$10.2 million to \$7.7 million.
- Property taxes revenue increased \$3.4 million from \$94.0 million in FY04 to \$97.4 million in FY05, a 3.6% increase. The increase in property tax revenue accounts for 11.3% of the total increase of revenues during the year and is attributed to three different factors. Taxable property valuation within the County increased 4.57% to \$10.1 billion or by \$458 million from the previous year. In FY05, the County's operational residential mill levy rate increased slightly from 7.007 to 7.031. Another contributing factor is the increase in the current property tax collection rate from 95.40% to 95.71% in FY05.

Expenses By Source - Governmental Activities

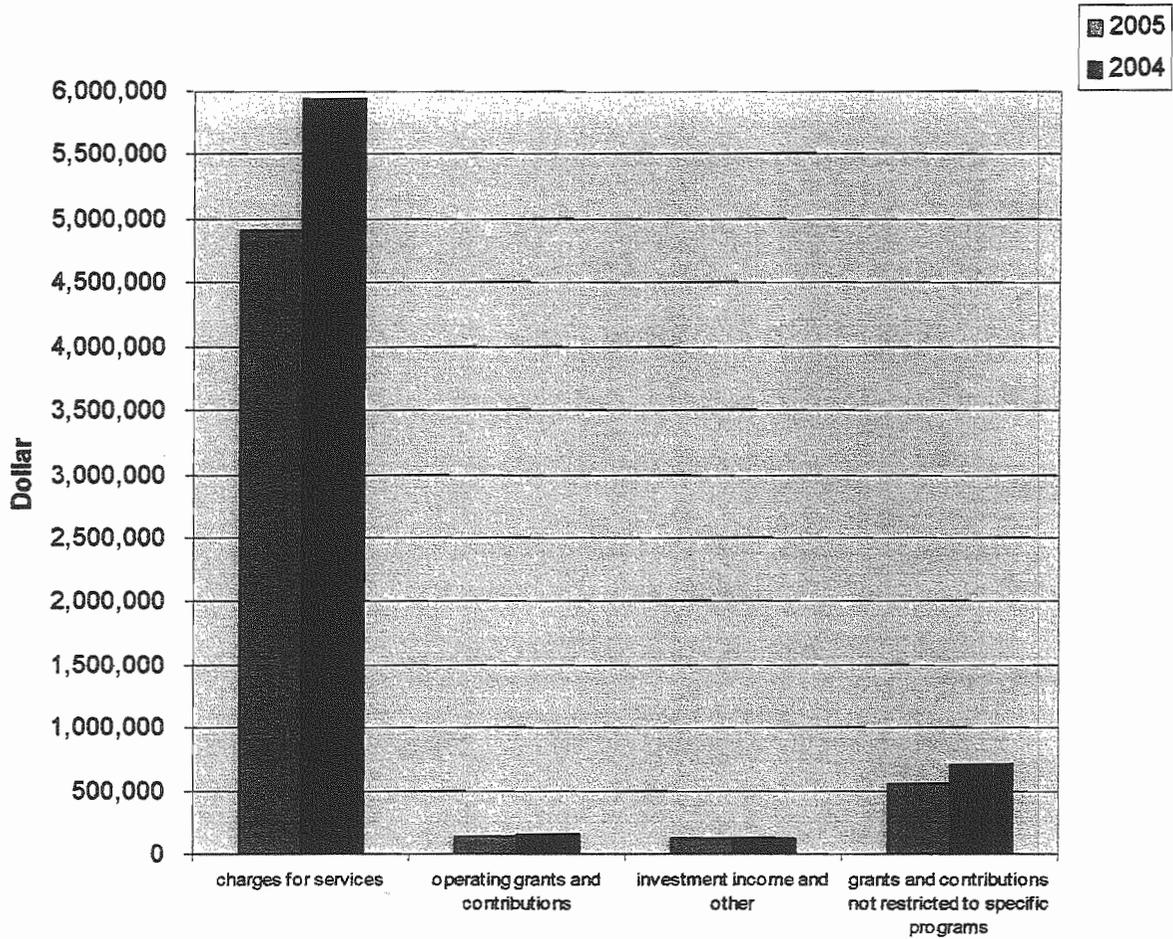


Governmental activities expenses increased by \$18.4 million from \$196.9 million to \$215.3, a 9.3% increase. Key elements in the changes of governmental activities expenses other than an increase in salary and related fringe benefit costs due to a 4.5% across the board salary increase and a 5% increase in healthcare premium benefits for County employees are as follows:

- General government expenses increased by \$7.7 million from \$37.5 million to \$45.2, a 20.5% increase. The increase in general government expenses accounts for 41.8% of the total increase of revenues during the year for all Governmental Activities. The significant portion of the increase was attributed to the increase in cost in the valuation fund from \$2,502,346 in FY04 to \$4,079,362 in FY05. In FY05, the County Assessor performed a reappraisal of property valuations that increased operating cost in the valuation fund. There was \$394,910 million loss on the disposition of a capital asset in the General government category. Significantly higher cost were incurred in FY05, for a payment of \$776,983 for Journal Pavilion rent proceeds to service the debt service on the Series 1997 Debt Service fund. Other increases were for a new human resources/payroll and budget system, \$256,918, property insurance cost of \$253,582, election ballots costs of \$225,000 and fleet replacement cost of \$224,986.
- Public safety expenses increased by \$7 million from \$82.3 million to \$89.3 million, an 8.5% increase. The increase in general government expenses accounts for 40.1% of the total increase of revenues during the year for all Governmental Activities. The increase is attributed in part to the operating cost for the new Regional Correction Center in the amount \$4.6 million and to increase cost of \$1.8 million associated with the operating of the Albuquerque/Bernalillo County Metropolitan Detention Center.

Business-type activities. Business-type activities net assets increased by \$1,116,081 during the current fiscal year. During the year, the \$1,063,220 in capital assets pertaining to the east mountain transfer station were transferred from the County's Governmental Activities where the assets were originally procured to the Solid Waste Enterprise Fund where the assets are used in the operation of the Solid Waste Department. Also during the year, El Centro Familiar (previously known as the Redevelopment Corporation), a former component unit of the County was legally dissolved and was reclassified as a Business-type Activity Enterprise fund in the County's financial statement which resulted in an increase in the Business-type activities net asset of \$561,135. The Solid Waste fund, the Housing Authority, Seybold Village Handicapped Project fund, Regional Juvenile Detention Center, and El Centro Familiar incurred losses of \$66,040, \$556,390, \$114,050, \$85,456, and \$178,607 respectively before capital contributions and operating transfers out. These decreases represents the degree to which ongoing program expense have outstripped ongoing program revenues. Overall the Business-type activities experienced a \$1,000,543 operating loss (program revenues less expenses) before non-operating revenues of \$578,643.

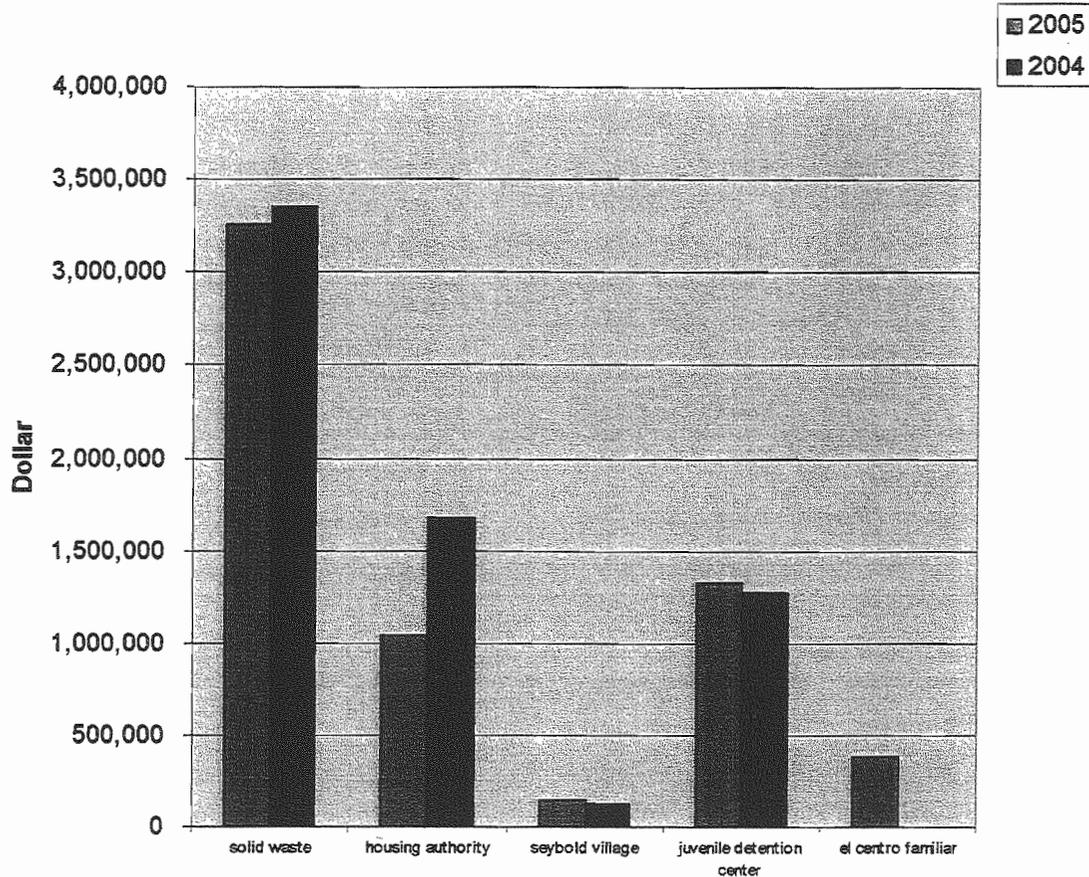
Revenues By Source - Business-type Activities



Business-type activities revenue decreased from \$6.9 million in FY04 to \$5.7 million in FY05, a 21.0% decrease. A key element in the decline of business-type activities revenues is as follows:

- Revenue Program charges for services decreased from \$5.9 million in FY04 to \$4.9 million in FY05, a 20.4% decrease. The decrease was attributed in a change in the accounting for administrative and service fee revenues and expenses that were previously recorded in the County's Housing Authority fund and are now only included in the Section 8 Housing Voucher fund.

Expenses By Source - Business-type Activities



Business-type activities expenses decreased from \$6.4 million to \$6.1 in FY05, a 4.6% decrease. Key elements in the decline of business-type activities expenses are as follows:

- Expenses in the Housing Authority decreased from \$1.6 million to \$1.0 million in FY05, a 37.5% decrease. The decrease was attributed in a change in the accounting for administrative and service fee revenues and expenses that were previously recorded in the County's Housing Authority fund and are now only included in the Section 8 Housing Voucher fund.
- Expenses in the Solid Waste fund decreased slightly from \$3.3 million to \$3.2 million in FY05, a 3.0% decrease attributed to a 10% decrease in contractual services.
- In FY05, El Centro Familiar was reclassified from a component unit to a Business-type Activities Enterprise Fund. This resulted in an increase in Business-type Activities expenses of \$274,371 in FY05 as compared to FY04.

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.

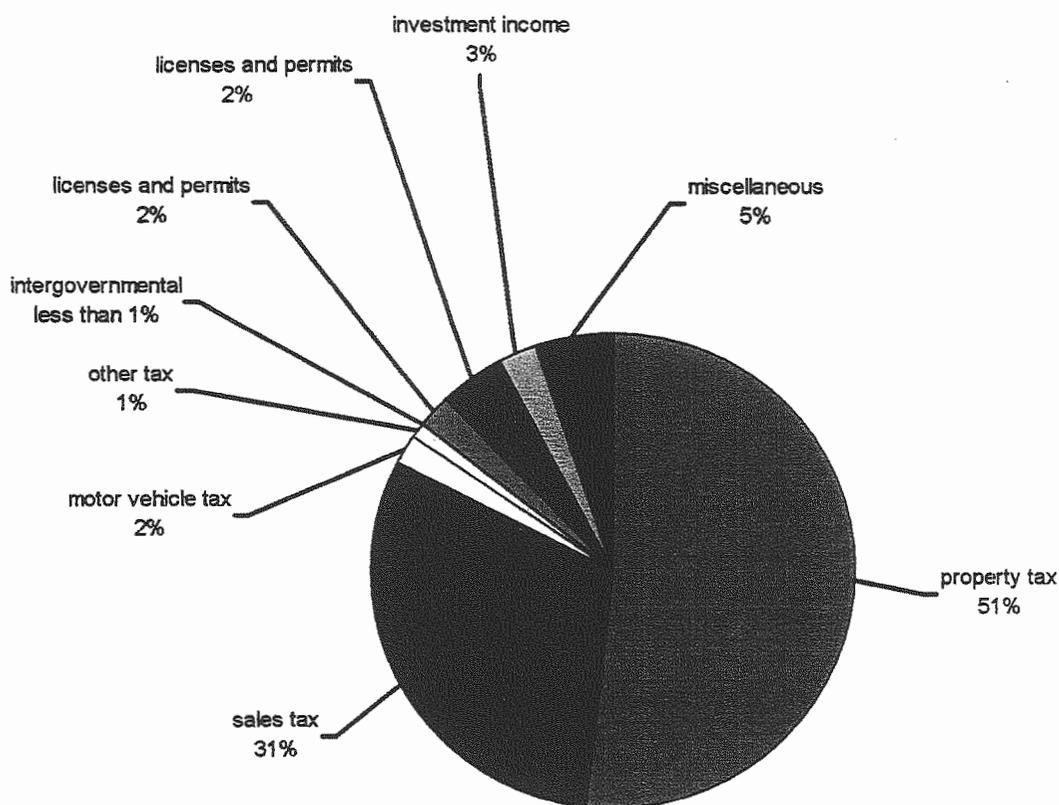
As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$159,654,351. Approximately 46.1% of this total, \$73,673,617 constitutes unreserved fund balance, which is available for spending at the County's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed: 1) to DFA 3/12 reserve requirement \$38,279,946, 2) encumbrances to liquidate contracts and purchase orders of the prior period \$25,744,514, 3) to pay debt service \$19,806,795, and 4), for a variety of other restricted purposes \$2,149,479.

General Fund. The fund balance of the County's general fund increased by \$24,375,732 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 \$20.3 million from \$147.7 million to \$168, an increase of 13.7%. Key elements in the growth of General Fund revenues are as follows:

- Gross receipt tax revenue in the General Fund increased by \$16.4 million or by 46.4% from \$35.3 million to \$51.7 million in FY05. The increase in gross receipt tax revenue accounts for 80.1% of the total increase of revenues during the year for the General Fund and is attributed to an increase in the County's gross receipt tax rate from 5.375% to 5.5625% that went into effect January 1, 2005.
- Property taxes revenue increased by \$3.8 million or by 4.58% from \$82.9 million in FY04 to \$86.7 million in FY05. The increase in property tax revenue accounted for 19.7% of the increase in total revenues during the year and is attributed to three different factors. Taxable property valuation within the County increased 4.57% to \$10.1 billion or by \$458 million from the previous year. In FY04, the County's operational residential mill levy rate increased slightly from 7.007 to 7.031. Another contributing factor is the increase in the current property tax collection rate from 95.40% to 95.71% in FY05.

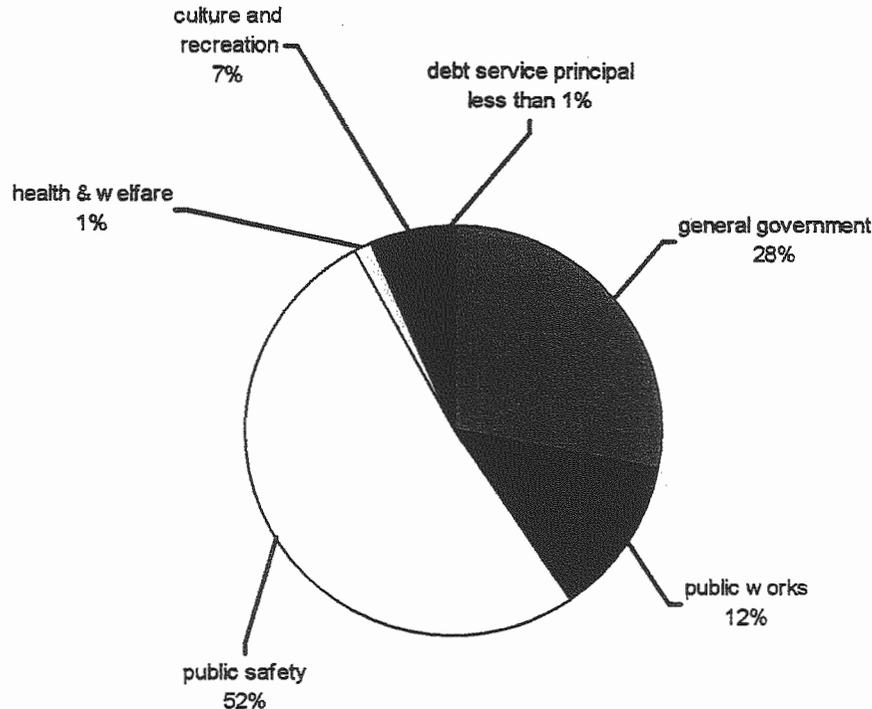
Revenues by Source - General Fund



In FY05, General Fund expenditures increased \$10.7 million from \$119.7 million to \$130.4 million, an 8.9% increase. Key elements in the increase in General Fund expenditures other than an increase in salary and related fringe benefit costs due to a 4.5% across the board salary increase for County employees are as follows:

- General Government expenditures increased by \$4.4 million from \$32.3 million in FY04 to \$36.7 million in FY05, a 13.6% increase. The increase in general government expenditures accounted for 41.1% of the increase in total General Fund expenditures during the year. The significant portion of the increase was attributed to the increase in cost in the valuation fund from \$2,502,346 in FY04 to \$4,079,362 in FY05. Also, in FY05 proceeds from the collection of rent for the Journal Pavilion were receipted in the County's General fund and then expensed to Series 1997 Debt Service Fund in the amount of \$776,983. Other increases were attributed to cost of \$256,918 associated with the purchase of a human resources/payroll and budget system, property insurance increase of \$253,582, election ballots costs of \$225,000 and an increase in fleet replacement cost of \$224,986.

Expenditures by Source - General Fund



- Public Safety expenditures increased by \$3.7 million from \$63.2 million in FY04 to \$66.9 million in FY05, a 5.9% increase. The increase in public safety expenditures accounted for 34.6% of the increase in total General Fund expenditures during the year and is attributed to in part to increase cost of \$1.8 million associated with the operations of the Albuquerque/Bernalillo County Metropolitan Detention Center expenses.
- Public Works expenditures increased by \$2.1 million from \$14.1 million in FY04 to \$16.2 million in FY05, a 14.9% increase. The increase in public works expenditures accounted for 19.6% of the increase in total General Fund expenditures during the year and is attributed to in part to the reorganization of costs for phone and data lines expenditures in the amount of \$663,255 from the Information Technology Department cost center in the general government function to the Facility Management Department Computer Automation cost center in the public works function. Staffing was increased in the Fleet Vehicle Maintenance program (with positions from other departments) from 15 budgeted full-time equivalents (FTE) to 27 FTEs which increase salary cost in that program by \$326,282. There was also an increase in Wright Express fuel cost of \$226,586 from \$874,246 in FY04 to \$1,100,832 in FY05.

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.

Special Revenue funds. As of the end of fiscal year 2005, the County's Special Revenue funds reported combined ending fund balances \$8,793,154, a decrease of \$534,279 in comparison with fiscal year 2004. \$335,556 of the fund balance is reserved for advances to other funds, \$2,966,620 is reserved for encumbrances, and the remaining fund balance of \$5,490,978 is unreserved undesignated.

Debt Service funds. As of the end of fiscal year 2005, the County's Debt Service funds reported combined ending fund balances \$19,806,795, an increase of \$337,799 in comparison with fiscal year 2004. All of the fund balance is reserved to pay debt service.

Capital Projects funds. As of the end of fiscal year 2005, the County's Capital Project funds reported combined ending fund balances \$58,745,719 a decrease of \$12,297,633 in comparison with fiscal year 2004. During the year as capital projects are completed, the cost of the projects are reclassified as capital assets and removed from the capital project fund. \$17,501,733 of the fund balance is reserved for encumbrances and the remaining fund balance of \$41,243,986 is unreserved undesignated.

Proprietary funds. The County proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Other factors concerning the finances of these funds have been discussed in the business-type activities section of the MD&A.

Budgetary Highlights Original Budget – Final Budget Comparison.

General Fund. General fund original budgeted revenues increased \$18.7 million or by 13.6% from \$137.4 million to \$156.1 million (final). General fund original budgeted expenditures increased \$20.0 million or by 14.5% from \$138.1 million to \$158.1 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 \$12.5 million from \$34.4 million to \$46.9 million (final). The change in the original budget was attributed an increase in the County's gross receipt tax rate on January 1, 2005 from 5.37% to 5.5625%.
- The original budget for Fees for Services revenue was increased \$388,525 from \$6.72 million to \$7.11 million. During the year, a budget classification was made to increase Clerk recording and filing fees based on a higher than expected recording and document filing activity that was the result of an improvement in the local area economy.
- The original budget for Miscellaneous revenue was increased \$5.8 million from \$1.4 million to \$7.2 million. In FY04 the County took over the management of the food contract for the Metropolitan Detention Center (MDC). The revenue budget was increased \$4.695 million to establish a budget for food costs incurred by the County on behalf of MDC that are reimbursed by the City of Albuquerque.
- The Finance and Administration original expenditure budget increased \$1.7 million from \$6.2 million to \$7.9 million. In FY04 proceeds from the collection of rent for the Journal Pavilion were

recorded in the County Generals fund and then transferred to Series 1997 Debt Service Fund. In FY05 the rent proceeds were disbursed or paid to 1997 Debt Service Fund by check in the amount of \$776,983. Another changes include an increase in fleet vehicle replacement costs of \$324,231, and previously unbudgeted Law Enforcement Officer claims fund amount of \$654,169. There were some other minor budget adjustments to personal costs during the year.

- The General County original expenditure budget decreased \$.9 million from \$16.2 million to \$15.3 million. The significant change in the budget was to decrease budgeted non-encumbered carryovers in the amount of \$2.6 million from the previous year that were no longer needed for fiscal year 2005 operations. This decrease was partly offset by a budget increase of \$1.5 million to fund the new Human Resources/Payroll and GIS and budget software systems. There were various budget adjustments for salary, contractual, and other operating expenditures that netted out the remaining balance difference.
- The County Clerk original expenditure budget increased \$.9 million from \$3.7 million to \$4.6 million. Budget adjustments were made to increase general election expense, poll workers salary expense, temporary part-time salary cost and increased ballot cost.
- The Other expenditure budget increased \$7.4 million from \$1.5 million to \$8.9 million. The significant portion of the \$7.4 million increase was to set aside funds for a new enterprise resource planning and financial management system with scheduled implementation to start in late 2006 and funding for disaster recovery.
- The Public Works original expenditure budget increased \$3.8 million from \$17.0 to \$20.8 million. The increase was attributed to budgeting new monies in the amount \$3,072,000 for the West Mesa water/sewer, \$200,000 for the Isleta sector plan, and an additional \$390,451 was budgeted for increased vehicle fuel cost. There were various budget adjustments for salary, contractual, and other operating expenditures that netted out the remaining balance difference.
- The Sheriff original expenditure budget increased \$1.3 million from \$22.9 million to \$24.2 million. The increase was attributed to higher than expected salary cost including sick leave and retirement sell back expenditures of \$262,364. Other increases included funding of Homeland security for \$176,301, Metropolitan Court (MCJCC) of \$119,975 and various only minor operating budget adjustments.
- The Metropolitan Detention Center original expenditure budget increased \$4.7 million from \$24.2 to \$28.9 million. The increase was attributed to higher operating cost at the jointly Albuquerque/Bernalillo County funded detention center due to a higher than expected inmate average daily population and increases medical care, workers compensation premiums and other operating cost.

TRAN Debt Service Fund

The was an increase in the original budget for interest expense from \$898,904 to \$1,148,889 to account for higher than expected financing cost for the TRAN activities during the year.

Budgetary Highlights – Budget to Actual

General Fund. General Fund revenues exceeded budgetary estimates by \$4,306,907 or by 2.7%. General Fund expenditures were less than budgetary estimates by \$29,325,523 or by 18.5% thus eliminating the need to draw upon existing fund balance. During the year the County incurred an excess of revenues over expenditures and other financing sources in the amount of \$18,436,774. Individual significant differences between the General Fund final budget and actual amounts are summarized as follows:

- Property tax revenue had a positive variance of \$1,872,786. The budget projections had projected a 95% collection rate of current property taxes within the County as of June 30, 2005. The actual collection rate was 95.72%. The significant reason for the positive variance was that delinquent taxes and interest on delinquent taxes exceeded projections by \$587,701 and \$815,792, respectively. Current property tax collections was \$377,820 greater than budget (less than one percent of budget).
- Investment income revenue had a positive variance of \$1,024,721. Although there was an improved local and national economy, the interest rates did not increase significantly. The positive variance was more attributed to a shift in the investment strategy of the County's Treasurers Office during the year that included shifting County investments from the State Investment Pool to other investment instruments that had a higher yield of return.
- Licenses and permits revenue had a positive variance of \$784,894. The variance is primarily attributed to an increase of \$281,117 in zoning/building fees and \$490,924 in construction permits that is reflective of the robust construction growth in 2005 and the double-digit growth in the housing construction industry.
- Finance and Administration expenditures had a positive variance of \$1,320,001. This variance is primarily attributed to lower insurance premiums and deductibles of \$366,213 and less than expected expenditures from Law Enforcement Officer liability claims in the amount of \$492,936, and lower than expected fleet replacement cost of \$323,249 for accidents.
- General County expenditures had a positive variance of \$9,212,497. A large part of the variance was attributed to \$2,993,021 in contingency salary. There was a positive variance of \$2,014,154 in the vehicle capital outlay line item. The County budgeted \$1,512,921 for the Human Resources, Payroll, and GIS systems of which \$1,256,002 had not been spent prior to year-end. There was a positive variance of \$769,757 in data processing equipment and software purchases. There was variance of \$719,822 in prior year carryover expenditures and a variance of \$720,100 in space contingency and building rentals. The remaining variance balance pertained to minor adjustments in various other operating categories.
- Bernalillo County Detention Center expenditure category has a positive variance of \$3,391,791. This variance is attributed to less than expected cost for food and commissary supplies in the amount of \$1,911,943 and less than expected carrying over operating cost of \$1,270,056 and other operating cost of \$209,792

- The Other expenditure category has a positive variance of \$7,634,765. This variance is attributed to the budgeting of \$6.5 million in new gross receipts tax monies for the new enterprise resources and financial management system and other capital smaller capital outlay items. The County expects to begin implementing the new system in FY06/07.
- Culture and recreation expenditure category has a positive variance of \$2,121,048. The variance is attributed in part to less cost associated with funding City of Albuquerque mandates in the amount of \$741,949. It is also attributed in part to \$484,200 in tennis court renovations that had not yet been spent and savings in other operational cost of \$894,899.

TRAN Debt Service Fund

There was no expenditure to budget variation for this fund.

Tax Structure

Taxable property valuations were \$10.091 billion in 2005, a \$458 million increase from the previous year. Current property tax collections are 95.71% of the levy, compared to 95.40% 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 28%. In the 2004 tax year, the property base (valuations) grew 4.75%.

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. The mill levy rate for fiscal year 2005 was 8.200 for residential and 12.769 for nonresidential as compared to 8.154 and 12.747 respectively, in fiscal year 2004. Allocation of the mill rate for fiscal year 2005 (tax year 2004) and the prior year is based on the following:

	<u>2005</u>	<u>2004</u>
Operational:		
Residential	7.031	7.007
Non-residential	11.60	11.600
Debt Service	.830	.830
Open Space	.250	.250
Judgement	.089	.067

The County gross receipt tax rate is 5.5625% as of June 30, 2005. There was an increase of approximately 43.4% in gross receipts tax revenue in fiscal year 2005 compared to an increase of 5.6% 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	89.9%
County Wide	0.4375	7.9%
County Environmental (outside City limits)	0.125	2.2%

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

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, 2005 amounts to \$486,783,967 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, construction in progress, and infrastructure. 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 in order to maintain the same property tax rate. Other Capital improvement projects are included in the State of New Mexico Infrastructure Program for funding consideration. 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.
- The work to reconstruct Golf Course Road NW from Paradise Blvd. to Country Club Lane was started on July 12, 2004. The project was 90% as of the date of June 30, 2005 and was completed shortly thereafter.
- Engineering Design work has been completed on Phase II of Isleta Boulevard Reconstruction Project from Arenal Road south to Rio Bravo Boulevard. The road, once part of El Camino Real, remains an important social artery and economic lifeline to the community. On June 28, 2005, the County began the process to award the construction contract for Phase II.

- Construction of the South Valley Economic Development began on March 17, 2004 and was completed under budget on April 30, 2005. The facility is currently operational.

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

	Governmental Activities		Business-type Activities		Total	
	2005	2004	2005	2004	2005	2004
Land	\$121,202,983	\$120,666,798	\$ 435,352	\$ 426,500	\$121,638,335	\$ 121,093,298
Buildings	179,312,066	189,323,702	3,760,015	2,020,383	183,072,081	191,344,085
Machinery and equipment	10,717,076	12,311,761	1,089,514	32,322	11,806,590	12,344,083
Infrastructure	147,498,576	141,412,719	-	-	147,498,576	141,412,719
Leasehold improvements	2,346,013	2,458,173	-	-	2,346,013	2,458,173
Construction in progress	18,864,901	11,266,348	132,959	415,309	18,997,860	11,681,657
Art	1,424,512	1,424,512	-	-	1,424,512	1,424,512
Total	\$481,366,127	\$478,864,013	\$5,417,840	\$ 2,894,514	\$486,783,967	\$ 481,758,527

Additional information on the County's capital assets can be found in note IV-C. on pages 51-52 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 \$82,479,000. 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 2005 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 (0.8%) of the \$10.102 billion taxable value of property within Bernalillo County, as of June 30, 2005. The County may currently issue up to an additional \$321.6 million of general obligation bonds. The net general bonded debt per capita is \$135.76. The lowest per capita amount in the last ten fiscal years was \$113.00 in fiscal year ended June 30, 2002. The County's ratings on uninsured general obligation bonds as of June 30, 2005 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 \$187,340,000. 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. The net revenue bonded debt per capita is \$321.20. The lowest per capita amount in the last nine fiscal years was \$217.95 in fiscal year end June 30, 1997. The pledged revenue coverage of gross receipts tax revenues to debt service requirements is 3.51. The lowest pledged revenue coverage in the last seven fiscal years was 2.19 in fiscal year 2002. These bonds have retirement dates ranging from November 15, 2011 through April 1, 2027.

General Obligation and Revenue Bonds Outstanding

	Governmental Activities		Business-type Activities	
	2005	2004	2005	2004
General obligation bonds	\$ 82,479,000	\$ 83,915,000	\$ -	-
Revenue bonds	187,340,000	192,225,000	1,815,000	-
Total	<u>\$269,819,000</u>	<u>\$276,140,000</u>	<u>\$1,815,000</u>	<u>-</u>

The County's total bond debt decreased by \$4,506,000 during the current fiscal year. Additional information on the County's long-term debt can be found in note IV.F on pages 55-58 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 2006 budget. According to forecasts by the University of New Mexico Bureau of Business and Economic Research (BBER), the outlook for the Albuquerque MSA economy remains pretty good, at least for the next couple of years. Boosted by a strong manufacturing sector, non-farm employment growth will increase from 2.1 percent rates of 2004 and 2005 to 2.4 percent in 2006 and 2.3 percent in 2007. The out years will see employment growth tail off a bit, falling to 1.2 percent by 2010, as manufacturing employment growth also tails off. Personal income growth will remain in the 5.0-6.0 percent range through 2007 and then tail off a bit as well. The unemployment rate is expected to hover in the neighborhood of 5.0 percent.

Strength during the next few years will come from several sectors. Manufacturing is expected to add about 3,000 jobs between now and 2007. Many of those will come in the Albuquerque area's budding aerospace industry [Eclipse, American Utilicraft, Aeromechanical Industries]. However, the aerospace industry no longer contains Aerospace Technology Group (ATG). ATG decided to set up shop in Colorado, their home state. In addition to the aerospace industry, there will be a number of other new manufacturing jobs in evidence. Tempur-Pedic, a manufacturer of mattresses and related products that the County was instrumental in bringing to New Mexico is building a factory on the western part of the County. Tempur-Pedic plans to employ 300 in 2006. Cabinet maker Merrilate Industries plans to build a factory in Los Lunas and employ 700 by 2007. Other firms adding jobs include Intel, Noteworthy Industries, Honeywell Defense Avionics, Cabot Superior MicroPowders, Team Specialty Products, MesoFuel, Aerospace Composite Structures, Stainless Motors, Intellite, Sennheiser New Mexico LLC, Phoenix Cabinets & Countertops, Albuquerque Tortilla, Advent Solar, Mechanical Solutions, K-Tech, Sacred Power, Solo Cup, and Heel Biotherapeutics.

Employment growth in government sector will remain in the neighborhood of 2.0 percent each year through 2010. Local government employment growth will average close to 2.3 percent annually, while state government grows closer to 2.0 percent annually. At the federal level, employment growth will be lethargic except for 2006, when growth will reach 3.1 percent, a result of a U.S. Forest Service (USFS) budget center, which will open earlier this year and a USFS personnel center slated to open later this year with another 350-400 jobs. The educational services/health care sector will be a third significant source of new jobs through the forecast period, but will experience declining growth. Employment growth will reach 4.5 percent this year but slip to near 2.5 percent in 2006 and remain there thereafter. Construction employment growth will follow a similar pattern, robust in 2005 (6.3 percent) but slowing in 2006 and leveling off. Housing construction growth in the City of Albuquerque will no more enjoy double-digit growth, or even single digit for that matter. Following the tiniest of gains in 2005, growth will turn negative in 2006 and remain negative throughout. Other sectors will contribute. Both professional, scientific and technical services and management and administration support will average at least 2.0 percent annual growth. Growth of 1.0-2.0 percent annually will be exhibited by retail trade, other services and transportation, warehousing and utilities.

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 – 10th Floor, Albuquerque, New Mexico 87102.

COUNTY OF BERNALILLO, NEW MEXICO
STATEMENT OF NET ASSETS
JUNE 30, 2005

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 190,784,530	\$ 1,996,181	\$ 192,780,711
Bond receivable	456,773	-	456,773
Accounts receivable	25,278,868	929,755	26,208,623
Accrued interest receivable	446,926	176	447,102
Note receivable	196,704	-	196,704
Due from grantor	14,313,349	-	14,313,349
Due from external parties	30,000	-	30,000
Internal balances	557,162	(557,162)	-
Inventory	43,896	-	43,896
Prepaid assets	1,209,654	-	1,209,654
Deferred charges	566,267	-	566,267
Investment in joint venture	633,000	-	633,000
Capital assets (net of accumulated depreciation):			
Land	121,202,983	435,352	121,638,335
Building	179,312,066	3,760,015	183,072,081
Machinery, equipment and art infrastructure	12,141,588	1,089,514	13,231,102
Infrastructure	147,498,576	-	147,498,576
Construction in progress	18,864,901	132,959	18,997,860
Leasehold improvements	2,346,013	-	2,346,013
Total assets	<u>715,883,256</u>	<u>7,786,790</u>	<u>723,670,046</u>
LIABILITIES			
Accounts payable	8,487,307	243,315	8,730,622
Interest payable	4,068,263	-	4,068,263
Retainage payable	481,264	-	481,264
Tax anticipation note payable	45,000,000	-	45,000,000
Accrued payroll	2,769,091	72,171	2,841,262
Unearned revenue	9,405,547	260,305	9,665,852
Due to grantor	352,632	-	352,632
Deposits held in trust for others	-	14,315	14,315
Noncurrent liabilities:			
Due within one year	10,330,026	44,556	10,374,582
Due in more than one year	269,724,477	1,976,738	271,701,215
Total liabilities	<u>350,618,607</u>	<u>2,611,400</u>	<u>353,230,007</u>
NET ASSETS			
Invested in capital assets, net of related debt	256,203,651	3,602,601	259,806,252
Restricted for:			
Public safety	2,352,808	-	2,352,808
Culture and recreation	4,521	-	4,521
Health and welfare	3,180,902	-	3,180,902
Debt service	17,608,873	-	17,608,873
Capital projects	22,972,449	-	22,972,449
General government	3,097,251	-	3,097,251
Unrestricted	59,844,194	1,572,789	61,416,983
Total net assets	<u>\$ 365,264,649</u>	<u>\$ 5,175,390</u>	<u>\$ 370,440,039</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, 2005

Functions/Programs	Net (Expenses) Revenues and Changes in Net Assets			
	Program Revenues		Primary Government	
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary government activities:				
General government	\$ 45,288,911	\$ 1,008,250	\$ -	\$ (22,884,691)
Public works	34,986,816	2,357	13,038,508	(21,945,951)
Public safety	89,268,696	7,427,307	39,915	(81,801,474)
Culture and recreation	11,411,012	852,589	1,106,620	(9,451,743)
Health and welfare	19,266,114	12,535,023	874,397	(5,856,694)
Interest on long-term debt	15,077,459	-	-	(15,077,459)
Total governmental activities	215,299,008	21,825,526	15,059,440	(157,018,012)
Business-type activities:				
Solid waste	3,255,586	3,050,320	-	(66,040)
Housing Authority	1,036,213	479,823	-	(556,390)
Seybold Village Handicapped Project	145,955	31,905	-	(114,050)
Regional Juvenile Detention Center	1,330,647	1,245,191	-	(85,456)
El Centro Familiar	382,877	95,764	-	(287,113)
Total business-type activities	6,151,278	4,903,003	-	(1,109,049)
Total primary government	\$ 221,450,286	\$ 26,299,033	\$ 15,059,440	(157,018,012)
				(1,109,049)
				(158,127,061)
General revenues:				
Property taxes				97,468,762
Gross receipts taxes				55,548,897
Motor vehicle taxes				3,608,463
Cigarette taxes				5,511
Gas taxes				1,680,496
Investment income				9,022
Operating grants				558,439
Miscellaneous				119,688
Transfers				10,965,266
Capital contributions - capital assets				(200,000)
Total general revenue and transfers				1,113,598
Change in net assets				177,911,018
Net assets - beginning				19,783,957
Reclassifications				350,262,012
Net assets - beginning as reclassified				394,070
Net assets - ending				350,656,082
				\$ 370,440,039

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

**COUNTY OF BERNALILLO, NEW MEXICO
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2005**

	<u>General</u>	<u>TRAN Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and investments	\$ 77,690,068	\$25,875,015	\$ 85,617,998	\$ 189,183,081
Bond receivable	-	-	456,773	456,773
Accounts receivable	23,526,220	-	1,752,648	25,278,868
Accrued interest receivable	140,456	-	306,470	446,926
Note receivable	196,704	-	-	196,704
Due from other funds	3,885,388	-	1,647,101	5,532,489
Due from external parties	30,000	-	-	30,000
Due from grantor	-	-	14,313,349	14,313,349
Inventory	43,896	-	-	43,896
Prepaid assets	76,323	-	692	77,015
Advances to other funds	1,497,000	-	335,557	1,832,557
Total assets	<u>\$107,086,055</u>	<u>\$25,875,015</u>	<u>\$ 104,430,588</u>	<u>\$ 237,391,658</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 2,716,442	\$ -	\$ 5,480,942	\$ 8,197,384
Retainage payable	-	-	481,264	481,264
TRAN payable	20,000,000	25,000,000	-	45,000,000
Accrued payroll	2,605,156	-	163,935	2,769,091
Unearned revenue	7,608,851	-	6,230,278	13,839,129
Due to other funds	1,846,923	-	3,753,884	5,600,807
Due to grantor	-	-	352,632	352,632
Advances from other funds	-	-	1,497,000	1,497,000
Total liabilities	<u>34,777,372</u>	<u>25,000,000</u>	<u>17,959,935</u>	<u>77,737,307</u>
Fund balances:				
Reserved for:				
Notes receivable	196,704	-	-	196,704
Advances to other funds	1,497,000	-	335,556	1,832,556
Inventory	43,896	-	-	43,896
Prepaid items	76,323	-	-	76,323
Debt service	-	875,015	18,931,780	19,806,795
Encumbrances	5,276,161	-	20,468,353	25,744,514
Reserve requirement	38,279,946	-	-	38,279,946
Unreserved, designated for				
Subsequent years'				
expenditures	26,938,653	-	-	26,938,653
Unreserved, undesignated for:				
Special revenue fund	-	-	5,490,978	5,490,978
Capital projects fund	-	-	41,243,986	41,243,986
Total fund balances	<u>72,308,683</u>	<u>875,015</u>	<u>86,470,653</u>	<u>159,654,351</u>
Total liabilities and fund balances	<u>\$107,086,055</u>	<u>\$25,875,015</u>	<u>\$ 104,430,588</u>	<u>\$ 237,391,658</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, 2005

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

Total Fund Balance Governmental Funds (page 27)	\$ 159,654,351
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	481,366,127
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.	566,267
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.	(280,054,503)
Accrued Interest Payable	(4,068,263)
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.	5,566,221
Net assets governmental activities. (page 25)	<u>\$365,264,649</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, 2005

	General	TRAN Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes:				
Property	\$ 86,740,833	\$ -	\$ 10,867,216	\$ 97,608,049
Sales	51,732,794	-	3,816,103	55,548,897
Motor vehicle	3,608,463	-	-	3,608,463
Cigarette	3,674	-	1,837	5,511
Gas	1,680,496	-	-	1,680,496
Intergovernmental	46,624	-	36,885,026	36,931,650
Licenses and permits	3,459,677	-	714,461	4,174,138
Fees for services	7,678,561	-	9,496,647	17,175,208
Investment income	4,328,459	-	2,624,105	6,952,564
Miscellaneous	8,720,269	-	2,125,309	10,845,578
Total revenues	<u>167,999,850</u>	<u>-</u>	<u>66,530,704</u>	<u>234,530,554</u>
EXPENDITURES				
Current:				
General government	36,675,713	-	5,541,687	42,217,400
Public works	16,198,003	-	1,475,509	17,673,512
Public safety	66,951,006	-	12,761,952	79,712,958
Health & welfare	1,845,381	-	16,547,846	18,393,227
Culture and recreation	8,475,465	-	1,968,814	10,444,279
Capital outlay	-	-	33,022,775	33,022,775
Debt service:				
Principal	212,282	-	9,350,000	9,562,282
Interest	-	1,148,889	13,779,774	14,928,663
Bond issuance cost	-	-	68,712	68,712
Total expenditures	<u>130,357,850</u>	<u>1,148,889</u>	<u>94,517,069</u>	<u>226,023,808</u>
Excess (deficiency) of revenues over expenditures	<u>37,642,000</u>	<u>(1,148,889)</u>	<u>(27,986,365)</u>	<u>8,506,746</u>
Other financing sources (uses)				
Transfers in	271,743	1,625,000	15,657,929	17,554,672
Transfers out	(13,538,011)	-	(3,816,661)	(17,354,672)
Bonds issued	-	-	3,029,000	3,029,000
Discount on revenue bond	-	-	(22,718)	(22,718)
Total other financing sources (uses)	<u>(13,266,268)</u>	<u>1,625,000</u>	<u>14,847,550</u>	<u>3,206,282</u>
Net changes in fund balances	<u>24,375,732</u>	<u>476,111</u>	<u>(13,138,815)</u>	<u>11,713,028</u>
Fund balance beginning	-	-	-	148,171,636
Fund balance reclassified	-	-	-	(230,313)
Fund balance - beginning as reclassified	47,932,951	398,904	99,609,468	147,941,323
Fund balance - ending	<u>\$ 72,308,683</u>	<u>\$ 875,015</u>	<u>\$ 86,470,653</u>	<u>\$ 159,654,351</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, 2005**

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

Net changes in fund balances total governmental funds (page 29)	\$ 11,713,028
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.	5,343,473
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.	(2,841,359)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(139,287)
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.	6,624,712
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.	(1,408,308)
Change in net assets of governmental activities (page 26)	<u>\$ 19,292,259</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, 2005

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes:				
Property	\$ 83,490,673	\$ 83,490,673	\$ 85,363,459	\$ 1,872,786
Gross receipts	34,487,022	46,987,022	46,555,197	(431,825)
Motor vehicle	3,545,000	3,545,000	3,801,434	256,434
Cigarette	3,700	3,700	3,724	24
Gas	1,524,794	1,524,794	1,517,249	(7,545)
Intergovernmental	-	-	106,301	106,301
Payments in lieu of taxes	-	-	188,266	188,266
Licenses and permits	3,291,265	3,291,265	4,076,159	784,894
Fees for services	6,724,985	7,113,510	7,521,986	408,476
Investment income	2,995,130	2,995,130	4,019,851	1,024,721
Miscellaneous income	1,415,737	7,226,250	7,330,625	104,375
Total revenues	<u>137,478,306</u>	<u>156,177,344</u>	<u>160,484,251</u>	<u>4,306,907</u>
Other financing sources				
Transfers in	451,627	522,839	271,743	(251,096)
Sale of capital assets	100,000	584,200	57,009	(527,191)
Total other financing sources	<u>551,627</u>	<u>1,107,039</u>	<u>328,752</u>	<u>(778,287)</u>
Total revenue and other financing sources	<u>138,029,933</u>	<u>157,284,383</u>	<u>160,813,003</u>	<u>3,528,620</u>
Prior year cash balance budgeted	13,214,177	14,735,786		
Total budget	<u>151,244,110</u>	<u>172,020,169</u>		
Expenditures				
Current:				
General government:				
County commission	491,041	497,426	479,376	18,050
County manager	1,114,092	1,278,848	1,269,133	9,715
Public information	420,898	463,761	490,725	(26,964)
Information technology	5,818,359	5,641,017	5,452,595	188,422
Finance	6,224,321	7,927,569	6,607,568	1,320,001
General county	16,241,383	16,173,807	6,961,310	9,212,497
Human resources	1,183,969	1,222,482	1,204,535	17,947
Zoning	2,172,620	2,231,165	2,293,095	(61,930)
Legal	1,241,181	1,242,673	1,061,673	181,000
County clerk	3,692,371	4,602,051	4,410,828	191,223
Assessor/reappraisal	2,607,663	2,605,494	2,644,586	(39,092)
Treasurer	1,758,783	1,677,466	1,663,388	14,078
Other	1,492,671	8,929,531	1,294,766	7,634,765
Total general government	<u>44,459,352</u>	<u>54,493,290</u>	<u>35,833,578</u>	<u>18,659,712</u>
Public works	17,032,891	20,861,661	16,187,751	4,673,910
Public safety:				
Fire	8,890,020	8,508,909	8,417,481	91,428
Sheriff	22,898,692	24,203,501	24,212,763	(9,262)
Animal control	779,632	797,906	714,306	83,600
Juvenile detention center	5,645,687	5,646,091	5,559,815	86,276
Metropolitan detention center	24,214,314	28,909,314	25,517,523	3,391,791
Communications department	2,139,521	2,035,407	2,118,085	(82,678)
Total public safety	<u>64,567,866</u>	<u>70,101,128</u>	<u>66,539,973</u>	<u>3,561,155</u>
Culture and recreation	9,718,936	10,353,626	8,232,578	2,121,048
Health & welfare	2,155,561	2,108,141	1,832,056	276,085
Debt service				
Principal	245,895	245,895	212,282	33,613
Total expenditures	<u>138,180,501</u>	<u>158,163,741</u>	<u>128,838,218</u>	<u>29,325,523</u>
Other financing uses				
Transfers out	13,063,609	13,856,428	13,538,011	318,417
Total expenditures and other financing uses	<u>151,244,110</u>	<u>172,020,169</u>	<u>142,376,229</u>	<u>29,643,940</u>
Excess of revenues and other financing sources over expenditures and other financing uses			<u>\$ 18,436,774</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, 2005

	Business-type Activities Enterprise Funds	Governmental Activities- Internal Service Funds
	<u>Total Nonmajor</u>	
ASSETS		
Current assets:		
Cash and investments	\$ 1,996,181	\$ 1,601,449
Accounts receivable, net	929,755	-
Accrued interest receivable	176	-
Due from other funds	531,946	289,923
Prepaid assets	-	1,132,639
Total current assets	<u>3,458,058</u>	<u>3,024,011</u>
Noncurrent assets:		
Capital assets:		
Land	435,352	-
Buildings	6,127,004	-
Construction in progress	132,959	-
Equipment, machinery, and furniture	2,953,284	-
Less accumulated depreciation	<u>(4,230,759)</u>	<u>-</u>
Total noncurrent assets	<u>5,417,840</u>	<u>-</u>
Total assets	<u>8,875,898</u>	<u>3,024,011</u>
LIABILITIES		
Current liabilities:		
Accounts payable	243,315	289,923
Compensated absences	9,556	-
Accrued payroll	72,171	-
Due to other funds	753,551	-
Deferred revenue	260,305	1,132,639
Current portion of revenue bonds	<u>35,000</u>	<u>-</u>
Total current liabilities	<u>1,373,898</u>	<u>1,422,562</u>
Noncurrent liabilities:		
Compensated absences	196,738	-
Deposits held in trust for others	14,315	-
Advance from other funds	335,557	-
Revenue bonds payable	<u>1,780,000</u>	<u>-</u>
Total noncurrent liabilities	<u>2,326,610</u>	<u>-</u>
Total liabilities	<u>3,700,508</u>	<u>1,422,562</u>
NET ASSETS		
Invested in capital assets, net of related debt	3,602,601	-
Unrestricted	<u>1,572,789</u>	<u>1,601,449</u>
Total net assets	<u>\$ 5,175,390</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, 2005

	<u>Business-type Activities - Enterprise Funds Total Nonmajor</u>	<u>Governmental Activities- Internal Service Funds</u>
Operating revenues:		
Administrative and service fees	\$ 4,295,511	\$ 3,113,580
Rental income:		
Tenants	126,647	-
Other income	620,071	-
Total operating revenues	<u>5,042,229</u>	<u>3,113,580</u>
Operating expenses:		
Salaries and wages	1,846,366	-
Contractual services	2,067,426	3,113,580
Materials and supplies	350,601	-
Other services and charges	549,714	-
Landfill expenses	23,894	-
Grant expenditures	808,374	-
Depreciation	396,397	-
Total operating expenses	<u>6,042,772</u>	<u>3,113,580</u>
Operating income (loss)	<u>(1,000,543)</u>	<u>-</u>
Non-operating revenues (expenses):		
Interest income	9,022	-
Interest expense	(108,506)	-
Operating grants	558,439	-
County contributions	119,688	-
Total nonoperating revenue	<u>578,643</u>	<u>-</u>
Income before transfers out	(421,900)	-
Capital contributions	1,113,598	-
Transfers out	<u>(200,000)</u>	<u>-</u>
Change in net assets	491,698	-
Total net assets - beginning	4,683,692	1,601,449
Total net assets - ending	<u>\$ 5,175,390</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, 2005

	Business-type Activities- Enterprise Funds Total Nonmajor	Governmental Activities- Internal Service Funds
Cash flows from operating activities:		
Cash received from administration and service fees	\$ 5,004,407	\$ 3,113,580
Cash received from rents	130,945	-
Cash payments to employees for services	(1,280,883)	-
Cash payments to vendors for goods and services	(4,208,098)	(3,113,580)
Miscellaneous cash received	3,775	-
Net cash used by operating activities	<u>(349,854)</u>	<u>-</u>
Cash flows from noncapital and related financing activities:		
Operating grants/subsidies received	308,589	-
Contributions from other funds	24,148	-
Transfers out from other funds	(199,513)	-
Payments to other funds	40,166	-
Net cash used by noncapital financing activities	<u>173,390</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Principal paid on bond maturities	(35,000)	-
Interest paid on bonds	(108,506)	-
Acquisition of capital assets	308,813	-
Capital grants received	249,851	-
Net cash provided by capital and related financing activities	<u>415,158</u>	<u>-</u>
Cash flows from investing activities:		
Interest received on investments	10,609	-
Net decrease in cash and cash equivalents	249,303	-
Cash and cash equivalents, beginning of year	1,746,878	1,601,449
Cash and cash equivalents, end of year	<u>\$ 1,996,181</u>	<u>\$ 1,601,449</u>
Reconciliation of operating loss to net cash flows used by operating activities:		
Operating income (loss)	\$ (1,000,543)	\$ -
Adjustments to reconcile operating income to net cash flows:		
Depreciation expense	396,397	-
(Increase) decrease in:		
Accounts receivable	30,792	-
Allowance for uncollectable accounts	-	-
Prepaid expenses	-	(144,124)
Deposits held in trust	-	-
Increase (decrease) in:		
Deferred revenue	(57,688)	144,124
Accounts payable	72,462	(88,906)
Due to other funds	180,341	88,906
Tenants payable	2,754	-
Accrued compensated absences	25,631	-
Net cash flows used by operating activities	<u>\$ (349,854)</u>	<u>\$ -</u>

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

COUNTY OF BERNALILLO, NEW MEXICO
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2005

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 7,442,340
Receivables:	
Property taxes	24,137,563
Other	<u>1,068,102</u>
Total assets	<u>\$ 32,648,005</u>
 LIABILITIES	
Due to external parties	\$ 30,000
Deposits held in trust for others	8,480,442
Future collectable	<u>24,137,563</u>
Total liabilities	<u>\$ 32,648,005</u>

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

NOTES TO FINANCIAL STATEMENTS

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

Note	Title	Page
I.	Summary of significant accounting policies	36
A.	Reporting entity	36
B.	Government-wide and fund financial statements	37
C.	Measurement focus, basis of accounting and financial statement presentation	37
D.	Assets, liabilities, and net assets or equity	40
1.	Deposits and investments	40
2.	Receivables	40
3.	Inventories and prepaid items	41
4.	Capital assets	41
5.	Compensated absences	42
6.	Long-term obligations	42
7.	Net assets	42
8.	Fund equity reservations and designations	43
9.	Cash flows	43
10.	Bond premiums/issuance costs	44
11.	Presentation	44
12.	Use of estimates	44
II.	Reconciliation of government-wide and fund financial statements	
A.	Explanations of certain differences between the governmental fund balance sheet and the government-wide statement of net assets	44
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	44
III.	Stewardship, compliance and accountability	
A.	Budgetary information	46
B.	Deficit fund equity	47
IV.	Detailed notes on all funds	
A.	Cash and investments	48
B.	Receivables	49
C.	Capital assets	50
D.	Interfund receivables, payables, and transfers	52
E.	Leases	53
F.	Long-term debt	54
G.	Short-term debt	57
H.	Special assessment bonds	57
I.	Conduit debt obligations	59
J.	Fund balance reservations	59
K.	Financial data schedule reconciliation	59
L.	Reclassification of prior year fund balance	60
V.	Other Information	
A.	Risk management	60
B.	Contingencies	61
C.	Joint ventures	62
D.	Retiree Health Care Act	63
E.	Public Employees Retirement System	64



**COUNTY OF BERNALILLO, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005**

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. There are no agencies, organizations or activities meeting any of the above criteria that are excluded from the County's reporting entity.

COUNTY OF BERNALILLO, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

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.

There are no component units during the fiscal year ended June 30, 2005.

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. 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.

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 financial statements. Fiduciary fund financial statements are reported using the accrual basis of accounting and have no measurement focus. 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

**COUNTY OF BERNALILLO, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005**

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 *TRAN Debt Service fund* accounts for the accumulation of resources and payment of tax revenue anticipation notes principal and interest from County resources.

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.

COUNTY OF BERNALILLO, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

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 85% of the operating revenues of the County's five 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, 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.

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, and then unrestricted resources as they are recorded.

**COUNTY OF BERNALILLO, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005**

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 PEFCOs, 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.

Investments at the State Treasurer Local 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.

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, 2005

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 6.7% of outstanding property taxes at June 30, 2005.

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. Capital assets

Capital assets, which include property, plant, equipment, software, 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. The County defines capital assets 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.

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.

**COUNTY OF BERNALILLO, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005**

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

5. *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.

6. *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.

7. *Net Assets*

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

COUNTY OF BERNALILLO, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

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.

8. 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 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.

9. Cash Flows

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

**COUNTY OF BERNALILLO, NEW MEXICO
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2005**

10. 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.

11. Presentation

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

12. 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	\$ (269,338,000)
Capital leases payable	(1,562,392)
Compensated absences	<u>(9,154,111)</u>
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	<u>\$ (280,054,503)</u>

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

COUNTY OF BERNALILLO, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

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	\$ 33,022,775
Expenses - public works	(6,343,913)
Depreciation expense	<u>(21,355,389)</u>
Net adjustment to decrease net changes in fund balances – total Governmental funds to arrive at changes in net assets of Governmental activities	<u>\$ 5,343,473</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	\$ (3,029,000)
Bond issuance cost	91,430
Principal repayments:	
General obligation and revenue bonds	9,350,000
Capital leases	<u>212,282</u>
Net adjustment to decrease net changes in fund balances – Total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ 6,624,712</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:

Compensated absences	\$ (1,144,223)
Accrued interest	(146,653)
Deferred charges	(79,573)
Amortization of issuance cost	<u>(37,859)</u>
Net adjustment to decrease net changes in fund balances – total Governmental funds to arrive at changes in net assets of Governmental activities	<u>\$ (1,408,308)</u>

**COUNTY OF BERNALILLO, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005**

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, internal service, most special revenue, debt service funds, and some proprietary funds. The proprietary funds, and the following governmental funds did not adopt annual operating budgets during the current fiscal year:

Special Revenue:

Grants
Public Works Grants
Section 8 Housing – Vouchers
Sheriff's Investigative Fund
Law Enforcement Block Grants
Clerk's Bilingual

Debt Service:

Series 1996 Reserve
Series 1996B Reserve
Series 1997 Reserve
Refunding Series 1998 Reserve
Series 1999 Reserve
All Capital Projects Funds
Proprietary Funds
Bernalillo County Housing Authority
Seybold Village Handicapped Project
El Centro Familiar

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 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 Deputy County Manager 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

**COUNTY OF BERNALILLO, NEW MEXICO
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2005**

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 Emergency Medical Services and Fire District funds, whose legal level of budgetary authority is at the program or district level. 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:

	<u>General Fund</u>
Net changes in fund balance – GAAP basis	\$ 24,375,732
(Increases) decreases in assets:	
Accounts receivable	(6,822,282)
Due to/from other funds	(1,105,206)
Accrued interest	(23,582)
Inventory	(5,625)
Prepaid	23,505
Increase (decrease) in liabilities:	
Accounts payable	1,160,621
Deferred revenue	380,071
Accrued payroll	453,540
Net changes in fund balance – Budget to Actual	<u>\$ 18,436,774</u>

B. Deficit fund equity

There is a deficit fund balance in the Series 1997 and 1999 Series Debt Service Funds in the amount of \$232,159 and \$36,656 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, Grants Fund, and the Law Enforcement Block Grant Fund in the amount of \$204,726, 1,568,575, and 5,319 respectively. The deficit fund balances are primarily attributed to large encumbrance balances at year-end. There is deficit fund balance of \$42 in the Clerk's Bilingual fund. The County will transfer sufficient funds from the General Fund in FY06 to cover the deficit and to close out this fund. There is a deficit net asset balance of \$4,418 in the Fire District Fund. The County expects that FY06 operating revenues will be sufficient to cover the deficit.

**COUNTY OF BERNALILLO, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005**

IV. Detailed notes on all funds

A. Cash and investments

As of June 30, 2005, the County had the following investments.

Investment Type	Fair Value	Weighted Maturity Average (Months)
Federal National Mortgage Association	\$ 30,500,202	4.20
PEFCO Bonds	2,114,380	0.29
State Investment Pool	5,000,000	0.03
Money Market	25,000	0.00
Hypo Bond	30,000,000	4.65
Repurchase Agreements	17,234,079	20.11
Certificates of Deposits	108,827,380	7.30
Total fair value	<u>\$ 193,701,041</u>	
Portfolio weighted average maturity		6.73

Interest Rate Risk. The County's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. The County's investments shall be in accordance with State Law, 6-10-10, and 6-10-10.1 NMSA 1978, including but not limited to the following: Treasury Bills, Notes, Bonds, Strips, and US Government securities which are backed by the full faith and credit of the U.S. Government. Negotiable securities of the State of New Mexico or any county, municipality, or school district with the advice and consent of the Board of Finance per 6-10-44 NMSA 1978, 6-10-10F NMSA 1978, 6-10-10 NMSA 1978.

As of June 30, 2005, the County's investments in Federal National Mortgage Association and PEFCO bonds were rated Aaa by Moody's Investors Service and AAA by Standard & Poors and Fitch Ratings. The County's investment in the State Investment Pool was not rated, although the securities within the pool are rated. The Commercial Paper is rated A1 by Standard and Poor's and P1 by Moody's Investor Service and the Agency Paper is rated AAA by Standard and Poor's and Aaa by Moody's Investors Service. The pool is regulated by the State Board of Finance and had an unrealized loss of \$122,017 as of June 30, 2005. The County's investments in HYPO bonds and Repurchase Agreements were rated Aaa by Moody's Investors Service and AAA by Standard's & Poor's.

Concentration of Credit Risk. The County's investment policy places no limit on the amount the County may invest in any one issuer. More than 56 percent of the County's investments are in Certificate of Deposit with the County's local banks with maturities ranging from 7 days to 2 years.

**COUNTY OF BERNALILLO, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005**

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County's cash balances are not exposed to custodial credit risk. All are fully collateralized and the collateral is held in the County's name. The County's investments in Federal National Mortgage Association and PEFCO bonds carry the explicit guarantee of the U.S. Government. The remaining investments are not exposed to custodial credit risk. All are fully collateralized and the collateral is held in the County's name.

A reconciliation of cash and investments for the County follows:

Bank accounts	\$	11,095,077
Petty cash on hand		1,570
Reconciling items		(4,508,779)
Carrying amount of investments		193,635,183
Total cash and investments	\$	<u>200,223,051</u>

Statement of Net Assets

Cash and investments:

Primary Government	\$192,780,711
Statement of Fiduciary Net Assets	7,442,340
Total cash, investment	<u>\$200,223,051</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, 2005. 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.

B. Receivables

	Taxes	Other	Allowance for Uncollectible Accounts	Net Receivables
Governmental Funds:				
Major Funds:				
General Fund	\$ 20,897,119	\$ 3,215,586	\$ 586,485	\$ 23,526,220
Nonmajor Funds	1,666,288	188,133	102,094	1,752,327
Total governmental activity funds	<u>22,563,407</u>	<u>3,403,719</u>	<u>688,579</u>	<u>25,278,547</u>
Business-type activities:				
Enterprise Funds	-	2,485,531	1,555,776	929,755
Agency Funds	25,729,913	1,068,102	1,592,350	25,205,665
Total Receivables	<u>\$ 48,293,320</u>	<u>\$ 6,957,352</u>	<u>\$ 3,836,705</u>	<u>\$ 51,413,967</u>

COUNTY OF BERNALILLO, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

Note receivable

On April 27, 2004 the County Commission approved a \$200,000 loan to the Mid-Region Council of Governments (MRCOG) for renovations at the office building at 809 Copper Avenue NW that is owned by the County and leased to MRCOG under a lease purchase agreement. The money will be repaid over 15 years with interest at 3.9% and principle payments of \$1,470. The balance of this note was \$196,704 at June 30, 2005

C. Capital assets

Capital asset activity for the year was as follows:

	Balance			Balance
	June 30,2004	Increases	Decreases	June 30, 2005
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 120,666,798	\$ 2,049,085	\$ (1,512,900)	\$ 121,202,983
Construction in progress	11,266,348	20,373,709	(12,775,156)	18,864,901
Art	1,424,512	-	-	1,424,512
Total capital assets, not being				
Depreciated	133,357,658	22,422,794	(14,288,056)	141,492,396
Capital assets, being depreciated:				
Buildings	236,029,989	-	(681,791)	235,348,198
Machinery and equipment	62,331,391	2,893,494	(3,918,060)	61,306,825
Infrastructure	198,354,246	14,137,730	(713,394)	211,778,582
Leasehold improvements	2,804,000	-	-	2,804,000
Total capital assets being				
Depreciated	499,519,626	17,031,224	(5,313,245)	511,237,605
Less Accumulated depreciation for:				
Buildings	(46,706,287)	(9,413,924)	84,079	(56,036,132)
Machinery and equipment	(50,019,630)	(4,182,108)	3,611,989	(50,589,749)
Infrastructure	(56,941,527)	(7,627,197)	288,718	(64,280,006)
Leasehold improvements	(345,827)	(112,160)	-	(457,987)
Total accumulated depreciation	(154,013,271)	(21,335,389)	3,984,786	(171,363,874)
Total capital assets, being depreciated, net	345,506,355	(4,304,165)	(1,328,459)	339,873,731
Governmental activities capital assets, net	\$ 478,864,013	\$ 18,118,629	\$ (15,616,515)	\$ 481,366,127

**COUNTY OF BERNALILLO, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005**

	Balance June 30, 2004	Increases	Decreases	Balance June 30, 2005
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 463,352	\$ 34,000	\$ (62,000)	\$ 435,352
Construction in progress	415,309	22,642	(304,992)	132,959
Total capital assets, not being depreciated	<u>878,661</u>	<u>56,642</u>	<u>(366,992)</u>	<u>568,311</u>
Capital assets, being depreciated:				
Buildings	5,410,777	716,226	-	6,127,003
Machinery and equipment	1,692,012	1,261,273	-	2,953,285
Total capital assets being depreciated	<u>7,102,789</u>	<u>1,977,499</u>	<u>-</u>	<u>9,080,288</u>
Less accumulated depreciation for:				
Buildings	(1,316,156)	(1,050,834)	-	(2,366,990)
Machinery and equipment	(1,655,842)	(207,928)	-	(1,863,770)
Total accumulated depreciation	<u>(2,971,998)</u>	<u>(1,258,762)</u>	<u>-</u>	<u>(4,230,760)</u>
Total capital assets, being depreciated, net	<u>4,130,791</u>	<u>718,737</u>	<u>-</u>	<u>4,849,528</u>
Business-type activities capital assets, net	<u>\$ 5,009,452</u>	<u>775,379</u>	<u>\$ (366,992)</u>	<u>\$ 5,417,839</u>

During the fiscal year Redevelopment Corporation was reclassified from a component unit and presented with the Business-type activities and its capital assets were combined above. The Redevelopment Corporation was also renamed and is called El Centro Familiar.

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

Governmental activities:	
General government	\$ 2,389,679
Public safety	9,098,049
Culture and recreation	737,888
Public works	8,294,097
Health and welfare	815,676
Total depreciation expense-governmental activities	<u>\$ 21,335,389</u>
Business-type activities:	
Solid waste	\$ 131,936
Housing Authority	71,745
Seybold Village	68,960
El Centro Familiar	119,006
Total depreciation expense-business-type activities	<u>\$ 391,647</u>

**COUNTY OF BERNALILLO, NEW MEXICO
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2005**

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of June 30, 2005, is as follows:

<u>Due to</u>	<u>Due from</u>			<u>Total</u>
	<u>General Fund</u>	<u>Nonmajor Governmental</u>	<u>Enterprise Funds</u>	
General fund	\$ -	\$ 3,297,456	\$ 587,932	\$ 3,885,388
Nonmajor fund	1,557,000	90,101	-	1,647,101
Enterprise funds	-	366,327	165,619	531,946
Internal service funds	289,923	-	-	289,923
Total	<u>\$ 1,846,923</u>	<u>\$ 3,753,884</u>	<u>\$ 753,551</u>	<u>\$ 6,354,358</u>

Advances. For the purpose of financing cost-reimbursement grants, the general fund advanced he 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 \$335,557 is outstanding at June 30, 2005.

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, 2005 were as follows:

Transfer to general fund from:

Nonmajor governmental funds	\$ 71,743
Solidwaste- Enterprise funds	200,000
Total transfers to general fund	<u>271,743</u>

Transfer to TRAN debt Service from

General Fund	1,625,000
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Transfers to debt service funds from:

General Fund	11,908,011
Nonmajor governmental funds	873,078
Total transfers to debt service funds	<u>12,781,089</u>

Transfers to capital projects funds from:

General Fund	5,000
Water/wastewater	1,641,094
Nonmajor funds	1,196,365
Total transfers to capital project funds	<u>2,842,459</u>

Transfers to special revenue funds from:

Non major governmental funds	\$ <u>34,381</u>
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**COUNTY OF BERNALILLO, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005**

E. Leases

Capital Leases

The County is obligated to the State of New Mexico for the acquisition of voting machines. These leases lease agreements qualify as capital leases and recorded at the present value of their future minimum payments. The County does not pay interest on the capital lease obligation. Assets under capital leases totaled \$2,695,850 for machinery and equipment. The following is a schedule of the future minimum lease payments under capital leases at June 30, 2005:

	Governmental Activities
2006	\$ 212,282
2007	212,282
2008	212,282
2009	212,282
2010	212,282
2011-2014	500,982
Total minimum lease payments	<u>\$ 1,562,392</u>

Operating Leases

During the fiscal year ended June 30, 2005, the County leased equipment, and office space under operating leases. The County's expenditures on those leases for the fiscal year ended June 30, 2005, were \$1,447,389. The County's future minimum rental commitments, accounted for as operating leases at June 30, 2005, are as follows:

	Amount
2006	\$ 6,600
2007	6,600
2008	6,600
2009	6,600
2010	4,850
Total	<u>\$ 31,250</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 \$5.69 million and a carrying amount of \$3.61 million under operating leases. Rental revenue was \$1,208,719 and depreciation expense on those assets was \$159,234.

**COUNTY OF BERNALILLO, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005**

F. Long-term debt

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2005, was as follows:

	Balance			Amounts		
	June 30, 2004	Additions	Deletions	Balance	Due within	One Year
	June 30, 2004	Additions	Deletions	June 30, 2005	One Year	
Governmental Activities:						
Bonds and notes payable:						
G.O. bonds	\$ 83,915,000	3,029,000	\$ (4,465,000)	\$ 82,479,000	\$ 4,665,000	
Revenue bonds	192,225,000	-	(4,885,000)	187,340,000	4,285,000	
Deferred amounts:						
Bond premiums	21,259	-	(1,795)	19,464	-	
Bond discounts	(15,311)	(22,718)	2,143	(35,886)	-	
Refunding	(542,008)	-	77,430	(464,579)	-	
Total bonds and Notes payable	275,603,940	3,006,282	(9,272,222)	269,338,000	8,950,000	
Other liabilities:						
Capital leases	1,774,674	-	(212,282)	1,562,392	212,282	
Compensated absences	8,009,888	5,339,876	(4,195,530)	9,154,111	1,167,744	
Governmental activity						
Long-term liabilities	\$ 285,388,502	\$ 8,346,158	\$ (13,680,157)	\$ 280,054,503	\$ 10,330,026	

	Balance			Amounts		
	June 30, 2004	Additions	Deletions	Balance	Due within	One Year
	June 30, 2004	Additions	Deletions	June 30, 2005	One Year	
Business-type Activities:						
Bonds payable:						
Revenue bonds	\$ 1,850,000	\$ -	\$ (35,000)	\$ 1,815,000	\$ 35,000	
Compensated absences	173,429	167,664	(134,799)	206,294	9,556	
Business-type activity						
Long-term liabilities	\$ 2,023,429	\$ 167,664	\$ (169,799)	\$ 2,021,294	\$ 44,556	

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

**COUNTY OF BERNALILLO, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005**

fiscal year 2005, the County issued \$3,029,000 in general obligation bonds. The general obligation bonds outstanding as of June 30, 2005 are comprised of the following issues:

Issue	Amount	Interest Rate	Final Maturity
Series 1995	\$ 5,285,000	4.80%-5.00%	August 1, 2010
Series 1996	3,250,000	5.00%-5.38%	August 1, 2010
Series 1997	8,715,000	4.50%-6.38%	December 1, 2017
Series 1999	15,550,000	4.50%-6.50%	August 1, 2019
Series 2000	8,440,000	5.10%-7.00%	February 1, 2020
Series 2001	4,600,000	4.10%-4.80%	October 1, 2021
Series 2002	15,775,000	3.20%-4.70%	February 15, 2022
Series 2002A	7,990,000	3.00%-4.25%	February 15, 2017
Series 2003	9,845,000	3.15%-4.65%	December 15, 2023
Series 2004	3,029,000	4.00%-4.40%	October 15, 2021
Total	\$ 82,479,000		

The annual debt service requirement to maturity for general obligation bonds is as follows:

Year Ending	Governmental Activities	
	Principal	Interest
June 30,		
2006	\$ 4,655,000	\$ 3,682,574
2007	4,805,000	3,398,192
2008	5,185,000	3,177,409
2009	5,340,000	2,948,165
2010	5,570,000	2,710,579
2011-2015	24,105,000	10,321,654
2016-2020	25,225,000	4,854,113
2021-2023	7,594,000	515,309
	\$ 82,479,000	\$ 31,607,995

The Gross Receipts Tax Revenue Bonds are limited obligations of the County, payable solely from gross receipts tax revenues. The gross receipts tax revenue bonds outstanding as of June 30, 2005 are comprised of the following issues:

Issue	Amount	Interest Rate	Final Maturity
Series 1996B	\$ 58,765,000	4.80%-5.70%	April 1, 2027
Series 1997	13,555,000	4.45%-5.75%	October 1, 2017
Refunding Series 1998	49,175,000	4.10%-5.25%	April 1, 2027
Series 1999	52,140,000	5.00%-5.75%	October 1, 2026
Series 2002	1,705,000	3.00%-3.50%	November 15, 2011
Series 2004	12,000,000	3.00%-5.25%	June 15, 2025
	\$ 187,340,000		

**COUNTY OF BERNALILLO, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005**

The annual debt service requirement to maturity for gross receipts tax revenue bonds is as follows:

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2006	\$ 4,785,000	\$ 9,662,783
2007	5,760,000	9,430,354
2008	5,945,000	9,201,874
2009	6,210,000	8,923,741
2010	6,530,000	8,615,491
2011-2015	35,210,000	37,988,100
2016-2020	44,110,000	27,758,256
2021-2025	53,400,000	15,308,674
2026-2027	25,390,000	1,893,038
	<u>\$ 187,340,000</u>	<u>\$ 128,782,311</u>

At June 30, 2005, the following general obligation bonds were authorized and unissued.

Approved by Voters on	Purpose	Authorized
November 5, 2002	Parks and Recreation	\$ 1,255,000
November 5, 2002	Public Safety	1,506,000
November 2, 2004	Road Construction and Repair	3,686,000
November 2, 2004	Storm Drain	7,585,000
November 2, 2004	Library	1,500,000
November 2, 2004	Parks and Recreation	2,349,000
November 2, 2004	Public Safety	680,000
November 2, 2004	Facility Management	200,000
Total		<u>\$ 18,761,000</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, 2005, \$48,220,000 of gross receipts tax revenue bonds and \$7,935,000 of general obligation bonds outstanding are considered defeased.

**COUNTY OF BERNALILLO, NEW MEXICO
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2005**

Business-type activities long-term debt

The annual requirement to amortize the Multifamily Housing Refunding and Improvement Revenue Bonds outstanding as of June 30, 2005, is as follows:

	<u>Principal</u>	<u>Interest</u>
2006	\$ 35,000	\$ 106,177
2007	40,000	104,130
2008	40,000	101,790
2009	45,000	99,450
2010	45,000	96,817
2011-2015	275,000	440,506
2016-2020	365,000	349,830
2021-2025	475,000	231,074
2026-2029	495,000	74,294
Total	<u>\$ 1,815,000</u>	<u>\$ 1,604,068</u>

G. Short-term debt

Tax and Revenue Anticipation Notes

On December 14, 2004, and June 30, 2005 the County issued tax and revenue anticipation notes (TRANS) in the amount of \$25,000,000, and \$20,000,000 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:

	<u>Balance</u>			<u>Balance</u>
	<u>June 30, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2005</u>
Governmental Activities:				
Bonds and notes payable:				
Tax anticipation notes	\$ 45,000,000	\$ 45,000,000	\$ (45,000,000)	\$ 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

COUNTY OF BERNALILLO, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005

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.

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, 2005:

Improvement Bonds	Interest Rate	Date Issued	Date Series Matures	Amount of Original Issue	Bonds Outstanding June 30, 2005
Comanche Griegos BC-83-1A	7.25%	12/03	12/15/23	\$1,390,000	\$670,000
Comanche Griegos BC-83-1B	6.25%	12/03	12/15/23	\$2,085,000	\$1,985,000

At June 30, 2005, the Second Street, East Mountain, Paradise Hills, South Valley, and Heatherland Hills special assessment bonds had been fully paid. The remaining potential assets were as follows:

	Second Street BC-85-3	East Mountain BC-85-4	Paradise Hills BC-84-2	South Valley BC-84-1	Heatherland Hills BC-84-5
Cash and investments	\$ -	\$ 14,225	\$ 7,968	\$ 18,400	\$ -
Accounts receivable:					
Billed, but uncollected	1,804	21,699	19,674	57,055	959
Total	\$ 1,804	\$ 35,924	\$ 27,642	\$ 75,455	\$ 959

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

**COUNTY OF BERNALILLO, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005**

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.

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. 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, 2005, there were eleven series of project revenue bonds outstanding, with an aggregate principal amount payable of \$93,639,000.

J. Fund balance reservations

The New Mexico Department of Finance and Administration (DFA) requires that 3/12 of budgeted expenditures in the general fund be reserved as subsequent-year expenditures to maintain an adequate cash flow until the next significant property tax collection. The DFA required reserve balance for FY06 is \$38,279,946. Another portion of the general fund balance is unreserved and designated for subsequent years' expenditures in the amount \$26,938,653 which includes \$22,181,183 designated for unencumbered carryover and \$4,757,470 for budget stabilization.

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	\$ 1,557,078
Net Assets– CFP 14.872	22,642
Net Assets– Seybold Village Handicapped Project	<u>\$ 1,509,197</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.

**COUNTY OF BERNALILLO, NEW MEXICO
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2005**

Net Assets –Housing Choice Voucher 14.871	\$	307,529
Reduction of capital assets		(77,884)
Accumulated depreciation		72,501
Fund balance – Section 8 Housing-Vouchers	\$	<u>302,146</u>

L. Reclassification prior year fund balance

During the current year the Comanche/Griegos Debt Service was reclassified as an agency fund. The fund was reclassified to better reflect that the County is not obligated for repayment of that funds debt which is an obligation of the taxpayers by a judgment lien. The amount of \$230,313 for fund balance was moved from governmental activities to agency funds. During the fiscal year the Redevelopment Corporation was reclassified from a component unit to a non major enterprise fund. The Redevelopment Corporation was also renamed to El Centro Familiar. Fund balance in the amount of \$624,383 was added to the enterprise funds as an adjustment to beginning fund balance.

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.

The Workers' Compensation Pool provides workers' compensation coverage for every County employee. There are 28 counties in this pool, which for fiscal years ended 2005 and 2004 contributed a total of \$4,049,028 and \$3,135,464 respectively. The premium that each county pays depends upon the payroll total and the loss experience specific to that county.

**COUNTY OF BERNALILLO, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005**

For fiscal years ended 2005 and 2004, the County contributed \$510,148 and \$404,879 respectively, to the Worker's Compensation Pool. The self-insured retention level for the pool during the period of coverage July 1, 2004 through June 30, 2005 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 \$6,457,533 and \$6,113,370 for the years ending December 31, 2005, and 2004, respectively. The County paid premiums to the Multiline Pool in calendar years 2005 and 2004 of \$1,608,346 and \$1,641,169, respectively.

The self-insured retention level for this pool during the period of coverage January 1, 2004 through December 31, 2005 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, 2005, 2004, and 2003.

The New Mexico County Insurance Authority has published its own financial reports for the fiscal year ended June 30, 2005, 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, 2005, 2004, and 2003.

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

**COUNTY OF BERNALILLO, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005**

of these matters will not have a material adverse effect on the financial condition of the County. There were 60 open cases during fiscal year 2005. Nineteen cases were closed subsequent to June 30, 2005. Forty-one cases remain open as of June 30, 2005. 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, 2005, 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 \$8.9 million annually.

Other. At June 30, 2005, the County is committed to \$2,773,980 under construction contracts for capital 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.

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

**COUNTY OF BERNALILLO, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005**

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 before the employer's NMRHCA effective date, in which event the time period for contributions becomes the time between the employer's effective date and the date of retirement; or (2) retirees defined by the Act who retired prior to July 1, 1990; and former legislators who served at least two years.

Each participating employer makes contributions to the fund in the amount of 1.3 percent of each participating employee's annual salary. Each participating employee contributes to the fund an employee contribution equal to .65 percent of the employee's annual salary. Each participating retiree pays a monthly premium for the medical plus basic life plan and an additional participation fee of five dollars (\$5.00) if the eligible participant retired prior to the employer's NMRCHA effective date or is a former legislator and made no contributions to the plan.

**COUNTY OF BERNALILLO, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005**

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, 401 Roma, NW, Suite 200, Albuquerque, New Mexico 87102.

For the fiscal year ended June 30, 2005, the County remitted \$664,900 in employer contributions and \$332,447 in employee contributions to the Retiree Health Care Authority.

E. Public employees' retirement system

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 9.15-16.65% 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. County contributions are currently required for PERA retirees that return to work and retirees are required to contribute after their salary reaches \$25,000. The County's contributions to PERA for the years ending June 30, 2005, 2004, and 2003 were \$6,532,575, \$5,928,824, and \$5,547,120 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, fire and Juvenile Detention Center (JDC) plans. The following table outlines the divisions the County participates in and the contributions for the year ending June 30, 2005.

**COUNTY OF BERNALILLO, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2005**

Covered Division	<u>Employee</u>		<u>Employer</u>	
	Percent	Dollars	Percent	Dollars
General-management, blue collar and white collar	13.15%	\$4,051,036	9.15%	\$2,842,476
General-other	9.15	30,503	9.15	101,179
Sheriff	16.30	1,824,987	18.50	2,071,306
Fire	16.20	778,233	21.25	1,030,184
JDC	16.65	487,429	16.65	487,429