

NEW ISSUE
Book-Entry Only

RATINGS:
Standard & Poor's: AAA
Moody's Investors Service: Aaa
Fitch Ratings: AAA

In the opinion of Hughes Law, LLC, 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, the interest on the Bonds will be taken into account in determining the adjusted current earnings for the purpose of computing the alternative minimum tax on certain corporations (as defined for federal income tax purposes). 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.)

\$4,200,000
BERNALILLO COUNTY, NEW MEXICO
GENERAL OBLIGATION BONDS
SERIES 2011

Dated: Date of Issuance

Due: February 1, as detailed below

The Bonds will be issued as fully registered bonds, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, the securities depository for the Bonds, to which principal and interest payments on the Bonds will be made. Individual purchases will be made in book entry form only in denominations of \$5,000 or any integral multiple thereof. Purchasers of the Bonds will not receive physical delivery of bond certificates. (See "The Bonds - Book Entry Only System"). Interest is payable semi-annually on February 1 and August 1, commencing February 1, 2012. Principal is payable annually as detailed below. The Bonds are subject to redemption prior to maturity. (See "The Bonds - Prior Redemption").

Maturities, Rates, Yields and CUSIP numbers

Maturity		Interest		Maturity		Interest			
(Feb 1)	Principal	Rate	Yield	CUSIP	(Feb 1)	Principal	Rate	Yield	CUSIP
2013	\$550,000	4.00%	.50%	085275 B53	2017	\$620,000	2.25%	1.35%	085275 B95
2014	570,000	3.00%	.70%	085275 B61	2018	630,000	3.00%	1.60%	085275 C29
2015	585,000	2.50%	.85%	085275 B79	2019	645,000	3.00%	1.80%	085275 C37
2016	600,000	2.25%	1.10%	085275 B87					

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 offered when, as and if issued, subject to the approval of validity by Hughes Law, LLC, Albuquerque, New Mexico, Bond Counsel and Disclosure Counsel. It is anticipated that the Bonds will be available for delivery on or about October 5, 2011 through the facilities of DTC in New York, New York.

Official Statement Dated: September 27, 2011



BERNALILLO COUNTY, NEW MEXICO

One Civic Plaza, N.W., Suite 10111
Albuquerque, New Mexico 87102
Telephone: (505) 468-7000

COUNTY COMMISSION

Maggie Hart Stebbins, Chair
Art De La Cruz, Vice Chair,
Michelle Lujan Grisham, Commissioner
Michael C. Wiener, Commissioner
Wayne A. Johnson, Commissioner

COUNTY OFFICIALS

Tom Zdunek, Manager
Patrick J. Padilla, Treasurer
Karen L. Montoya, Assessor
Maggie Toulouse Oliver, Clerk

COUNTY FINANCE DEPARTMENT

Teresa A. Byrd
Interim Deputy County Manager for Budget and Finance
One Civic Plaza, N.W., 10th Floor
Albuquerque, New Mexico 87102
Telephone: (505) 468-7020

BOND & DISCLOSURE COUNSEL

Hughes Law, LLC
2221 Rio Grande Blvd. NW, Suite 100
Albuquerque, New Mexico 87104
Telephone: (505) 842-6700

TABLE OF CONTENTS

	PAGE #
Use of Information in This Official Statement	iii
Summary Information	1
Purpose and Plan of Financing	2
The Bonds	3
Authorization	3
Description of the Bonds	3
Security for the Bonds	3
Registration	4
Book Entry Only System	4
Limitations on Remedies Available to Owners of Bonds.....	6
Prior Redemption	7
Debt And Other Obligations	7
General Obligation Bonds Outstanding	7
Debt Service Schedule	8
Bernalillo County General Obligation Debt Service	9
Financial Data	10
County Assessed Valuation	10
Bonded Indebtedness	10
Direct and Overlapping Debt	11
Bonding Capacity.....	12
Assessed Valuation	12
Property Subject to Taxation	12
Assessment of Property.....	13
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 2010.....	15
Tax Rates	15
Yield Control	15
20-Mill Limitation Analysis	17
Residential and Non-Residential Property.....	17
Tax Rates in Bernalillo County.....	16
Tax Collections	18
Methods of Tax Collection	18
Interest on Delinquent Taxes	18
Penalty for Delinquent Taxes.....	18
Remedies Available for Non-Payment of Taxes	18
Tax Collection History - Bernalillo County.....	20

The County.....	21
General.....	21
County Government.....	22
The Government Body.....	22
Bernalillo County Commissioners.....	22
County Manager and Staff.....	23
Retirement Plan.....	24
Summary of Significant Accounting Policies of the County.....	27
2010 Audit Report.....	25
Basis of Presentation - Fund Accounting.....	27
Governmental Fund Types.....	27
Basis of Accounting.....	29
The County's Current and Historical Finances.....	29
Area Economic	
Information.....	42
Population.....	39
Per Capita Personal Income - Bernalillo County.....	40
Non-Agricultural Employment - Albuquerque MSA.....	44
Civilian Labor Force - Bernalillo County.....	45
Major Area Employers.....	45
Litigation.....	46
Transcript And Closing Documents.....	46
Legal Matters.....	46
Undertaking to Provide Ongoing Disclosure.....	46
Tax Matters.....	47
Investment Procedures For Bernalillo County.....	48
Investments.....	48
Legal Investments.....	49
Current Investments.....	49
Ratings.....	50
County Approval of Official Statement.....	51

APPENDICES

Appendix A	Form of Legal Opinion.....	A-1
Appendix B	Continuing Disclosure Undertaking.....	B-1
Appendix C	State of New Mexico County of Bernalillo Comprehensive Annual Financial Report - Fiscal Year Ended June 30, 2010.....	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 2011 (the “Bonds”) in the aggregate principal amount of \$4,200,000 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 Interim Deputy County Manager for Budget and Finance, One Civic Plaza, N.W., Suite 10111, Albuquerque, New Mexico 87102, Telephone: (505) 468-7020.

This Official Statement, which includes the cover page and appendices, 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. AR 2011-48 authorizing issuance of the Bonds adopted by the Board of County Commissioners (the “Board”) on August 23, 2011 (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 to fund certain Projects of the County as approved by voters of Bernalillo County at the 2010 general election as follows: <table><tr><td>Libraries</td><td>\$ 750,000</td></tr><tr><td>Parks and Recreation</td><td>1,150,000</td></tr><tr><td>Facility Improvements</td><td>2,300,000</td></tr></table>	Libraries	\$ 750,000	Parks and Recreation	1,150,000	Facility Improvements	2,300,000
Libraries	\$ 750,000						
Parks and Recreation	1,150,000						
Facility Improvements	2,300,000						
SECURITY:	These Bonds are General Obligation Bonds of the County and are payable from general (<i>ad valorem</i>) taxes which may be levied against all taxable property within the County without limitation as to rate or amount.						
COMPLIANCE:	The County undertakes to provide a written undertaking for purposes of SEC Rule 15c2-12. (<i>See</i> “ APPENDIX B. ”)						
DELIVERY:	Delivery of the Bonds to the purchaser through the facilities of the Depository Trust Company is expected on or about October 5, 2011.						
REDEMPTION:	The Bonds are subject to redemption prior to maturity as stated herein. See “The Bonds – Prior Redemption”.						
PAYING AGENT/ REGISTRAR:	Initially, the Interim Deputy County Manager for Budget and Finance or any successor named by the Board.						

PURPOSE AND PLAN OF FINANCING

Proceeds of the Bonds will be used to acquire library resources, park improvements, constructing and renovating public buildings. The following table shows the sources and uses of the proceeds of the Bonds and other available funds.

SOURCES AND USES OF FUNDS

Par amount of the Bonds:	\$4,200,000.00
Original issue premium:	204,640.95
TOTAL SOURCES OF FUNDS:	\$4,404,640.95
Project Fund:	\$4,323,328.45
Costs of Issuance**:	81,312.50
TOTAL USES OF FUNDS:	\$4,404,640.95

** Includes legal fees, printing, rating fees, and other miscellaneous fees.

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.

Proceeds from the Bonds will be used to fund \$750,000 in Library projects, \$1,150,000 in Parks and Recreation Projects and \$2,300,000 in Facilities Improvements Projects as approved by voters of Bernalillo County at the 2010 general election.

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 February 1, 2012. 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 legally available funds belonging to the County.

REGISTRATION

The Bernalillo Deputy County Manager for Budget and Finance will initially serve as the Registrar and Paying Agent for the Bonds.

BOOK-ENTRY ONLY SYSTEM

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.

The Depository Trust Company, New York, New York ("DTC") will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities 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 will be issued for each maturity of such issue in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities 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 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments 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 is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTC is owned by the users of its regulated subsidiaries. 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 (the "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 Bonds 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 DTC 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 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 MMI 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, distribution 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' account, upon DTC's receipt of funds and corresponding detail information from the County or the Paying Agent on the 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 securities 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 or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distribution 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, disbursement of such payments to Direct Participants is the responsibility of DTC, and

disbursement of such payments to the Beneficial Owners is the responsibility of Direct Participants and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the County. 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 transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered.

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

The Bonds maturing on and after February 1, 2018 are subject to redemption at the option of the County on February 1, 2017, or any date thereafter at a price of 100% of the par amount of the bonds plus accrued interest to the call date.

DEBT AND OTHER OBLIGATIONS
(as of September 1, 2011)

GENERAL OBLIGATION BONDS OUTSTANDING – PRIOR TO ISSUANCE OF 2011 BONDS

G.O. Bond	Original	Outstanding
<u>Series</u>	<u>Issue</u>	<u>Principal</u>
1997	\$11,170,000	\$5,310,000
1999	18,676,000	9,685,000
2001	4,600,000	260,000
2003	10,210,000	7,300,000
2004	3,029,000	3,029,000
2005	13,940,000	5,850,000
2005A	5,261,000	5,001,000
2006	10,000,000	8,575,000
2007	10,400,000	10,400,000
2007A	8,700,000	8,400,000
2009	10,750,000	7,950,000
2009A	10,750,000	10,750,000
2009A	10,750,000	<u>14,860,000</u>
TOTAL		<u>\$97,370,000</u>

Source: Bernalillo County Finance Department

DEBT SERVICE SCHEDULE

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

Date	Principal	Coupon	Interest	Total	Fiscal year Total
2/1/ 2012			\$ 38,481.39	\$ 38,481.39	\$ 38,481.39
8/1/ 2012			59,712.50	59,712.50	
2/1/ 2013	\$ 550,000	4.00%	59,712.50	609,712.50	659,425.00
8/1/ 2013			48,712.50	48,712.50	
2/1/ 2014	570,000	3.00%	48,712.50	618,712.50	667,425.00
8/1/ 2014			40,162.50	40,162.50	
2/1/ 2015	585,000	2.50%	40,162.50	625,162.50	665,325.00
8/1/ 2015			32,850.00	32,850.00	
2/1/ 2016	600,000	2.25%	32,850.00	632,850.00	665,700.00
8/1/ 2016			26,100.00	26,100.00	
2/1/ 2017	620,000	2.25%	26,100.00	646,100.00	672,200.00
8/1/ 2017			19,125.00	19,125.00	
2/1/ 2018	630,000	3.00%	19,125.00	649,125.00	668,250.00
8/1/ 2018			9,675.00	9,675.00	
2/1/ 2019	<u>645,000</u>	3.00%	<u>9,675.00</u>	<u>654,675.00</u>	664,350.00
	<u>\$ 4,200,000</u>		<u>\$ 511,156.39</u>	<u>\$ 4,711,156.39</u>	

(1) Assumed interest rate for purposes of this official statement.

BERNALILLO COUNTY OUTSTANDING GENERAL OBLIGATION DEBT SERVICE

<u>Fiscal Year</u> <u>Ended 6/30</u>	<u>Prior</u> <u>Bonds</u>	<u>Series</u> <u>2011</u>	<u>Total</u>
2012	\$ 10,756,125	\$ 38,482	\$ 10,794,607
2013	11,716,386	669,425	12,385,810
2014	12,491,408	667,425	13,158,833
2015	12,529,224	665,325	13,194,549
2016	12,514,887	665,700	13,180,587
2017	12,613,469	672,200	12,285,669
2018	12,632,035	668,250	13,300,285
2019	11,810,571	664,350	12,474,921
2020	11,848,177	-	11,848,177
2021	11,042,347	-	11,042,347
2022	8,456,113	-	8,456,113
2023	5,433,255	-	5,433,255
2024	2,960,450	-	2,960,450
2025	2,952,538	-	2,952,538
2026	2,470,512	-	2,470,512
2027	2,461,885	-	2,461,885
2028	1,724,623	-	1,724,623

[Remainder of page intentionally left blank]

FINANCIAL DATA

COUNTY ASSESSED VALUATION

Taxable Value of Property Assessed (1/3 market value)	<u>\$13,984,145,888</u>
Estimated Actual Value	<u>\$41,952,437,640</u>

BONDED INDEBTEDNESS

Outstanding Bonds	\$ 97,370,000
Add: Series 2011 Bonds	4,200,000
Add: Authorized and unissued*	<u>20,800,000</u>
Total Direct Debt after issuance of the Series 2011 Bonds	<u>\$122,370,000</u>

*Remainder of general obligation bonds authorized by County voters at the November, 2010 general election.

Source: Bernalillo County Finance Department

[Remainder of page intentionally left blank]

DIRECT AND OVERLAPPING DEBT (AS OF DECEMBER 31, 2010)

	G.O. Bonds Outstanding	Percent Applicable to Bernalillo County	County Share of G.O. Debt
Bernalillo County	\$ 85,949,000	100.00%	\$ 85,949,000
State of New Mexico	398,580,000	27.89%	111,163,962
City of Albuquerque	188,805,000	82.63%	156,009,571
Albuquerque Public Schools	562,075,000	99.38%	558,590,135
Albuquerque Metropolitan Arroyo Flood Control Authority	33,825,000	98.67%	33,374,066
Central NM Community College	52,825,000	99.38%	52,497,485
Moriarty School District ⁽¹⁾	26,635,000	0.53%	141,166
Village of Los Ranchos de Albuquerque	3,495,000	1.54%	53,823
			<u>\$841,769,637</u>

Ratios:

Direct and Overlapping Debt as a percentage of Taxable Assessed Valuation	6.02%
Direct and Overlapping Debt as a percentage of Actual Market Value	2.01%
Assessed Valuation Per Capita (2010 Estimated Population 713,020)	\$ 20,789
Direct and Overlapping General Obligation Debt Per Capita	\$1,181

(1) Outstanding G.O. debt at June 30, 2010

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	\$559,365,835
Less total bonds to be outstanding	<u>(122,370,000)</u>
Capacity in excess of present requirements	\$436,995,835

Source: Bernalillo County Finance Department

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 2010, property values were adjusted to their 2008 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 ("New Status"). There

are two recent Second Judicial District Court decisions holding that it is unconstitutional to not apply the limit to the New Status properties. The County Assessor has determined to roll back those valuations. These cases are pending in the State Court of Appeals.

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>
2011	\$13,984,145,888
2010	14,014,237,070
2009	14,321,984,355
2008	13,894,920,052
2007	12,948,307,067
2006	11,715,540,463
2005	11,002,745,292
2004	10,091,960,621
2003	9,633,808,029
2002	9,351,411,056
2001	9,134,321,827
2000	8,556,955,697
1999	8,543,509,487
1998	6,922,594,872
1997	6,704,501,819
1996	6,360,178,414
1995	6,216,096,985
1994	5,242,580,014
1993	5,170,771,547
1992	5,093,834,032
1991	5,001,385,449
1990	4,857,775,554

Source: Bernalillo County Finance Department

COUNTY OF BERNALILLO, NEW MEXICO PRINCIPAL TAXPAYERS AS OF 2010

<u>Taxpayer</u>	<u>Industry</u>	<u>Taxable Assessed Value</u>	<u>% of Taxable Assessed Value</u>
Public Service Company of New Mexico Electric	Utility	\$92,642,984	0.625%
Qwest Corp	Telecommunications	88,539,118	0.597%
Gas Company of New Mexico	Utility	41,032,422	0.277%
Southwest Airlines	Airline	24,936,592	0.168%
Verizon Wireless	Communications	21,206,069	0.143%
GCC Rio Grande Inc	Real Estate	19,579,783	0.132%
Simon Property Group Ltd (Cottonwood Mall)	Real Estate	15,960,737	0.108%
Hunt Uptown, LLC	Real Estate	15,025,331	0.101%
Pacific Mesa Studios	Film/Media	14,850,273	0.100%
Coronado Center LLC	Real Estate	14,662,580	0.099%

The top ten property taxpayers represent a total of \$348,435,889 in taxable assessed valuation or 2.35% of the taxable assessed valuation of the County.

Source: Bernalillo County CAFR June 30, 2010

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.

[Remainder of page intentionally left blank]

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 are within the 20-mill limit.

RESIDENTIAL AND NON-RESIDENTIAL PROPERTY

Property in New Mexico is sub-classified as either residential or non-residential 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 levies below are shown for residential property. Rates for 2011 are not yet available.

TAX RATES IN BERNALILLO COUNTY

<u>Fiscal Year</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>
State of New Mexico											
Debt service	1.530	1.150	1.250	1.291	1.291	1.234	1.028	1.520	1.123	1.765	
Bernalillo County											
Operating	6.665	7.505	7.430	7.489	7.393	7.220	8.310	8.342	7.265	7.266	6.478
Debt service	0.555	0.880	0.880	0.888	0.830	0.830	0.830	0.830	0.950	1.254	1.450
Open space	0.100	0.100	0.100	0.100	0.250	0.250	0.250	0.250	0.250	0.073	0.500
Judgment	0.014	<u>0.015</u>	<u>0.015</u>	<u>0.016</u>	<u>0.018</u>	<u>0.069</u>	<u>0.089</u>	<u>0.067</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Total direct rate	7.334	8.500	8.425	8.493	8.491	8.369	9.479	9.489	8.465	8.593	8.428
City of Albuquerque											
Operating	6.389	6.203	4.134	3.136	3.166	3.104	3.171	3.176	2.172	2.382	2.187
Debt Service	4.976	4.976	6.976	7.976	7.976	7.976	7.976	7.976	8.976	8.976	8.976
Albuquerque Public Schools											
Operating	0.256	0.304	0.303	0.304	0.302	0.299	0.301	0.304	0.307	0.312	0.310
Debt Service	4.317	4.316	4.304	4.308	2.167	2.162	2.166	2.162	2.160	2.160	2.160
Capital Impr.	2.000	2.000	1.999	2.000	1.995	1.958	2.000	2.000	2.000	2.000	
Building	3.874	3.985	3.944	3.947	3.975	3.996	3.988	4.068	3.996	4.004	4.006
UNM Hospitals	6.400	6.400	6.429	6.428	6.487	6.317	6.500	6.500	6.500	6.500	4.158
Village of Tijeras											
Operating	0.847	1.271	1.283	1.265	1.253	1.176	1.240	1.430	1.509	1.403	2.023
Where applicable:											
Rio Grande Conservancy											
District	3.970	4.238	4.246	4.250	4.635	4.963	5.330	5.320	5.376	5.425	5.560
Edgewood Soil & Water											
Conserv. Dist.	1.0001	1.000	0.939	0.935	0.956	0.969	1.000	1.000	1.000	1.000	1.000
Central NM Community College											
Operating	2.608	2.632	2.596	2.584	2.625	2.569	2.618	2.617	2.624	2.613	2.017
Debt Service	0.550	0.550	0.550	0.550	0.550	0.550	0.550	0.550	0.550	0.550	0.550
Albuquerque Metro Flood Control											
	0.840	0.927	0.923	0.919	0.931	0.920	0.931	0.933	0.933	0.940	0.934

Source: Bernalillo County CAFR June 30, 2010

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.

[Remainder of page intentionally left blank]

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, 2011			
2010	\$585,432,229	\$559,806,155	95.62%
2009	593,432,926	574,859,748	96.87%
2008	564,453,156	559,668,379	99.15%
2007	532,616,800	530,812,706	99.66%
2006	458,820,060	457,796,012	99.78%
2005	427,678,339	426,784,232	99.79%
As of June 30, 2010			
2009	\$594,167,621	\$561,434,375	94.49%
2008	564,972,042	554,008,481	98.06%
2007	533,126,091	529,592,861	99.34%
2006	458,824,998	457,572,708	99.73%
2005	427,693,273	426,707,288	99.77%
2004	399,810,864	398,918,119	99.78%
As of June 30, 2009			
2008	\$565,045,755	\$541,204,499	95.78%
2007	533,207,186	524,815,913	98.43%
2006	458,853,869	456,590,349	99.51%
2005	427,710,144	425,941,095	99.59%
2004	399,815,931	398,691,866	99.72%
2003	386,220,603	385,343,320	99.77%
As of June 30, 2008			
2007	\$533,972,595	\$513,363,469	96.14%
2006	459,679,476	453,977,597	98.76%
2005	427,710,630	425,246,839	99.42%
2004	399,816,272	398,514,034	99.67%
2003	386,224,441	385,231,540	99.74%
2002	342,679,476	341,580,127	99.68%

As of June 30, 2007			
2006	\$459,924,205	\$443,198,370	96.36%
2005	425,244,710	418,375,611	98.38%
2004	399,819,732	397,650,077	99.46%
2003	386,234,568	384,955,527	99.67%
2002	342,736,377	341,426,179	99.62%
2001	356,526,561	354,791,275	99.51%
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	95.71%
2003	386,342,930	380,457,426	98.47%
2002	342,830,820	340,045,362	99.19%
2001	356,580,516	354,341,141	99.37%
2000	311,999,812	310,662,517	98.48%
1999	293,865,653	293,204,471	95.71%

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 713,020 residents, (2010 Estimated) Bernalillo County ranks 90th in population of the nation's 3,066 counties. The County comprises nearly 33% 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, and the New Mexico State Fair. There are several Indian pueblos within easy driving distance that draw many tourists because of their historical and cultural significance and arts.

COUNTY GOVERNMENT

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

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

BERNALILLO COUNTY COMMISSIONERS

Michelle Lujan Grisham, Commissioner, District 1. Term expires December 2014; first elected, November 2010. Ms. Lujan Grisham began her work in the public sector in 1991 as director of the New Mexico State Agency on Aging. In 2004, she was appointed as Secretary of the New Mexico Department of Health, the largest department in state government with more than 3,000 employees and a budget in excess of \$440 million. Ms. Lujan Grisham continues her work and advocacy in the area of health, long term care and public police serving as a commissioner with the New Mexico State Bar, a board member of Total Community Care in Albuquerque and as a small business owner specializing in management and consulting services for no-profit

organizations in health and long-term care reform including the provision of health care for high-risk individuals

Art De La Cruz, Chair, District 2. Term expires December 2012; a native of Bernalillo County's South Valley, Mr. De La Cruz has worked in County and City government for 34 years. As a 25-year County employee, he spent much of his career overseeing land and facilities acquisitions and enhancing the quality of life through expanded community services. He graduated from the University of New Mexico and later received a Master of Arts in Management from the University of Phoenix.

Maggie Hart Stebbins, Vice Chair, District 3. Term expires November, 2012. The former incumbent, *Deanna Archuleta*, who was elected to a four (4) year term in November 2008, resigned the position in April, 2009 to accept a position with US Department of the Interior. Ms. Hart Stebbins was appointed to the vacancy by New Mexico Governor Bill Richardson, and was elected at the November 2010 general election for the remainder of the term. She has a Bachelor of Arts degree from Harvard University where she excelled as a collegiate lacrosse player, and was inducted into the Harvard Varsity Club Hall of Fame in 1999. She has served on numerous boards and commissions for governmental entities and not for profit organizations.

Michael C. Wiener, Commissioner, District 4. Term expires December 2012; first elected November 2008. Graduate of the University of New Mexico. Mr. Wiener served as an Albuquerque City Councilor from 1985 to 1989 and as a New Mexico State Senator from 1992 through 1995. Occupation: Real Estate Broker.

Wayne A. Johnson, Commissioner, District 5. Term expires December 2014; first elected 2010; A native New Mexican and graduate of the University of New Mexico, Mr. Johnson is president of Vista Media, a media business that produces a variety of media, including commercials, documentaries and web content. Mr. Johnson has been active in community organizations including the District 7 Coalition of Neighborhoods, serving as president and vice-president and the Bernalillo County Fire and Rescue Citizens Advisory Committee.
Pending

COUNTY MANAGER AND STAFF

Tom Zdunek, Interim County Manager.

Mr. Zdunek was appointed County Manager on September 6, 2011 following several months in the capacity as Interim County Manager. Mr. Zdunek joined the County in 2002 as director of the Facility and Fleet Department and was promoted to Deputy County Manager of the Public Works Division in 2008. Prior to joining the County, Mr. Zdunek worked in the prior sector for Mountain Bell, which later became Qwest Communications for 32 years.

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.

Actuarial information, as of June 30, 2010, is shown below:

State of New Mexico Public Employees Retirement Fund Summary Information as of June 30, 2010

Membership ¹	84,528
Actuarial Information	
Actuarial Accrued Liability ²	\$15,601,461,460
Actuarial Value of Assets	12,243,712,850
Unfunded Actuarial Accrued Liability	3,357,748,610

Source: PERA Annual Actuarial Valuation

¹ Includes active and retired members from all divisions.

² Includes accrued liability of both the retired and active members.

The Plan suffered as a result of volatility in the financial markets and economic recession from late 2007 into 2009. The Plan lost approximately 30% of its value as of February 2009 and closed Fiscal Year 2009 with a loss of 24.27%. The Plan experienced positive gains in Fiscal Year 2010 with a total fund return of 15.02%. The balance of the fund as of September 30, 2010 was approximately \$11.125 billion dollars. The 12-month return for the 12 month period ending September 30, 2010 was 11.66%, primarily attributable to good market conditions and performance of the fund. There are approximately 49,097 active members of PERA, 8342 inactive members of PERA and approximately 27,089 retirees and beneficiaries receiving benefits from PERA as of June 30, 2010. The State legislature has made significant changes to the existing system, which changes impact future members, in order to address the potential future insolvency of the retirement plan. Under current law, the County is not responsible for any future deficiencies in the retirement plan.

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, 2010, 2009, and 2008 were \$12,347,340, \$11,149,705, and \$10,319,466, 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, 2010.

<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%	\$6,398,682	9.15%	\$4,452,315
General-other	9.15%	\$13,707	9.15%	\$13,707
Sheriff	16.30%	\$2,239,332	18.50%	\$2,541,573
Fire	16.20%	\$1,342,578	21.25%	\$1,761,099
Juvenile Detention Center	16.65%	\$2,839,561	16.65%	\$2,839,561
Retired employees			9.15%-21.25%	\$739,073

Source: Bernalillo County CAFR 6//30/2011

New Mexico Retiree Health Care Authority

The County contributes to the New Mexico Retiree Health Care Fund, a cost sharing, multiple employer, defined benefit post-employment health care plan administered by the New Mexico Retiree Health Care Authority ("NMRHCA"). The NMRHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Sections 10-7C-1 through 10-7C-19 NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the health care plan and is also authorized to designate optional and/or voluntary benefits such as dental, vision, supplemental life insurance, and long-term policies.

The Retiree Health Care Act establishes the required contributions of the participating employers and their employees. Contributions are scheduled to be increased for both employers and employees as follows: employer contributions in Fiscal Year 2011 -- 1.666%, Fiscal Year 2012 – 1.834%, and Fiscal Year 2013 – 2.000%; employee contributions in Fiscal Year 2011 – 0.833%, Fiscal Year 2012 – 0.917%, and Fiscal Year 2013 – 1.000%. Prior to this change, each participating employer was required to contribute 1.3% of each participating employee's annual salary and each participating employee was required to contribute 0.65% of his salary. A financial report from the NMRHCA can be obtained at 4308 Carlisle Blvd. NE, Suite 104, Albuquerque, NM 87107.

Based on the Governmental Accounting Standards Board ("GASB") Statement 43 valuation for the Fiscal Year ended June 30, 2006, and assuming that the NMRHCA Fund is an equivalent arrangement to an irrevocable trust and, hence using a discount rate of 5.0%, the unfunded actuarial accrued liability has been calculated to be approximately \$4.1 billion. As required by GASB Statement 43, this calculation takes into consideration only current assets of the NMRHCA Fund. The Legislative Council, the Legislative Finance Committee, the Governor and the NMRHCA, as required by statute, established a working group that, among other things, examined the options to improve the actuarial soundness of the NMRHCA Fund and reported its findings to the Governor, the New Mexico Legislative Council, at the Legislative Finance Committee and the NMRHCA.

In January 2008, NMRHCA's fund was projected to be insolvent by June 2014. However, recent actions by the NMRHCA have improved its financial outlook. The NMRHCA Board recently approved an 8% premium increase starting in 2011 which is expected to help ensure solvency. On July 9, 2010 NMRHCA announced that it has applied for \$20 million dollars in reimbursements under the recently enacted federal health care reform bill. The funds are available under the early retirement provision and should help lower costs for retirees under 65. These actions, taken together are expected to increase the projected solvency period to the year 2028. NMRHCA also established, as policy, that premium increases going forward should track medical trend increases. In the past, premium increases were substantially lower than medical inflation, which was a leading contributor to declining solvency. Under current law, the County is not responsible for any future deficiencies in NMRHCA.

County Insurance Coverage

The County maintains insurance on its assets and operations as is customary and adequate, in its opinion, for similar entities insuring similar operations and assets. The County carries general liability insurance, auto damage and workers compensation with the New Mexico County Insurance Authority for its errors and omissions coverage, emergency medical, volunteer fire fighters and law enforcement liability coverage. There can be no assurance, however, that the County will continue to maintain the present level of coverage or that the insurance maintained will be sufficient.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES OF THE COUNTY

2010 AUDIT REPORT

Moss Adams, LLP, Certified Public Accountants & Business 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, 2010. 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, 2010" for the County's complete audited financial statements.

BASIS OF PRESENTATION - FUND ACCOUNTING

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

GOVERNMENTAL FUND TYPES

1. General Fund - The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund. It is funded primarily through property, sale and other miscellaneous taxes.
2. Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.
3. Capital Project Funds - The Capital Project Funds are used to account for financial resources to be used for the acquisition of major capital facilities and related costs. Capital Project funding is comprised of bond proceeds, federal and state grants and/or current federal funds.

4. Special Revenue Funds - The County receives funds from various sources, the expenditure of which is legally restricted to specified purposes. These revenues and expenditures are accounted for in this fund.

Proprietary Fund Type-Enterprise Funds.

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

Fiduciary Fund Type-Agency Funds.

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

Fixed Assets and Long-Term Liabilities

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

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

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

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

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

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

BASIS OF ACCOUNTING

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

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

[Remainder of page intentionally left blank]

THE COUNTY'S CURRENT AND HISTORICAL FINANCES

Statement of Activities for year ended June 30, 2010 *(Audited)*

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<i>Primary government:</i>							
<i>Governmental activities:</i>							
General government	\$ 64,791,762	\$ 27,821,557	\$ -	\$ -	\$ (36,970,205)	-	\$ (36,970,205)
Public works	42,122,694	-	-	17,963,627	(24,159,067)	-	(24,159,067)
Public safety	154,622,588	-	11,692,990	637,977	(142,291,621)	-	(142,291,621)
Culture and recreation	11,957,736	-	743,584	8,490,772	(2,723,380)	-	(2,723,380)
Health and welfare	36,053,345	-	12,924,689	1,021,325	(22,107,331)	-	(22,107,331)
Interest on long-term debt	14,530,276	-	-	-	(14,530,276)	-	(14,530,276)
Total governmental activities	324,078,401	27,821,557	25,361,263	28,113,701	(242,781,880)	-	(242,781,880)
<i>Business-type activities:</i>							
Solid waste	4,817,057	4,617,890	176,000	-	-	(23,167)	(23,167)
Housing Authority	1,083,960	293,063	451,043	-	-	(339,854)	(339,854)
Seybold Village Project	349,467	43,074	-	107,712	-	(198,681)	(198,681)
Regional Juvenile Detention Center	1,084,886	1,062,223	-	-	-	(22,663)	(22,663)
El Centro Familiar	646,387	398,596	153,544	-	-	(94,247)	(94,247)
Total business-type activities	7,981,757	6,414,846	780,587	107,712	-	(678,612)	(678,612)
Total primary government	\$ 332,060,158	\$ 34,236,403	\$ 26,141,850	\$ 28,221,413	(242,781,880)	(678,612)	(243,460,492)
General revenues:							
Property taxes					127,201,067	-	127,201,067
Gross receipts taxes					112,555,113	-	112,555,113
Motor vehicle taxes					3,788,238	-	3,788,238
Cigarette taxes					5,230	-	5,230
Gas taxes					1,808,628	-	1,808,628
Investment income					15,249,566	124,819	15,374,385
Gain on sale of capital assets					48,972	4,100	53,072
Miscellaneous					14,375,434	614,416	14,989,850
Capital Contributions					-	8,346	8,346
Total general revenue and transfers					275,032,248	751,681	275,783,929
Change in net assets					32,250,368	73,069	32,323,437
Net assets - beginning					570,111,848	4,358,145	574,469,993
Net assets - ending					\$ 602,362,216	\$ 4,431,214	\$ 606,793,430

Source: Audited Financial Statements for year ended June 30, 2010.

Statement of Activities for year ended June 30, 2009
(Audited)

Functions/Programs	Program Revenues			Primary Government		Total	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities		Business-type Activities
Primary government:							
Governmental activities:							
General government	\$70,155,157	\$29,818,073	\$346,608	\$10,087,748	\$(29,902,728)	\$ (29,902,728)	
Public works	50,092,431	-	9,931.00	20,927,024	(29,155,476)	(29,155,476)	
Public safety	156,911,320	-	10,654,921	809,420	(145,446,979)	(145,446,979)	
Culture and recreation	11,426,758	-	557,640	3,150,736	(7,718,382)	(7,718,382)	
Health and welfare	31,911,866	-	13,182,226	2,909,854	(15,819,786)	(15,819,786)	
Interest on long-term debt	15,577,204	-	-	-	(15,577,204)	(15,577,204)	
Total governmental activities	336,074,736	29,818,073	24,751,326	37,884,782	(243,620,555)	(243,620,555)	
Business-type activities:							
Solid waste	5,215,029	4,495,377	176,000	-	-	(543,652)	
Housing authority	1,576,798	575,634	-	406,227	-	(594,937)	
Seybold Village Handicapped Project	320,744	42,446	-	75,952	-	(202,346)	
Regional Juvenile Detention Center	960,180	1,058,848	-	-	-	98,668	
El Centro Familiar	450,958	160,089	151,781	-	-	(139,088)	
Total business-type activities	8,523,709	6,332,394	327,781	482,179	-	(1,381,355)	
Total primary government	\$344,598,445	\$ 36,150,467	\$25,079,107	\$38,366,961	\$(243,620,555)	\$(1,381,355)	(\$245,001,910)

Statement of Activities for year ended June 30, 2009 (Audited), continued

Property taxes	120,069,963	-	120,069,963
Gross receipts taxes	114,116,141	-	114,116,141
Motor vehicle taxes	3,582,607	-	3,582,607
Cigarette taxes	6,758	-	6,758
Gas taxes	2,037,969	-	2,037,969
Investment income	10,865,039	45,191	10,910,230
Miscellaneous	296,236	33,858	330,094
Transfers	13,317,702	712,172	14,029,874
Total general revenue and transfers	<u>264,292,415</u>	<u>791,221</u>	<u>265,083,636</u>
	20,915,112	(590,134)	20,324,978
Net assets, beginning	<u>549,196,736</u>	<u>4,948,279</u>	<u>554,145,015</u>
	<u>\$570,111,848</u>	<u>\$4,358,145</u>	<u>\$574,469,993</u>

Source: Audited Financial Statements for year ended June 30, 2009.

Statement of Activities for year ended June 30, 2008 (Audited)

Functions/Programs	Expenses	Program Revenues					Net (Expenses) Revenues and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Primary Government		
						Total	Business-type Activities	
Primary government:								
Governmental activities:								
General government	\$45,609,786	\$36,526,187	\$232,986	-	\$ (8,850,613)			\$(8,850,613)
Public works	52,518,685	-	-	27,882,786	(24,635,899)			(24,635,899)
Public safety	143,867,733	-	12,688,872	5,063,696	(126,115,165)			(126,115,165)
Culture and recreation	12,637,946	138	743,616	6,124,856	(5,769,336)			(5,769,336)
Health and welfare	28,083,075	-	14,475,407	2,921,570	(10,686,098)			(10,686,098)
Interest on long-term debt	15,585,987	-	-	-	(15,585,987)			(15,585,987)
Total governmental activities	298,303,212	36,526,325	28,140,881	41,992,908	(191,643,098)			(191,643,098)
Business-type activities:								
Solid waste	4,910,418	4,373,905	165,001	-	-	(371,512)		(371,512)
Housing authority	860,653	537,282	123,696	395,128	-	195,453		195,453
Seybold Village Handicapped Project	235,027	41,392	56,546	38,853	-	(98,236)		(98,236)
Regional Juvenile Detention Center	923,826	859,131	-	-	-	(64,695)		(64,695)
El Centro Familiar	426,170	170,909	153,239	-	-	(102,022)		(102,022)
Total business-type activities	7,356,094	5,982,619	498,482	433,981	-	(441,012)		(441,012)
Total primary government	\$305,659,306	\$42,508,944	\$28,639,363	\$42,426,889	\$(191,643,098)	\$(441,012)		\$ (192,084,110)

Source: Audited Financial Statements for year ended June 30, 2009.

Statement of Activities for year ended June 30, 2008 (Audited), continued

Property taxes	113,789,778	-	113,789,778
Gross receipts taxes	120,264,324	-	120,264,324
Motor vehicle taxes	4,301,323	-	4,301,323
Cigarette taxes	6,077	-	6,077
Gas taxes	1,572,980	-	1,572,980
Investment income	16,046,244	83,879	16,130,123
Miscellaneous	9,525,633	383,895	9,909,528
Transfers	(384,894)	384,894	-
Total general revenue and transfers	265,121,465	852,668	265,974,133
	73,478,367	411,656	73,890,023
	475,718,369	4,536,623	480,254,992
	\$549,196,736	\$4,948,279	\$554,145,015

Source: Audited Financial Statements for year ended June 30, 2008.

Statement of Activities for year ended June 30, 2007(Audited)

Functions/Programs	Expenses	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Primary Government	
Primary government:								
Governmental activities:								
General government	\$ 47,569,157	\$47,003,455	\$ 442,797	\$ 129,563	\$ 6,658			\$ 6,658
Public works	32,604,280		17,536	36,292,565	3,705,565			3,705,281
Public safety	129,957,959		5,207,981	844,478	(123,905,500)			(123,905,500)
Culture and recreation	15,337,172	48,720	260,933	4,741,191	(10,286,328)			(10,286,328)
Health and welfare	25,862,321		15,807,842	3,758,832	(6,295,647)			(6,295,647)
Interest on long-term debt	15,221,474				(15,221,474)			(15,221,474)
Total governmental activities	<u>266,552,363</u>	<u>47,052,175</u>	<u>21,737,089</u>	<u>45,766,629</u>	<u>(151,996,470)</u>			<u>(151,996,470)</u>
Business-type activities:								
Solid waste	4,483,095	3,646,753	314,140			(522,202)		(522,202)
Housing authority	847,572	191,210		452,903		(203,459)		(203,459)
Seybold Village Handicapped Project	172,947	30,942	54,556	29,691		(57,758)		(57,758)
Regional Juvenile Detention Center	1,158,479	1,171,934				13,455		13,455
El Centro Familiar	354,557	110,664	214,296			(29,597)		(29,597)
Total business-type activities	<u>7,016,650</u>	<u>5,151,503</u>	<u>582,992</u>	<u>482,594</u>		<u>(799,561)</u>		<u>(799,561)</u>
Total primary government	\$273,569,013	\$52,203,678	\$22,320,081	\$46,249,223	\$(151,996,470)	\$(799,561)		\$(152,796,031)

Statement of Activities for year ended June 30, 2007(Audited), continued

Property taxes	101,617,379.00		101,617,379.00
Gross receipts taxes	107,167,291.00		107,167,291.00
Motor vehicle taxes	3,788,667.00		3,788,667.00
Cigarette taxes	6,454.00		6,454.00
Gas taxes	1,636,764.00		1,636,764.00
Investment income	13,833,232.00	103,533.00	13,936,765.00
Miscellaneous	10,477,726.00	117,150.00	10,594,876.00
	<u>2,150,159.00</u>	<u>321,444.00</u>	<u>2,471,603.00</u>
Total general revenue and transfers	<u>240,677,672.00</u>	<u>542,127.00</u>	<u>241,219,799.00</u>
	<u>88,681,202.00</u>	<u>(257,434.00)</u>	<u>88,423,768.00</u>
	<u>387,037,167.00</u>	<u>4,794,057.00</u>	<u>391,831,224.00</u>
	<u>\$475,718,369.00</u>	<u>\$4,536,623.00</u>	<u>\$480,254,992.00</u>

Source: Audited Financial Statements for year ended June 30, 2007.

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

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Assets</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		<u>Total</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	<u>6,572,669</u>	<u>5,495,303</u>	<u>196,975</u>	<u>-</u>	<u>-</u>	<u>(880,391)</u>	<u>(880,391)</u>
Total primary government	<u>\$ 257,688,311</u>	<u>\$ 36,352,439</u>	<u>\$ 22,144,675</u>	<u>\$ 24,212,609</u>	<u>\$ (174,098,197)</u>	<u>\$ (880,391)</u>	<u>\$ (174,978,588)</u>

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

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

Source: Audited Financial Statements for year ended June 30, 2006.

[Remainder of page intentionally left blank]

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
2010 est.	713,020	907,755	2,162,331

Source: U.S. Department of Commerce, Bureau of the Census.

[Remainder of page intentionally left blank]

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>
2010	Not avail.	\$33,837	\$40,584	n/a	Not avail.
2009	\$36,825	\$32,992	\$39,139	111.62%	94.09%
2008	\$37,140	\$33,389	\$40,166	111.23%	92.47%
2007	\$34,983	\$30,706	\$38,615	114.00%	90.59%
2006	\$33,932	\$29,346	\$36,794	115.63%	92.22%
2005	\$32,931	\$27,907	\$34,471	118.00%	95.53%
2004	\$30,986	\$26,366	\$33,090	117.52%	93.64%
2003	\$29,845	\$24,975	\$31,466	120.28%	95.5%

<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>
2002	\$29,427	\$24,330	\$30,795	121.7%	95.5%
2001	\$29,697	\$24,083	\$30,562	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%

Source: U.S. Department of Commerce, Bureau of Economic Analysis.

[Remainder of page intentionally left blank]

NON-AGRICULTURAL EMPLOYMENT – ALBUQUERQUE MSA

	2004	2005	2006	2007	2008	2009 ^r	2010 ^p
Albuquerque MSA²							
Total Employment ¹	370.2	377.9	391.5	395.8	394.9	378.0	371.4
Total Private	295.5	301.7	313.1	316.3	313.6	295.4	287.9
Goods Producing	48.6	51.4	55.5	54.2	50.4	42.1	38.9
Services Providing	246.9	250.3	257.6	262.2	263.2	253.3	249.0
Mining, Logging & Construction	25.9	28.6	31.4	30.5	28.3	23.9	21.5
Manufacturing	22.6	22.8	24.1	23.7	22.0	18.2	17.5
Wholesale Trade	12.8	13.0	13.2	13.3	13.1	12.1	12.3
Retail Trade	42.9	43.6	43.7	44.6	44.5	41.7	40.8
Transp., Warehousing & Utilities	10.5	10.4	10.5	10.9	10.7	9.7	9.4
Information	9.6	8.7	9.4	9.2	9.4	9.0	8.5
Financial Activities	19.1	19.3	19.2	19.2	18.7	18.2	17.9
Professional & Business Services	59.2	60.7	62.9	64.3	64.3	60.0	56.4
Educational & Health Services	45.0	46.3	47.9	49.0	51.2	53.6	54.5
Leisure & Hospitality	36.1	36.5	38.5	39.4	38.9	37.3	37.4
Other Services	11.8	11.9	12.1	12.2	12.5	11.9	11.8
Government	74.7	76.2	78.5	79.5	81.3	82.6	83.5

r Revised.

p Preliminary.

1 Nonagricultural wage and salary employment is on a place of work basis and excludes proprietors, farm workers and unpaid family workers

2 Metropolitan Statistical Area, including counties of Bernalillo, Valencia, Tarrant and Sandoval

[Remainder of page intentionally left blank]

CIVILIAN LABOR FORCE

<i>Bernalillo County</i>	<u>2Q</u> <u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Labor Force	308,276	313,345	317,243	313,852	316,993	313,406
Employment	286,280	286,762	293,003	303,780	306,857	301,179
Unemployment	21,997	26,583	24,240	16,532	10,141	12,227
Percentage Unemployment – Bern. County	7.1%	8.5%	7.1%	5.2%	3.2%	3.9%
Percentage Unemployment – New Mexico	7.1%	8.4%	7.8%	4.4%	3.3%	4.2%
Percentage Unemployment – United States	9.2%	9.4%	9.7%	5.8%	4.6%	4.6%

MAJOR AREA EMPLOYERS

Organization	Employees	Description
Kirtland Air Force Base (Civilian)	16,533	Air Force Material Command
University of New Mexico	15,260	Educational Institution
Albuquerque Public Schools	14,000	Public School District
Sandia National Labs	8,400	Science-Based Technologies that Support National Security
Presbyterian Healthcare Services	7,425	Hospital/Medical Services
City of Albuquerque	6,072	Government
State of New Mexico	5,710	Government
UNM Hospital	5,455	Hospital/Medical Services
Lovelace	3,400	Hospital/Medical Services
Intel Corporation	3,300	Semiconductor Manufacturer
Bernalillo County	2,530	Government
Rio Rancho Public Schools	1,920	Public School District
Central New Mexico Community College	1,855	Educational Institution
New Mexico Veterans Affairs Healthcare Sys.	1,800	Hospital/Medical Services
Sandia Resort & Casino	1,800	Resort & Casino
T-Mobile	1,500	Customer Service Center
Verizon Wireless	1,500	Technical Data Services & Customer Service Center
Isleta Casino & Resort	1,200	Casino & Resort
Los Lunas Public Schools	1,200	Educational Institution

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 Law, LLC, 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 Law, LLC, 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 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 Law LLC, 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, the interest on the Bonds will be taken into account in determining the adjusted current earnings for the purpose of computing the alternative minimum tax on certain corporations (as defined for federal income tax purposes).

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

Standard & Poor's has assigned a municipal bond rating of "AAA" to the Bonds.

Moody's Investors Service, Inc. has assigned a municipal bond rating of "Aaa" to the Bonds.

Fitch Ratings has assigned a municipal bond rating of "AAA" 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.

APPENDIX A
FORM OF LEGAL OPINION

APPENDIX A
FORM OF LEGAL OPINION

September __, 2011

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

\$4,200,000
BERNALILLO COUNTY, NEW MEXICO
GENERAL OBLIGATION REFUNDING BONDS
SERIES 2011

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 deemed 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 have been duly authorized and executed by the County, and 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, the interest on the Bonds will be taken into account in determining the adjusted current earnings for the purpose of computing the alternative minimum tax on certain corporations (as defined for federal income tax purposes). The opinions set forth in the preceding sentence are subject to the condition that the County 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 County 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 limited by bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditor's rights generally and by equitable 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, or any changes in law that may hereafter occur.

Very truly yours,

APPENDIX B

UNDERTAKING TO PROVIDE ONGOING DISCLOSURE

APPENDIX B

CONTINUING DISCLOSURE UNDERTAKING

\$4,200,000

BERNALILLO COUNTY, NEW MEXICO

GENERAL OBLIGATION BONDS

SERIES 2011

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 a resolution adopted by the Board of County Commissioners on September 27, 2011 (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 2011 to EMMA. 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 EMMA; 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 EMMA, the Annual Financial Information by specific reference to documents previously provided to EMMA 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 EMMA.

c. If a Material Event occurs while any Bonds are Outstanding, the Issuer shall provide a Material Event Notice in a timely manner to EMMA. 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 EMMA, notice of any failure by the Issuer while any Bonds are Outstanding to provide to EMMA, Annual Financial Information on or before the Report Date.

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. **“EMMA”** means the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System located on its website at emma.msrb.org.

d. **“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.

(xii) bankruptcy, insolvency, receivership or a similar event with respect to the District or an obligated person;

(xiii) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

(xiv) appointment of a successor or additional trustee, or a change of name of a trustee, if material.

(e) The County or its designated agent, will provide, in a timely manner not in excess of ten (10) business days after the occurrence of the event, to EMMA, notice of any: (i) failure of the County to timely provide the Annual Financial Information as specified in Sections 3(a) and 3(b); (ii) changes in its fiscal year-end; and (iii) amendment of this Undertaking.

e. **“Material Event Notice”** means written or electronic notice of a Material Event.

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 EMMA 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 EMMA of the proposed amendment and an opinion of nationally recognized bond counsel to the effect that such amendment, and giving effect thereto, will not adversely affect the compliance of this undertaking by the Issuer with the Rule.

6. Any failure by the Issuer to perform in accordance herewith shall not constitute an “Event of Default” under the Bonds and the Resolution, and the rights and remedies provided by

the Resolution upon the occurrence of an “Event of Default” shall not apply to any such failure; however, Bondholders may sue to enforce performance of the undertakings set forth herein.

[Remainder of page intentionally left blank]

In Witness Whereof, Bernalillo County, New Mexico has caused this instrument to be signed, subscribed, and executed, and attested with the signature of the Chair of the Board of County Commissioners; has caused its corporate seal to be affixed on this instrument; all as of September __, 2011.

BERNALILLO COUNTY, NEW MEXICO

/s/
Chair, Board of County Commissioners

APPENDIX C

**STATE OF NEW MEXICO
COUNTY OF BERNALILLO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2010**

**STATE OF NEW MEXICO
COUNTY OF BERNALILLO**

**COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT
Fiscal Year Ended June 30, 2010**

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

**Prepared by:
The Accounting Department**



COUNTY OF BERNALILLO, NEW MEXICO

TABLE OF CONTENTS

	Page
INTRODUCTORY SECTION	
Letter of Transmittal	i
Certificate of Achievement for Excellence in Financial Reporting	vi
Organizational Chart	vii
Principal Officials	viii
Contributors	ix
FINANCIAL SECTION	
Independent Auditors' Report	1
Management's Discussion and Analysis	4
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	32
Statement of Activities	33
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet – Governmental Funds	34
Reconciliation of the Balance Sheet Governmental Funds to the Statement of Net Assets	35
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	36
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	37
Statement of Revenues and Expenditures –Budget and Actual (Non- GAAP Budgetary Basis)	
General Fund	38
Regional Correctional Center	40
Proprietary Funds:	
Statement of Net Assets – Proprietary Funds	41
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	42
Statement of Cash Flows – Proprietary Funds	43
Fiduciary Funds:	
Statement of Fiduciary Assets and Liabilities – Agency Funds	44
Contents – Notes to the Financial Statements	45
Notes to the Financial Statements	46

County of Bernalillo

State of New Mexico



BOARD OF COUNTY COMMISSIONERS

ART DE LA CRUZ, CHAIR
DISTRICT 2
MAGGIE HART STEBBINS, VICE CHAIR
DISTRICT 3
ALAN B. ARMIDO, MEMBER
DISTRICT 1
MICHAEL C. WIENER, MEMBER
DISTRICT 4
MICHAEL BRASHER, MEMBER
DISTRICT 5
THADDEUS LUCERO, COUNTY MANAGER

KAREN L. MONTOYA, ASSESSOR
MAGGIE TOULOUSE OLIVER, CLERK
MERRI RUDD, PROBATE JUDGE
MANUEL GONZALES III, SHERIFF
PATRICK J. PADILLA, TREASURER

ONE CIVIC PLAZA N.W. 10th FLOOR
ALBUQUERQUE, NEW MEXICO 87102
ADMINISTRATION 505-468-7000
FAX 505-462-9813

November 12, 2010

Board of County Commissioners
Art De La Cruz, Chair
Maggie Hart Stebbins, Vice Chair
Alan B. Armijo, Member
Michael C. Wiener, Member
Michael Brasher, Member
One Civic Plaza, 10th Floor
Albuquerque, New Mexico 87102

Dear Commissioners:

County management hereby submits the Comprehensive Annual Financial Report (CAFR) of the County of Bernalillo (the County), New Mexico, for fiscal year ending June 30, 2010.

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

County management assumes full responsibility for the completeness and reliability of the information contained in this report, based on a comprehensive framework of internal controls that were established for this purpose. Because the cost of internal controls should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Moss Adams LLP, Certified Public Accountants, have issued the highest possible opinion, an unqualified opinion, on the County's comprehensive annual financial report for the fiscal year

ending June 30, 2010. The independent auditor's report is located at the front of the financial statements.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditors report; it provides a narrative introduction, overview and analysis of the basic financial statements. The MD&A provides a context to this letter of transmittal and should be read in conjunction with it.

Profile of the County

Bernalillo County, which encompasses the entire City of Albuquerque, is located in the central region of the state and is the economic and population hub of New Mexico. With an estimated population of 642,527 in 2009, Bernalillo County is the 94th most populous county of the nation's 3,141 counties. It comprises 32 percent of New Mexico's population and 75 percent of the Albuquerque Metropolitan Statistical Area (MSA) comprised of Bernalillo County and portions of Sandoval, Torrance and Valencia Counties.

The County provides sheriff and fire protection to county residents, highways and streets, sanitation, cultural and recreational services, public improvements, building, planning and zoning, and general administrative services. The County also operates the largest jail in the state with a bed count of over two thousand five hundred inmates. The County has a Commission-Manager form of government in which most of the day-to-day administrative duties are delegated to the County Manager. All legislative power within the County is vested in a five-member Board of Commissioners, each of whom are elected to four-year terms from single member districts, with a two-term limit. The executive functions are divided; the powers are shared by the Board and five elected County officials: the Treasurer, Assessor, Clerk, Probate Judge, and Sheriff.

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

Local Economy

Bernalillo County, with the City of Albuquerque (2009 population estimate of 528,497) making up 82 percent of its population, serves as a hub for commerce and industry in the Southwest. It

accounts for nearly half of all economic activity in New Mexico. In the 2010 Forbes List of “Best Places for Business and Careers,” Albuquerque placed 41st out of the 200 ranked metro areas in the country and was ranked 35th in the “Cost of Doing Business” category and 7th in the “Job Growth Expected” category.

Forecasts by the University of New Mexico’s Bureau of Business and Economic Research suggest the near-term outlook for the Albuquerque economy is a continuation of the nationwide recession for at least the next three quarters. Nonfarm employment growth is expected to decline 1.4 percent for the year but is projected to increase by 0.8 percent in 2011 and 1.8 percent in 2012. The unemployment rate in June 2010 was 8.6 percent—slightly lower than the national rate of 9.5 percent but still higher than the statewide rate of 8.2 percent. Forecasts indicate the unemployment rate will hover around 8 percent in the Albuquerque MSA through 2013 before declining to 7 percent by 2015.

FY 11 general fund budgeted appropriations of \$205,032,988 represent a 1.9 percent decrease from FY 10 levels. Property taxes are anticipated to make up 50 percent of general fund revenue in FY 11 and 12. Gross receipts taxes have declined 10 percent over the past two years as the local economy has been impacted by the recession. FY 11 gross receipts tax levels are expected to remain flat with modest growth of 1 percent budgeted for FY 12.

Even in these uncertain economic times, however, the County has been a conscientious steward of tax revenue by maintaining sufficient reserve funds and being conservative in revenue projections.

Long-Term Financial Planning

The financial condition of the County is strong as reflected by the County’s bond ratings. The County’s 2010 General Obligation Bonds were rated “AAA” by both Fitch Ratings and Standard & Poor’s and rated “Aaa” by Moody’s Investors Service. The County continues its effort to incorporate comprehensive financial planning in its long-range vision in order to remain solvent during the current economic downturn. In addition to the 3/12th reserve requirement required by the State of New Mexico of \$65,240,072, the County’s long-term financial plan includes maintaining adequate reserves in the event of unforeseen contingencies.

Relevant Financial Policies

Bernalillo County recently began its third biennial budget. Through the biennial budget process, approval is granted by the Board of County Commissioners for an appropriation of two fiscal years at once, with funding being available to departments one year at a time. Departments were provided a base budget and salary projections for each of the two years. Departments have the opportunity to evaluate their budgets prior to commencement of the second year. Any necessary changes will be presented to the Board of County Commissioners as adjustments to the base budget. The biennial budget process has encouraged a long-term view of financial planning and shifted the emphasis from the process itself to a more careful examination of resource allocation choices. FY 11 represents the first year of the current biennial budget cycle.

Major Initiatives

Although the recession has caused a decrease in revenue, the County has continued efforts to improve its service delivery and make government more efficient and easier for citizens to access.

The County recently went paperless in its distribution of payroll checks. Employees now log on to the Human Resource Department's web portal to access pay stubs as well as update employee data. This process has increased the County's efficiency in this area by eliminating staff time spent distributing checks and unnecessary trips by offsite timekeepers.

In another move to enhance efficiency, the County is transitioning to a paperless system for generating legislative documents. The new system, MinuteTraq, allows legislative documents to be created, routed and approved online without the need for printing or in-person routing.

With passage of a recent state law allowing local governments to accept credit or electronic payment of tax bills, along with allowing the recovery of processing charges, the County has made it easier for citizens to pay their tax obligations. Where only cash or checks used to be accepted, the County is increasing its ability to allow taxpayers to pay online, by e-check, or with a debit or credit card. In FY 2010, over \$12 million in electronic payments were accepted, with that number expected to rise in FY 11 and 12. The County Clerk recently installed software that allows title companies the ability to electronically record titles and make payments online.

The Bernalillo County website (www.bernco.gov) is undergoing a total redesign, scheduled to go live by December 2010, which will make it easier for users to utilize the site and provide greater information about the County's programs and services.

The County recently began renovating the previously-vacant former district courthouse building and has relocated several County departments to the building. These moves ultimately will save taxpayer resources as rent and operating costs of the previous department locations are eliminated.

Using Federal stimulus funds, the County has retrofitted several of its buildings with more energy efficient HVAC systems. In addition, the County has installed low-flow plumbing fixtures in the majority of County facilities and is replacing lighting systems with more energy efficient fluorescent lighting. Also, when a vehicle in the fleet need replacement, the County, where feasible, is replacing vehicles with smaller, more fuel efficient choices. These investments will save utility costs over the long term and provide more value for taxpayers.

Awards and Acknowledgements

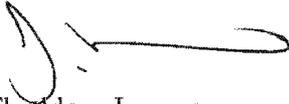
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its comprehensive annual financial report for the fiscal year ended June 30, 2009. This was the sixth consecutive year that the County has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the County must publish an easily readable and efficiently organized

comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and are submitting it to the GFOA to determine its eligibility for this prestigious recognition again this year.

The preparation of this report would not have been possible without the dedicated service of the entire Accounting Department staff of the Finance Division. We also would like to express our appreciation to County departments that assisted and contributed to the preparation of this report, especially the staff of the County Treasurer's Office. The Board of County Commissioners also is recognized and thanked for its stewardship in overseeing the financial operations of the County.

Sincerely,



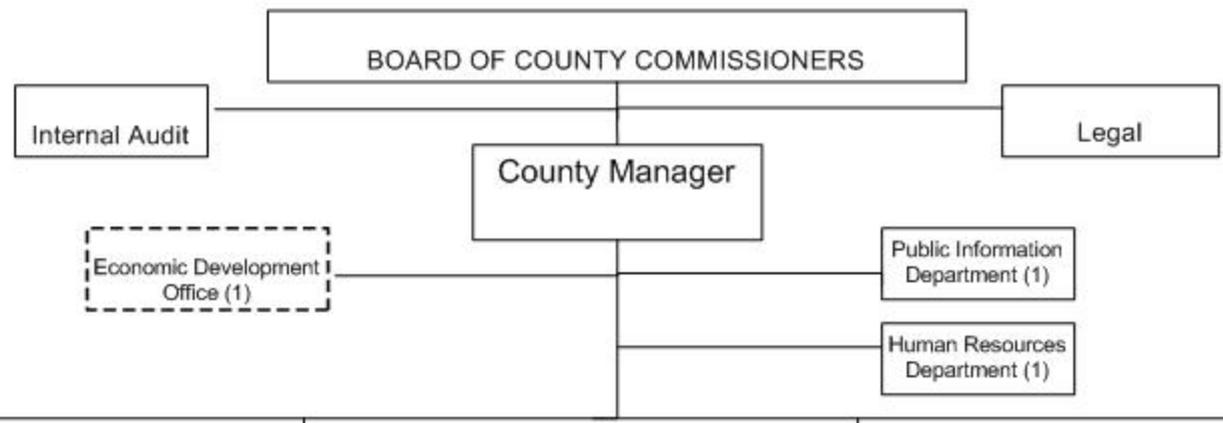
Thaddeus Lucero
County Manager



Daniel J. Mayfield
Deputy County Manager for Finance

Bernalillo County Organizational Chart

ELECTED OFFICIALS
 Assessor
 Clerk
 Probate Judge
 Sheriff
 Treasurer

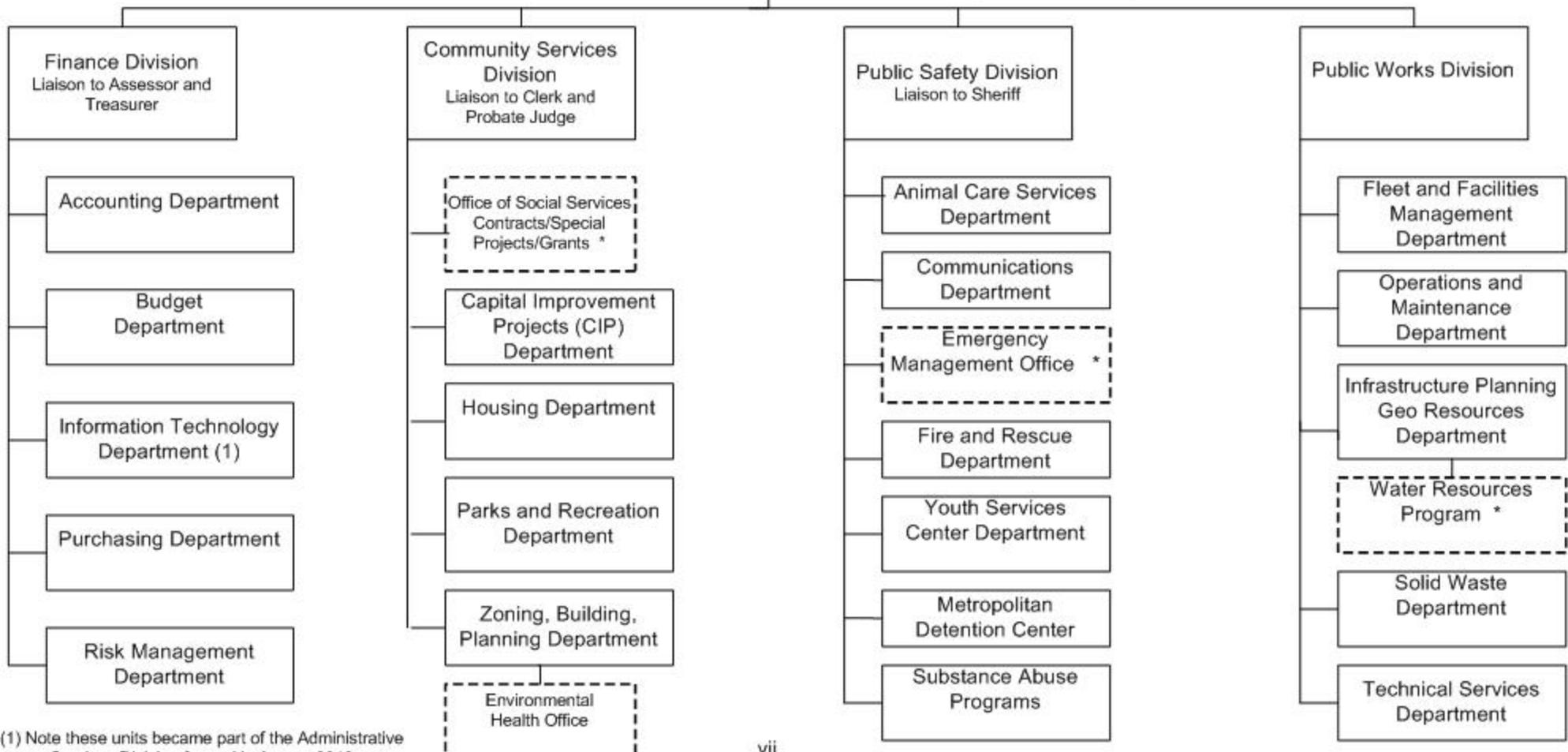


* Organizational unit of county government reporting to assigned County Manager/Deputy County Manager/Director

Economic Development Office (1)

Public Information Department (1)

Human Resources Department (1)



(1) Note these units became part of the Administrative Services Division formed in August 2010

COUNTY OF BERNALILLO

PRINCIPAL OFFICIALS

June 30, 2010

COUNTY COMMISSIONERS

Art De La Cruz, Chair	District 2
Maggie Hart Stebbins, Vice Chair	District 3
Alan B. Armijo, Member	District 1
Michael C. Wiener, Member	District 4
Michael Brasher, Member	District 5

COUNTY ELECTED OFFICIALS

Karen L. Montoya	Assessor
Maggie Toulouse Oliver	Clerk
Merri Rudd	Probate Judge
Manuel Gonzales, III	Sheriff
Patrick J. Padilla	Treasurer

COUNTY MANAGER

Thaddeus Lucero

DEPUTY COUNTY MANAGERS

Daniel J. Mayfield, CGFM, Deputy County Manager for Budget and Finance
Julie M. Baca, Deputy County Manager for Community Services
John Dantis, Deputy County Manager for Public Safety
Tom Zdunek, Deputy County Manager for Public Works
Renetta Torres, Deputy County Manager for Administrative Services (effective August 2010)
Tom Swisstack, Deputy County Manager for Public Safety (effective August 2010)

COUNTY OF BERNALILLO, NEW MEXICO
CONTRIBUTORS
June 30, 2010

Daniel J. Mayfield, CGFM
Deputy County Manager for Budget and Finance

Financial Reporting Personnel

Jeff P. Lovato, MBA
Accounting Director

Bonnie Ulibarri-Romero, CPA
Financial Projects Coordinator

Kevin Sourisseau, CPA
Financial Projects Coordinator

Anthony Infantino, MBA
Financial Administrator

Trudy McGregor, CPA
Financial Administrator

Nataliya Rubinchik, MSA
Financial Administrator

Sueko Solosky
Financial Services Administrator

Cindy Torres
Accounting Officer

Leticia Carreon
Accountant Senior

Virginia C. Montoya
Accountant Senior

Victoria Herring
Administrative Officer

Treasurer's Office

Fidel A. Bernal, CPA
Chief Deputy Treasurer
Emily Madrid
Accounting Manager

Public Information - Cover

Marie E. Quintero
Graphic Design Specialist

Housing

Ruth Lott
Housing Administrator

Fixed Assets Section

Budget Team

Independent Auditors' Report

Commission Chairman,
Members of the County Commission
Bernalillo County and
Hector H. Balderas, State Auditor

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, the aggregate remaining fund information and the budgetary comparison of the general fund and regional correction center of Bernalillo County, New Mexico (County), as of and for the year ended June 30, 2010, 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, non-major enterprise funds, internal service fund and the fiduciary funds presented as supplementary information in the accompanying combining and individual fund financial statements and schedules and the respective budgetary comparison of each nonmajor fund as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. 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 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Commission Chairman,
Members of the County Commission
Bernalillo County and
Hector H. Balderas, State Auditor

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of each nonmajor governmental fund, nonmajor enterprise funds, internal service fund and fiduciary fund of the County, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the budget comparisons referred to above present fairly, in all material respects the respective budgetary comparisons for the year then ended in conformity with the cash basis of accounting and more fully described in Note III A, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2010 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 *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 4 through 31 is not a required part of the basic financial statements but is supplementary information required by Generally Accepted Accounting Principles. 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 conducted for the purpose of forming opinions on the basic financial statements and on the combining and individual fund financial statements, and the budgetary comparisons of the County. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the US Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The additional schedules listed as other supplementary information in the table of contents are presented for the purposes of additional analysis and are not a required part of

Commission Chairman,
Members of the County Commission
Bernalillo County and
Hector H. Balderas, State Auditor

the basic financial statements. 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 introductory and the statistical sections have not been subjected to the auditing procedures applied in the audit of the basic and combining and individual fund financial statements and, accordingly, we express no opinion on them.

Mess Adams LLP

Albuquerque, New Mexico
November 12, 2010

COUNTY OF BERNALILLO NEW MEXICO
Management's Discussion and Analysis
June 30, 2010

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, 2010. We encourage readers to consider the information presented here in conjunction with additional information 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, 2010 by \$606,793,430, an increase of \$32,323,437 or a 5.6% increase. Of this amount, \$355,609,898 is invested in capital assets, net of related debt. Of the remaining balance, \$139,516,367 is restricted for specific purposes and \$111,667,165 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- As of June 30, 2010, the County's governmental activities and business type activities have net assets of \$602,362,216 and \$4,431,214 respectively.
- The fund balance in the County's general fund increased from \$175,658,155 in FY09 to \$194,118,410 in FY10, an increase of \$18,460,255 or a 10.5% increase. Of this amount, \$65,240,072 or 33.6% of the general fund is for the DFA required reserve and \$45,632,530 or 23.5% is for subsequent years' expenditures.
- The County was able to maintain adequate reserves in the amount of \$65,240,072 as required by the State of New Mexico Department of Finance and Administration, Local Government Division – 3/12 of the General Fund Budget for FY11.
- The funds that account for the Regional Correction Center and the Bernalillo County Housing Authority are classified as governmental and proprietary major funds respectively and the TRAN Debt Service fund is now classified as non-major governmental fund as the County did not issue a TRAN in June 2010.
- During the year, the County sold \$10,750,000 of General Obligation Bonds, Series 2009A, which included \$3,500,000 for storm drains, \$2,500,000 for parks and recreation and \$4,750,000 for public safety. Also, the County issued \$15,105,000 of General Obligation Refunding Bonds, Series 2010, with an average interest rate of 3.16% to partially refund the County's outstanding General Obligation Bonds, Series 2001 and 2002. In addition, the County issued Gross Receipts Tax Revenue Bonds, taxable series 2009A, and Series 2010A, for \$9,000,000 respectively and issued \$1,650,000 of Gross Receipts Tax Revenue Refunding Bonds, Series 2010B, with an average interest rate of 3.368% to advance refund the Multifamily Housing Refunding and Improvement Revenue Bond, Series 1999.
- The County has \$487,249,187 in available bonding capacity or 82.18% of allowable bonding capacity per the New Mexico State Constitution (see page 166).

- The County property valuations increased 6.1% from \$13.97 billion in FY09 to \$14.82 billion in FY10 (see page 157).
- The County managed and expended \$24,322,558 in Federal Funds in FY10 (see page 175).
- The County's 2010 General Obligation Bonds were rated "AAA" by both Fitch Ratings and Standard & Poor's and rated "Aaa" by Moody's Investors Service. In addition, the County's 2010 Gross Receipts Tax Revenue Bonds were rated "AAA" by Standard & Poor's, "Aa2" by Moody's Investors Service and "AA+" by Fitch Ratings.
- In addition to its "AAA" bond rating, Standard and Poor's awarded Bernalillo County its highest rating – "STRONG" on its financial management assessment criteria. The County continues its effort to incorporate comprehensive financial planning in its long-range vision in order to remain solvent during the current economic downturn.

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 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 in 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 differentiate 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, culture and recreation and interest on long-term debt. The business-type activities of the County include Solid Waste, Bernalillo County Housing Authority, Seybold Village Handicapped Project, Regional Juvenile Detention Center, and El Centro Familiar. The government-wide financial statements can be found on pages 32-33 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 thirty-two other individual governmental funds of which seventeen are classified as Special Revenue funds, twelve are classified as Debt Service funds, and three are classified as Capital Projects funds. Information for the General fund, the Grants fund, the Regional Correction Center fund and the Capital Construction fund, all of which are considered to be major funds, are 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 and Regional Correction Center fund. A budgetary comparison statement for the General fund and Regional Correction Center fund is presented on pages 38-40. 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 34-40 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, Bernalillo County Housing Authority, Seybold Village Handicapped Project, Regional Juvenile Detention Center, and 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 41-43 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 44 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 46-77 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 78-126 of this report.

Government-wide Financial Analysis

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 \$606,793,430 for the fiscal year ending June 30, 2010. By far the largest portion of the County's net assets (59 percent) reflects its investment in capital assets (e.g., infrastructure, land, buildings, machinery, and equipment) less any debt used to acquire those assets, which is still outstanding. In the prior year, the County's investment in capital assets was 62% 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>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Assets:						
Current and other assets	\$ 423,212,218	\$ 451,853,691	\$ 3,699,056	\$ 3,727,388	\$ 426,911,274	\$ 455,581,079
Capital assets	563,826,219	550,648,172	3,994,799	4,682,057	567,821,018	555,330,229
Total assets	<u>987,038,437</u>	<u>1,002,501,863</u>	<u>7,693,855</u>	<u>8,409,445</u>	<u>994,732,292</u>	<u>1,010,911,308</u>
Liabilities:						
Long-term liabilities	281,001,858	310,277,990	757,105	2,620,741	281,758,963	312,898,731
Other liabilities	103,674,363	122,112,025	2,505,536	1,430,559	106,179,899	123,542,584
Total liabilities	<u>384,676,221</u>	<u>432,390,015</u>	<u>3,262,641</u>	<u>4,051,300</u>	<u>387,938,862</u>	<u>436,441,315</u>
Net Assets:						
Invested in capital assets, net of related Debt	353,608,399	356,558,834	2,001,499	2,358,904	355,609,898	358,917,738
Restricted	139,516,367	127,980,308	-	-	139,516,367	127,980,308
Unrestricted	109,237,450	85,572,706	2,429,715	1,999,241	111,667,165	87,571,947
Total net assets	<u>\$ 602,362,216</u>	<u>\$ 570,111,848</u>	<u>\$ 4,431,214</u>	<u>\$ 4,358,145</u>	<u>\$ 606,793,430</u>	<u>\$ 574,469,993</u>

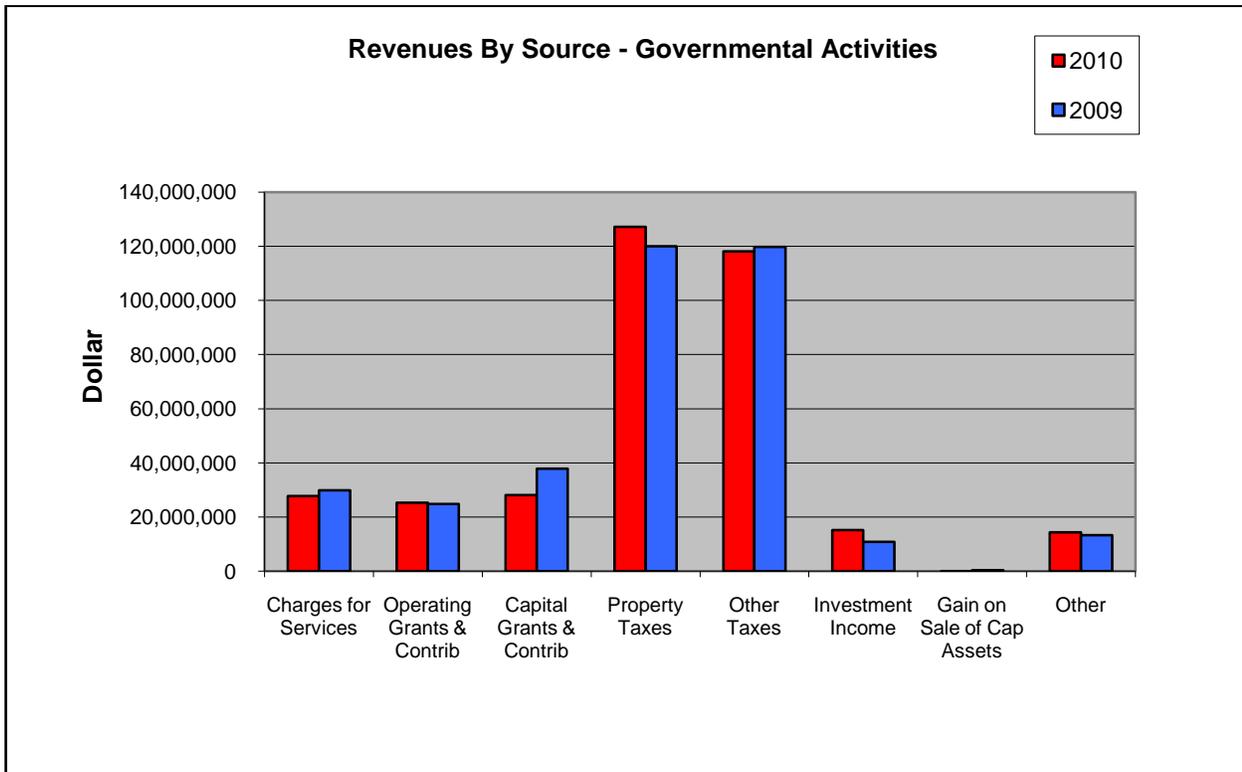
Restricted net assets in the amount of \$139,516,367 represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$111,667,165 may be used to meet the government's ongoing obligations to citizens and creditors.

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 \$32,250,368 in FY10 as compared to \$20,915,112 in FY09.

County of Bernalillo's Changes in Net Assets

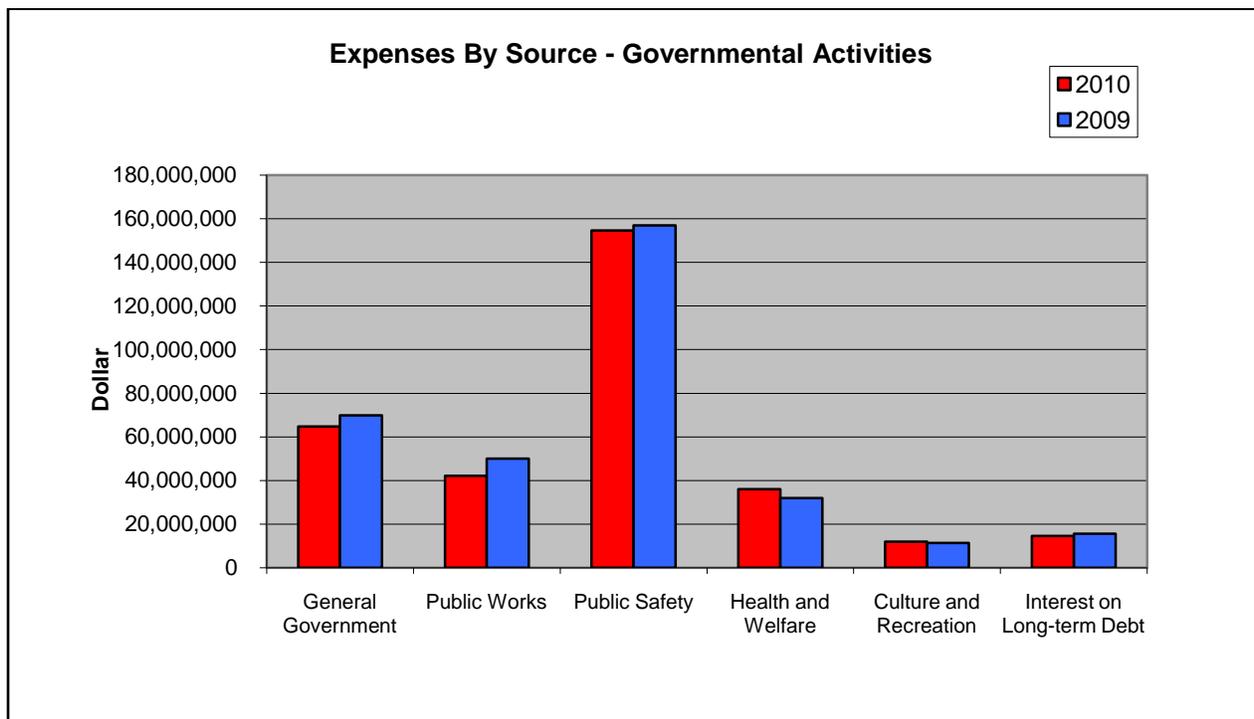
	Governmental Activities		Business-type Activities		Total	
	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
Revenues:						
Program revenues:						
Charges for services	\$27,821,557	\$29,818,073	\$6,414,846	\$6,332,394	\$34,236,403	\$36,150,467
Operating grants and contributions	25,361,263	24,751,326	780,587	327,781	29,940,194	25,079,107
Capital grants and contributions	28,113,701	37,884,782	107,712	482,179	24,423,069	38,366,961
General revenues:						
Property taxes	127,201,067	120,069,963	-	-	127,201,067	120,069,963
Other taxes	118,157,209	119,743,475	-	-	118,157,209	119,743,475
Investment income	15,249,566	10,865,039	124,819	45,191	15,374,385	10,910,230
Gain on sale of capital assets	48,972	296,236	4,100	33,858	53,072	330,094
Other	14,375,434	13,317,702	614,416	712,172	14,989,850	14,029,874
Total revenues	<u>356,328,769</u>	<u>356,746,596</u>	<u>8,046,480</u>	<u>7,933,575</u>	<u>364,375,249</u>	<u>364,680,171</u>
Expenses:						
General government	64,791,762	69,898,098	-	-	64,791,762	69,898,098
Public works	42,122,694	50,092,431	-	-	42,122,694	50,092,431
Public safety	154,622,588	156,911,320	-	-	154,622,588	156,911,320
Health and welfare	36,053,345	31,911,866	-	-	36,053,345	31,911,866
Culture and recreation	11,957,736	11,426,758	-	-	11,957,736	11,426,758
Interest on long-term debt	14,530,276	15,591,011	-	-	14,530,276	15,591,011
Solid Waste	-	-	4,817,057	5,215,029	4,817,057	5,215,029
Housing Authority	-	-	1,083,960	1,576,798	1,083,959	1,576,798
Seybold Village	-	-	349,467	320,744	349,467	320,744
Juvenile Detention Center	-	-	1,084,886	960,180	1,084,886	960,180
El Centro Familiar	-	-	646,387	450,958	646,387	450,958
Total expenses	<u>324,078,401</u>	<u>335,831,484</u>	<u>7,981,757</u>	<u>8,523,709</u>	<u>332,060,158</u>	<u>344,355,193</u>
Increase (decrease) in net assets before transfers	32,250,368	20,915,112	64,723	(590,134)	32,315,091	20,324,978
Transfers in (out)	-	-	-	-	-	-
Capital contributions	-	-	8,346	-	8,346	-
Increase (decrease) in net assets	<u>32,250,368</u>	<u>20,915,112</u>	<u>73,069</u>	<u>(590,134)</u>	<u>32,323,437</u>	<u>20,324,978</u>
Net assets –beginning	570,111,848	549,196,736	4,358,145	4,948,279	574,469,993	554,145,015
Net assets – ending	<u>\$602,362,216</u>	<u>\$570,111,848</u>	<u>\$4,431,214</u>	<u>\$4,358,145</u>	<u>\$606,793,430</u>	<u>\$574,469,993</u>



Governmental Activities revenues decreased by \$418 thousand from \$356.7 million in FY09 to \$356.3 million in FY10, a decrease of 0.12%. Key elements in the decrease of governmental activities revenues are as follows:

- Program revenues charges for services decreased by \$2.0 million from \$29.8 million in FY09 to \$27.8 million in FY10, a 6.7% decrease. The majority of the decrease was attributed to \$913 thousand less in license and permit fees collected with construction permits down \$818 thousand and barricading permits down \$95 thousand. In addition, the decrease can also be attributed to \$312 thousand less in impact fees collected and \$589 thousand less in fees collected for housing inmates at the Regional Correctional Center. Also, \$391 thousand less in fees were collected at the Metropolitan Detention Center (MDC) for the state “feed and care of prisoners” program of \$124 thousand and for the community custody program (CCP) of \$267 thousand.
- Program revenues operating grants and contributions increased by \$610 thousand from \$24.8 million in FY09 to \$25.4 million in FY10, a 2.5% increase. A portion of the increase was attributed to \$300 thousand in donation revenue received from the University of New Mexico Hospital for the Department of Substance Abuse program and \$225 thousand in federal direct SAFER grant revenue received to fund fire fighters in support of transferring the Village of Los Ranchos fire service operation to Bernalillo County. In addition, in FY10 operating revenue for the High Intensity Drug Trafficking Area (HIDTA) increased by \$250 thousand and operating revenue for the Fire Districts increased by \$250 thousand.

- Program revenues capital grants and contributions decreased by \$9.8 million from \$37.9 million in FY09 to \$28.1 million in FY10, a 25.9% decrease. A significant portion of the decrease was attributed to a decrease of \$3.5 million in revenue received from the New Mexico Department of Economic Development for the Fidelity project at Mesa Del Sol as \$7.5 million was received in FY09 and only \$4.0 million was received in FY10. Also, in FY09 reimbursement revenue of \$1.6 million was received from the federal government to pay principle and interest on a state loan for construction projects that was not received in FY10 because the loan was paid off in FY09. In addition, there was a decrease in revenue for the South Valley Drinking Water Phase III project, the Edith Phase II project, the Amistad Youth Crisis Shelter project, and the South Valley Health project of \$5.7 million, \$4.4 million, \$1.3 million, and \$500 thousand respectively as the majority of these projects were completed in FY09. The decrease in revenue was offset by an increase in revenue in FY10 of \$5.6 million for the Eubank Road project and \$3.4 million for the South Valley Multi-Purpose Center project.
- General revenues property taxes increased \$7.1 million from \$120.1 million in FY09 to \$127.2 million in FY10, a 5.9% increase. The increase was attributed to an increase in the taxable valuation within the County of \$847 million from \$13.976 billion in FY09 to \$14.823 billion in FY10 and an increase in the County's operational residential mill levy from 6.184 to 6.340 per \$1,000 of assessed taxable value. The increase in revenue was slightly offset by a decrease in the current property tax collection rate from 95.39% in FY09 to 94.49% in FY10.
- General revenues other taxes decreased \$1.6 million from \$119.7 million in FY09 to \$118.1 million in FY10, a 1.3% decrease. The decrease was primarily attributed to a decrease of \$1.6 million in gross receipts tax revenue as a result of the continued decline in the state economy. In addition, there was an increase in motor vehicle tax revenue of \$200 thousand and a decrease in gasoline tax revenue of \$200 thousand.
- General revenues investment income increased \$4.4 million from \$10.9 million in FY09 to \$15.3 million in FY10, a 40.4% increase. The increase was primarily attributed to the market value of the County's investments at the end of FY10 versus the market value in FY09. In FY09 the market value of the County's investments decreased by \$2.8 million and in FY10 the value of investments increased by \$1.6 million for a net increase change of \$4.4 million. The net change is reflected in the mark to market entry made to investment income at the end of FY10.
- Other revenues increased \$1.1 million from \$13.3 million in FY09 to \$14.4 million in FY10, an 8.3% increase. The increase is primarily attributed to \$2.4 million recognized as miscellaneous revenue to capitalize non-cash donations of land, building, machinery and equipment, art, and infrastructure.

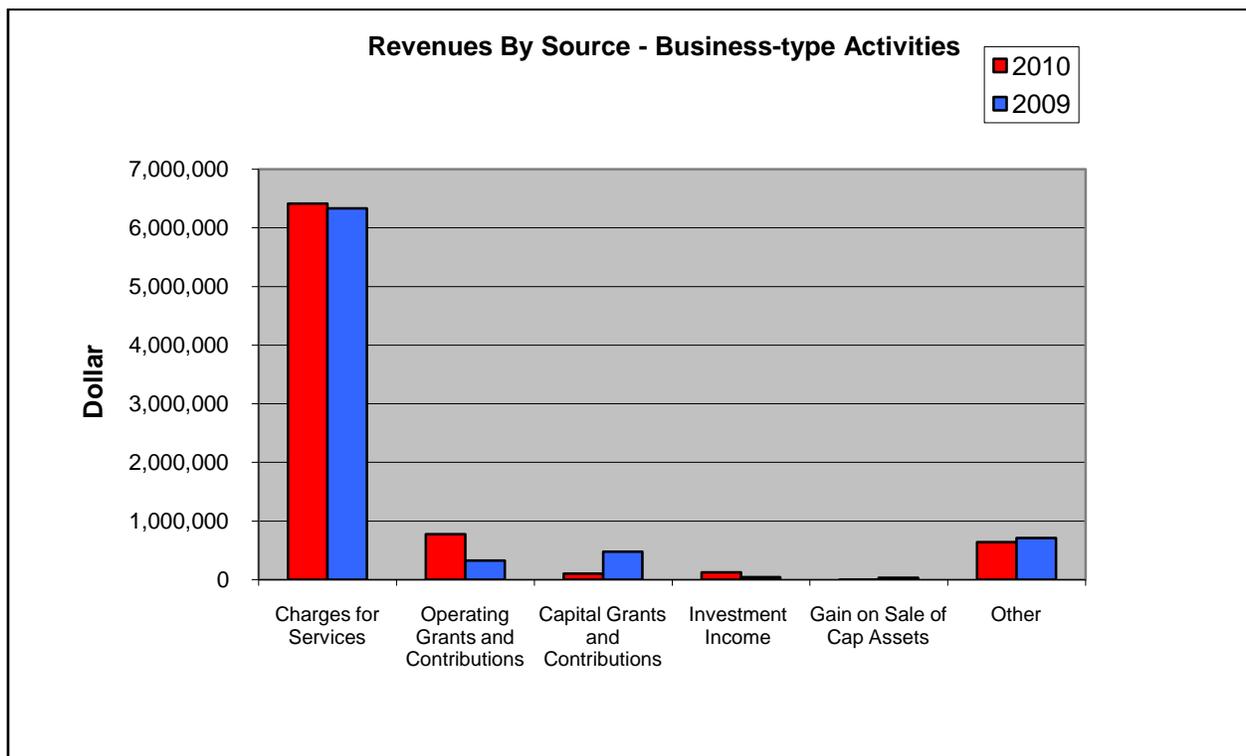


Governmental activities expenses decreased by \$11.7 million from \$335.8 million in FY09 to \$324.1 million in FY10, a decrease of 3.5%. Key elements in the decrease in governmental activities expenses are as follows:

- General government expenses decreased by \$5.1 million from \$69.9 million in FY09 to \$64.8 million in FY10, a 7.3% decrease. A portion of the decrease was attributed to a decrease of \$1.9 million in expenses incurred in FY10 to maintain the ERP financial system that was implemented in FY08 and was “go live” at the beginning of FY09. Also, there was a decrease of \$5.7 million in FY10 due to a decrease of \$2.2 million in compensated absences expenses and \$3.5 million in the reclassification of capital outlay for others expenses to general government expenses (in FY09 \$7.5 million in capital outlay for others expenses incurred for the Fidelity project at Mesa Del Sol and in FY10 \$4.0 million in capital outlay for others expenses incurred for the Fidelity project). In addition, the decrease was offset by an increase in FY10 of \$2.2 million for depreciation expense.
- Public works expenses decreased by \$8.0 million from \$50.1 million in FY09 to \$42.1 million in FY10, a 16.0% decrease. The decrease was attributed to less in capital outlay for others expenses in FY10 for the South Valley Drinking Water project and the North Valley Area I Phase II and J SAS project.
- Public safety expenses decreased by \$2.3 million from \$156.9 million in FY09 to \$154.6 million in FY10, a 1.5% decrease. The decrease was attributed to a decrease in compensated absences expenses of \$6.1 million and a decrease in depreciation expense of \$600 thousand. The decrease was offset by an increase of \$4.4 million in public safety grant expenses for E911 communications, High Intensity Drug Trafficking Area (HIDTA), and detoxification.

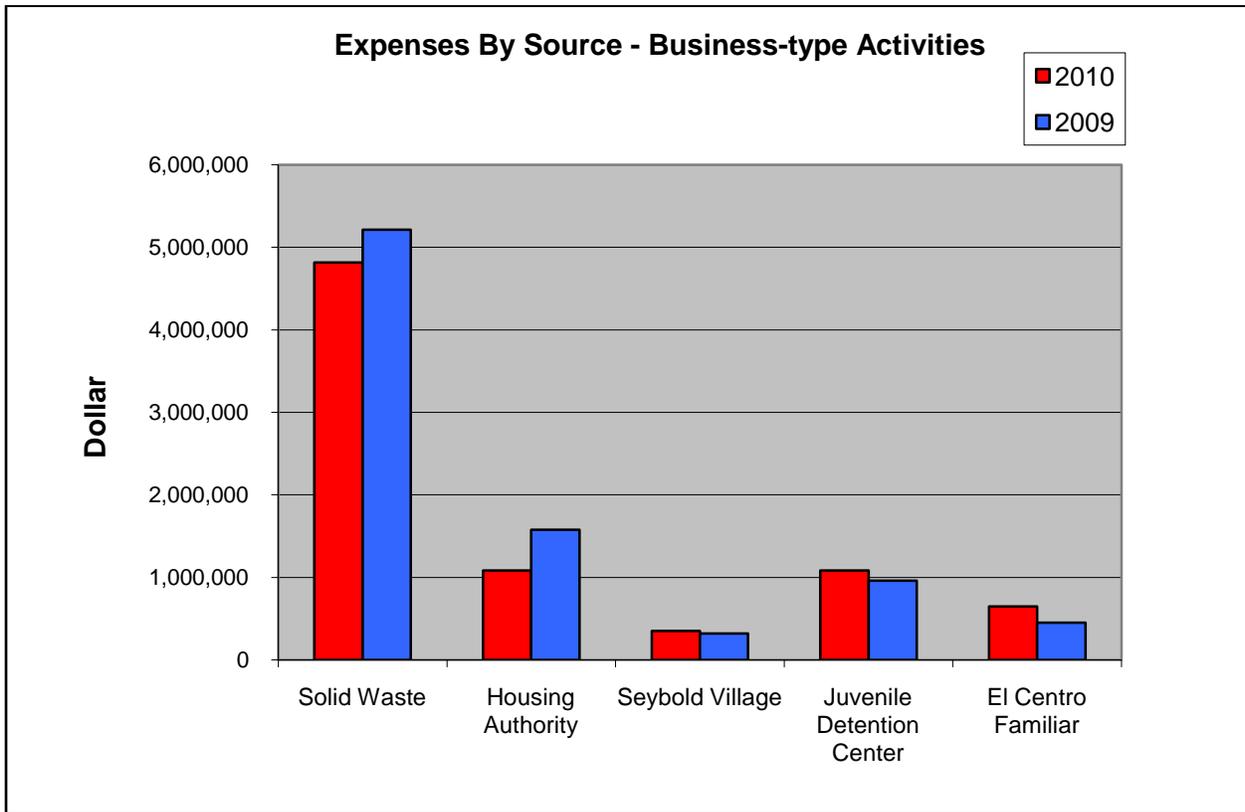
- Health and welfare expenses increased by \$4.1 million from \$31.9 million in FY09 to \$36.0 million in FY10, a 12.9% increase. The increase was primarily attributed to \$2.3 million in expenses incurred in the Health Care GRT fund for social services and \$1.5 million incurred in the County Indigent fund for indigent services.
- Interest on long-term debt expenses decreased by \$1.1 million from \$15.6 million in FY09 to \$14.5 million in FY10, a 7.1% decrease. The decrease was primarily attributed to a decrease in accrued interest payable recognized as expense at the end of FY10.

Business-type activities. Business-type activities net assets increased by \$73,069 during the current fiscal year. During the year, the Solid Waste fund, the Seybold Village Handicapped Project fund, and the El Centro Familiar fund had more program revenues than program expenses resulting in an increase in net assets of \$111,661, \$75,309, and \$78,322 respectively. The Bernalillo County Housing Authority fund and the Regional Juvenile Detention Center fund incurred losses of \$169,560 and \$22,663 respectively. These losses represent the degree to which ongoing program expenses have outstripped ongoing program revenues. Overall, the business-type activities experienced an \$822,968 operating loss (program revenues less expenses) before non-operating revenues of \$887,691 and capital contributions of \$8,346.



Business-type activities revenue increased from \$7.933 million in FY09 to \$8.046 million in FY10, a 1.4% increase. Key elements in the increase of business-type activities revenue are as follows:

- Revenue program charges for services increased from \$6.3 million in FY09 to \$6.4 million in FY10, a 1.6% increase. The increase was primarily attributed to \$123 thousand more in solid waste fee collections in FY10 than in FY09 and \$239 thousand more in rental revenue generated at the El Centro Familiar. This was offset by a decrease of \$283 thousand in administrative fees collected at the Housing Authority in FY10.
- Revenue program operating grants and contributions increased from \$327,781 in FY09 to \$780,587 in FY10, an increase of 138.1%. The majority of the increase was attributed to \$406 thousand in operating grant subsidy for the Housing Authority classified in the capital grants category in error in FY09 and classified correctly in this category in FY10. The amount of the subsidy in FY10 was \$451 thousand.
- Revenue program capital grants and contributions decreased from \$482,179 in FY09 to \$107,712 in FY10, a decrease of 77.7%. The decrease was primarily attributed \$406 thousand in operating grant subsidy for the Housing Authority classified in this category in error in FY09 and classified correctly in the operating grants and contributions category in FY10. In addition, the Seybold Village Handicapped Project HUD-PHA capital grant increased by \$32 thousand in FY10.
- General revenues investment income increased from \$45,191 in FY09 to \$124,819 in FY10, an increase of 176.2%. The increase was primarily attributed to an increase of \$112 thousand in investment income recognized in the El Centro Familiar based on amounts held in restricted investments from money received from rental income by tenants to help pay the debt owed on the 1999 Refunding Bond which was refunded in June 2010. The increase was offset by a decrease of \$31 thousand in investment income earned in the Housing Authority in FY10.
- Gain on sale of capital assets decreased from \$33,858 in FY09 to \$4,100 in FY10, a decrease of 87.9%. The decrease was attributed to a lower gain realized in the Housing Authority for the sale of lease to purchase program homes in FY10 than in FY09.
- Other revenues decreased from \$712,172 in FY09 to \$614,416 in FY10, a decrease of 13.7%. The decrease was primarily attributed to \$313 thousand less in “rent forfeited by tenants” revenue recognized as miscellaneous revenue for tenants who fail to meet program requirements in the Housing Authority. In addition, the decrease was offset by an increase of \$145 in miscellaneous revenue recognized in the Seybold Village Handicapped Project in FY10.



Business-type activities expenses decreased from \$8.524 million in FY09 to \$7.982 million in FY10, a 6.4% decrease. Key elements in the decrease are as follows:

- Solid Waste expenses decreased from \$5.2 million in FY09 to \$4.8 million in FY10, a 7.7% decrease. A significant portion of the decrease was attributed to a decrease of \$280 thousand in salaries and wages as some administrative salaries were paid by the General fund and the Environmental Services GRT fund in FY10. In addition, fees paid to Waste Management to bill and collect for solid waste services decreased by \$45 thousand, depreciation expense decreased by \$44 thousand and other charges and services decreased by \$42 thousand.
- Housing Authority expenses decreased from \$1.6 million in FY09 to \$1.1 million in FY10, a 31.3% decrease. A significant portion of the decrease was attributed to a decrease of \$500 thousand in other services and charges for building repairs for home rehabilitation project expenses of \$100 thousand, for occupancy miscellaneous operating expenses of \$301 thousand and for other miscellaneous expenses of \$90 thousand. In addition, the decrease can also be attributed to a decrease of \$35 thousand in depreciation expense and a decrease of \$10 thousand in materials and supply expenses.
- Seybold Village expenses increased from \$321 thousand in FY09 to \$349 thousand in FY10, an 8.7% increase. The increase was primarily attributed to an increase in salaries and wages expense in FY10.
- Juvenile Detention Center expenses increased from \$960 thousand in FY09 to \$1.1 million in FY10, a 14.6% increase. The increase was primarily attributed to an increase of \$98 thousand in

contractual services and an increase of \$32 thousand in multiline insurance and resident care services.

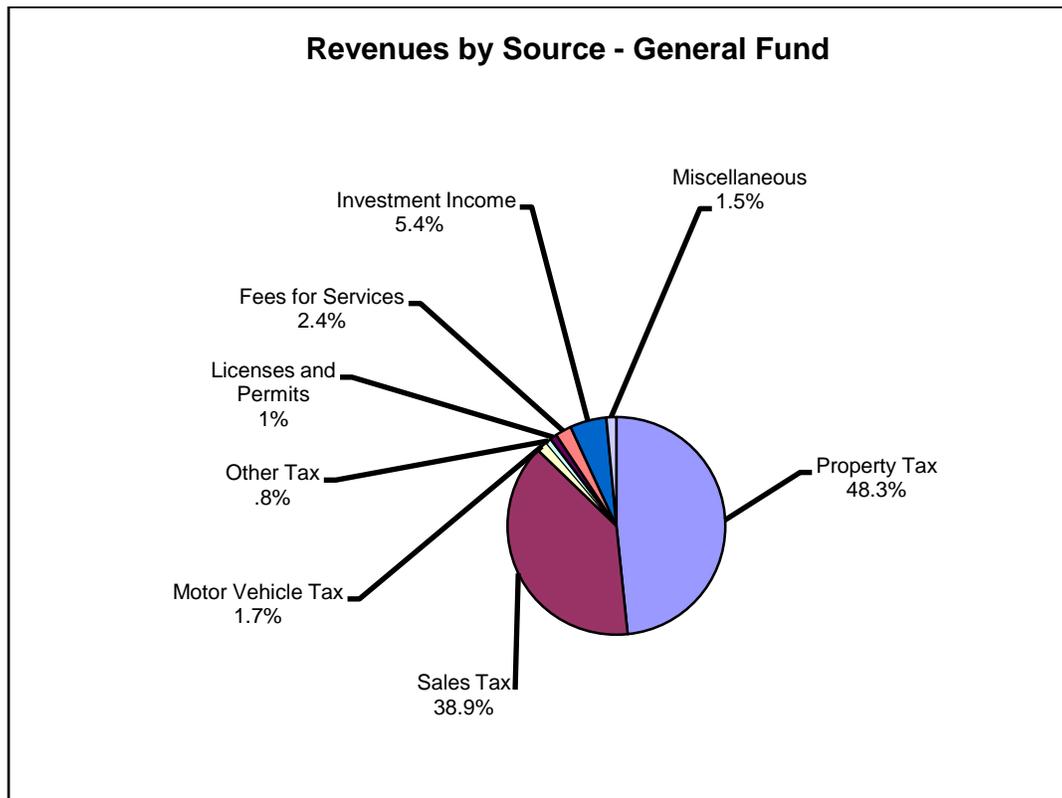
- El Centro Familiar expenses increased from \$451 thousand in FY09 to \$646 thousand in FY10, a 43.2% increase. The increase was primarily attributed to an increase of \$110 thousand in salaries and wages and an increase of \$94 thousand in other services and charges.

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 \$373,371,031, an increase of \$25.1 million. Approximately 71.3% of this total, \$266,391,461 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 \$65,240,072, 2) \$20,451,583 in encumbrances to liquidate contracts and purchase orders of the prior period, 3) \$18,926,125 to pay debt service, and 4) \$2,361,790 for a variety of other restricted purposes.

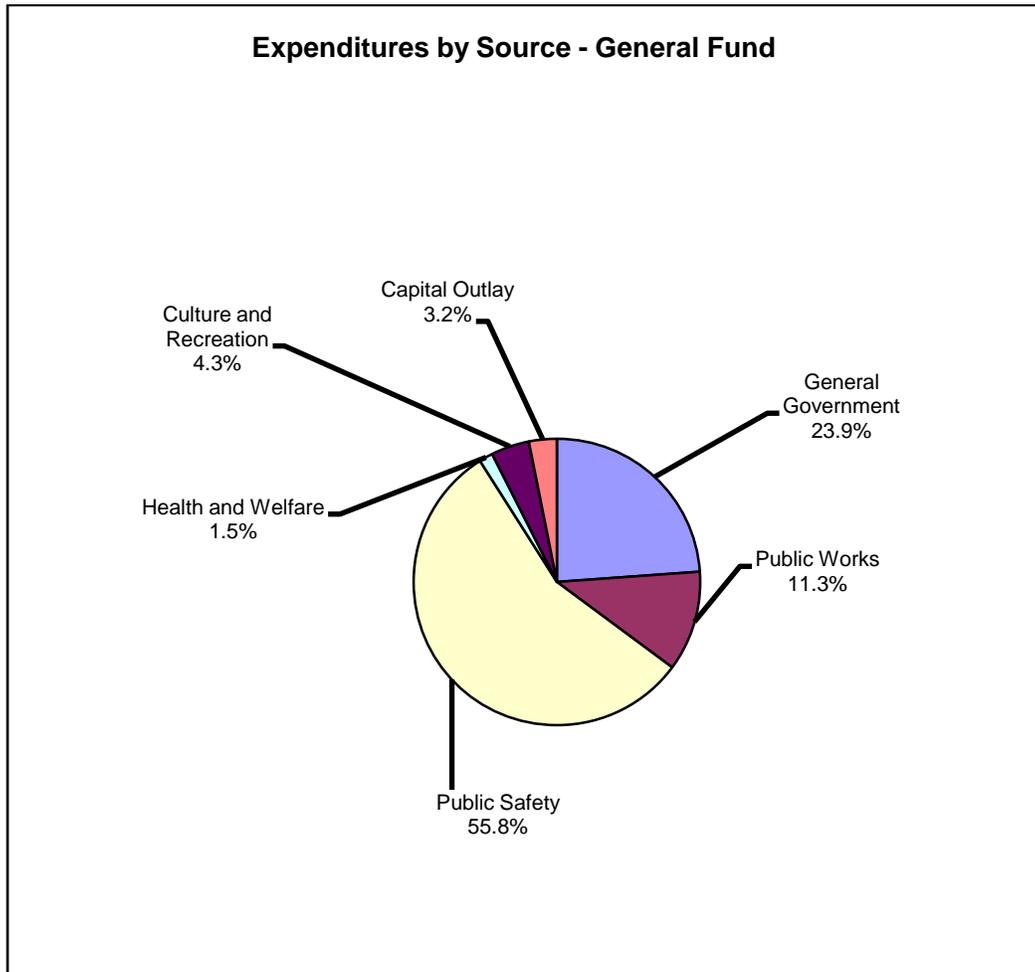
General Fund. The County's general fund balance increased \$18,460,255 during the current fiscal year. Key factors in this growth are based on the increase in local taxes and investment income from the previous year combined with less than expected incurred expenditures during the year.



General Fund revenues increased \$2.8 million from \$226.4 million in FY09 to \$229.2 million in FY10, an increase of 1.2%. Key elements in the growth of General Fund revenues are as follows:

- Property tax revenue increased by \$6.1 million or 5.8% from \$104.7 million in FY09 to \$110.8 million in FY10. The increase was attributed to an increase in the taxable valuation within the County of \$847 million from \$13.976 billion in FY09 to \$14.823 billion in FY10 and an increase in the County's operational residential mill levy from 6.184 to 6.340 per \$1,000 of assessed taxable value. The increase in revenue was slightly offset by a decrease in the current property tax collection rate from 95.39% in FY09 to 94.49% in FY10.
- Gross receipts tax revenue (GRT) decreased by \$2.6 million from \$91.7 million in FY09 to \$89.1 million in FY10, a 2.8% decrease. The decrease was attributed to a decline in the state economy. As was the case for the state, the County slipped into a recession in FY09 and it continued well into FY10. This is reflected by an overall decrease of 3.6% in taxable gross receipts reported by the state for Bernalillo County during the year from \$30.8 billion in FY09 to \$29.7 billion in FY10.
- Licenses and permits revenue decreased by \$827 thousand from \$3.2 million in FY09 to \$2.4 million in FY10, a 25.8% decrease. The decrease was primarily attributed to a decrease of \$819 thousand in construction permits in FY10.
- Investment income revenue increased by \$4.2 million from \$8.2 million in FY09 to \$12.4 million in FY10, an increase of 51.2%. The increase was primarily attributed to the market value of the County's investments at the end of FY10 versus the market value in FY09. In FY09 the market value of the County's investments decreased by \$2.8 million and in FY10 the value of investments increased by \$1.6 million for a net increase change of \$4.4 million. The net change is reflected in the mark to market entry made to investment income at the end of FY10.
- Miscellaneous revenue decreased by \$3.5 million from \$6.9 million in FY09 to \$3.4 million in FY10, a decrease of 50.7%. The decrease was primarily attributed \$1.7 "due from" the Housing Department and reported in the miscellaneous revenue category in FY09 and 1.7 million "due from" the Housing Department and reported in the cash category in FY10.

General Fund expenditures decreased \$2.4 million from \$206.9 million in FY09 to \$204.5 million in FY10, a 1.2% decrease. Key elements in the decrease in General Fund expenditures are as follows:



- General government expenditures decreased by \$842 thousand from \$49.6 million in FY09 to \$48.8 million in FY10, a 1.7% decrease. The decrease was primarily attributed to a decrease of \$1.7 million in Bureau of Election expenditures in FY10 as additional expenditures were incurred in FY09 as a result of a major general election.
- Capital outlay expenditures decreased by \$2.5 million from \$8.5 million in FY09 to \$6.0 million in FY10, a decrease of 29.4%. The decrease was primarily attributed to decrease of \$1.5 million in expenditures for vehicles and heavy equipment vehicles in FY10. In addition, expenditures for the Downtown Public Safety Complex Renovation Project decreased by \$1.0 million in FY10 as the majority of the renovations of the facility were completed in FY09.

Grants Fund. The Grants Fund accounts for various federal, state and other grant funding sources received by the County. The grants are restricted to specific purposes as agreed to between the County and the funding source as enumerated in the grant agreement/contract. Grants related to the County's Housing Department are accounted for in the Housing Funds.

In FY09 the County, as part of its ERP implementation, consolidated its grant funds into one fund which is now designated as a major fund on its financial statements.

The Grants Fund balance decreased \$44,535 during the current fiscal year. The fund balance decrease was attributed to a transfer of \$44,535, designated as "donations", to the General Fund.

Grants Fund revenues increased \$4.1 million from \$37.3 million in FY09 to \$41.4 million in FY10, an increase of 11.0%. Key elements in the growth of the Grants Fund revenues are as follows:

- Intergovernmental revenues increased \$4.1 million from \$37.3 million in FY09 to \$41.4 million in FY10, an increase of 11.0%. The increase was primarily attributed to an increase in legislative appropriation capital grant revenue reimbursements and state direct grant revenue reimbursements of \$2.9 million and \$2.6 million respectively.

Grants Fund expenditures increased \$4.2 million from \$37.2 million in FY09 to \$41.4 million in FY10, an increase of 11.29%. Key elements in the growth of the Grants Fund expenditures are as follows:

- Public safety expenditures increased \$4.4 million from \$10.0 million in FY09 to \$14.4 million in FY10, an increase of 44.0%. This increase was primarily attributed to an increase of \$2.8 million in expenditures for the E911 Communications grant, an increase of \$474 thousand in expenditures for the Sheriff's miscellaneous grants, and an increase of \$155 thousand in expenditures for the detoxification grant.
- Capital outlay expenditures increased \$6.5 million from \$12.8 million in FY09 to \$19.3 million in FY10, an increase of 50.8%. The increase was attributed to an increase in grant expenditures of \$5.4 million for the Eubank Road project and \$3.4 million in grant expenditures for the South Valley Multi-Purpose project. The increases were offset by decreases in grant expenditures for the Edith Phase II project and the Amistad Youth Crisis Shelter project of \$2.1 million and \$1.3 million respectively, with the majority of work completed in FY09.
- Capital outlay-other entities expenditures decreased \$6.2 million from \$12.7 million in FY09 to \$6.5 million in FY10, a decrease of 48.8%. The decrease was primarily attributed to a \$3.5 million decrease in expenditures for the Fidelity project at Mesa Del Sol of 7.5 million in FY09 to \$4.0 million in FY10. In addition, the decrease is attributed to a \$4.2 million decrease in expenditures in FY10 for the Edith Phase II project and for the North Valley Area I Phase II and J SAS project of \$1.9 million and \$2.3 million respectively.

Regional Correction Center Fund. The Regional Correction Center is used to account for monies received from the U.S. Marshall Service, the Justice Prisoner & Alien Transportation System (JPATS), and the Federal Bureau of Prisons through a Cooperative Agreement Program and Intergovernmental Agreement for the lease of the County owned jail facility under the authority of Section 33-3-27 NMSA, 1978.

The Regional Correction Center Fund balance increased \$1,771,542 during the current fiscal year. The increase was attributed to rental revenue received from Cornell Companies for the lease of the facility. Both revenues and expenditures decreased from FY09 to FY10 and were attributed to a decrease of inmates housed at the facility in FY10 versus FY09.

Construction Fund. The Construction Fund accounts for various construction projects related to road projects, storm sewer systems, acquiring of library books and library resources, remodeling required by the Americans with Disabilities Act, acquisition of land for expanding parks and recreational facilities, constructing and equipping sheriff's sub-stations, improvement of facilities for the County Public Health Department, and other projects. Financing for these projects is provided by general obligation bonds, gross receipts tax revenue bonds and earnings from the investment of those monies.

In FY09 the County, as part of its ERP implementation, consolidated a majority of its capital construction funds into one fund which is now designated as a major fund on its financial statements.

The Construction Fund balance increased \$6,268,527 in the current fiscal year. The increase was attributed to the County's sale of \$10,750,000 of General Obligation Bonds, Series 2009A, in December 2009. This included \$3,500,000 for storm drains, \$2,500,000 for parks and recreation and \$4,750,000 for public safety. In addition, the County issued \$9,000,000 of Gross Receipts Tax Revenue Bonds, taxable Series 2009A, in August 2009 to appropriate funds to provide economic assistance to Solar Array Ventures for a portion of the cost of land acquisition, constructing and equipping a building at the Cordero Mesa Business Park. Also, during the year, expenditures exceeded revenues by \$9.9 million and cash transfers out of \$3.8 million occurred.

Construction Fund revenues decreased \$9.2 million from \$12.8 million in FY09 to \$3.6 million in FY10, a decrease of 71.9%. Key elements in the decline of Construction Fund revenues are as follows:

- Intergovernmental revenues decreased \$9.7 million from \$11.4 million in FY09 to \$1.7 million in FY 10, a decrease of 85.1%. The majority of the decrease is attributed to a decrease in reimbursable contract revenue of \$7.2 million from the Albuquerque Bernalillo County Utility Authority for reimbursements on costs related to County water projects. In addition, revenue of \$1.6 million received from the federal government in FY09 to pay principal and interest on a loan from the state was not received in FY10 because the loan was paid off in FY09.

Construction Fund expenditures decreased \$9.5 million from \$23.0 million in FY09 to \$13.5 million in FY10, a decrease of 41.3%. Key elements in the decline of Construction Fund expenditures are as follows:

- Capital outlay expenditures decreased \$1.9 million from \$9.8 million in FY09 to \$7.9 million in FY10, a decrease of 19.4%. The majority of the decrease was attributed to a decrease in expenditures of \$1.8 million for the Edith Phase II project completed in FY09.

- Capital outlay-other entities expenditures decreased \$5.1 million from \$10.0 million in FY09 to \$4.9 million in FY10, a decrease of 51.0%. The decrease was primarily attributed to a decrease in expenditures of \$6.2 million in FY10 for the South Valley Drinking Water Phase III project completed in FY09.
- Debt service principal and interest expenditures decreased \$1.6 million from \$1.6 million in FY09 to zero in FY10. The decreased was attributed to \$1.6 million principal and interest payment made to pay off a state loan in FY09.

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 2010, the County's Special Revenue funds reported combined ending fund balances of \$34,485,722, an increase of \$1,991,630. Of the fund balance, \$11,484 is reserved for inventory, \$1,576,033 is reserved for encumbrances, and the remaining fund balance of \$32,898,205 is unreserved undesignated. Key elements in the growth of the total special revenue fund balance are as follows:

- A significant portion of the increase was attributed to a \$1.8 million increase in the fund balance of the Valuation Fund from \$7.2 million in FY09 to \$9.0 million in FY10, a 25.0% increase. In FY10, this fund generated \$5.4 million in revenues and expenditures of \$3.6 million.
- An additional portion of the increase was attributed to the addition in FY10 of the new Department of Substance Abuse special revenue fund. In FY10, this fund generated \$1.3 million in revenues, \$960 thousand in expenditures and other financing sources of \$184 thousand for an ending fund balance of \$481 thousand.
- The increase was offset by a decrease of \$759 thousand in the Health Care GRT Fund balance from \$16.4 million in FY09 to \$15.6 million in FY10, a decrease of 4.6%. The decrease was a result of \$1.2 million in other financing uses applied to debt service payments for the 2009 GRT Revenue Bond. In addition, revenues exceeded expenditures by \$441 thousand in FY10.

Debt Service funds. As of the end of fiscal year 2010, the County's Debt Service funds reported combined ending fund balances of \$18,926,125, a decrease of \$2,144,470. All of the fund balance was reserved to pay debt service. Key elements of the decrease in the total fund balance are as follows:

- The decrease was attributed to a decrease of \$4.9 million in the Refunding Series 2005 Reserve Debt Service Fund as the fund was closed in FY10 due to the related bonds being paid off in FY10.
- The decrease was offset by an increase of \$1,650,000 which was attributed to the addition of the Series 2010B Debt Service Fund as a result to the advance refunding of the Multifamily Housing Refunding and Improvement Revenue Bond, Series 1999. In addition, there was an increase in the General Obligation Bond Debt Service Fund, the Series 1996B Debt Service

Fund, and the Refunding Series 1998 Debt Service Fund in the amount of \$776,283, \$343,435, and \$280,717 respectively.

Capital Projects funds. As of the end of fiscal year 2010, the County's Capital Project funds reported combined ending fund balances of \$16,381,676, a decrease of \$1,212,248. 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. Of the fund balance, \$206,470 is reserved for encumbrances and the remaining fund balance of \$16,175,206 is unreserved undesignated. Key elements of the decrease in the total fund balance are as follows:

- The majority of the decrease was attributed to a decrease of \$971 thousand in the Open Space Fund from \$11.4 million in FY09 to \$10.4 million in FY10, an 8.5% decrease. The majority of the decrease was in large part due to property tax revenue of \$1.4 million and capital outlay expenditures of \$1.7 million. There were also operating expenditures of \$224 thousand in the culture and recreation category and \$436 thousand in the public works category.
- The remainder of the decrease was attributed to a decrease of \$241 thousand in the Impact Fee Fund balance as expenditures exceeded impact fee revenue and interest income in FY10.

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 total original budgeted revenues increased \$662,500 or by 0.3% from \$221.1 million to \$221.7 million (final). General fund total original budgeted expenditures decreased \$69,251 or by 0.03% from \$265.0 million to \$264.9 million (final). Significant changes between the original budget and the final amended budget are summarized as follows:

- The fees for services original revenue budget increased \$2.1 million from \$4.6 million to \$6.7 million. The increase was primarily attributed to a line item transfer of \$1.8 million to move budget from the miscellaneous income category to this category which was a correction to a cost center and the general ledger account. Also, additional budget of \$300 thousand was established for Waste Disposal/Recycling fees.
- The miscellaneous income original revenue budget decreased \$1.5 million from \$5.3 million to \$3.8 million. The decrease was primarily attributed to a line item transfer of \$1.8 million to move budget from this category to fees for services category which was a correction to a cost center and the general ledger account. The decrease was offset by an increase of \$345 thousand to establish general revenue budget for the Fire and Rescue Department.
- The general county original expenditure budget decreased \$3.5 million from \$45.1 million to \$41.6 million. The decrease was primarily attributed to a \$3.9 million line item transfer to the

capital outlay category for capital outlay costs related to the Cordero MESA Bus Parking project, the 620 Lomas Building Remodel project, the Juvenile Justice Improvement project, and for the purchase of a pumper/ladder.

- The fleet-facilities management original expenditure budget decreased by \$2.3 million from \$16.1 million to \$13.8 million. A majority of the decrease was attributed to a \$1.4 million line item transfer to the general county category to realign the payroll budget originally loaded incorrectly from the payroll system (Empath). In addition, a line item transfer of \$460 thousand was made to the capital outlay category for the Mobil Asset Management project and the City/Fiber project. Also, a line item transfer of \$350 was made to the general county category as a result of vehicle fuel savings.
- The social services original expenditure budget increased by \$445 thousand from \$953 thousand to \$1.4 million. The increase was attributed to line item transfers from the general county category for social services programs.
- The capital outlay original expenditure budget increased by \$4.9 million from \$9.6 million to \$14.5 million. The increase was attributed to the establishment of \$6.9 million in projects resulting in \$1.1 million for Sheriff's Fleet Replacement purchases, \$1.1 million for the Cordero MESA Bus Parking project, \$882 thousand for General Replacement purchases, \$740 thousand for the purchase of an Engine/Ladder, \$650 thousand for the Juvenile Justice Improvement project, \$600 thousand for the 415 Tijeras Sheriff's Training Facility Renovation project, \$600 thousand for the 620 Lomas Building Remodel project, \$528 thousand for IT Hardware and Software purchases, \$399 thousand to replace the HVAC system at the Atrium North Bldg., \$363 thousand for the Public Works Campus Security Improvement project, \$262 thousand for the purchase of busses for community centers, and for other various County projects. In addition, direct asset purchases budget decreased by \$2.0 million due to reclassification to the projects detailed above.

Grants Fund. An original and final budget is not presented for this fund as this is a life-to-date fund and the County does not adopt an annual operating budget during the current fiscal year.

Regional Correction Center Fund. Regional Correction Center fund total original budgeted revenues increased \$1.4 million or by 12.0% from \$11.7 million to \$13.1 million (final). Regional Correction Center fund total original budgeted expenditures increased \$1.4 million or by 11.7% from \$11.8 million to \$13.2 million (final). Significant changes between the original budget and the final amended budget are summarized as follows:

- The fees for services original revenue budget increased by \$1.4 million from \$10.0 million to \$11.4 million. The increase was attributed to \$1.4 million budget adjustment to increase the revenue budget in this category in anticipation of additional revenue in FY10 for housing inmates at the regional correction facility.
- The public safety original expenditure budget increased by \$1.4 million from \$11.8 million to \$13.2 million. The increase was attributed to \$1.4 million budget adjustment to increase the expenditure budget in anticipation of additional expenditures in FY10 for housing inmates at the regional correction facility.

Construction Fund. An original and final budget is not presented for this fund as this is a life-to-date fund and the County does not adopt an annual operating budget during the current fiscal year.

Budgetary Highlights – Budget to Actual

General Fund. General Fund revenues exceeded budgetary estimates by \$3,876,995 or by 1.7%. General Fund expenditures were less than budgetary estimates by \$59,761,145 or by 22.6% 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 \$14,214,858. Individual significant differences between the General Fund final budget and actual amounts are summarized as follows:

- Property tax revenue had a positive variance of \$8,587,104. The budget projections estimated a 95% collection rate of current property taxes within the County as of June 30, 2010. The actual collection rate was 94.2%. The significant reason for the positive variance was that current property tax collections were \$5,349,238 greater than budget (5.5% of budget) which was reflective of the 6.1% increase in the assessed taxable property valuation from the 2009 assessed taxable valuation which was higher than expected. In addition, delinquent tax collections, interest on current and delinquent tax collections, and penalties on current and delinquent tax collections exceeded projections by \$3,237,866.
- Gross receipt tax (GRT) revenue had a negative variance of \$7,793,028. The variance was primarily attributed to the decline in the state economy. As was the case in the state, the County slipped deep into a recession in FY09 and continued well into FY10.
- Motor vehicle revenue had a positive variance of \$895,050. The variance was primarily attributed to more revenue realized in this line item than expected.
- Intergovernmental revenue had a negative variance of \$526,600. The variance was attributed to no intergovernmental revenue recognized in the general fund in FY10.
- Licenses and permits revenue had a negative variance of \$426,125. The variance was primarily attributed to \$839,654 less in construction permit fees collected than budgeted, which was reflective of the weak construction sector in 2010 and the weak housing construction industry in the Albuquerque MSA area. The negative variance was offset by positive variances in the collection of franchise permit fees, building and zoning permit fees, and barricading permit fees.
- Fees for services revenue had a negative variance of \$1,161,174. The decrease was primarily attributed to lower than expected fees collected at the Metropolitan Detention Center (MDC) for the Community Custody Program (CCP) and for miscellaneous charges of \$441 thousand and \$299 thousand respectively. In addition, the Sheriff's Office budgeted fees for services to villages of \$313 thousand that never materialized and there was a less than expected decrease in collection of court security fees of \$366 thousand. Also, the collection of Clerk's fees was lower than budgeted by \$312 thousand. The decrease in revenue was offset by higher than expected revenue from the collection of community center fees of \$120 thousand, sports program fees of \$67 thousand, food and pool fees of \$38 thousand, pool admission and rent

fees of \$48 thousand, before and after school fees of \$52 thousand and fees for other various programs.

- Investment income revenue had a positive variance of \$2,915,289. The increase was in part attributed to a conservative budget estimate made by the County Treasurer as part of the biennial budget process. It can also be attributed to additional revenue to invest as a result of increased property tax revenue in FY10. Even though the economy was still in a recession in FY10, the County was able to exceed its budgeted estimate as a result of excellent investment management performed by the County Treasurer and an investment committee which oversees investment strategy monthly.
- Miscellaneous revenue had a positive variance of \$1,306,664. The increase was attributed to more than expected revenue related to rental revenue, general revenue and non-grant revenue reimbursements.
- Legal expenditures had a positive variance of \$762,274. The variance was primarily attributed to lower than expected expenditures for wages, salaries and fringe benefits of \$286,211 and contractual services of \$327,577.
- Risk Management expenditures had a positive variance of \$2,809,206. The variance was primarily attributed to lower than expected property insurance premiums of \$1,814,041, and less than expected expenditures for Law Enforcement Officer Liability claims in the amount of \$765,113.
- Information Technology expenditures had a positive variance of \$829,603 which was primarily attributed to less than expected expenditures for wages, salaries and fringe benefits.
- General County expenditures had a positive variance of \$32,075,864. The variance was primarily attributed to less than expected expenditures for contingencies of \$15,149,213 and less than expected expenditures for salary contingency of \$10,743,025. Also, there were less than expected expenditures for contractual services and for rental building and land of \$2,611,452 and \$3,445,483 respectively. In addition, there were less than expected expenditures for data processing equipment and repair of \$240,466 and budgeted expenditures of \$100,000 for vehicle gas and oil that did not occur.
- Clerk expenditures had a positive variance of \$960,931 which was primarily attributed to less than expected expenditures for election ballots and equipment maintenance and repair of \$622,114 and \$215,348 respectively.
- Fleet-Facilities Management had a positive variance of \$841,290. The variance was attributed to less than expected costs of \$493,575 for fleet facilities administration which was primarily related to utility costs, less than expected expenditures of \$171,931 for vehicle gas and oil and less than expected costs of \$245,900 for building maintenance and repair. The remaining variance balance pertained to minor adjustments in various other operating categories some of which had a negative variance effect.

- Metropolitan Detention Center (MDC) expenditures had a positive variance of \$7,159,430. A significant portion of this variance was attributed to \$2,708,930 of budgeted funds for regular salaries, overtime and fringe benefits that did not materialize and less than expected expenditures of \$3,178,327 for professional services. In addition, there were less than expected expenditures for contractual services, multiline insurance, resident care services, and utilities of \$313,632, \$541,015, \$588,473, and \$850,000 respectively. The remaining variance balance pertained to minor adjustments in various other operating categories some of which had a negative variance effect.
- Capital outlay expenditures had a positive variance of \$8,597,561. The variance was primarily attributed to less than expected expenditures of \$1,754,252 for the Renovation of the 415 Tijeras Sheriff's Training Facility project, \$1,099,562 for the Cordero Mesa Trans Line & Pump Station project, \$614,326 for the Juvenile Justice Improvement project, \$583,084 for the 620 Lomas Remodel project, \$507,956 for the Public Works Campus Security Improvement project, \$452,540 for IT Hardware & Software purchases, \$205,165 for the Rio Grande Pool project, and \$200,000 for the Fiber Connection for Public Works Campus project. The remaining variance balance pertained to various other projects with less than expected expenditures than what was budgeted.
- Principal debt service expenditures had a positive variance of \$1,061,727. The variance was attributed to budgeted expenditures for loan payments that did not materialize.

Grants Fund. A budget to actual statement is not presented for this fund as this is a life-to-date fund and the County does not adopt an annual operating budget during the current fiscal year.

Regional Correction Center Fund. Regional Correction Center Fund revenues exceeded budgetary estimates by \$2,253,846 or by 17.2%. Regional Correction Center Fund expenditures were less than budgetary estimates by \$272,529 or by 2.1% 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 \$2,383,391. Individual significant differences between the Regional Correction Center Fund final budget and actual amounts are summarized as follows:

- Fees for services revenue had a positive variance of \$2,264,646. The variance was primarily attributed to more than expected revenue generated as a result of the number of inmates housed at the regional correction facility in FY10.
- Operating expenditures had a positive variance of \$272,529 as a result of less than expected expenditures for housing inmates at the regional correction facility in FY10.

Construction Fund. A budget to actual statement is not presented for this fund as this is a life-to-date fund and the County does not adopt an annual operating budget during the current fiscal year.

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, 2010 amounts to \$567,821,018 (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 \$25,000,000 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:

- In FY10, renovations continued at the old court house building located at 415 Tijeras. The building now houses the Sheriff's Training Center and various County departments including the Public Information Office, the Accounting Department, the Enterprise Resource Planning (ERP) Team, the Human Resources Training Center, and selected Information Technology staff. Additional County departments will be relocated to this building in FY11.
- Construction commenced on the Eubank Boulevard Reconstruction project in September 2010. The project will include road improvements to Eubank Boulevard from San Antonio Drive to Paseo Del Norte, including widening the roadway from two to five lanes with a center turn lane and providing frontage roads. The project will also provide for sidewalks and trails for pedestrian and bicycle travel. It is scheduled for completion in September 2011.
- Construction was completed on the Peanut Butter and Jelly Facility in FY10. The project consisted of demolishing an existing garage and the addition of 1,198 sq. ft. to the existing building. The facility specializes in the use of interactive parenting and bonding programs as an effective way to prevent child abuse and neglect and as a way to preserve the family unit.
- The South Valley Multi-Purpose Center facility was completed in May 2010. The facility is an 18,500 square feet community center near Atrisco and Larrazolo SW with facilities for entertainment activities for youth and the elderly and also contains a meal site.

- Construction began on the East Mountain Co-Located Sheriff, Fire and Emergency Operation Center. The facility will serve as a full-service public safety facility with joint use area that include a staging area for any emergency responder such as weather, HAZMAT incidents, wildfires, and incidents of search and rescue. The project is scheduled for completion by May 2011.
- Construction commenced on the James McGrane Jr. Public Safety Complex. The East Mountain public safety complex is named in honor of Bernalillo County Deputy James McGrane Jr. who was killed in the line of duty March 22, 2006. The 20,000 square foot complex will house fire and sheriff personnel and provide a secondary emergency operations center. It is scheduled for completion in 2011.
- Renovation commenced on the Juvenile Justice Center facility which houses Children's Court. Moving walls and other obstructions will create more functional space and better utilize existing spaces. The whole interior of the building will be painted, old flooring will be replaced and new fixtures and improved lighting will be installed. Completion is tentatively scheduled for April 2011.
- Property on Wellesley Street NE was acquired to accommodate the Bernalillo County Health Office and La Familia Family Services. The property will accommodate the move of the County Health Office to this new facility and allow the non-profit La Familia Family Services a facility that better serves the varied service that they provide to children and their families. The project is currently in the design phase and construction completion is set for March 2012.
- The construction of the 5,000 square foot Fisher and Smith Gym addition commenced in September 2010. The project will add a life fitness room and a multi use exercise room to the existing Los Vecinos Community Center in the East Mountains. The life fitness room will allow for high and low impact aerobics as well as provide space for the East Mountain Charter School wrestling program and other appropriate activities through the community center programming. Completion is scheduled for May 2011.
- Renovations to the Hiland Theater continued in FY10. Eventually, the theater will be reopened and used for various community and school activities as well as live performances from local theater groups.
- In 2009, the County acquired the Southeast Heights Children's Care Facility property located on San Pablo SE. The design phase for this project has commenced and will provide improvements to the building which will accommodate a non-profit organization that will provide day care and activities for children and their families. The 7,500 square foot facility will have classrooms, activity rooms, a kitchen, playground and administrative space. The completion date is scheduled for July 2011.
- The Bachechi Open Space Park 27 acres site project located on the southeast portion of the intersection of Alameda Boulevard and the Rio Grande River has commenced and will include an educational facility, a parks maintenance yard/building, and caretaker's quarter. Numerous landscape features include a boardwalk across constructed wetlands, nature trails with interpretive signs, plantings for wildlife habitat, and wildlife viewing blinds. Then completion date is scheduled for September 2011.

County of Bernalillo's Capital Assets

(net of accumulated depreciation)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$134,317,394	\$128,093,610	\$ 492,917	\$ 563,033	\$134,810,311	\$128,656,643
Buildings	179,766,861	186,668,203	3,328,649	3,940,974	183,095,510	190,609,177
Machinery and equipment	26,047,511	26,205,317	129,045	178,050	26,176,556	26,383,367
Land improvements	770,922	606,555	44,188	-	815,110	606,555
Infrastructure	171,954,336	179,640,069	-	-	171,954,336	179,640,069
Leasehold improvements	2,144,118	2,272,654	-	-	2,144,118	2,272,654
Construction in progress	46,399,137	24,980,977	-	-	46,399,137	24,980,977
Art	2,425,940	2,180,787	-	-	2,425,940	2,180,787
Total	\$563,826,219	\$550,648,172	\$3,994,799	\$4,682,057	\$567,821,018	\$555,330,229

Additional information on the County's capital assets can be found in note IV-C. on pages 62-63 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 pre-qualified underwriters.

General Obligation Bonds. At the end of the current fiscal year, the County had total general obligation debt outstanding of \$105,675,000. 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 2010, this tax is approximately \$0.880 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 June 1, 2011 through August 1, 2027. 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 (0.71%) of the \$14.8 billion taxable value of property within Bernalillo County, as of June 30, 2010. The County may currently issue up to an additional \$487.2 million of general obligation bonds. The net general bonded debt per capita is \$160.88. The lowest per capita amount in the last ten fiscal years was \$112.77 in fiscal year ended June 30, 2002. The County's ratings on uninsured general obligation bonds as of June 30, 2010 were:

- Moody's Investors Service, Inc. - Aaa
- Standard & Poor's Rating Service - AAA
- Fitch Agency - AAA

Revenue Bonds. At the end of the current fiscal year, the County had total revenue bond debt outstanding of \$208,955,000. The County has nine outstanding revenue bonds: the 1996B series, the 1997 series, the 1998 refunding series, the 2002 series, the 2005 partial refunding series, the 2008A series, the 2009A series, the 2010A series, and the 2010B 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 pledged revenue coverage of gross receipts tax revenues to debt service requirements is 3.41. The lowest pledged revenue coverage in the last nine fiscal years was 2.19 in fiscal year 2002. These bonds have retirement dates ranging from August 1, 2010 through June 15, 2029. The County's ratings on gross receipt tax revenue bonds as of June 30, 2010 were:

- Moody's Investors Service, Inc. – Aa2
- Standard & Poor's Rating Service – AAA
- Fitch Agency – AA+

General Obligation and Revenue Bonds Outstanding

	Governmental Activities		Business-type Activities	
	2010	2009	2010	2009
General obligation bonds	\$ 105,675,000	\$102,080,000	\$ -	\$ -
Revenue bonds	208,955,000	205,445,000	-	1,655,000
Total	\$314,630,000	\$307,525,000	\$ -	\$1,655,000

As presented above, the County's total outstanding bond debt increased by \$5,450,000 during the current fiscal year. Additional information on the County's long-term debt can be found in note IV.F on pages 65-68 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 2011 budget. The County's operating budgeted appropriations were reduced approximately 1.9 percent from FY10 levels based on these factors. According to forecasts by the University of New Mexico's Bureau of Business and Economic Research, the outlook for the New Mexico economy is not particularly good. The recession is expected to linger through the fourth quarter of 2010 before beginning a slow climb back. Employment is expected to decline by 1.3 percent in 2010, followed by a 0.6 percent gain in 2011. New Mexico personal income growth will reach 2.6 percent in both 2010 and 2011, and then gradually increase to 5.1 percent by 2015. The unemployment rate will peak at 8.6 percent in 2010 and then gradually decline to 6.8 percent by 2015.

The outlook for the Albuquerque MSA economy is not so good in the near term. The recession is expected to continue through the end of 2010 and is expected to start a recovery in 2011 and reach full stride by the second half of 2012. Nonfarm employment growth will post a decline of 1.4 percent this year and will post a gain of 0.8 percent in 2011 and 1.8 percent in 2012. Growth will slow thereafter reaching 1.4 percent in 2015. Personal income growth will increase from 1.7 percent this year to 3.1 percent in 2011, and will show a pattern of increasing growth through 2015. The unemployment rate in June 2010 was 8.6 percent—slightly lower than the national rate of 9.5 percent but still higher than the statewide rate of 8.2 percent. Forecasts indicate the unemployment rate will hover around 8 percent in the Albuquerque MSA through 2013 before declining to 7 percent by 2015.

The Albuquerque MSA economy lost 4,933 (net) jobs during the second quarter of 2010. Only three of the twelve sectors showed a net increase in jobs, government, educational services & health care and wholesale trade. The Government sector employment rose by 1,800 which were mostly in the federal sector, although the state government added a few jobs. The federal sector jobs were part of the 2010 Census and also with the US Forest Service. Health Care employment posted a net increase of 1,133 jobs and Wholesale Trade jobs increased by 400. This sector will see little employment growth in the next few years. State and local government employment will see minimal gains in the near term, with moderate gains in the coming years. Federal government employment gains of 7.7 percent this year reflects Census 2010 and US Forest Service hiring, but will decline as hundreds of Census 2010 workers are released.

The construction sector remains a problem, losing another 2,433 jobs. Housing in the City of Albuquerque posted a small gain during the second quarter of 2010, up 7.2 percent, but the number of units has not been large. Rio Rancho housing permits were down 31.9 percent in the second quarter. The total value of construction contracts awarded during the second quarter was 28.1 percent below a year ago. Residential contracts were up 33.8 percent, but non-residential contracts were off 61.3 percent, and non-building contracts dropped 29.7 percent. The construction sector is expected to return to growth status, but not until 2012. Housing is expected to begin a comeback this year, but will not gain strength until 2011.

Employment in the professional and business services was 2,167 below a year ago. The losses included temporary jobs and the closing of the Sento, Inc. call center. Also included was a large layoff at the Lockheed Martin call center in Albuquerque. This sector will see an employment gain of 2.3 percent in 2011 and gains in excess of 2.5 percent each year thereafter. Hiring will continue at Fidelity Investments and the Hewlett-Packard call center in Rio Rancho will open adding as many as 1,350 jobs during the first year of operation.

The manufacturing sector is expected to show employment gains of 1.6 percent next year, 3.8 percent in 2012, and 2.7 percent in 2013. New jobs will be appearing at Intel, General Mills, Applied Technology Associates, and Solar Distinction.

The Albuquerque economy is expected to recover and will come from numerous sources. The educational services and health care sector will continue to be a significant source of new jobs. Employment is expected to increase by 2.2 percent in 2010, and then climb to 2.7 percent and 2.8 percent in 2011 and 2012 respectively as Presbyterian Health Systems plans to open a new full-service hospital in Rio Rancho. Employment is expected to average just over 2.0 percent from 2013 through 2015. Valencia County also plans to build a hospital within two years. The professional and business services sector will also provide a substantial boost as will the manufacturing sector. In addition, the construction sector is also expected to return to growth mode by sometime in 2012.

Thus, the Albuquerque MSA near term economy is still in a recession, but recovery is expected to commence in 2011 and take hold by the second half of 2012.

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 Deputy County Manager for Budget and Finance, One Civic Plaza, NW – 10th Floor, Albuquerque, New Mexico 87102.

COUNTY OF BERNALILLO, NEW MEXICO
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 344,285,343	\$ 3,828,112	\$ 348,113,455
Accounts receivable, net	45,927,333	1,875,736	47,803,069
Accrued interest receivable	2,133,539	-	2,133,539
Note receivable	211,529	-	211,529
Due from grantor	12,551,932	-	12,551,932
Internal balances	2,239,039	(2,239,039)	-
Inventory	614,016	6,247	620,263
Prepaid assets	1,716,060	-	1,716,060
Deferred charges	1,152,897	-	1,152,897
Cash-restricted	11,747,530	-	11,747,530
Capital assets held for sale	-	228,000	228,000
Investment in joint venture	633,000	-	633,000
Capital assets not being depreciated:			
Land	134,317,394	492,917	134,810,311
Art	2,425,940	-	2,425,940
Construction in progress	46,399,137	-	46,399,137
Capital assets (net of accumulated depreciation):			
Building	179,766,861	3,328,649	183,095,510
Land improvements	770,922	44,188	815,110
Machinery and equipment	26,047,511	129,045	26,176,556
Infrastructure	171,954,336	-	171,954,336
Leasehold improvements	2,144,118	-	2,144,118
Total assets	<u>987,038,437</u>	<u>7,693,855</u>	<u>994,732,292</u>
LIABILITIES			
Accounts payable	24,268,178	907,992	25,176,170
Interest payable	3,856,093	-	3,856,093
Accrued payroll	5,037,865	58,688	5,096,553
Unearned revenue	6,475,747	1,248,866	7,724,613
Due to grantor	-	228,000	228,000
Deposits held in trust for others	-	16,773	16,773
Noncurrent liabilities:			
Due within one year	64,036,480	45,217	64,081,697
Due in more than one year	<u>281,001,858</u>	<u>757,105</u>	<u>281,758,963</u>
Total liabilities	<u>384,676,221</u>	<u>3,262,641</u>	<u>387,938,862</u>
NET ASSETS			
Invested in capital assets, net of related debt	353,608,399	2,001,499	355,609,898
Restricted for:			
Public safety	7,643,172	-	7,643,172
Culture and recreation	5,647	-	5,647
Health and welfare	21,328,903	-	21,328,903
Debt service	7,178,595	-	7,178,595
Capital projects	27,172,905	-	27,172,905
General government	10,947,073	-	10,947,073
Reserve requirement	65,240,072	-	65,240,072
Unrestricted	<u>109,237,450</u>	<u>2,429,715</u>	<u>111,667,165</u>
Total net assets	<u>\$ 602,362,216</u>	<u>\$ 4,431,214</u>	<u>\$ 606,793,430</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, 2010**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Assets</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>	<u>Total</u>
Primary government:							
Governmental activities:							
General government	\$ 64,791,762	\$ 27,821,557	\$ -	\$ -	\$ (36,970,205)		\$ (36,970,205)
Public works	42,122,694	-	-	17,963,627	(24,159,067)		(24,159,067)
Public safety	154,622,588	-	11,692,990	637,977	(142,291,621)		(142,291,621)
Culture and recreation	11,957,736	-	743,584	8,490,772	(2,723,380)		(2,723,380)
Health and welfare	36,053,345	-	12,924,689	1,021,325	(22,107,331)		(22,107,331)
Interest on long-term debt	14,530,276	-	-	-	(14,530,276)		(14,530,276)
Total governmental activities	<u>324,078,401</u>	<u>27,821,557</u>	<u>25,361,263</u>	<u>28,113,701</u>	<u>(242,781,880)</u>		<u>(242,781,880)</u>
Business-type activities:							
Solid waste	4,817,057	4,617,890	176,000	-	-	(23,167)	(23,167)
Housing Authority	1,083,960	293,063	451,043	-	-	(339,854)	(339,854)
Seybold Village Handicapped Project	349,467	43,074	-	107,712	-	(198,681)	(198,681)
Regional Juvenile Detention Center	1,084,886	1,062,223	-	-	-	(22,663)	(22,663)
El Centro Familiar	646,387	398,596	153,544	-	-	(94,247)	(94,247)
Total business-type activities	<u>7,981,757</u>	<u>6,414,846</u>	<u>780,587</u>	<u>107,712</u>	<u>-</u>	<u>(678,612)</u>	<u>(678,612)</u>
Total primary government	<u>\$ 332,060,158</u>	<u>\$ 34,236,403</u>	<u>\$ 26,141,850</u>	<u>\$ 28,221,413</u>	<u>(242,781,880)</u>	<u>(678,612)</u>	<u>(243,460,492)</u>
General revenues:							
Property taxes					127,201,067	-	127,201,067
Gross receipts taxes					112,555,113	-	112,555,113
Motor vehicle taxes					3,788,238	-	3,788,238
Cigarette taxes					5,230	-	5,230
Gas taxes					1,808,628	-	1,808,628
Investment income					15,249,566	124,819	15,374,385
Gain on sale of capital assets					48,972	4,100	53,072
Miscellaneous					14,375,434	614,416	14,989,850
Capital Contributions					-	8,346	8,346
Total general revenue and transfers					<u>275,032,248</u>	<u>751,681</u>	<u>275,783,929</u>
Change in net assets					<u>32,250,368</u>	<u>73,069</u>	<u>32,323,437</u>
Net assets - beginning					<u>570,111,848</u>	<u>4,358,145</u>	<u>574,469,993</u>
Net assets - ending					<u>\$ 602,362,216</u>	<u>\$ 4,431,214</u>	<u>\$ 606,793,430</u>

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

COUNTY OF BERNALILLO, NEW MEXICO
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2010

	<u>General</u>	<u>Grants Fund</u>	<u>Regional Correction Center</u>	<u>Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS						
Cash and investments	\$ 174,801,536	\$ -	\$ 5,676,525	\$ 104,887,587	\$ 57,300,568	\$ 342,666,216
Accounts receivable, net	33,362,204	-	6,463,738	85,889	6,015,502	45,927,333
Accrued interest receivable	1,574,202	-	-	325,849	233,488	2,133,539
Note receivable	211,529	-	-	-	-	211,529
Due from other funds	9,270,928	-	-	1,048	260,591	9,532,567
Due from grantor	-	12,551,932	-	-	-	12,551,932
Inventory	602,532	-	-	-	11,484	614,016
Prepaid assets	39,245	-	-	-	-	39,245
Advances to other funds	1,497,000	-	-	-	1,650,000	3,147,000
Cash - restricted	-	-	-	-	11,747,530	11,747,530
Total assets	<u>\$ 221,359,176</u>	<u>\$12,551,932</u>	<u>\$ 12,140,263</u>	<u>\$ 105,300,373</u>	<u>\$ 77,219,163</u>	<u>\$ 428,570,907</u>
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 9,817,741	\$ 1,734,453	\$ 6,463,738	\$ 1,530,569	\$ 4,372,702	\$ 23,919,203
Accrued payroll	4,730,296	193,921	-	2,316	111,332	5,037,865
Deferred revenue	12,321,384	1,707,773	-	-	1,441,826	15,470,983
Due to other funds	371,345	7,403,700	-	-	1,499,780	9,274,825
Advances from other funds	-	1,497,000	-	-	-	1,497,000
Total liabilities	<u>27,240,766</u>	<u>12,536,847</u>	<u>6,463,738</u>	<u>1,532,885</u>	<u>7,425,640</u>	<u>55,199,876</u>
Fund balances:						
Reserved for:						
Notes receivable	211,529	-	-	-	-	211,529
Advances to other funds	1,497,000	-	-	-	-	1,497,000
Inventory	602,532	-	-	-	11,484	614,016
Prepaid items	39,245	-	-	-	-	39,245
Debt service	-	-	-	-	18,926,125	18,926,125
Encumbrances	8,952,697	1,110,755	-	8,605,628	1,782,503	20,451,583
Reserve requirement	65,240,072	-	-	-	-	65,240,072
Unreserved, designated for						
Subsequent years' expenditures	45,632,530	-	-	-	-	45,632,530
Bond defeasance/enhancement	9,000,000	-	-	-	-	9,000,000
Capital projects	14,532,977	-	-	-	-	14,532,977
Economic development	3,000,000	-	-	-	-	3,000,000
Grant funds	7,409,828	-	-	-	-	7,409,828
Building funds	8,000,000	-	-	-	-	8,000,000
Infrastructure replacement	13,000,000	-	-	-	-	13,000,000
Stabilization	15,000,000	-	-	-	-	15,000,000
Debt service cash flow	2,000,000	-	-	-	-	2,000,000
Unreserved, undesignated for:						
Special revenue fund	-	(1,095,670)	5,676,525	-	32,898,205	37,479,060
Capital projects fund	-	-	-	95,161,860	16,175,206	111,337,066
Total fund balances	<u>194,118,410</u>	<u>15,085</u>	<u>5,676,525</u>	<u>103,767,488</u>	<u>69,793,523</u>	<u>373,371,031</u>
Total liabilities and fund balances	<u>\$ 221,359,176</u>	<u>\$12,551,932</u>	<u>\$ 12,140,263</u>	<u>\$ 105,300,373</u>	<u>\$ 77,219,163</u>	<u>\$ 428,570,907</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, 2010**

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

Total fund balance governmental funds (page 34)	\$ 373,371,031
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	563,826,219
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.	1,152,897
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.	(345,038,338)
Accrued Interest Payable	(3,856,093)
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.	10,672,051
Net assets governmental activities. (page 32)	<u><u>\$ 602,362,216</u></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, 2010

	<u>General</u>	<u>Grants Fund</u>	<u>Regional Correction Center</u>	<u>Construction Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES						
Taxes:						
Property	\$ 110,799,035	\$ -	\$ -	\$ -	\$ 13,943,236	\$ 124,742,271
Sales	89,096,909	-	-	-	23,458,204	112,555,113
Motor vehicle	3,788,238	-	-	-	-	3,788,238
Cigarette	3,482	-	-	-	1,748	5,230
Gas	1,808,628	-	-	-	-	1,808,628
Intergovernmental	-	41,426,316	-	1,745,496	14,421,032	57,592,844
Licenses and permits	2,362,344	-	-	-	-	2,362,344
Fees for services	5,519,276	-	13,642,927	-	6,297,010	25,459,213
Investment income	12,382,262	-	-	1,826,945	1,040,359	15,249,566
Miscellaneous	3,415,558	-	1,671,273	223	2,735,853	7,822,907
Total revenues	<u>229,175,732</u>	<u>41,426,316</u>	<u>15,314,200</u>	<u>3,572,664</u>	<u>61,897,442</u>	<u>351,386,354</u>
EXPENDITURES						
Current:						
General government	48,814,827	25,937	-	439,918	5,144,080	54,424,762
Public works	23,091,514	84,968	-	27,609	445,672	23,649,763
Public safety	114,191,795	14,432,972	13,542,658	3,736	2,649,021	144,820,182
Health and welfare	3,157,282	481,724	-	-	30,807,941	34,446,947
Culture and recreation	8,810,416	574,738	-	6,035	230,856	9,622,045
Capital outlay	5,998,922	19,308,428	-	7,941,382	4,399,572	37,648,304
Capital outlay-other entities	450,442	6,517,549	-	4,904,424	1,244,836	13,117,251
Debt service:						
Principal	-	-	-	-	23,555,000	23,555,000
Interest	-	-	-	-	15,728,867	15,728,867
Bond issuance cost	-	-	-	157,824	209,023	366,847
Total expenditures	<u>204,515,198</u>	<u>41,426,316</u>	<u>13,542,658</u>	<u>13,480,928</u>	<u>84,414,868</u>	<u>357,379,968</u>
Excess (deficiency) of revenues over expenditures	<u>24,660,534</u>	<u>-</u>	<u>1,771,542</u>	<u>(9,908,264)</u>	<u>(22,517,426)</u>	<u>(5,993,614)</u>
Other financing sources (uses)						
Transfers in	2,207,170	-	-	-	18,264,160	20,471,330
Transfers out	(8,479,541)	(44,535)	-	(3,836,604)	(8,110,650)	(20,471,330)
Sale of capital assets	72,092	-	-	-	-	72,092
Refunding bonds issued	-	-	-	-	16,755,000	16,755,000
Bonds issued	-	-	-	19,750,000	9,000,000	28,750,000
Premium	-	-	-	263,395	1,103,011	1,366,406
Discount on revenue bond	-	-	-	-	(169,883)	(169,883)
Payment to escrow agent	-	-	-	-	(15,689,300)	(15,689,300)
Total other financing sources (uses)	<u>(6,200,279)</u>	<u>(44,535)</u>	<u>-</u>	<u>16,176,791</u>	<u>21,152,338</u>	<u>31,084,315</u>
Net changes in fund balances	<u>18,460,255</u>	<u>(44,535)</u>	<u>1,771,542</u>	<u>6,268,527</u>	<u>(1,365,088)</u>	<u>25,090,701</u>
Fund balance - beginning	<u>175,658,155</u>	<u>59,620</u>	<u>3,904,983</u>	<u>97,498,961</u>	<u>71,158,611</u>	<u>348,280,330</u>
Fund balance - ending	<u>\$ 194,118,410</u>	<u>\$ 15,085</u>	<u>\$ 5,676,525</u>	<u>\$ 103,767,488</u>	<u>\$ 69,793,523</u>	<u>\$ 373,371,031</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, 2010**

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

Net changes in fund balances total governmental funds (page 36)	\$ 25,090,701
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.	13,201,167
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.	(23,120)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	2,458,796
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.	(7,090,376)
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.	(1,386,800)
Change in net assets of governmental activities (page 33)	<u>\$ 32,250,368</u>

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

COUNTY OF BERNALILLO, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES - BUDGET AND ACTUAL (non-GAAP Budgetary Basis)
GENERAL FUND
For the Year Ended June 30, 2010

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
REVENUES				
Taxes:				
Property	\$ 102,104,131	\$ 102,104,131	\$ 110,691,235	\$ 8,587,104
Sales	95,742,843	95,742,843	87,949,815	(7,793,028)
Motor vehicle	2,960,614	2,960,614	3,855,664	895,050
Cigarette	3,445	3,445	3,548	103
Gas	1,700,000	1,700,000	1,779,712	79,712
Intergovernmental	506,600	526,600	-	(526,600)
Licences and permits	2,770,969	2,788,469	2,362,344	(426,125)
Fees for services	4,639,651	6,745,332	5,584,158	(1,161,174)
Investment income	5,332,033	5,332,033	8,247,322	2,915,289
Miscellaneous	5,299,423	3,818,742	5,125,406	1,306,664
Total revenues	<u>221,059,709</u>	<u>221,722,209</u>	<u>225,599,204</u>	<u>3,876,995</u>
Other Financing Sources:				
Transfers in	2,148,604	2,162,880	2,207,170	44,290
Sale of sssets	100,000	100,000	72,092	(27,908)
Total other financing sources	<u>2,248,604</u>	<u>2,262,880</u>	<u>2,279,262</u>	<u>16,382</u>
Total revenues and other financing sources	<u>223,308,313</u>	<u>223,985,089</u>	<u>227,878,466</u>	<u>3,893,377</u>
Prior year cash balance budgeted	<u>51,167,348</u>	<u>50,375,664</u>		
Total budget	<u>274,475,661</u>	<u>274,360,753</u>		
EXPENDITURES				
Current:				
General government:				
County commission	572,875	573,086	519,539	53,547
County manager	1,339,234	1,387,385	1,309,511	77,874
Legal	2,413,286	2,308,110	1,545,836	762,274
Public information	825,591	825,591	897,693	(72,102)
Assessor	3,252,507	3,252,507	3,057,573	194,934
Treasurer	2,620,503	2,622,903	2,232,165	390,738
Accounting	1,605,778	1,638,317	1,548,056	90,261
Risk management	6,279,279	6,126,477	3,317,271	2,809,206
Budget	2,398,163	2,198,854	1,832,340	366,514
Human resources	3,434,994	3,486,868	3,291,054	195,814
Information technology	9,578,498	9,495,860	8,666,257	829,603
Purchasing	1,327,980	1,324,588	999,565	325,023
General county	45,093,513	41,617,411	9,541,547	32,075,864
Solid waste	299,169	269,268	170,570	98,698
Economic development	332,813	445,313	551,822	(106,509)
Zoning, building and environmental health	3,744,311	3,703,634	3,423,885	279,749
Clerk	5,426,599	5,737,870	4,776,939	960,931
Probate	174,622	184,084	182,439	1,645
Capital improvements	698,382	698,382	599,412	98,970
Total general government	<u>91,418,097</u>	<u>87,896,508</u>	<u>48,463,474</u>	<u>39,433,034</u>

COUNTY OF BERNALILLO, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES - BUDGET AND ACTUAL (non-GAAP Budgetary Basis)
GENERAL FUND
For the Year Ended June 30, 2010

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Positive (Negative)</u>
Public works:				
Division support	1,112,381	1,081,704	960,578	121,126
Fleet-facilities management	16,068,606	13,792,638	12,951,348	841,290
Operations and maintenance	4,132,789	4,134,219	4,075,117	59,102
Technical services	2,718,137	2,718,643	2,798,160	(79,517)
Planning and geo resources	2,745,628	2,765,042	2,368,881	396,161
Parks and recreation	222,301	199,883	225,380	(25,497)
Total public works	<u>26,999,842</u>	<u>24,692,129</u>	<u>23,379,464</u>	<u>1,312,665</u>
Public safety:				
Information technology	1,390,735	1,270,725	581,386	689,339
Fire and rescue	15,159,517	15,455,462	15,571,391	(115,929)
Office of emergency management	343,785	343,785	252,263	91,522
Metropolitan detention center	62,493,154	62,562,254	55,402,824	7,159,430
Animal care	1,505,348	1,505,348	1,330,350	174,998
Communications department	3,412,052	3,559,052	3,501,384	57,668
Sheriff	30,887,820	30,962,401	30,972,750	(10,349)
Youth services	7,218,312	7,259,940	7,323,145	(63,205)
Department of substance abuse	1,942	1,942	(4,629)	6,571
Total public safety	<u>122,412,665</u>	<u>122,920,909</u>	<u>114,930,864</u>	<u>7,990,045</u>
Health and welfare:				
Solid waste	253,165	253,165	243,531	9,634
Social services	953,682	1,398,682	1,042,294	356,388
Zoning, buidling and environmental health	1,609,032	1,725,480	1,474,517	250,963
Parks and recreation	15,000	15,000	15,000	-
Housing	713,021	704,163	321,787	382,376
Total health and welfare	<u>3,543,900</u>	<u>4,096,490</u>	<u>3,097,129</u>	<u>999,361</u>
Culture and recreation:				
Parks and recreation	9,868,795	9,609,701	8,942,507	667,194
Total culture and recreation	<u>9,868,795</u>	<u>9,609,701</u>	<u>8,942,507</u>	<u>667,194</u>
Capital outlay	<u>9,559,437</u>	<u>14,517,748</u>	<u>5,920,187</u>	<u>8,597,561</u>
Capital outlay other	-	-	450,442	(450,442)
Debt service:				
Principal	1,061,727	1,061,727	-	1,061,727
Bond issuance cost	150,000	150,000	-	150,000
Total debt service	<u>1,211,727</u>	<u>1,211,727</u>	<u>-</u>	<u>1,211,727</u>
Total expenditures	<u>265,014,463</u>	<u>264,945,212</u>	<u>205,184,067</u>	<u>59,761,145</u>
Other financing uses				
Transfers out	<u>9,461,198</u>	<u>9,415,541</u>	<u>8,479,541</u>	<u>936,000</u>
Total expenditures and other financing uses	<u>\$ 274,475,661</u>	<u>\$ 274,360,753</u>	<u>\$ 213,663,608</u>	<u>\$ 60,697,145</u>
Excess of revenues and other financing sources over expenditures and other financing uses			<u>\$ 14,214,858</u>	

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

**COUNTY OF BERNALILLO, NEW MEXICO
REGIONAL CORRECTION CENTER
SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES - BUDGET AND ACTUAL
(NON-GAAP Budgetary Basis)
Year Ended June 30, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Fees for services	\$ 10,000,000	\$ 11,400,000	\$ 13,664,646	\$ 2,264,646
Miscellaneous	1,682,072	1,682,072	1,671,272	(10,800)
Total revenues	<u>11,682,072</u>	<u>13,082,072</u>	<u>15,335,918</u>	<u>2,253,846</u>
Prior year cash balance budget	142,984	142,984		
Total budget	<u>11,825,056</u>	<u>13,225,056</u>		
Expenditures:				
Public safety:				
Operating expenditures	11,825,056	13,225,056	12,952,527	272,529
Total expenditures	<u>11,825,056</u>	<u>13,225,056</u>	<u>12,952,527</u>	<u>272,529</u>
Excess of revenues over expenditures			<u>\$ 2,383,391</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, 2010

	Business-type Activities Enterprise Funds			Governmental Activities- Internal Service Funds
	Bernalillo County Housing Authority	Other Enterprise Funds	Total Enterprise Funds	
ASSETS				
Current assets:				
Cash and investments	\$ 2,123,692	\$ 1,704,420	\$ 3,828,112	\$ 1,619,127
Accounts receivable, net	354,743	1,520,993	1,875,736	-
Due from other funds	1,866,050	242,580	2,108,630	331,297
Inventory	-	6,247	6,247	-
Held for sale	228,000	-	228,000	-
Prepaid assets	-	-	-	1,676,815
Total current assets	4,572,485	3,474,240	8,046,725	3,627,239
Noncurrent assets:				
Capital assets:				
Land	216,565	276,352	492,917	-
Land improvements	-	44,559	44,559	-
Buildings	1,221,252	5,234,938	6,456,190	-
Equipment, machinery, and furniture	257,775	1,641,376	1,899,151	-
Less accumulated depreciation	(654,852)	(4,243,166)	(4,898,018)	-
Total noncurrent assets	1,040,740	2,954,059	3,994,799	-
Total assets	5,613,225	6,428,299	12,041,524	3,627,239
LIABILITIES				
Current liabilities:				
Accounts payable and other current liabilities	123,916	784,076	907,992	348,975
Compensated absences	18,408	22,904	41,312	-
Accrued payroll	3,392	55,296	58,688	-
Due to other funds	2,235,560	462,109	2,697,669	-
Due to grantor	228,000	-	228,000	-
Unearned revenue	-	1,248,866	1,248,866	1,676,815
Current portion of note payable	3,905	-	3,905	-
Total current liabilities	2,613,181	2,573,251	5,186,432	2,025,790
Noncurrent liabilities:				
Compensated absences	186,122	231,588	417,710	-
Deposits held in trust for others	6,591	10,182	16,773	-
Advance from other funds	-	1,650,000	1,650,000	-
Note payable	339,395	-	339,395	-
Total noncurrent liabilities	532,108	1,891,770	2,423,878	-
Total liabilities	3,145,289	4,465,021	7,610,310	2,025,790
NET ASSETS				
Invested in capital assets, net of related debt	697,440	1,304,059	2,001,499	-
Unrestricted	1,770,496	659,219	2,429,715	1,601,449
Total net assets	\$ 2,467,936	\$ 1,963,278	\$ 4,431,214	\$ 1,601,449

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, 2010

	<u>Business-type Activities Enterprise Funds</u>			<u>Governmental Activities- Internal Service Funds</u>
	<u>Bernalillo County Housing Authority</u>	<u>Other Enterprise Funds</u>	<u>Total Enterprise Funds</u>	
Operating revenues:				
Administrative and service fees	\$ 253,174	\$ 5,680,113	\$ 5,933,287	\$ 4,947,673
Rental income:				
Tenants	39,889	441,670	481,559	-
Other income	144,588	469,828	614,416	-
Total operating revenues	<u>437,651</u>	<u>6,591,611</u>	<u>7,029,262</u>	<u>4,947,673</u>
Operating expenses:				
Salaries and wages	484,733	1,509,912	1,994,645	-
Contractual services	420,347	4,205,175	4,625,522	4,947,673
Materials and supplies	1,528	129,158	130,686	-
Other services and charges	76,379	534,351	610,730	-
Depreciation	68,264	422,383	490,647	-
Total operating expenses	<u>1,051,251</u>	<u>6,800,979</u>	<u>7,852,230</u>	<u>4,947,673</u>
Operating income (loss)	<u>(613,600)</u>	<u>(209,368)</u>	<u>(822,968)</u>	<u>-</u>
Non-operating revenues (expenses):				
Interest income	6,238	118,581	124,819	-
Interest expense	(32,709)	(96,818)	(129,527)	-
Grants	451,043	329,544	780,587	-
Capital-grant subsidies	-	107,712	107,712	-
Gain on sale of capital assets	4,100	-	4,100	-
Total nonoperating revenue	<u>428,672</u>	<u>459,019</u>	<u>887,691</u>	<u>-</u>
Income (loss) before contributions	<u>(184,928)</u>	<u>249,651</u>	<u>64,723</u>	<u>-</u>
Capital contributions - capital assets	15,368	-	15,368	-
Capital contributions - bonds	-	1,610,000	1,610,000	-
Capital contributions - advances	-	(1,617,022)	(1,617,022)	-
Total capital contributions(advances)	<u>15,368</u>	<u>(7,022)</u>	<u>8,346</u>	<u>-</u>
Change in net assets	<u>(169,560)</u>	<u>242,629</u>	<u>73,069</u>	<u>-</u>
Total net assets - beginning	<u>2,637,496</u>	<u>1,720,649</u>	<u>4,358,145</u>	<u>1,601,449</u>
Total net assets - ending	<u>\$ 2,467,936</u>	<u>\$ 1,963,278</u>	<u>\$ 4,431,214</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, 2010

	Business-type Activities Enterprise Funds			Governmental Activities- Internal Service Funds
	Bernalillo County Housing Authority	Other Enterprise Funds	Total Enterprise Funds	
Cash flows from operating activities:				
Receipts from administration and service fees	\$ 304,525	\$ 5,590,127	\$ 5,894,652	\$ 4,947,673
Receipts from rents	2,547	441,068	443,615	-
Receipts from other funds for goods and services	517,083	79,282	596,365	-
Payments to employees for services	(431,973)	(1,084,485)	(1,516,458)	-
Payments to vendors for goods and services	(400,393)	(5,222,329)	(5,622,722)	(4,938,736)
Payments to other funds for goods and services	(152,720)	(421,595)	(574,315)	-
Miscellaneous cash received	138,860	351,336	490,196	-
Net cash provided (used) by operating activities	<u>(22,071)</u>	<u>(266,596)</u>	<u>(288,667)</u>	<u>8,937</u>
Cash flows from noncapital financing activities:				
Operating grants/subsidies received	451,043	329,544	780,587	-
Advance from other fund	-	32,978	32,978	-
Net cash provided by noncapital financing activities	<u>451,043</u>	<u>362,522</u>	<u>813,565</u>	<u>-</u>
Cash flows from capital and related financing activities:				
Mortgage paid	(324,854)	(45,000)	(369,854)	-
Interest paid on bonds and mortgages	(32,888)	(96,818)	(129,706)	-
Disposal of capital assets	276,537	-	276,537	-
Acquisition of capital assets	-	(75,827)	(75,827)	-
Capital grants received	15,368	107,712	123,080	-
Net cash provided (used) by capital and related financing activities	<u>(65,837)</u>	<u>(109,933)</u>	<u>(175,770)</u>	<u>-</u>
Cash flows from investing activities:				
Interest received on investments	6,238	118,581	124,819	-
Net increase in cash and cash equivalents	369,373	104,574	473,947	8,937
Cash and cash equivalents, beginning of year	1,754,319	1,599,846	3,354,165	1,610,190
Cash and cash equivalents, end of year	<u>\$2,123,692</u>	<u>\$ 1,704,420</u>	<u>\$ 3,828,112</u>	<u>\$ 1,619,127</u>
Reconciliation of operating loss to net cash flows used by operating activities:				
Operating income (loss)	\$ (613,600)	\$ (209,368)	\$ (822,968)	\$ -
Adjustments to reconcile operating income to net cash flows:				
Depreciation expense	68,264	422,383	490,647	-
(Increase) decrease in:				
Accounts receivable	14,009	(1,507,741)	(1,493,732)	-
Allowance for uncollectable accounts	-	548,863	548,863	-
Inventory	-	3,098	3,098	-
Due from other funds	(152,720)	(235,551)	(388,271)	408,868
Prepaid expenses	-	-	-	(51,433)
Increase (decrease) in:				
Deferred revenue	-	743,868	743,868	51,433
Accounts payable	100,878	47,318	148,196	(399,931)
Due to other funds	517,083	(106,762)	410,321	-
Deposits held in trust	(5,728)	-	(5,728)	-
Tenants payable	-	3,039	3,039	-
Accrued compensated absences	49,743	24,257	74,000	-
Net cash flows provided (used) by operating activities	<u>\$ (22,071)</u>	<u>\$ (266,596)</u>	<u>\$ (288,667)</u>	<u>\$ 8,937</u>
Noncash investing, capital, and financing activities:				
Contributions for bond refunding	\$ -	\$ 1,610,000	\$ 1,610,000	
Contributions from advances	-	(1,617,022)	(1,617,022)	
Held for sale	228,000	-	228,000	
Due to grantor	(228,000)	-	(228,000)	
Vehicle transfer from primary government	29,175	-	29,175	
Vehicle transfer to primary government	(35,011)	-	(35,011)	

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, 2010

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 19,396,065
Receivables, net:	
Property taxes	41,252,402
Other	<u>3,695,403</u>
Total assets	<u><u>\$ 64,343,870</u></u>
LIABILITIES	
Deposits held in trust for others	\$ 19,561,014
Other	2,584
Future collectable taxes	<u>44,780,272</u>
Total liabilities	<u><u>\$ 64,343,870</u></u>

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

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

Note	Title	Page
I.	Summary of significant accounting policies	46
A.	Reporting entity	46
B.	Government-wide and fund financial statements	47
C.	Measurement focus, basis of accounting and financial statement presentation	47
D.	Assets, liabilities, and net assets or equity	50
1.	Deposits and investments	50
2.	Receivables and payables	50
3.	Inventories	51
4.	Capital assets	51
5.	Restricted assets	52
6.	Compensated absences	52
7.	Long-term obligations	52
8.	Net assets	53
9.	Fund equity reservations and designations	53
10.	Cash flows	54
11.	Bond premiums/issuance costs	54
12.	Presentation	54
13.	Use of estimates	54
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	55
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	55
III.	Stewardship, compliance and accountability	
A.	Budgetary information	57
B.	Deficit fund equity	58
IV.	Detailed notes on all funds	
A.	Cash and investments	58
B.	Receivables	61
C.	Capital assets	62
D.	Interfund receivables, payables, and transfers	63
E.	Leases	64
F.	Long-term debt	65
G.	Short-term debt	68
H.	Special assessment bonds	68
I.	Conduit debt	70
J.	Fund balance reservations	70
K.	Financial data schedule reconciliation	71
V.	Other Information	
A.	Risk management	72
B.	Contingencies	73
C.	Joint ventures	74
D.	Post-Employment Benefits - Retiree Health Care Plan	74
E.	Pension Plan - Public Employees Retirement Association	76
VI.	Significant effects of subsequent events	77

**COUNTY OF BERNALILLO, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

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, 2010

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, 2010.

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*

COUNTY OF BERNALILLO, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

when they are collectible within the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures, generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is made.

Property taxes, gross receipts taxes, motor vehicle taxes, cigarette taxes, gasoline 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. Derived gross receipts tax revenue is recognized when the underlying exchange transaction takes place. A small portion of the gross receipts tax revenue is derived from an estimate of delinquent taxes not yet collected and available. 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 *Grants fund* accounts for various federal, state and other grant funding resources to be used for specific purposes agreed to between the County and the funding sources as enumerated in the grant agreement/contract.

The *Regional Correctional Center* accounts for monies received from the U.S. Marshall Service, the Justice Prisoner and Alien Transportation System and the Federal Bureau of Prisons through a Cooperative Agreement Program and Intergovernmental Agreement for the lease of a County owned jail facility under the authority of Section 33-3-27 NMSA, 1978.

The *Construction fund* accounts for financial resources to be used for the acquisition or construction of major capital facilities.

The County reports the following major proprietary funds:

The *Bernalillo County Housing Authority* accounts for the provision of administrative services to the County's HUD Section 8 Annual Contribution Contract, No. FW-5325; property management services to the Bernalillo County Housing and Redevelopment Corporation; and for the costs of contracting for the future construction of other housing projects of the County. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, rental contract negotiation, and collection.

COUNTY OF BERNALILLO, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

Additionally, the government reports the following fund types:

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

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

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

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

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

The modified accrual basis of accounting is followed by the governmental fund types 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

COUNTY OF BERNALILLO, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

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 unearned revenue on its combined balance sheet. Unearned revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Unearned 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 incurrence 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.

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

The County’s cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments in the County’s cash are stated at fair 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.

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

COUNTY OF BERNALILLO, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

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.”

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 7% of outstanding property taxes at June 30, 2010.

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*

The inventories in the general fund consist of warehouse items, supplies, fuel, vehicle parts, and fluids. Inventories in the fire district fund consist of office and janitorial supplies and some general miscellaneous items. Inventories are recorded using the average 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.

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 and after July 1, 2005 an individual cost of \$5,000. 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.

COUNTY OF BERNALILLO, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

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

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

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

5. *Restricted assets*

Certain resources are set aside for repayment of General Obligation and Special Revenue Bonds, and are classified as restricted assets on the balance sheet because they are maintained in separate bank accounts and their use is limited to the applicable bond covenants.

6. *Compensated absences*

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

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

7. *Long-term obligations*

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

**COUNTY OF BERNALILLO, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

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

8. *Net assets*

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

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

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

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

9. *Fund equity reservations 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 prepaid items – Segregates a portion to indicate that although prepaid items are 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.

COUNTY OF BERNALILLO, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

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.

Reserve for reserve requirement – Represents the 3/12 of budgeted expenditures in the general fund that is required by the New Mexico Department of Finance and Administration to maintain an adequate cash flow.

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

10. 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.

11. Bond premiums/issuance costs

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

12. Presentation

Similar funds were combined from prior years in the County's new financial system for capital projects and grants for configuration purposes.

13. Use of estimates

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

**COUNTY OF BERNALILLO, NEW MEXICO
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2010**

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 payable	
GO Bonds	\$ (105,675,000)
Revenue Bonds	(208,955,000)
Deferred amounts –Premium, Discounts, and Refunding	(4,169,671)
Compensated absences	<u>(26,238,667)</u>
Net adjustment to reduce fund balance – total governmental funds	
To arrive at net assets – governmental activities	<u>\$ (345,038,338)</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 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	\$ 37,648,304
Capital outlay – Internal labor Included in operating expenses	932,758
Donated assets	2,434,647
Depreciation expense	<u>(27,814,542)</u>
Net adjustment to decrease net changes in fund balances – total	
Governmental funds to arrive at changes in net assets of	
Governmental activities	<u>\$ 13,201,167</u>

COUNTY OF BERNALILLO, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

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 bonds	\$ (25,855,000)
Issuance of revenue bonds	(19,650,000)
Bond issuance cost	366,847
Discount	169,883
Premium	(1,366,406)
Principal repayments:	
General obligation bonds	7,415,000
Revenue bonds	16,140,000
Payment to escrow agent –partial retirement of debt	
Series 2001	3,420,000
Series 2002	11,425,000
Deferred charge refunding	844,300
Net adjustment to decrease net changes in fund balances –	
Total governmental funds to arrive at changes in net assets	
of governmental activities	<u>\$ (7,090,376)</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	\$ (1,003,301)
Accrued interest	519,835
Amortization of premium	678,756
Amortization of deferred charge on refunding	(1,101,047)
Amortization of bond discounts	(40,084)
Amortization of issuance cost	(440,959)
Net adjustment to decrease net changes in fund balances – total	
Governmental funds to arrive at changes in net assets of	
Governmental activities	<u>\$ (1,386,800)</u>

**COUNTY OF BERNALILLO, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

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
Section 8 Housing – Vouchers
Sheriff’s Investigative Fund

Debt Service:

Series 1996B Reserve
Series 1997 Reserve
Refunding Series 1998 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, 2010**

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 and regional correction center non-GAAP statement to the GAAP statement is as follows:

	General Fund	Regional Correction Center
Net change in fund balance – GAAP basis	\$ 18,460,255	\$ 1,771,542
(Increase) decrease in assets:		
Accounts receivable	(3,316,386)	21,718
Due to/from other funds	1,685,907	-
Accrued interest	(4,134,940)	-
Prepaid expenses	(39,245)	-
Increase (decrease) in liabilities:		
Accounts payable	(637,715)	590,131
Due to other funds	(408,868)	-
Deferred revenue	2,188,888	-
Accrued payroll	416,962	-
Net changes in fund balance – Budget to actual	<u>\$ 14,214,858</u>	<u>\$ 2,383,391</u>

B. Deficit fund equity

There is an unreserved/undesignated deficit fund balance in the Grants Fund of \$1,095,670. The deficit fund balance is primarily attributed to a large encumbrance balance at year-end. The County expects to bill the granting agency in the future to cover the deficit in the grants fund. There is a deficit net asset balance of \$393,239 in the Solid Waste Fund. The County expects that FY11 operating revenue in addition to a subsidy from the general fund will be sufficient to cover the deficit.

**COUNTY OF BERNALILLO, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

IV. Detailed notes on all funds

A. Cash and investments

As of June 30, 2010, the County had the following investments.

Investment Type	Fair Value	Weighted Maturity Average (Months)
Federal Farm Credit Agency	\$ 11,194,740	4.68
Federal Home Loan Bank	60,435,923	17.59
Federal Mortgage Acceptance Corp.	45,642,186	19.84
Federal National Mortgage Assoc.	111,797,004	51.38
Repurchase Agreements	16,681,279	8.63
Certificate of Deposits	17,100,000	0.56
Total fair value	<u>\$ 262,851,132</u>	
Portfolio weighted average maturity		1.70

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 in that credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments. The County invests in securities issued by the U.S. government or its agencies, money market funds consisting of U.S. government and/or U.S. government-sponsored agency securities, and repurchase agreements.

As of June 30, 2010, the County’s investments in U.S. Agencies with the Federal Farm Credit Agency, the Federal Home Loan Bank, the Federal Mortgage Acceptance Corporation, and the Federal National Mortgage Association were all rated Aaa by Moody’s Investors Service and AAA by Standard & Poor’s. The County’s investments in Repurchase Agreements were rated between A1 and Aa1 by Moody’s Investors Service and between AA- to AAA by Standard & 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. 6.5% of the County’s investments are in Certificates of Deposit with the County’s local banks with maturities ranging from 23 days to 1 year. The County’s investments in U.S agencies total 23.0% with the Federal Home Loan Bank, 17.4% with the Federal Mortgage Acceptance Corporation, and 42.5% with the Federal National Mortgage Association and the remainder of 6.3% is invested in Repurchase Agreements. Of the total investments of \$262,851,132, 18.5 % is invested with Jefferies & Co., 9.7 % is invested

COUNTY OF BERNALILLO, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

with LF Financial, LLC, 9.6% is invested with Multi-Bank Securities, 16.3% is invested with Raymond James & Assoc., Inc., and 17.3% is invested with USB Financial.

Custodial Credit Risk. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in the possession of another party. GASB Statement No. 40 requires that the following disclosure be made in respect to custodial credit risks relating to deposits and investments: \$17,100,000 of Bernalillo County's deposits with financial institutions were held in collateralized accounts. All Customer Deposit Accounts met or exceeded the state collateralized requirements.

As of June 30, 2010, \$1,759,670 of the County's deposits was exposed to collateral risk. \$1,759,670 with First National Bank of Santa Fe was uninsured. All other balances are not exposed to any custodial risk. They are fully collateralized and the collateral is held in the County's name. The County's investments in U.S. Agencies carry the explicit guarantee of the U.S. Government. All are fully collateralized and the collateral is held in the County's name.

Additionally, as of June 30, 2010 those deposits along with the County's Federal Agency Securities were held by the safekeeping department of the Wells Fargo Trust. On September 30, 2009, KPMG LLP issued an unqualified opinion for the SAS 70 requirement of Wells Fargo Trust Operations.

A reconciliation of cash and investments for the County follows:

Bank accounts	\$	116,404,653
Petty cash on hand		1,265
Carrying amount of investments		<u>262,851,132</u>
Total cash and investments	\$	<u><u>379,257,050</u></u>

Statement of Net Assets

Primary Government		
Cash and investments:	\$	348,113,455
Cash-restricted		11,747,530
Statement of Fiduciary Net Assets		<u>19,396,065</u>
Total cash, investment	\$	<u><u>379,257,050</u></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). Some deposits are collateralized at higher levels based on the State of New Mexico Treasurer's office risk assessment as required by 2.60.4.9 NMAC. The pledged collateral is stated at market value as of June 30, 2010.

**COUNTY OF BERNALILLO, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

B. Receivables

Receivables	General	Construction	Regional	Non major	Total
	Fund	Fund	Correction	Governmental	Government
			Center	Funds	Funds
Property taxes	\$ 11,253,959	\$ -	\$ -	\$ 1,314,578	\$ 12,568,537
Gross Receipts Taxes	18,089,607	-	-	4,521,674	22,611,281
Gasoline Taxes	347,683	-	-	-	347,683
Motor Vehicle Tax	103,015	-	-	-	103,015
Cigarette Tax	702	-	-	352	1,054
Transportation Fees	190,456	-	-	-	190,456
Special Assessments	84,421	-	-	-	84,421
Intergovernmental	912,877	-	-	-	912,877
Due from other governments	3,288,343	85,889	6,463,738	155,855	9,993,825
Other	309,032	-	-	111,931	420,963
Gross Receivables	34,580,095	85,889	6,463,738	6,104,390	47,234,112
Less: Allowance for Uncollectibles	(1,217,891)	-	-	(88,888)	(1,306,779)
Net Total Receivables	\$ 33,362,204	\$ 85,889	\$ 6,463,738	\$ 6,015,502	\$ 45,927,333

	Housing	Non Major	Total	Agency
	Authority	Enterprise	Enterprise	Funds
		Funds	Funds	Funds
Property Taxes	\$ -	\$ -	\$ -	\$ 43,639,749
Solid Waste Fees	-	6,115,453	6,115,453	-
Special Assessments	-	-	-	135,135
Due from other governments	354,743	40,271	395,014	-
Other	-	642	642	3,560,267
Gross Receivables	354,743	6,156,366	6,511,109	47,335,152
Less: Allowance for uncollectibles	-	(4,635,373)	(4,635,373)	(2,387,347)
Net Total Receivables	\$ 354,743	\$ 1,520,993	\$ 1,875,736	\$ 44,947,805

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 \$141,768 at June 30, 2010. The second note balance for \$69,761 with the Duran family is due in 30 years, with an interest rate of 6%. The total note receivable for June 30, 2010 is \$211,529.

COUNTY OF BERNALILLO, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

C. Capital assets

Capital asset activity for the year was as follows:

	Balance June 30, 2009	Increases	Decreases	Transfers	Balance June 30, 2010
Governmental activities					
Capital assets, not being depreciated:					
Land	\$ 128,093,610	\$6,223,784	\$ -	-	\$134,317,394
Construction in progress	24,980,977	34,972,873	(13,554,713)	-	46,399,137
Art	2,180,787	245,153	-	-	2,425,940
Total capital assets, not being Depreciated	<u>155,255,374</u>	<u>41,441,810</u>	<u>(13,554,713)</u>	<u>-</u>	<u>183,142,471</u>
Capital assets, being depreciated:					
Buildings	281,744,751	4,431,095	-	-	286,175,846
Land improvements	618,165	229,294	-	-	847,459
Machinery and equipment	73,214,351	6,086,961	(4,573,247)	21,204	74,749,269
Infrastructure	275,678,175	2,381,262	-	-	278,059,437
Leasehold improvements	3,213,396	-	-	-	3,213,396
Total capital assets being Depreciated	<u>634,468,838</u>	<u>13,128,612</u>	<u>(4,573,247)</u>	<u>21,204</u>	<u>643,045,407</u>
Less Accumulated depreciation for:					
Buildings	(95,076,548)	(11,332,437)	-	-	(106,408,985)
Land improvements	(11,610)	(64,927)	-	-	(76,537)
Machinery and equipment	(47,009,034)	(6,221,647)	4,550,127	(21,204)	(48,701,758)
Infrastructure	(96,038,106)	(10,066,995)	-	-	(106,105,101)
Leasehold improvements	(940,742)	(128,536)	-	-	(1,069,278)
Total accumulated depreciation	<u>(239,076,040)</u>	<u>(27,814,542)</u>	<u>4,550,127</u>	<u>(21,204)</u>	<u>(262,361,659)</u>
Total capital assets, being depreciated, net	<u>395,392,798</u>	<u>(14,685,930)</u>	<u>(23,120)</u>	<u>-</u>	<u>380,683,748</u>
Governmental activities capital assets, net	<u>\$ 550,648,172</u>	<u>\$26,755,880</u>	<u>\$(13,577,833)</u>	<u>-</u>	<u>\$563,826,219</u>

	Balance June 30, 2009	Increases	Decreases	Transfers	Balance June 30, 2010
Business-type activities					
Capital assets, not being depreciated:					
Land	\$ 563,033	\$ -	\$ (70,116)	-	\$ 492,917
Total capital assets, not being depreciated	<u>563,033</u>	<u>-</u>	<u>(70,116)</u>	<u>-</u>	<u>492,917</u>
Capital assets, being depreciated:					
Land improvements	-	44,559	-	-	44,559
Buildings	6,719,474	-	(263,284)	-	6,456,190
Machinery and equipment	1,913,222	46,636	(39,503)	(21,204)	1,899,151
Total capital assets being depreciated	<u>8,632,696</u>	<u>91,195</u>	<u>(302,787)</u>	<u>(21,204)</u>	<u>8,399,900</u>

COUNTY OF BERNALILLO, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

Less accumulated depreciation for:

Land improvements	-	(371)	-	-	(371)
Buildings	(2,778,500)	(394,635)	45,594	-	(3,127,541)
Machinery and equipment	(1,735,172)	(95,641)	39,503	21,204	(1,770,106)
Total accumulated depreciation	(4,513,672)	(490,647)	85,097	21,204	(4,898,018)
Total capital assets, being depreciated, net	4,119,024	(399,452)	(217,690)	-	3,501,882
Business-type activities capital assets, net	\$ 4,682,057	\$ (399,452)	\$ (287,806)	-	\$ 3,994,799

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

Governmental activities:

General government	\$ 4,452,062
Public safety	9,623,169
Culture and recreation	1,122,423
Public works	10,805,101
Health and welfare	1,811,787
Total depreciation expense-governmental activities	<u>\$ 27,814,542</u>

Business-type activities:

Solid waste	\$ 114,405
Housing Authority	68,264
Seybold Village	209,136
El Centro Familiar	98,842
Total depreciation expense-business-type activities	<u>\$ 490,647</u>

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of June 30, 2010, is as follows:

<u>Due to</u>	<u>Due From</u>	<u>Amount</u>
General	Grants	\$ 7,403,700
	Major Enterprise	1,859,990
	Non-major enterprise funds	7,238
Capital Construction	General	1,048
	Non-major Funds	55,944
Non-major Fund	Major enterprise	188,721
	Non-major enterprise funds	15,927
	Non-major funds	1,431,899
Major enterprise funds	Non-major enterprise funds	434,151
	General	331,297
Internal Service fund	General	39,000
	Non-major funds	11,938
Non-major enterprise funds	Major enterprise funds	186,850
	Non-major enterprise funds	4,792
	Total	<u>\$ 11,972,495</u>

**COUNTY OF BERNALILLO, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

The outstanding balances between funds result mainly from the time lag between the dates that 1.) interfund goods and services are provided or reimbursable expenditures occur, 2.) transactions are recorded in the accounting system, and 3.) payments between funds are made. These balances, also include advances made to internal service funds that the general fund expects to collect in subsequent year.

Advances. For the purpose of financing cost-reimbursement grants, the general fund advanced the grants fund \$1,497,000 which is outstanding at June 30, 2010. The 2010B Debt Service Fund advanced the Housing Authority \$1,650,000 to refund a bond.

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, 2010 were as follows:

	Transfer out:		
	General Fund	Nonmajor Governmental Funds	Total
Transfer in:			
General fund	\$ -	\$ 8,479,541	\$ 8,479,541
Grants	44,535	-	44,535
Construction fund	2,148,604	1,688,000	3,836,604
Nonmajor fund	14,031	8,096,619	8,110,650
Total	<u>\$ 2,207,170</u>	<u>\$ 18,264,160</u>	<u>\$ 20,471,330</u>

E. Leases

Operating Leases

During the fiscal year ended June 30, 2010, the County leased equipment, and office space under operating leases. The County's expenditures on those leases for the fiscal year ended June 30, 2010, were \$1,289,507. The County's future minimum rental commitments, accounted for as operating leases at June 30, 2010, are as follows:

	Amount
2011	\$ 85,404
2012	76,808
Total	<u>\$ 162,212</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 \$6.2 million and a carrying amount of \$2.2 million under operating leases. Rental revenue was \$1,858,940 and depreciation expense on those assets was \$242,820.

COUNTY OF BERNALILLO, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

F. Long-term debt

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2010, was as follows:

	Balance			Balance	Amounts
	June 30, 2009	Additions	Deletions	June 30, 2010	Due within
					One Year
Governmental Activities:					
Bonds:					
G.O. bonds	\$ 102,080,000	\$ 25,855,000	\$ (22,260,000)	\$ 105,675,000	\$ 7,840,000
Revenue bonds	205,445,000	19,650,000	(16,140,000)	208,955,000	53,835,000
Deferred amounts:					
Bond premiums	4,837,201	1,366,406	(678,756)	5,524,851	-
Bond discounts	(446,029)	(169,883)	40,084	(575,828)	-
Refunding	(1,036,099)	(844,300)	1,101,047	(779,352)	-
Total bonds	310,880,073	45,857,223	(37,937,625)	318,799,671	61,675,000
Other liabilities:					
Compensated absences	25,235,366	12,990,765	(11,987,464)	26,238,667	2,361,480
Governmental activity					
Long-term liabilities	\$ 336,115,439	\$ 58,847,988	\$ (49,925,089)	\$ 345,038,338	\$ 64,036,480
					Amounts
	Balance			Balance	Due within
	June 30, 2009	Additions	Deletions	June 30, 2010	One Year
Business-type Activities:					
Bonds payable:					
Revenue bonds	\$ 1,655,000	\$ -	\$ (1,655,000)	\$ -	\$ -
Compensated absences	385,021	260,559	(186,558)	459,022	41,312
Note payable	668,153	-	(324,853)	343,300	3,905
Business-type activity					
Long-term liabilities	\$ 2,708,174	\$ 260,559	\$ (2,166,411)	\$ 802,322	\$ 45,217

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

General Obligation (GO) 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. The County issues GO bonds to provide funds for the acquisition and construction of major capital facilities, and purchase of library books. Debt related to non-capital library books is \$3,858,062 and debt related to unspent proceeds is \$104,723,789. During fiscal year 2010 the County issued

COUNTY OF BERNALILLO, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

\$25,855,000 in GO bonds. The GO bonds outstanding as of June 30, 2010 are comprised of the following issues:

Issue	Amount	Interest Rate	Final Maturity
Series 1997	\$ 5,940,000	4.75%	December 1, 2017
Series 1999	11,570,000	4.50%	August 1, 2019
Series 2001	505,000	4.10%-4.75%	October 1, 2021
Series 2002	800,000	3.75%	February 15, 2022
Series 2003	7,765,000	3.7%-4.65%	June 15, 2023
Series 2004	3,029,000	4.00%-4.40%	October 15, 2021
Series 2005	7,550,000	3.5%-4.00%	February 1, 2020
Series 2005A	5,261,000	4.00%-5.00%	February 1, 2025
Series 2006	8,950,000	4.00%-4.25%	February 1, 2027
Series 2007	10,400,000	5.00%	August 1, 2027
Series 2007A	8,400,000	4.00%-4.35%	August 1, 2027
Series 2008	700,000	3.25%	June 1, 2011
Series 2009	8,950,000	2.50%-4.50%	June 1, 2019
Series 2009A	10,750,000	0.80%-3.60%	December 1, 2020
Partial Refunding Series 2010	15,105,000	2.00%-4.00%	February 1, 2022
Total	<u>\$ 105,675,000</u>		

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

Year Ending June 30,	Governmental Activities	
	Principal	Interest
2011	\$ 7,840,000	\$ 3,959,608
2012	6,255,000	3,844,165
2013	6,575,000	3,637,558
2014	7,330,000	3,397,167
2015	7,620,000	3,126,524
2016-2020	41,661,000	10,819,728
2021-2025	22,174,000	3,449,503
2025-2029	6,220,000	436,027
	<u>\$ 105,675,000</u>	<u>\$ 32,670,280</u>

The Gross Receipts Tax Revenue Bonds are limited obligations of the County, payable solely from gross receipts tax revenues. During the fiscal year 2010, the County issued \$19,650,000 in gross receipts bonds. The gross receipts tax revenue bonds outstanding as of June 30, 2010 are comprised of the following issues:

**COUNTY OF BERNALILLO, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

Issue	Amount	Interest Rate	Final Maturity
Series 1996B	\$ 51,875,000	5.00%-5.70%	April 1, 2027
Series 1997	8,800,000	5.25%-5.75%	October 1, 2017
Refunding Series 1998	42,590,000	5.00%-5.25%	April 1, 2027
Series 2002	550,000	3.50%	November 15, 2011
Partial Refunding Series 2005	43,290,000	3.75%-5.25%	October 1, 2026
Series 2008A	42,200,000	4.00%	August 1, 2010
Series 2009A	9,000,000	3.00%	August 1, 2011
Series 2010A	9,000,000	2.00%-4.00%	June 15, 2019
Refunding Series 2010B	1,650,000	2.00%-4.125%	June 15, 2029
	<u>\$ 208,955,000</u>		

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

Year Ending	Governmental Activities	
	Principal	Interest
2011	\$ 53,835,000	\$ 8,998,697
2012	12,135,000	7,701,141
2013	7,315,000	7,311,028
2014	8,005,000	6,964,497
2015	7,730,000	6,594,960
2016-2020	45,025,000	26,480,087
2021-2025	49,255,000	14,702,998
2026-2029	25,655,000	1,948,237
	<u>\$ 208,955,000</u>	<u>\$ 80,701,645</u>

Advance and Current Refunding. On June 3, 2010 the County issued \$15,105,000 of general obligation refunding bonds with an average interest rate of 3.16% to advance refund \$3,420,000 of series 2001 bonds outstanding with an average interest rate of 4.55% and \$11,425,000 of series 2002 bonds outstanding with an average interest rate of 4.19%. The net proceeds of \$15,707,892 (including premium of \$800,098 and \$197,206 in underwriting discounts and issuance cost) were used to purchase U.S. government securities that were placed in an irrevocable trust with an escrow agent to provide for all future debt service payments for the 2001 and 2002 Series bonds. As a result, the 2001 and 2002 Series bonds are considered defeased and the liability for those bonds has been removed from the government-wide statement of net assets. The difference between the cash flows required to service the old debt and the cash flow required to service the new debt and complete the advance refunding is \$817,057. The advance refunding resulted in an economic gain of \$702,115.

On June 15, 2010 the County issued \$1,650,000 of special revenue bonds with an average rate of 3.368% to advance refund \$1,610,000 of the Multifamily Housing Refunding and Improvement

**COUNTY OF BERNALILLO, NEW MEXICO
 NOTES TO THE FINANCIAL STATEMENTS
 JUNE 30, 2010**

Revenue bonds (Housing) with a fixed interest rate of 5.85% and the liability for these bonds are accounted for in the governmental activities of the statement of net assets. The net proceeds of \$1,617,022 (including premium of \$5,221 and \$38,200 underwriting discounts and issuance cost) were used to pay off the debt service for the Housing bonds accounted for in the business type activities in the statement of net assets. As a result, the Housing bonds are considered defeased and the liability for those bonds has been removed from the government-wide statement of net assets. The difference between the cash flows required to service the old debt and the cash flow to service the new debt and complete the advance refunding is \$282,542. The advance refunding resulted in an economic gain of \$233,222.

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, 2010, \$14,845,000 of general obligation bonds outstanding is considered defeased.

G. Short-term debt

Tax and Revenue Anticipation Notes

During the year the County issued no tax and revenue anticipation notes (TRANs) and paid off prior years. 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:

	Balance June 30, 2009	Additions	Deletions	Balance June 30, 2010
Governmental Activities:				
Bonds and notes payable:				
Tax anticipation notes	\$ 55,000,000	\$ -	\$ (55,000,000)	\$ -

H. Special assessment bonds

The County, acting as the agent for the property owners, issued Special Assessment District Improvement Bonds to finance street and road improvements. The bonds are payable from and secured by a pledge of district special assessments. For redemption purposes, the bonds are numbered consecutively. All or any part of the bonds are subject to redemption in numerical order at the option of the County on any interest payment date prior to maturity, at a price equal to the principal amount thereof plus accrued interest to the redemption. The bonds bear interest from their issue date and are paid semiannually thereafter until paid. The bonds are not a debt of the County, and the County did not pledge its full faith and credit for payment of the bonds. The

**COUNTY OF BERNALILLO, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

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, 2010:

Improvement Bonds	Interest Rate	Date Issued	Date Series Matures	Amount of Original Issue	Bonds Outstanding June 30, 2010
Comanche Griegos BC-83-1A	7.25%	12/03	12/15/23	\$1,390,000	\$240,000
Comanche Griegos BC-83-1B	6.25%	12/03	12/15/23	\$2,085,000	\$1,470,000

At June 30, 2010, 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-85-5
----------------------------------	----------------------------------	-----------------------------------	---------------------------------	--------------------------------------

Accounts receivable:

Billed, but uncollected	\$ 1,804	\$ 10,885	\$ 15,073	\$ 55,701	\$ 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
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

**COUNTY OF BERNALILLO, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

5. The bonded indebtedness or assignable certificates have been paid.

I. Conduit debt

The County has acted from time to time as the issuer of conduit bonds, the proceeds of which have been immediately loaned to a private borrower. The County will require a complete analysis by an independent consultant at the expense of any and all applicants. The County signed its rights with respect to such bonds to various trustees that monitor amounts due and payable by the borrower pursuant to a lease, loan or other agreement. The County has no obligation to repay all or any portion of such bonds in the event the private borrowers fail to make their payments when due.

Industrial Revenue Bonds

In fiscal year 2010, the County did not issue any new Industrial Revenue Bonds. As of June 30, 2010, there were ten series of Industrial Revenue Bonds outstanding with an original issuance cost of \$159,521,000. The remaining principal balance outstanding as of June 30, 2010 is not available.

Multifamily Housing Revenue Bonds

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, 2010, there were six series of project revenue bonds outstanding, with an aggregate principal amount payable of \$41,603,814.

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 FY10 is \$65,240,072. Another portion of the general fund balance is unreserved and designated for subsequent years' expenditures in the amount \$117,575,335 which includes \$45,632,530 designated for unencumbered carryover, \$14,532,977 designated for capital projects, \$8,000,000 designated for building funds, \$9,000,000 designated for bond defeasance/enhancement, \$13,000,000 designated for infrastructure replacement, \$7,409,828 designated for grant fund reserve, \$2,000,000 for debt service cash flow, \$3,000,000 for

**COUNTY OF BERNALILLO, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

economic development and \$15,000,000 designated for budget stabilization. The remainder of the general fund balance is designated for other reserved expenditures.

K. Financial data schedule reconciliation

The Section 8 Housing-Voucher Special Revenue Fund was presented in the Financial Data Schedule (FDS) in accordance with generally accepted accounting standard as applied to governmental funds. The net assets reconcile to the financial statements. The FDS equity balance was adjusted to include the effects of compensated absences that are not reflected in the governmental fund presentation as follows:

<u>Net Assets</u>	<u>Amount</u>
Net Assets - Housing Choice Vouchers 14.871	\$ 2,395,552
Compensated Absences	184,539
Fund balance - Section 8 Housing - Vouchers	<u>\$ 2,580,091</u>

The Housing Authority Enterprise Fund was presented in two columns on the Financial Data Schedule (FDS) in accordance with generally accepted accounting standards as applied to enterprise funds. The net assets reconcile to the financial statements. The FDS equity balance was adjusted to include the effects of compensated absences that are reflected in the business-type activities enterprise fund presentation as follows:

<u>Net Assets</u>	<u>Amount</u>
Net Assets – Central Office	\$ 2,652,343
Net Assets – Home Rehabilitation	132
Net Assets – Housing Authority	<u>2,652,475</u>
Compensated Absences	(184,539)
Fund balance – Housing Authority	<u>\$ 2,467,936</u>

**COUNTY OF BERNALILLO, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

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 2010 and 2009 contributed a total of \$7,632,534 and \$7,556,997 respectively. The premium that each county pays depends upon the payroll total and the loss experience specific to that county. For fiscal years ended 2010 and 2009, the County contributed \$1,266,693 and \$883,282 respectively, to the Worker's Compensation Pool. The self-insured retention level for the pool during the period of coverage July 1, 2009 through June 30, 2010 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 \$6,987,022 and \$7,865,658 for the years ending December 31, 2010, and 2009, respectively. The County paid premiums to the Multiline Pool in calendar years 2010 and 2009 of \$1,334,130 and \$1,574,410, respectively.

The self-insured retention level for this pool during the period of coverage January 1, 2009 through December 31, 2010 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

COUNTY OF BERNALILLO, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

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, 2010, 2009, and 2008.

The New Mexico County Insurance Authority has published its own financial reports for the fiscal year ended June 30, 2010, 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, 2010, 2009, and 2008.

B. Contingencies

Litigation. The County is a defendant in various lawsuits. The outcome of these lawsuits are not presently determinable and the County is not able to make an estimate for possible losses at this time. Insurance deductibles related to outstanding claims are \$10,000 per claim. Occasionally, the County or its elected officials are named as parties to suits that are not covered by any insurance policy and the County's Attorney's Office provides representation for such claims. At present there is only one claim that is not covered by insurance. The uninsured claim is based on an alleged breach of contract where the County is the Defendant and Counter-Claimant. The potential liability may be as great as \$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, 2010, 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." To

COUNTY OF BERNALILLO, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

comply with the statute, the County imposed a 1/16 percent increase in gross receipts tax during the second half of FY07 and will continue to impose the tax in FY11 which will generate approximately \$10 million annually.

Other. At June 30, 2010, the County is committed to \$23,751,377 under construction contracts for capital assets.

C. Joint ventures

Regional Juvenile Detention Center. Through a Joint Powers Agreement established between Bernalillo County and Sandoval County on June 26, 2007, Bernalillo County operates the Regional Juvenile Detention Facility (RJDC) located at the Bernalillo County Youth Services Center. Sandoval County contributes 100 percent of the operation costs of the RJDC. For FY10, Sandoval County paid \$1,062,223 million to Bernalillo County for the operation of the RJDC. Sandoval County receives 70% and Bernalillo County receives 30% of all cost of care revenues generated from housing juveniles in the RJDC from other counties and pueblos. The total cost of care revenues billed in FY10 was \$457,459 and \$451,114 of this amount has been received to date. Bernalillo County receives 100% of all medical costs billed under these cost of care agreements. The total received for medical cost in FY10 was \$1,206.

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

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

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

D. Post-Employment Benefits - Retiree Health Care Plan

Plan Description. Bernalillo County contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving

COUNTY OF BERNALILLO, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

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 RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which the event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary. Employers joining the program after 1/1/98 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals. The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The Bernalillo County's contributions to the RHCA for the years ended June 30, 2010, 2009 and 2008 were \$1,184,196, \$1,137,097, and \$1,042,176, respectively, which equal the required contributions for each year.

**COUNTY OF BERNALILLO, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

E. Pension Plan – Public Employees Retirement Association

Plan Description. Substantially all of the Bernalillo County’s 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 benefits, 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 for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA’s website at www.pera.state.nm.us.

Funding Policy. Plan members are required to contribute 9.15-16.65% of their gross salary. 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, 2010, 2009, and 2008 were \$12,347,340, \$11,787,960, and \$10,813,124, respectively, which equal 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 detention plans. The following table outlines the divisions the County participates in and the contributions for the year ending June 30, 2010.

Covered Division	<u>Employee</u>		<u>Employer</u>	
	Percent	Dollars	Percent	Dollars
General-management, blue collar and white collar	13.15%	\$6,398,682	9.15%	\$4,452,315
General-other	9.15	13,707	9.15	13,707
Sheriff	16.30	2,239,332	18.50	2,541,573
Fire	16.20	1,342,578	21.25	1,761,099
Detention	16.65	2,839,561	16.65	2,839,561
Retired employees			9.15-21.25%	739,073

**COUNTY OF BERNALILLO, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

VI. Significant effects of subsequent events

On August 2, 2010 the County sold \$30,000,000 of tax and revenue anticipation notes (TRAN), series 2010. The TRAN matures on June 30, 2011 with a current coupon rate of 2%.

On November 2, 2010, the following general obligation bonds were approved by voters.

Approved by Voters on	Purpose	Authorized
November 2, 2010	Road Bonds	\$ 12,000,000
November 2, 2010	Storm Drain	6,400,000
November 2, 2010	Public Safety	500,000
November 2, 2010	Parks and Recreation	2,300,000
November 2, 2010	Library	1,500,000
November 2, 2010	Facility Improvement	2,300,000
Total		<u>\$ 25,000,000</u>