NEW ISSUE
Book-Entry Only

RATINGS:
Standard & Poor's: AAA
Moody's Investors Service: Aaa
Fitch Rating: 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.)

$8,700,000
BERNALILLO COUNTY, NEW MEXICO
General Obligation Bonds, Series 2014

Dated: Date of Delivery **Due: August 15, 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 August 15 and February 15, commencing August 15, 2014. Principal is payable annually as detailed below. The Bonds are subject to redemption prior to maturity. (See "The Bonds – Prior Redemption").

See Inside Cover Page for Maturities, Principal Amounts, Interest Rates and Yields

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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 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. Certain legal matters will also be passed on for the County by Modrall, Sperling, Roehl, Harris & Sisk, P.A., Disclosure Counsel to the County. RBC Capital Markets, LLC serves as Financial Advisor to the County. It is anticipated that the Bonds will be available for delivery on or about May 28, 2014 through the facilities of DTC in New York, New York.

April 22, 2014

MATURITY SCHEDULE

$8,700,000
General Obligation Bonds
Series 2014

Maturity Date (August 15)	Principal Amount	Interest Rate	Yield	Cusip No.
2014	$3,000,000	4.00%	0.15%	085275 H32
2015	4,715,000	4.00%	0.22%	085275 H40
2016	70,000	3.00%	0.56%	085275 H57
2017	70,000	3.00%	0.84%	085275 H65
2018	70,000	3.00%	1.15%	085275 H73
2019	70,000	3.00%	1.45%	085275 H81
2020	70,000	3.00%	1.75%	085275 H99
2021	70,000	2.10%	2.00%	085275 J22
2022	70,000	3.00%	2.25%	085275 J30
2023	70,000	2.50%	2.50%	085275 J48
2024	70,000	2.50%	2.70%	085275 J55
2025	70,000	2.75%	2.85%	085275 J63

$140,000 Term Bonds due 8/1/2027, 3.00% to yield 3.10%, CUSIP 085275 J71
$145,000 Term Bonds due 8/1/2029, 3.00% to yield 3.25%, CUSIP 085275 J89

BERNALILLO COUNTY, NEW MEXICO

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Albuquerque, New Mexico 87102
Telephone: (505) 468-7000

COUNTY COMMISSION

Debbie O'Malley, Chair
Art De La Cruz, Vice Chair
Maggie Hart Stebbins, Commissioner
Lonnie C. Talbert, Commissioner
Wayne A. Johnson, Commissioner

COUNTY OFFICIALS

Tom Zdunek, County Manager
Manny Ortiz, Treasurer
Tanya R. Giddings, Assessor
Maggie Toulouse Oliver, Clerk

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USE OF INFORMATION IN THIS OFFICIAL STATEMENT

This Official Statement is furnished to prospective purchasers of the Bernalillo County, New Mexico General Obligation Bonds, Series 2014 (the "Bonds") in the aggregate principal amount of $8,700,000 to be issued by Bernalillo County, New Mexico (the "County"). The offering of the Bonds is made only by way of this Official Statement which supersedes any other information or materials used in connection with the offer or sale of the Bonds. Additional information concerning the County, the Bonds, and other aspects of this offering may be obtained from the Deputy County Manager for Finance, One Civic Plaza, N.W., Suite 10111, Albuquerque, New Mexico 87102, Telephone (505) 468-7000.

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. FR 2014-26 authorizing issuance of the Bonds adopted by the Board of County Commissioners (the "Board") on April 22, 2014 (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 Municipal Securities Remarketing Boards Electronic Municipal Market Access system 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").

The County did not timely file its financial information for the fiscal years ending June 30, 2007, 2008 and 2009. 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 Series 2014 Bonds will be issued to fund certain Projects of the County as approved by voters of Bernalillo County at the 2012 general elections as follows:

Roads	$5,000,000
Storm Sewer/Wastewater Systems	2,500,000
Libraries	800,000
County Buildings	400,000

The County also intends to issue its General Obligation Refunding Bonds, Series 2014A Bonds (the "Series 2014A Bonds"), on or about the same time the County issues the Bonds, which Series 2014A Bonds will be issued to refund and defease the County's outstanding General Obligation Bonds, Series 2004 outstanding in the aggregate principal amount of $3,029,000.

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

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

DELIVERY: Delivery of the Bonds to the purchaser through the facilities of the Depository Trust Company is expected on or about May 28, 2014.

REDEMPTION: The Bonds maturing on and after August 15, 2023 are subject to redemption at the option of the County on August 15, 2022, or any date thereafter at a price of 100% of the par amount of the bonds plus accrued interest to the call date.

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

PURPOSE AND PLAN OF FINANCING

Proceeds of the Bonds will be used to fund roads, storm sewer and wastewater systems, libraries, and County buildings and facilities. 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:	$8,700,000.00
Original Issue Premium:	261,590.45
TOTAL SOURCES OF FUNDS:	$8,961,590.45
Improvement Projects:	$8,700,000.00
Underwriter's Discount	20,590.45
Debt Service Fund	126,149.74
Costs of Issuance*:	114,850.26
TOTAL USES OF FUNDS:	$8,961,590.45

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

SELECTED DEBT RATIOS

	2013
2013 Assessed Valuation	$14,504,259,537
2013 Actual Valuation [1]	$53,783,240,820
Total Bonded Debt Outstanding (including the Series 2014 Bonds and excluding the Refunded Bonds)	$121,641,000
Less Estimated Debt Service Fund Balance on April 8, 2014 [2]	(3,152,027)
NET DEBT	$118,488,973
Estimated Direct & Overlapping G/O Debt	$1,222,143,050
Net Debt as a Percentage of	
Assessed Valuation	0.82%
Estimated Actual Valuation	0.22%
Direct & Overlapping Debt as Percentage of	
Assessed Valuation	8.43%
Estimated Actual Valuation	2.27%
Estimated 2012 Population	673,460
County Net Debt Per Capita	$175.94
Direct and Overlapping Debt Per Capita	$1,814.72

(1) Actual valuation is computed by multiplying assessed valuation by three and adding the exemptions.
(2) The debt service cash balance as of April 8, 2014 was $4,669,700. The amount properly attributable to principal reduction is 67.5%.

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 $5,000,000 in road projects, $2,500,000 in storm sewer and wastewater projects, $800,000 in library projects, and $400,000 in building and facility improvements approved by voters of Bernalillo County at the 2012 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 15 and August 15 in each year commencing August 15, 2014. The Bonds will bear interest at the rates per annum and mature in the amounts and at the times set forth on the inside cover page of this Official Statement. The principal of and interest on the Bonds is payable through the Depository Trust Company, New York, New York.

PAYMENT AND PRESENTATION OF BONDS FOR PAYMENT

Principal and interest on the Bonds shall be payable in lawful money of the United States of America, without deduction for exchange or collection charges. Principal and interest on the Bonds shall be payable by check or draft mailed to the registered owners thereof (or in such other manner as may be agreed upon by the Paying Agent and the registered owners), as shown on the registration books maintained by the Registrar at the address appearing therein on the last day of the calendar month next preceding the interest payment date (the "Record Date"). Any interest which is not timely paid or provided for shall cease to be payable to the owner thereof (or of one or more predecessor Bonds) as of the Record Date, but shall be payable to the owner thereof (or of one or more predecessor Bonds) at the close of business on a special record date for the payment of that overdue interest. The special record date shall be fixed by the Paying Agent whenever moneys become available for payment of the overdue interest, and notice of the special record date shall be given to Bond owners not less than ten days prior thereto. If any Bond, when presented for payment, remains unpaid at maturity or redemption, it shall continue to bear interest at the rate designated in, and applicable to, such Bond from time to time. If any Bond is not presented for payment at maturity or redemption when funds available therefor have been deposited with the Paying Agent, it shall cease bearing interest on and from the date of maturity or redemption.

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

BOOK-ENTRY ONLY SYSTEM

Unless otherwise noted, the information contained under the caption "General" below has been provided by DTC. The County makes no representations as to the accuracy or the completeness of such information. The Beneficial Owners of the Bonds should confirm the following information with DTC, the Direct Participants or the Indirect Participants.

THE COUNTY WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (B) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE BONDS UNDER THE BOND LEGISLATION, (C) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE BONDS; (D) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR INTEREST DUE WITH RESPECT TO THE OWNER OF THE BONDS; (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNERS OF BONDS; OR (F) ANY OTHER MATTER REGARDING DTC.

General

The Depository Trust Company ("DTC"), New York, New York, 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 the Bonds, each in the aggregate principal amount of Bonds 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 3.8 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. DTCC 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 ("Indirect Participants"). DTC has Standard & Poor's rating of AA+. The DTC Rules applicable to Direct 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. The County undertakes no responsibility for and makes no representations as to the accuracy or the completeness of the content of such material contained on that website as described in the preceding sentence including, but not limited to, updates of such information or links to other Internet sites accessed through the aforementioned website.

Purchases of the Bonds under the DTC system must be made by or through Direct or Indirect 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 the 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 affect 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.

While the Bonds are in the book-entry only system, redemption notices will 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 any 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 and principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the County or agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with 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, agent, or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds and principal and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County or agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as 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 depository is not obtained, certificates representing the Bonds 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, certificates representing the Bonds will be printed and delivered to DTC.

LIMITATIONS ON REMEDIES AVAILABLE TO OWNERS OF BONDS

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

The enforceability of the rights and remedies of the owners of the Bonds, and the obligations incurred by the County in issuing the Bonds, are subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest

of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

PRIOR REDEMPTION

Optional Redemption

The Bonds maturing on and after August 15, 2023 are subject to redemption at the option of the County on August 15, 2022, or any date thereafter at a price of 100% of the par amount of the bonds plus accrued interest to the call date.

Mandatory Redemption

The Bonds maturing on August 15, 2027 and August 15, 2029 will be redeemed from funds of the County prior to the applicable maturity date thereof on the following Redemption Dates and in the following amounts upon payment of the applicable redemption price which consists of the principal amount of the Bonds so redeemed, without premium, plus accrued interest, if any, on the Bonds so redeemed from the most recent interest payment date to the applicable Redemption Date:

$140,000 Term Bond due August 15, 2027

Redemption Date (August 15)	Principal Amount
2026	$70,000
2027[1]	70,000

$145,000 Term Bond due August 15, 2029

Redemption Date (August 15)	Principal Amount
2028	$70,000
2029[1]	75,000

(1) Maturity Date.

NOTICE OF REDEMPTION

Notice of redemption shall be given by the Registrar by sending a copy of such notice by registered or certified first-class, postage prepaid mail at least thirty (30) days prior to the redemption date to the registered owners of the Bonds to be redeemed, at the address shown as of the close of business of the Registrar on the fifth day prior to the mailing of notice on the registration books kept by the Registrar. The County shall give the Registrar written instructions to give notice of redemption to

the registered owners of the Bonds to be redeemed at least forty-five (45) days prior to such redemption date. Neither the County's failure to give such notice nor the Registrar's failure to give such notice to the registered owners of the Bonds, or any defect therein, shall affect the validity of the proceedings for the redemption of any Bonds for which proper notice was given. Notice of redemption shall specify the amount being redeemed, the date fixed for redemption, that on such redemption date there will become and be due and payable the Bonds to be redeemed at the office of the Paying Agent, the principal amount to be redeemed plus accrued interest to the redemption date and that from and after such date interest will cease to accrue on such amount. Notice having been given in the manner hereinbefore provided, the Bonds so called for redemption shall become due and payable on the redemption date so designated and if an amount of money sufficient to redeem the Bonds called for redemption shall on the redemption date be on deposit with the Paying Agent, the Bonds to be redeemed shall be deemed not outstanding and shall cease to bear interest from and after such redemption date. Upon presentation of the Bonds to be redeemed at the office of the Paying Agent, the Paying Agent will pay the Bonds so called for redemption with funds deposited with the Paying Agent by the County.

DEBT AND OTHER OBLIGATIONS

(as of April 15, 2014)

BONDING CAPACITY`

Legal Bonding Capacity	$580,170,382
Less total bonds to be outstanding	121,641,000
Capacity in excess of present requirements	$458,529,382

Source: Bernalillo County Finance Department

GENERAL OBLIGATION BONDS OUTSTANDING – (POST ISSUANCE OF THE BONDS AND THE SERIES 2014A REFUNDING BONDS)

G.O. Bond Series	Original Issue	Outstanding Principal
1997	$11,170,000	$3,270,000
1999	18,676,000	7,605,000
2005	13,940,000	4,105,000
2005A	5,261,000	4,151,000
2006	10,000,000	7,345,000
2007	10,400,000	9,890,000
2007A	8,400,000	8,010,000
2009	10,000,000	6,300,000
2009A	10,750,000	7,600,000
2010	15,105,000	11,510,000
2011	4,200,000	3,080,000
2012	6,535,000	5,980,000
2012A	14,400,000	14,400,000
2013	17,800,000	16,700,000
2014	8,700,000	8,700,000
2014A	2,995,000	2,995,000
TOTAL		$121,641,000

Source: Bernalillo County Finance Department

TOTAL DEBT SERVICE REQUIREMENTS (POST ISSUANCE OF THE BONDS AND THE SERIES 2014A BONDS)

Calendar Year	Principal	Interest	Total
2014	$8,840,000	$3,040,211	$11,880,211
2015	13,995,000	4,079,813	18,074,813
2016	8,940,000	3,552,263	12,492,263
2017	9,265,000	3,216,675	12,481,675
2018	8,856,000	2,856,535	11,712,535
2019	10,575,000	2,506,104	13,081,104
2020	9,135,000	2,127,470	11,262,470
2021	8,280,000	1,806,658	10,086,658
2022	7,265,000	1,494,116	8,759,116
2023	5,795,000	1,224,118	7,019,118
2024	5,490,000	1,023,409	6,513,409
2025	5,680,000	825,693	6,505,693
2026	5,345,000	634,234	5,979,234
2027	5,570,000	437,423	6,007,423
2028	3,305,000	247,421	3,552,421
2029	1,335,000	147,896	1,482,896
2030	1,295,000	106,512	1,401,512
2031	1,320,000	65,158	1,385,158
2032	1,355,000	22,019	1,377,019
Total	**$121,641,000**	**$29,413,728**	**$151,054,728**

Source: Bernalillo County Finance Department

DIRECT AND OVERLAPPING DEBT

	G.O. Debt	Tax Year 2013 Assessed Valuation	% Applicable to County	Gross Overlapping
City of Albuquerque	$392,525,000	$11,967,046,394	100.00%	$393,525,000
Albuquerque Public Schools	513,915,000	14,757,199,050	98.29%	505,106,458
Albuquerque Metropolitan Arroyo Flood Control Authority	30,625,000	14,020,986,194	96.67%	29,604,593
Central New Mexico Community College	85,465,000	16,557,891,922	100.0%	85,465,000
Village of Los Ranchos	3,400,000	228,391,178	100.0%	3,400,000
Village of Tijeras	-0-	11,522,376	100.0%	-0-
Bernalillo County	121,641,000	14,504,259,537	100.0%	121,641,000
State of New Mexico	311,270,000	54,236,985,670	26.74%	83,240,999
Total Direct and Overlapping G.O. Debt				$1,221,983,050

RATIOS

Direct and Overlapping G.O. Debt as Percent of Taxable Assessed Valuation	8.43%
Direct and Overlapping G.O. Debt as Percent of Actual Market Valuation	2.27%
Assessed Valuation Per Capita (2012 Estimated Population 673,460)	$21,536.93
Direct and Overlapping G.O. Debt Per Capita	$1,814.48

Sources: Bernalillo County Assessor; New Mexico Department of Finance and Administration; University of New Mexico Bureau of Business and Economic Research.

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.

Analysis of Assessed Valuation

	2013	2012	2011	2010	2009
ASSESSMENTS					
Value of Land	$5,854,492,640	$5,803,787,816	$5,785,144,034	$6,595,031,615	$6,615,762,333
Improvements	11,151,138,799	10,970,511,846	11,036,157,316	10,875,757,543	11,192,570,351
Personal Property	410,601,849	417,126,111	417,979,575	437,754,207	464,486,154
Mobile Homes	47,934,051	48,123,614	49,710,924	51,714,831	54,256,960
Livestock	963,446	922,156	1,049,093	1,140,685	1,236,328
Assessor's Total Valuation	**$17,465,130,785**	**$17,240,471,543**	**$17,290,041,124**	**$17,961,398,881**	**$18,328,312,126**
LESS EXEMPTIONS					
Head of Family	$196,198,073	$195,959,863	$196,663,250	$194,066,376	$190,845,153
Veterans	112,999,256	114,374,342	116,254,964	116,650,452	116,991,601
Disabled Veterans Exemption	155,090,265	144,834,096	136,269,529	126,602,573	121,511,715
Other	2,959,199,809	2,889,504,474	2,884,496,615	3,626,823,313	3,497,348,818
Total Exemptions	**$3,423,487,403**	**$3,344,672,775**	**$3,333,684,358**	**$4,064,142,713**	**$3,926,697,287**
Assessors Net Valuation	$14,041,643,382	$13,895,798,768	$13,956,356,766	$13,897,256,168	$14,401,614,839
Central Assessed	462,616,155	498,624,419	496,404,009	487,472,638	421,489,837
Total Assessed Valuation	**$14,504,259,537**	**$14,394,423,187**	**$14,452,760,775**	**$14,384,728,806**	**$14,823,104,676**
Residential	$10,709,157,954	$10,513,182,171	$10,409,867,174	$10,315,485,048	$10,533,197,821
Non-Residential	3,795,101,583	3,881,241,016	4,042,893,601	4,069,243,758	4,289,906,855
Total	**$14,504,259,537**	**$14,394,423,187**	**$14,452,760,775**	**$14,384,728,806**	**$14,823,104,676**

Source: New Mexico Department of Finance & Administration

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.

The County Assessor ordered a County wide canvass to collect and verify the necessary data on the more than 250,000 real properties in the County. Commercial and agricultural canvasses are underway and are approximately 25% and 40% completed, respectively. The full canvass of residential properties began in February 2013. Prior to the residential property canvass a small area of the County was identified to serve as the pilot project area. The results of the pilot project showed that information of approximately 40% of properties was not current or accurate. Approximately 15% of properties canvassed during the pilot project had a significant physical improvement or new construction that results in material added value.

LIMITATION ON INCREASES IN VALUATION OF RESIDENTIAL REAL PROPERTY

A 1998 amendment to the State Constitution allows the State Legislature to enact legislation providing for the assessment of residential properties at levels different than the current estimated market value of a home on the basis of age of the owner, income, or home ownership. Section 7-36-21.2 NMSA 1978, as amended, limits increases in the value of residential property for taxation purposes beginning with the Tax Year 2001 ("Statutory Valuation Cap"). The section provides that, with respect to properties within a county assessing properties in the aggregate at or greater than 85% of their market value, a property's new valuation shall not exceed 103% of the previous year's valuation or 106.1% of the valuation two years prior to the Tax Year in which the property is being valued. This does not apply to residential properties in their first year of valuation, physical improvements made to the property or instances where the owner or the zoning of the property has changed in the year prior to the Tax Year for which the value of the property is being determined. The constitutionality of the Statutory Valuation Cap has been challenged in a number of venues and the most recent challenge was certified to the New Mexico Court of Appeals. On March 28, 2012, the New Mexico Court of Appeals upheld the Statutory Valuation Cap and its application under Section 7-36-21.2 NMSA 1978. The Court of Appeals ruling has been appealed to the New Mexico Supreme Court. The final judicial resolution of this issue could have a material effect on how property is valued within the County and related property tax collections.

HISTORY OF ASSESSED VALUATION

Tax Year	Bernalillo County
2013	$14,504,259,537
2012	14,394,423,187
2011	14,452,760,775
2010	14,405,788,823
2009	14,401,614,829
2008	13,976,092,003
2007	13,191,112,431
2006	11,868,673,831
2005	11,260,432,703
2004	10,102,636,851

Source: NM Department of Finance and Administration

MAJOR TAXPAYERS

Largest Property Taxpayers for Tax Year 2013 (Fiscal Year 2014)[1]

Name of Taxpayer	Taxable Value[2] 2013 Assessed	Percentage of Total County Assessed Valuation
PNM Electric	$164,739,707	1.14%
Qwest Corp. (Century Link)	66,841,218	0.46%
Gas Company of New Mexico	41,361,525	0.29%
Verizon Wireless (VAW), LLC	20,194,430	0.14%
Simon Property Group Ltd (Cottonwood Mall)	15,962,333	0.11%
AHS Medical Center	12,051,009	0.08%
Southwest Airlines	11,993,329	0.08%
AT&T	10,464,670	0.07%
ABQ Uptown LLC	9,937,500	0.07%
ABQ Plaza Office Investment	9,191,000	0.06%
Top Ten Centrally and Locally Assessed Values[2]		2.50%

(1) Major taxpayers are those taxpayers that have a tax bill on a single piece of property of at least $50,000. In figuring the total tax bills for these taxpayers, only their properties with tax bills of $50,000 or more are included except Public Service Company (PNM), which has multiple tax bills. The list is compiled once a year, usually in November, and does not reflect final net taxable values. As a result of methodology, year to year comparisons may not be meaningful.

(2) The top ten property taxpayers represent a total of $363,736,721 in taxable assessed valuation or 2.50% of the taxable assessed valuation of the County.

Source: Bernalillo County Assessor's Office

TAX RATES

YIELD CONTROL

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

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

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

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

20-MILL LIMITATION ANALYSIS

Article VIII, Section 2 of the New Mexico Constitution limits the total ad valorem taxes for operational purposes levied by all overlapping governmental units within the County to $20.00 per $1,000 of assessed value. This limitation does not apply to special levies, such as levies for bond issues, authorized at an election by a majority of the qualified voters within the County. The overlapping operational levies of the County 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 shown in the table on the following page are shown for residential property.

TAX RATES IN BERNALILLO COUNTY

	2013	2012	2011	2010	2009
State of New Mexico					
Debt service	1.360	1.360	1.362	1.530	1.150
Bernalillo County					
Operating	7.320	7.208	6.866	6.665	6.340
Debt service	1.246	0.897	0.897	0.550	0.880
Open space	--	0.100	0.100	0.100	0.100
Judgment	0.013	0.013	0.013	0.014	0.014
Total direct rate	8.579	8.118	7.876	7.329	7.334
City of Albuquerque					
Operating	6.544	6.544	6.544	6.389	6.072
Debt Service	4.976	4.976	4.976	4.976	4.976
Albuquerque Public Schools					
Operating	0.278	0.274	0.264	0.256	0.244
Debt Service	10.178	10.189	10.189	10.191	10.190
Hospitals (UNM)	6.400	6.400	6.400	6.400	6.400
Central NM Community College	3.392	3.344	3.237	3.158	3.046
Albuquerque Flood Control					
Operating	0.179	0.176	0.170	0.165	0.165
Debt Service	0.675	0.675	0.675	0.675	0.675
Village of Tijeras					
Residential	$31.055	$30.536	$30.180	$27.716	$29.211
Non-Residential	$36.700	$36.353	$36.356	$36.185	$36.129
Village of Los Ranchos					
Residential	$31.195	$30.683	$30.273	$29.173	$29.173
Non-Residential	$33.475	$35.128	$35.076	$35.093	$35.093

Source: New Mexico Department of Finance and Administration

TAX COLLECTIONS

METHODS OF TAX COLLECTION

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

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

INTEREST ON DELINQUENT TAXES

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

PENALTY FOR DELINQUENT TAXES

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

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

REMEDIES AVAILABLE FOR NON-PAYMENT OF TAXES

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

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

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

TAX COLLECTION HISTORY - BERNALILLO COUNTY

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2009	$117,508,912	$112,092,669	95.39%	$4,771,115	$116,863,784	99.45%
2010	124,708,278	117,443,009	94.17%	5,178,735	122,621,744	98.33%
2011	120,075,839	114,472,104	95.33%	4,199,983	118,672,087	98.83%
2012	126,686,407	121,576,353	95.97%	2,888,690	124,465,043	98.25%
2013	130,240,155	125,460,280	96.33%	0	0	0

The levies are requested by the County Commission and set by the Department of Finance and Administration, State of New Mexico. The County Treasurer bills and collects the taxes and distributes to all taxing jurisdictions.

Source: County Treasurer's Office

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 673,460 residents, (2012 estimated) Bernalillo County ranks 92th in population of the nation's 3,143 counties. The County comprises nearly 32% of New Mexico's population total and 75% of the four county Albuquerque MSA, and is home to the University of New Mexico, Kirtland Air Force Base and Sandia National Laboratories.

Bernalillo County, with the City of Albuquerque making up 82% 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 2012 Forbes List of "Best Places for Business and Careers," Albuquerque placed 84th out of the 200 ranked metro areas in the country and was ranked 73rd in the "Cost of Doing Business" category.

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

Debbie O'Malley, Chair, Commissioner, District 1. Term expires December 2014; elected in November 2012 to fill the term of former commissioner Michelle Lujan Grisham who was elected to the U.S. House of Representatives in November 2012. An Albuquerque native, Ms. O'Malley brings more than 20 years of strong, effective public service to the County joining the County Commission after serving for nine years on the Albuquerque City Council, serving as President and Vice President and is currently Chair of the Middle Rio Grande Council of Governments.

Art De La Cruz, Vice Chair, Commissioner, District 2. Term expires December 2016; first elected November 2008; a native and life-long resident of Bernalillo County's South Valley, Mr. De La Cruz has worked in County and City government for over 35 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. Following his retirement, he taught business and management courses at Central New Mexico Community College and served as Deputy Director of the City of Albuquerque Solid Waste Department focusing on sustainability efforts. 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, Commissioner, District 3. Term expires November, 2016; first elected November 2010 to replace a vacancy in the seat. Ms. Hart Stebbins has a Bachelor of Arts degree from Harvard University where she was an All-American athlete and recipient of the Ratcliffe Alumni Association Award for athletic excellence and leadership. She came to the Commission with extensive experience in public service including work for the U.S. Congress, N.M. House of Representatives and the Middle Rio Grande Council of Governments where she focused on air quality, water conservation and regional transportation. She has served on numerous boards and commissions for governmental entities and not for profit organizations.

Lonnie C. Talbert, Commissioner, District 4. Term expires December 2016; first elected November 2012. Mr. Talbert is a magna cum laude graduate of Jacksonville University in Jacksonville, Florida and is a vice president, consumer market, for Bank of America. His past community involvement has included service as chairman of the Greater Albuquerque Chamber of Commerce, chairman of the March of Dimes, chair of the United Way of Central New Mexico and is a member of the New Mexico Amigos.

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.

COUNTY MANAGER

Tom Zdunek, *County Manager.*

Mr. Zdunek was appointed County Manager on September 6, 2011. 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 private sector for Mountain Bell, which later became Qwest Communications, for 32 years.

DEPUTY COUNTY MANAGER

Teresa Byrd, Deputy County Manager of Finance.

Ms. Byrd was appointed Interim Deputy County Manager for Finance in April, 2011. Ms. Byrd joined the County in 1989. Prior to being promoted to Deputy County Manager of Finance, Ms. Byrd was the Director of Budget and Finance from June 2004 to April 2011. Ms. Byrd was the Financial Projects Coordinator from 2002-2004 and the Accounting Officer and Financial Administrator Budgetary Control from 1998-2001. She graduated from the College of Santa Fe and is in the process of receiving a Master of Business Administration from New Mexico Highlands University.

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 is shown below:

State of New Mexico Public Employees Retirement Fund
Summary Information as of June 30, 2013

Membership[1]	89,613
Actuarial Information	
Actuarial Accrued Liability[2]	$17,057,380,000
Actuarial Value of Assets[3]	$12,438,151,000
Unfunded Actuarial Accrued Liability	$4,619,228,000
Funded Ratio	72.9%

[1] Includes both state and municipal divisions.
[2] Includes accrued liability of both the retired and active members.
[3] The valuation of assets is based on an actuarial value of assets whereby gains and losses relative to a 7.75% annual return are smoothed in over a four-year period.
Source: Public Employees Retirement Association

As of June 30, 2012, PERA has an amortization or funding period of 128 years, based on the employer and member contribution rates in effect as of July 1, 2013. Member and employer rates are established pursuant to Sections 10-11-1 through 10-11-141 NMSA 1978. The funded ratio (ratio of the actuarial value of assets to accrued actuarial liability) was 72.9% as of June 30, 2013 and the unfunded accrued actuarial liability of the PERA Fund has been reduced to be approximately $4.6 billion. As of June 30, 2012, the funded ratio was 65.3% and the unfunded accrued actuarial liability of the PERA Fund was calculated to be approximately $6.2 billion. The primary cause of the increase in the funded ratio and decrease in accrued actuarial liability is the investment gain from the 2013 plan year and passage of Senate Bill 27 during the 2013 New Mexico legislative session.* On a market value basis, PERA's funded ratio is approximately 74.33% as of June 30, 2013. The PERA Board's reform proposal, set forth in Senate Bill 27, had an immediate impact of reducing the $6.2 billion unfunded liability by $1.55 billion, increased the funded ratio by 6.6% and is projected to restore the Fund to approximately 100% funded status by Calendar Year 2042.

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 state statute 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, 2013, 2012, and 2011 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, 2013.

	Employee		Employer	
Covered Division	**Percent**	**Dollars**	**Percent**	**Dollars**
General-management, blue collar and white collar	13.15%	$6,882,581	9.15%	$4,789,015
General-other	9.15%	25,541	9.15%	25,537
Sheriff	16.30%	2,595,984	18.50%	2,946,370
Fire	16.20%	1,753,307	21.25%	2,299,859
Detention	16.65%	3,349,953	16.65%	3,349,956
Retired employees			9.15%-21.25%	$755,089

Source: Bernalillo County Fiscal Year 2013 Comprehensive Audited Financial Report

* Senate Bill 27 significantly amends the Public Employees' Retirement Act by creating a new tier of reduced benefits for new hires. The law reduces the cost of living adjustments for all current and future retirees; delays the application of cost of living adjustments for certain future retirees; suspends the cost of living adjustments for certain return-to-work retirees; provides for an increase in the statutory employee contribution rate of 1.5% (subject to certain requirements) for employees earning $20,000 or more in annual salary; provides for an increase in the statutory employer contribution of 0.4% beginning in Fiscal year 2015; increases age and service requirements; lengthens the base average salary calculation amount from three to five years for future employees; increases the vesting period for employees from five to eight years for most members; lowers the annual service credit by 0.5% for most members; and makes several other clarifying and technical changes.

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 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 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. Each participating employer makes contributions to the Fund in the amount of 1.666% of each participating employee's annual salary. Each participating employee contributes to the Fund an employee contribution equal to 0.833% of the employee's annual salary. Contributions were increased for both employers and employees as follows: employer contributions in Fiscal Year 2013 – 2.000%; employee contributions in Fiscal Year 2013 – 1.000%.

For employees who are members of an enhanced retirement plan (state police and adult correctional officer coverage plan 1; municipal police member coverage plans 3, 4 and 5; municipal fire member coverage plan 3, 4, and 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act, 10-12B-1 NMSA 1978, during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.50% of each participating employee's annual salary, and each participating employee was required to contribute 1.25% of their salary.

Also, employers joining the program after January 1, 1998 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, 2013, 2012 and 2011 were $2,281,109, $2,072,085 and $1,723,830, respectively, which equal the required contributions for each year.

Based on the GASB Statement 43 valuation for Fiscal Year 2012, and assuming the RHCA Fund is an equivalent arrangement to an irrevocable trust and, hence using a discount rate of five percent, the unfunded accrued actuarial liability has been calculated to be approximately $3.6 billion. As required by GASB Statement 43, this calculation takes into consideration only current assets of the RHCA Fund. The RHCA continues to look for additional opportunities to further strengthen the financial standing of the RHCA. The RHCA Board of Directors has passed a five-year solvency plan to ensure the long term financial stability of the program through a series of targeted benefit reductions and increases to contribution levels from participating employees and their employers. In addition to increased retiree cost sharing through plan design changes, the solvency plan calls for proportionally higher premiums for retirees who retired younger (decreased premium subsidies to pre-Medicare retirees), didn't work or pay into the system as long (increasing years of service required to receive maximum subsidy) and decreased subsidies for family members. Taken as a whole, the plan is projected to extend the life of the RHCA's trust fund into 2043.

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, 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.

FISCAL YEAR 2013 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, 2013. The report of such accounting firm is attached as **"APPENDIX D – STATE OF NEW MEXICO COUNTY OF BERNALILLO COMPREHENSIVE ANNUAL FINANCIAL REPORT, FISCAL YEAR ENDED JUNE 30, 2013."**

The 2013 Audit included several material weaknesses related to management of the County's investments. In particular, the findings included violations and deficiencies in the County Treasurer's handling of millions of dollars of securities purchases and management of investment liquidity. As of June 30, 2013, the County had a decrease in the fair value of investments (mark to market) of $12,814,794. Approximately, 92% of the investments included in the portfolio had a weighted average maturity of 11.44 years and portfolio duration of 8.21 years, assuming no calls will be made. The effect of these long-term investments was to substantially reduce the County's cash flow needed for operations and capital projects. Additionally, the 2013 Audit concluded that the County Treasurer's investment practices did not comport with the applicable bid processes. Due to these findings, the New Mexico Office of the State Auditor has designated the County for a special audit related to the financial affairs and transactions of the County Treasurer's Office. The special audit has not materially advanced at this time and is expected to continue over the next several months.

In response, the County Commission, acting as the County's Board of Finance, adopted a new investment policy on April 1, 2014. The County Treasurer is in agreement with the new Investment Policy, which provides for tighter restrictions on investment durations and provides for maintenance of liquidity by matching County cash flow projects with its short-term cash balances. The County Commission also retained Public Trust Advisors, a third-party independent investment advisor, to assist the County in evaluating its investment portfolio and to recommend restructuring as advisable. To date, the County Treasurer has restructured the County's investment portfolio consistent with the County's Investment Policy to reduce interest rate risk and increase available cash flow. The County's Investment Policy is attached hereto as "**APPENDIX E.**"

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES OF THE COUNTY

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

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

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 inter-fund 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 89% 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 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 (committed, assigned, or unassigned) amounts are available for use, it is the County's policy to consider restricted amounts be reduced first. When an expenditure is incurred for purposes for which amounts in any unrestricted fund balance classification could be used, it shall be the policy of the County that committed amounts would be used first, followed by assigned amounts and then unassigned amounts.

Proprietary funds. The County maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as b*usiness-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 39-41 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 42 of this report.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting,* as are the proprietary fund financial statements. Fiduciary fund financial statements are reported using the accrual basis of accounting and have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting.* Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period. For this purpose, the County considers 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.

STATEMENT OF NET ASSETS
TOTAL PRIMARY GOVERNMENT
Fiscal year ending June 30

ASSETS:	**2013**	**2012**	**2011**	**2010**	**2009**
Cash and investments	$263,885,673	$304,489,680	$309,894,317	$348,113,455	$377,297,389
Accounts receivable, net	43,758,219	40,633,452	42,403,366	47,803,069	43,243,986
Accrued interest receivable	1,227,779	1,588,648	2,811,270	2,133,539	2,129,779
Note receivable	172,630	185,959	201,381	211,529	221,391
Due from grantor	2,894,254	4,410,191	5,267,213	12,551,932	11,891,409
Inventory	1,429,997	846,888	733,269	620,263	630,455
Held for sale	756,203	135,400	373,000	228,000	0
Prepaid assets	2,214,020	2,052,385	1,931,757	1,716,060	1,625,382
Deferred charges	1,096,893	1,089,673	1,000,210	1,152,897	1,227,009
Cash-restricted	12,806,949	12,806,949	11,747,530	11,747,530	16,681,279
Investment in joint venture	633,000	633,000	633,000	633,000	633,000
Land	136,156,585	136,461,953	135,436,573	134,810,311	128,656,643
Art	2,552,405	2,534,675	2,434,675	2,425,940	2,180,787
Construction in progress	45,536,457	61,424,198	61,395,074	46,399,137	24,980,977
Building	192,876,094	183,031,712	178,695,276	183,095,510	190,609,177
Land improvements	14,427,206	8,014,911	4,779,432	815,110	606,555
Machinery and equipment	21,785,984	19,884,515	23,380,956	26,176,556	26,383,367
Infrastructure	169,540,945	162,945,084	168,053,907	171,954,336	179,640,069
Leasehold improvements	1,758,510	1,887,046	2,015,582	2,144,118	2,272,654
Total assets	$915,419,803	$945,056,319	$953,187,788	$994,732,292	$1,010,911,308
LIABILITIES:					
Accounts payable	$ 19,891,632	$ 23,988,422	$ 24,983,251	$ 25,176,170	$ 25,511,218
Interest payable	2,985,774	3,005,823	3,291,899	3,856,093	4,376,107
Retainage payable	0	0	0	0	722,341
Tax anticipation note payable	0	0	20,000,000	0	55,000,000
Accrued payroll	6,719,993	6,805,962	5,740,213	5,096,553	4,592,644
Unearned revenue	7,342,875	8,406,419	12,295,315	7,724,613	7,395,930
Due to grantor	0	135,400	377,338	228,000	0
Deposits held in trust for others	0	12,384	13,183	16,773	19,462
Non-current liabilities due within one year	19,790,902	17,047,899	20,873,824	64,081,697	25,924,882
Non-current liabilities due in more than one year	271,966,969	269,067,845	263,635,639	281,758,963	312,898,731
Total liabilities	$328,698,145	$328,470,154	$351,210,662	$387,938,862	$436,441,315
NET ASSETS:					
Invested in capital assets, net of related debt	$369,109,799	$360,462,408	$347,909,160	$355,609,898	$358,917,738
Restricted for:					
Public safety	1,944,890	1,312,612	6,758,177	7,643,172	4,972,195
Culture and recreation	0	0	5,647	5,647	3,899
Health and welfare	12,778,986	22,668,006	23,296,906	21,328,903	21,844,209
Debt service	7,006,304	6,299,769	5,395,015	7,178,595	4,389,316
Capital projects	26,034,420	26,812,547	22,870,215	27,172,905	21,026,344
General government	15,909,240	13,506,023	11,876,018	10,947,073	9,446,888
Reserve requirements	69,463,043	69,769,876	67,669,164	65,240,072	66,297,457
Unrestricted	84,474,976	115,754,924	116,196,824	111,667,165	87,571,947
Total net assets	$586,721,658	$616,586,165	$601,977,126	$606,793,430	$574,469,993

Source: Bernalillo County. The notes to the financial statements are an integral part of this statement.

STATEMENT OF ACTIVITIES
TOTAL PRIMARY GOVERNMENT
Fiscal year ending June 30

Governmental activities:	**2013**	**2012**	**2011**	**2010**	**2009**
General government	$ (54,637,509)	$ (46,858,647)	$ (56,345,038)	$ (36,970,205)	$ (29,645,669)
Public works	(37,197,272)	(31,521,347)	(31,705,573)	(24,159,067)	(29,155,476)
Public safety	(139,470,908)	(132,473,711)	(121,104,101)	(142,291,621)	(145,446,979)
Culture and recreation	(19,041,226)	(10,952,135)	(8,836,222)	(2,723,380)	(7,718,382)
Health and welfare	(32,687,559)	(31,873,607)	(28,633,759)	(22,107,331)	(15,819,786)
Interest on long-term debt	(10,876,254)	(10,989,496)	(12,420,667)	(14,530,276)	(15,591,011)
Total government activities	$(293,910,728)	$(264,668,943)	$(259,045,360)	$(242,781,880)	$(243,377,303)
Business-type activities:					
Solid waste	$ 291,399	$85,797	$ 201,896	$ (23,167)	$ (543,652)
Housing Authority	(24,790)	(50,377)	50,895	(339,854)	(594,937)
Seybold Village Handicapped Project	(288,975)	(50,084)	(299,851)	(198,681)	(202,346)
Regional Juvenile Detention Center	36,499	157,331	(17,336)	(22,663)	98,668
El Centro Familiar	32,845	(23,576)	(95,979)	(94,247)	(139,088)
total business-type activities	40,978	119,091	(160,375)	(678,612)	(1,381,355)
Total primary government	$ 46,978	$(264,549,852)	$(259,205,735)	$(243,460,492)	$(244,758,658)
General revenues:					
Property taxes	$ 132,624,981	$ 129,585,691	$ 122,275,071	$ 127,201,067	$120,069,963
Gross receipts taxes	120,149,781	117,086,938	113,354,187	112,555,113	114,116,141
Motor vehicle taxes	3,702,824	3,778,892	3,694,000	3,788,238	3,582,607
Cigarette taxes	0	0	0	5,230	6,758
Gas taxes	1,809,719	1,639,775	1,719,921	1,808,628	2,037,969
Investment income	5,623,656	19,410,413	2,250,563	15,374,385	10,910,230
Net decrease in fair value of investments	(12,814,794)	0	0	0	0
Gain on sale of capital assets	0	0	0	53,072	330,094
Miscellaneous	19,592,905	7,490,016	11,089,840	14,989,850	14,029,874
Transfers	(841,899)	0	0	0	0
Capital contributions	0	167,166	5,849	8,346	0
Total general revenue and transfers	269,847,173	279,158,891	254,389,431	275,783,929	265,083,636
Change in net assets	(24,063,555)	14,609,039	(4,816,304)	32,323,437	20,324,978
Net assets – beginning	610,785,213	601,977,126	606,793,430	574,469,993	554,145,015
Net assets – ending	$ 586,721,658	$616,586,165	$601,977,126	$606,793,430	$574,469,993

Source: Bernalillo County. The notes to the financial statements are an integral part of this statement.

BALANCE SHEET
GOVERNMENTAL FUNDS – GENERAL FUND
Fiscal year ending June 30

ASSETS:	**2013**	**2012**	**2011**	**2010**	**2009**
Cash and investments	$172,786,465	$204,785,213	$184,354,233	$174,801,536	$190,528,743
Accounts receivable, net	34,264,326	29,415,373	30,574,766	33,362,204	30,096,159
Accrued interest receivable	955,674	1,296,908	2,524,617	1,574,202	1,619,750
Note receivable	172,630	185,959	201,381	211,529	221,391
Due from other funds	0	-	10,629	9,270,928	8,307,008
Inventory	746,250	828,050	710,067	602,532	600,805
Prepaid assets	-	-	-	39,245	-
Advances to other funds	1,497,000	1,497,000	1,497,000	1,497,000	1,497,000
Cash-restricted	-	1,059,419	-	-	-
Total assets	$210,422,345	$239,067,922	$219,872,693	$221,359,176	$232,870,856
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	$ 11,935,783	$13,929,635	$14,947,028	$9,817,741	$12,032,299
Retainage payable	-	-	-	-	16,950
TRAN payable	-	-	-	-	30,000,000
Accrued payroll	6,410,033	6,401,802	5,395,809	4,730,296	4,309,606
Deferred revenue	10,358,054	11,084,882	12,055,525	12,321,384	10,113,681
Due to other funds	735,851	592,379	544,763	371,345	740,165
Total liabilities	$ 29,439,721	$32,008,698	$32,943,125	$27,240,766	$57,212,701
Investment in general fixed assets		-	-	-	-
Fund balances:					
Nonspendable	2,415,880	3,570,428	2,408,448	-	-
Reserved for:	-				
Notes receivable	-	-	-	211,529	221,391
Advances to other funds	-	-	-	1,497,000	1,497,000
Inventory	-	-	-	602,532	600,805
Prepaid items	-	-	-	39,245	-
Encumbrances	-	-	-	8,952,697	7,835,970
Reserve requirement	-	-	-	65,240,072	66,297,457
Unreserved, designated for:	-				
Subsequent years' expenditures	-	-	-	45,632,530	42,978,698
Bond defeasance/enhancement	-	-	-	9,000,000	9,000,000
Capital projects	-	-	-	14,532,977	8,827,809
Economic development	-	-	-	3,000,000	-
Grant funds	-	-	-	7,409,828	7,226,833
Building funds	-	-	-	8,000,000	8,827,810
Infrastructure replacement	-	-	-	13,000,000	10,000,000
Stabilization	-	-	-	15,000,000	12,344,382
Debt service cash flow	-	-	-	2,000,000	-
Restricted	69,493,554	71,053,870	68,801,270	-	-
Committed	43,293,845	56,961,090	1,189,430	-	-
Assigned	29,970,246	38,909,238	80,444,554	-	-
Unassigned	35,809,099	36,564,598	34,085,866	-	-
Total fund balances	$180,982,624	$207,059,224	$186,929,568	$194,118,410	$175,658,155
Total liabilities and fund balances	$210,422,345	$239,067,922	$219,872,693	$221,359,176	$232,870,856

Source: Bernalillo County. The notes to the financial statements are an integral part of this statement.

STATEMENT OF REVENUES, EXPENDITURES & CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS – GENERAL FUND
Fiscal year ending June 30

	2013	2012	2011	2010	2009
Revenues					
Taxes:					
Property	$120,416,953	$116,233,631	$113,048,059	$110,799,035	$104,746,354
Sales	96,316,614	92,969,210	89,669,675	89,096,909	91,746,733
Motor vehicle	3,702,824	3,778,892	3,694,000	3,788,238	3,582,607
Gas & Cigarette	1,809,719	1,639,775	1,719,921	1,812,110	2,042,469
Intergovernmental	1,715,175	512,554	-	-	36,244
Licenses and permits	2,648,321	2,654,537	2,899,215	2,362,344	3,189,293
Fees for services	6,459,802	6,161,588	5,517,427	5,519,276	6,015,517
Investment income	4,406,434	18,195,206	926,989	12,382,262	8,194,441
Net decrease in fair value of investments	(12,814,794)	-	-	-	-
Miscellaneous	7,828,471	5,337,824	6,410,656	3,415,558	6,878,624
Total revenues	$232,489,519	$247,483,217	$223,885,942	$229,175,732	$226,432,282
Expenditures					
Current:					
General government	$54,659,667	$47,300,336	$ 57,328,331	$ 48,814,827	$ 49,657,022
Public works	28,620,426	26,848,810	26,297,229	23,091,514	22,770,870
Public safety	130,101,375	122,756,787	111,288,851	114,191,795	114,225,027
Health and welfare	2,859,663	8,588,261	9,025,245	3,157,282	2,516,278
Culture and recreation	10,777,214	9,360,398	9,372,783	8,810,416	9,209,442
Capital outlay	15,010,837	6,935,045	5,884,536	5,998,922	8,505,175
Intergovernmental – capital outlay	6,826,346	589,508	190,613	450,442	28,805
Total expenditures	$248,855,528	$222,379,145	$219,387,588	$204,515,198	$206,912,619
Excess (deficiency) of revenues over expenditures	$(16,366,009)	$ 25,104,072	$ 4,498,354	$ 24,660,534	$ 19,519,663
Other financing sources (uses)					
Transfers in	307,190		$ 15,085	$ 2,207,170	$ 2,083,245-
Transfers out	(10,403,267)	(10,621,105)	(12,969,742)	(8,479,541)	(18,051,785)
Sale of capital assets	385,486	274,534	157,720	72,092	220,221
Total other financing sources (uses)	$(9,710,591)	$ (10,346,571)	$ (12,796,937)	$ (6,200,279)	$ (15,748,319)
Net changes in fund balances	$(26,076,600)	$ 14,757,501	$ (8,298,583)	$ 18,460,255	$3,771,344
Fund balance – beginning	207,059,224	$186,929,568	$194,118,410	$175,658,155	$171,886,811
Restatement – changes in fund balance	-	5,372,155	1,109,741	-	-
Fund balance – beginning as restated	-	$192,301,723	$195,228,151	$175,658,155	$171,886,811
Fund balance – ending	$180,982,624	$207,059,224	$186,929,568	$194,118,410	$175,658,155

Source: Bernalillo County. The notes to the financial statements are an integral part of this statement.

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 Modrall, Sperling, Roehl, Harris & Sisk, P.A., Albuquerque, New Mexico, as disclosure counsel.

THE FINANCIAL ADVISOR

RBC Capital Markets, LLC ("RBC CM") is employed as Financial Advisor to the County in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification of or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

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 15c2-12 (17 C.F.R. Part 240, § 240.15c2-12) (the "Rule"). (*See* "**APPENDIX B**" hereto.)

The County did not timely file its financial information for the 2007, 2008, and 2009 fiscal years. The County has subsequently filed the 2007, 2008 and 2009 annual information in July 2012. Since that time, the County has filed its continuing disclosure requirements in a timely manner. In addition, the County has implemented procedures intended to ensure future compliance with its continuing disclosure obligations. 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. The County believes it is in material compliance with its outstanding continuing disclosure obligations.

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

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.

CURRENT INVESTMENTS

As of the date of this Official Statement, the County's investible funds were invested only in statutorily permitted investments. As discussed above under "Fiscal Year 2013 Audit Report," the County adopted on April 1, 2014 a new Investment Policy which is attached hereto as

"**APPENDIX E,**" and has restructured its investment portfolio. 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 Rating 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.

COUNTY APPROVAL OF OFFICIAL STATEMENT

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

BERNALILLO COUNTY, NEW MEXICO

/s/ Debbie O'Malley
Chair, Board of County Commissioners

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APPENDIX A

FORM OF LEGAL OPINION

APPENDIX A

FORM OF LEGAL OPINION

May __, 2014

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

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 General Obligation Bonds, Series 2014 (the "Bonds"). We have examined the Constitution and laws of the State of New Mexico and such certified proceedings and other documentation as we deem necessary to render this opinion.

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

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

1. The Bonds 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.

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

$8,700,000
BERNALILLO COUNTY, NEW MEXICO
General Obligation Bonds, Series 2014

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 Resolution No. FR 2014-26 adopted by the Board of County Commissioners on April 22, 2014 (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. 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 2015 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 an Event occurs while any Bonds are Outstanding, the Issuer shall provide an Event Notice in a timely manner not in excess of ten (10) business days after the occurrence of the event to EMMA. Each 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.

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.

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. ***"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, if material;

(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, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issued (IRS Form 5701-TEB) or other material notices or determinations with

respect to the tax status of the security, or other material events affecting the tax status of the security;

(vii) Modifications to rights of security holders, if material;

(viii) Bond calls, if material, or tender offers;

(ix) Defeasances;

(x) Release, substitution, or sale of property securing repayment of the securities;

(xi) Rating changes;

(xii) bankruptcy, insolvency, receivership or a similar event with respect to the County 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. ***"Event Notice"*** means written or electronic notice of an 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 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.

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 May __, 2014.

BERNALILLO COUNTY, NEW MEXICO

/s/
Chair, Board of County Commissioners

APPENDIX C

AREA ECONOMIC INFORMATION

Population

The Albuquerque Metropolitan Statistical Area ("MSA") includes Bernalillo, Sandoval, Torrance and Valencia Counties. The Census added Torrance County to the MSA in the 2000 Census.

POPULATION

Year	Bernalillo County	Albuquerque MSA	State
1960	262,199	292,500[1]	951,023
1970	315,774	353,800[1]	1,017,055
1980	420,262	485,500[1]	1,303,303
1990	480,577	589,131	1,515,069
2000[2] [4]	556,678	729,649	1,819,046
2005[3]	606,502	797,146	1,912,884
2010[4]	662,564	887,077	2,059,179
2011[3]	669,880	897,320	2,078,674
2012[3]	673,460	901,700	2,085,538

(1) Because Valencia County was split into two counties in 1981, official data is not available prior to that year for the Albuquerque MSA. Figures shown represent estimates by the University of New Mexico Bureau of Business and Economic Research.
(2) April of 2000 is the month and year of the Census. It is reported as the benchmark; all other years are as of July of the year. The Census in 2000 expanded the Albuquerque MSA to include Torrance County, population of 16,911.
(3) U.S. Dept. of Commerce, Bureau of the Census, Population Division.
(4) 2010 decennial census U.S. Dept. of Commerce, Bureau of the Census.

Sources: U.S. Dept. of Commerce, Bureau of the Census, except as indicated in footnotes

Age Distribution

The following table sets forth a comparative age distribution profile for the County, the State and the United States.

Population by Age Group

Age	County	State	U.S.
0-17	23.8%	25.0%	23.7%
18-24	9.6%	9.9%	10.0%
25-34	14.7%	13.0%	13.1%
35-44	12.6%	11.9%	12.9%
45-54	13.2%	13.3%	14.0%
55 and Older	26.1%	27.0%	26.3%

Source: The Nielsen Company, 2014

PER CAPITA PERSONAL INCOME

Year	Bernalillo County	New Mexico	U.S.A.	% of N.M.	% of U.S.
2011	$36,233	$34,133	$41,560	106.15%	87.17%
2010	35,378	33,378	39,791	105.99%	88.91%
2009	35,273	32,200	38,637	109.48%	91.29%
2008	36,664	33,490	40,947	109.48%	89.54%
2007	35,611	31,675	39,506	112.43%	90.14%

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

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Employment

General

Employment in the Albuquerque area in the period from Fiscal Year 2004 to Fiscal Year 2013 grew at an average of 0.2% a year. This growth is limited due to declines in employment in Fiscal Year 2009 through Fiscal Year 2012. The local economy posted strong growth in Fiscal Years 2006 and 2007 but growth slowed to 0.4% in Fiscal Year 2008 and declined by 2.2% in Fiscal Year 2009 and 3.4% in Fiscal Year 2010. In Fiscal Year 2011 employment declined by 0.7%, in Fiscal Year 2012 it was near flat with a 0.9% decline, and in Fiscal Year 2013 growth was flat at 0.0%.

The information on non-agricultural employment for the State and the Albuquerque MSA reported in the following table represents estimates by the New Mexico Department of Workforce Solutions. More detailed information on non-agricultural employment can be found in the table entitled "Estimated Non-Agricultural Wage and Salary Employment for the Albuquerque MSA Fiscal Years 2004-2013" under the heading "Major Industries" under this caption.

Non-Agricultural Employment
(000s)

Fiscal Year	ALBUQUERQUE MSA Employment	ALBUQUERQUE MSA % Chg.	NEW MEXICO Employment	NEW MEXICO % Chg.	UNITED STATES Employment	UNITED STATES % Chg.
2004	363	0.2%	783	1.53%	130,517	0.3%
2005	369	1.5%	799	2.00%	132,486	1.5%
2006	385	4.5%	821	2.68%	134,980	1.9%
2007	394	2.4%	838	2.03%	136,919	1.4%
2008	396	0.4%	847	1.06%	137,662	0.5%
2009	387	(2.2%)	832	(1.77%)	133,868	(2.8%)
2010	374	(3.4%)	805	(3.25%)	129,714	(3.1%)
2011	371	(0.7%)	803	(0.25%)	130,505	0.6%
2012	368	(0.9%)	804	0.11%	132,578	1.6%
2013	368	0.0%	807	0.4%	134,733	1.6%

Sources: Albuquerque MSA and New Mexico data based on figures from the New Mexico Department of Workforce Solutions; U.S. data from the U.S. Department of Labor

Civilian Employment/Unemployment Rates

Fiscal Year	Civilian Labor Force	Number Employed	Albuquerque MSA	New Mexico	United States
2004	383,328	362,304	5.48%	5.95%	5.80%
2005	389,323	369,149	5.18%	5.52%	5.30%
2006	396,772	379,431	4.37%	4.64%	4.82%
2007	403,738	389,569	3.51%	3.64%	4.54%
2008	406,748	391,537	3.74%	3.72%	4.84%
2009	406,700	382,776	5.88%	5.64%	7.27%
2010	401,586	370,035	7.86%	7.65%	9.73%
2011	399,627	367,115	8.14%	7.74%	9.29%
2012	397,445	366,932	7.68%	7.18%	8.60%
2013	399,252	370,674	7.16%	6.82%	7.83%

Sources: New Mexico Department of Workforce Solutions and United States Department of Labor.

The following table lists the major employers in the Albuquerque area and their estimated number of full-time and part-time employees for 2013. Albuquerque Public Schools, University of New Mexico, Kirtland Air Force Base, Sandia National Laboratories, the City and Presbyterian Healthcare Services were the largest employers in the Albuquerque area.

MAJOR EMPLOYERS IN THE ALBUQUERQUE AREA
By Number of Employees – 2013

ORGANIZATION	EMPLOYEES	DESCRIPTION
Albuquerque Public Schools	14,810	Public School District
University of New Mexico	14,644	Educational Institution
Sandia National Labs	8,930	Science-Based Technologies that Support National Security
Presbyterian Healthcare Services	8,217	Hospital/Medical Services
Kirtland Air Force Base (Civilian)	6,095	Air Force Material Command
UNM Hospital	5,959	Hospital/Medical Services
City of Albuquerque	5,854	Government
State of New Mexico	5,590	Government
Kirtland Air Force Base (Military Active Duty)	4,520	Air Force Material Command
Lovelace	4,000	Hospital/Medical Services
Intel Corporation	3,500	Semiconductor Manufacturer
Bernalillo County	2,348	Government
Central New Mexico Community College	1,976	Educational Institution

EFFECTIVE BUYING INCOME AND ESTIMATED MEDIAN HOUSEHOLD INCOME

Effective Buying Income Group	Bernalillo County	New Mexico	United States
Under $25,000	28.95%	29.40%	24.44%
$25,000 - $34,999	11.45%	11.5%	10.6%
$35,000 - $49,999	14.40%	14.8%	13.9%
$50,000 - $74,999	17.30%	17.0%	18.0%
$75,000 & Over	27.90 %	27.39%	33.18%
2010 Est. Median Household Income	$47,209	$43,932	$52,795
2011 Est. Median Household Income	45,414	42,030	49,726
2012 Est. Median Household Income	45,307	41,958	49,581
2013 Est. Median Household Income	48,503	43,273	49,297
2014 Est. Median Household Income	44,997	44,292	51,579

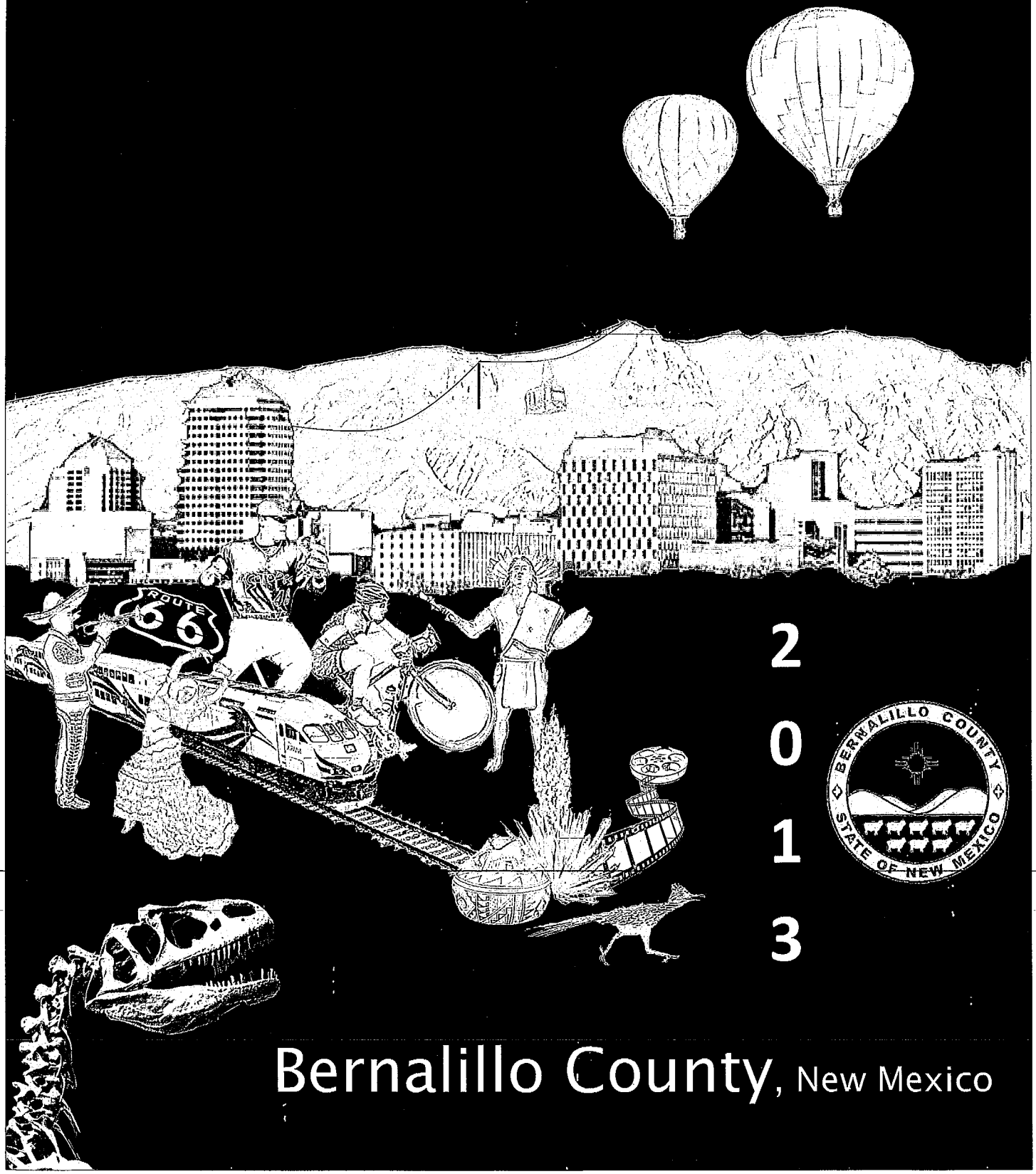
Source: The Nielsen Company, 2014

APPENDIX D

STATE OF NEW MEXICO
COUNTY OF BERNALILLO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2013

Comprehensive Annual Financial Report

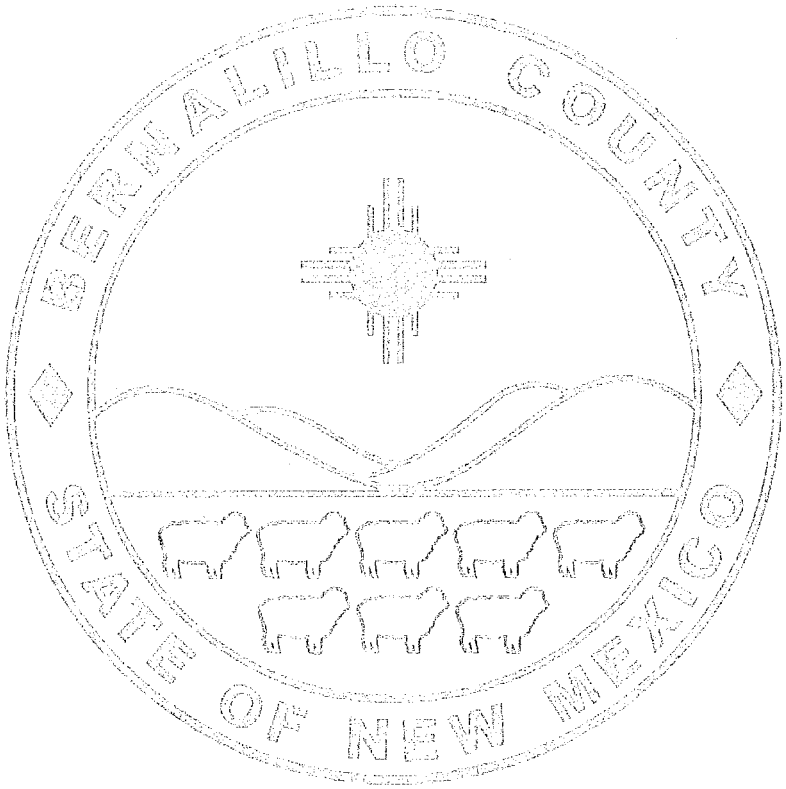
Fiscal Year Ended June 30, 2013



2013

BERNALILLO COUNTY
STATE OF NEW MEXICO

Bernalillo County, New Mexico

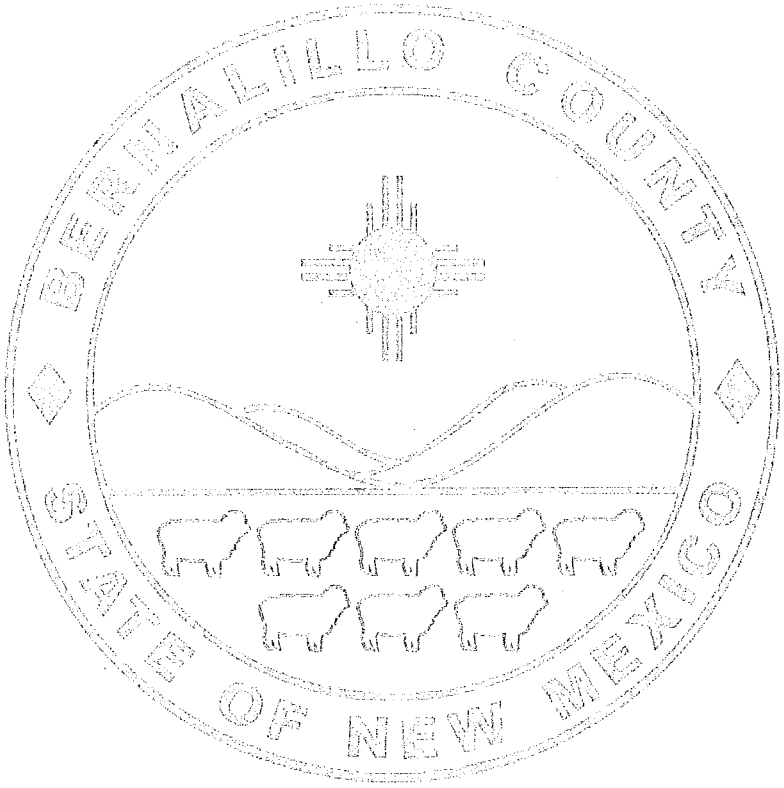

BERNALILLO COUNTY
STATE OF NEW MEXICO

STATE OF NEW MEXICO
COUNTY OF BERNALILLO

COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT
Fiscal Year Ended June 30, 2013

COUNTY OF BERNALILLO GOVERNMENT
Board of County Commissioners
Tom Zdunek, County Manager
Teresa Byrd, Deputy County Manager for Finance

Prepared by:
The Accounting Department


BERNALILLO COUNTY
STATE OF NEW MEXICO

COUNTY OF BERNALILLO, NEW MEXICO

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County of Bernalillo
State of New Mexico

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COMMISSIONERS

Maggie Hart Stebbins, Chair
District 3

Debbie O'Malley, Vice Chair
District 1

Art De La Cruz, Member
District 2

Lonnie C. Talbert, Member
District 4

Wayne A. Johnson, Member
District 5

COUNTY MANAGER

Tom Zdunek

ELECTED OFFICIALS

Tanya R. Giddings
Assessor

Maggie Toulouse Oliver
Clerk

Willow Misty Parks
Probate Judge

Dan Houston
Sheriff

Manny Ortiz
Treasurer

November 15, 2013

Board of County Commissioners
Maggie Hart Stebbins, Chair
Debbie O'Malley, Vice Chair
Art De La Cruz, Member
Wayne A. Johnson, Member
Lonnie C. Talbert, Member
One Civic Plaza, 10th Floor
Albuquerque, New Mexico 87102

Dear Commissioners:

Management hereby submits the Comprehensive Annual Financial Report (CAFR) of the County of Bernalillo (the County), New Mexico, for fiscal year ending June 30, 2013.

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. This year's audit was performed as a joint venture between Moss Adams LLP and the New Mexico Office of the State Auditor. 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, has issued the highest possible opinion, an unmodified opinion, on the county's comprehensive annual financial report for the fiscal year ending June 30, 2013. The independent auditor's report is located at the front of the financial section of this report.

Management's Discussion and Analysis (MD&A) immediately follows the independent auditors report and 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 673,460 in 2012, Bernalillo County is the 92nd most populous county of the nation's 3,143 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 County Commissioners (Board), each of whom is 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 Department Directors and the Budget Director as long as total fund appropriations remain the same. Adjustments to appropriations must be approved by the Board and New Mexico State Department of Finance and Administration (DFA), with the exception of adjustments less than $300,000, which can be approved by the County Manager in accordance with administrative resolution 2012-17. 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 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. Its success can be attributed to a diverse economic base consisting of government, services, trade, agriculture, tourism, manufacturing, and research and development. In the 2013 Forbes List of "Best Places for Business and Careers," Albuquerque placed 135th out of the 200

ranked metro areas in the country and was ranked 66th in the "Cost of Doing Business" category and 170th in the "Job Growth Expected" category.

Forecasts by the University of New Mexico's Bureau of Business and Economic Research suggest that the Albuquerque Metropolitan Statistical Area (MSA) will experience a fairly sharp increase in reported job numbers in 2013. For 2013, forecasts indicate that total employment will grow by 1.0 percent in the first quarter of the year and 1.4 to 1.5 percent in each of the remaining quarters. The economy is expected to add 4,806 jobs (1.4 percent annual growth) for the year, with the private sector adding 5,022 jobs (1.8 percent). In the longer-term, the Albuquerque MSA economy is forecast to add a total of nearly 34,000 jobs in total by 2018. The economy is expected to reach pre-recessionary employment levels by late 2016 or early 2017. The unemployment rate in June 2013 was 7.0 percent—lower than the national rate of 7.6 percent but still 0.2 percent higher than the statewide rate of 6.8 percent. The unemployment rate for the Albuquerque MSA has declined to 6.8% percent in August 2013 and forecasts indicate the rate will slowly decline annually reaching 5.5 percent in 2018.

The FY14 general fund budgeted appropriations of $237,251,881 represents a 3.3 percent increase over the FY13 budget. Property taxes are anticipated to make up 51.8 percent of general fund revenue in FY14 and are projected to increase by approximately 4.9 percent over the FY13 budget. Gross receipts taxes make up 38.9 percent of the general fund revenue. The FY14 budget for gross receipts taxes includes a decrease of approximately 1.9 percent in tax revenues received from businesses that obtain a tax credit incentive passed by state legislation.

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 current bond ratings. The county's 2013 General Obligation Bonds were rated "AAA" by the nation's three top rating agencies: Standard & Poor's, Moody's, and Fitch Ratings. The county continues its effort to incorporate comprehensive financial planning in its long-range vision in order to remain solvent during the gradual economic recovery. In addition to the 3/12th reserve requirement, required by the State of New Mexico, of $69,463,043, the county's long-term financial plan includes maintaining adequate reserves for the county's provision of public safety services, extraordinary maintenance for aging infrastructure and to respond to emergencies and natural disasters. The county has also established a minimum fund balance policy consisting of an unassigned amount of $35,809,099 which is equal to two months of the prior year general fund operating expenditures and is set aside for unforeseen emergency contingencies and cash flow needs.

Relevant Financial Policies

Bernalillo County is currently in its fifth biennial budget cycle. Through the biennial budget process, approval is granted by the Board 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 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 13 represented the first year of the current biennial cycle and FY14 represents the second year.

Major Initiatives

In an effort to provide a roadmap for long-term success, the county developed its first ever strategic plan for the entire organization which was approved by the Bernalillo County Commission in April 2013. The strategic plan is a document that defines who we are as an organization, what we want to accomplish, and how we plan to get there. The plan is comprised of the county's mission statement, the strategies of how to work toward that mission and identifies five results statements, or goals, for the county in the following categories; government accountability, public safety, public infrastructure, community health and economic vitality. Each identified desired result has indicators of what the result looks like and the ways that it will be measured. They provide direction and help in establishing priorities for projects and services. In turn, all divisions, departments and offices will align their annual budgets and objectives to support the county's overall goals.

In January 2013, the county launched a new online software system to enhance the hiring process for job seekers and personnel managers. The county partnered with NEOGOV, the nation's largest cloud software for human resources in government and education. The system is a user-friendly, web-based system that gives job-seekers easy access to information about county openings and offers a vastly improved application process that benefits both applicants and hiring managers. Applicants can apply for current vacancies or sign up to receive alerts when a job opens in a specific area of interest, electronically submit one application and apply for multiple openings at once, track the application process and submit job-related questions, and can establish online profiles with NEOGOV and apply for jobs with other employers that also use NEOGOV. This new system streamlines the job posting process for Human Resources and department managers, and expedites the overall hiring process, providing greater accountability when selecting new employees.

During FY13, the county developed a Debt Management Policy which was approved by the Bernalillo County Commission in April 2013. The purpose of the new policy includes promoting attainment of financial planning and management objectives, taking a comprehensive approach to affordability, setting limits while preserving flexibility and lastly, it was formally adopted and will be periodically reviewed. There are established parameters within the policy for the issuance and management of debt financing that provide guidance for not exceeding acceptable levels of indebtedness and risk.

To address observations and recommendations made by our internal and external auditors, the county in April 2013 implemented Governance Risk Compliance (GRC) Internal Access Controls. The solution provides automated, real-time security access controls as well as a comprehensive audit trail of user and role access and embedded reporting in our SAP financial system. The Access Risk Analysis segment provides segregation of duties (SOD) using SAP standard our-of-the-box rule set, critical access risk reporting, and mitigating controls for access risk. The Business Role Management segment provides SAP standard role methodology (rule sets) including the centralized management of SAP roles and SOD checking before role creation.

In a move to provide greater transparency and to automate and streamline the manual vendor invoice routing, approval and payment process, the county implemented a vendor invoice management and automation system that went live on July 1, 2013. The system provides visibility of invoices and better management of the county's obligations; provides front end imaging and OCR technology for greater efficiency in processing invoices; provides improved cash flow analysis and reporting; provides workflow of invoices requiring department action and workflow for exception approval; and provides enhanced reporting functionality such as invoice analysis, spend analysis, accounts payable aging, and liquidity. The system will promote increased county-wide departmental efficiency and allow the county to negotiate and take advantage of vendor discounts.

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, 2012. This was the ninth consecutive year that the county has received 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. The county believes that its current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and is submitting it to the GFOA to determine its eligibility for this prestigious recognition again this year.

Management and staff would like to acknowledge and thank the Board of County Commissioners for its stewardship and support. The preparation of this report would not have been possible without the dedicated service of the Accounting Department. Management would also like to express appreciation to all county departments who assisted and contributed to the preparation of this report, especially the county Treasurer's Office and the Housing Department.

Sincerely,

Tom Zdunek
Bernalillo County Manager

Teresa Byrd
Deputy County Manager for Finance

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Bernalillo

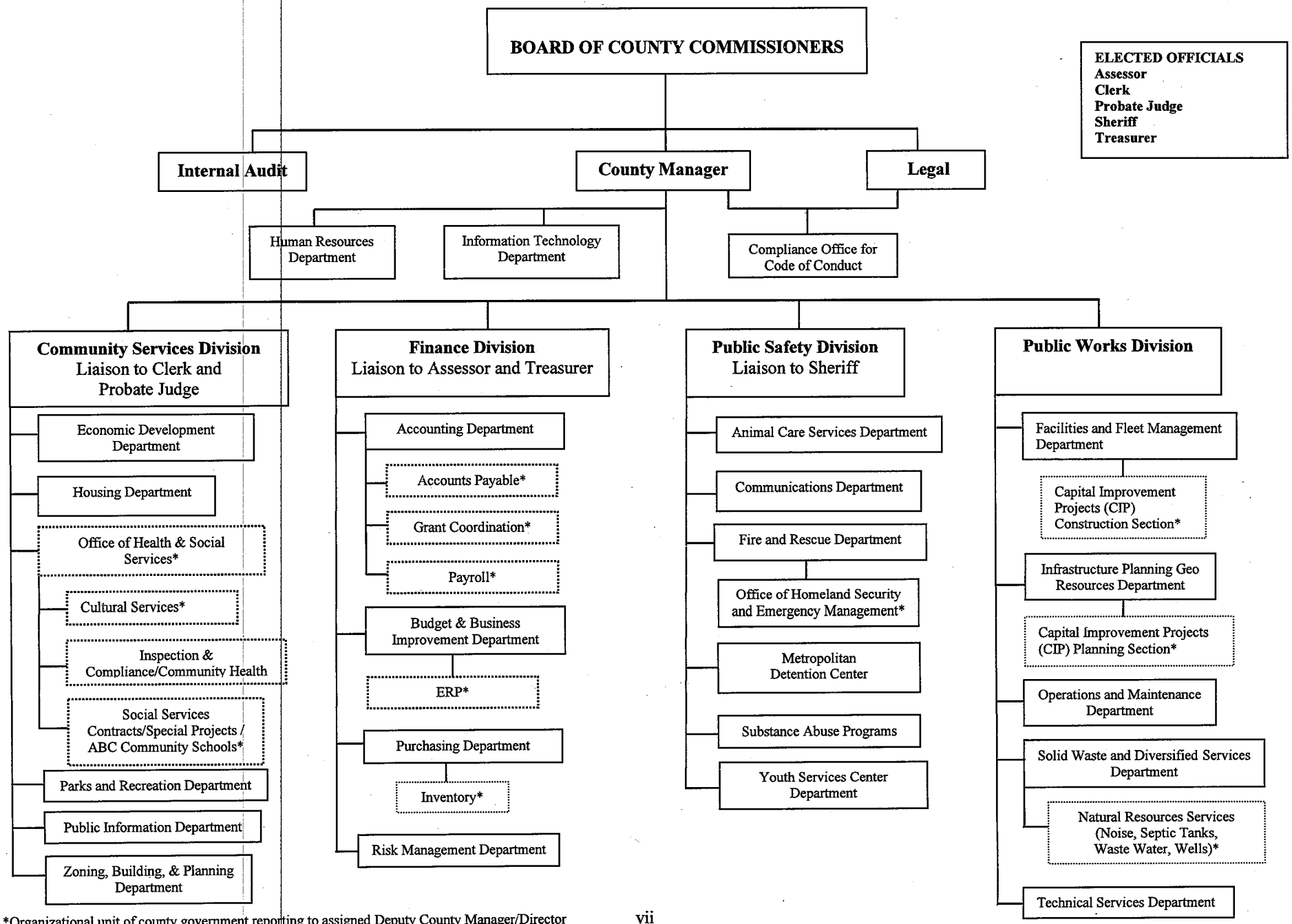
New Mexico

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

BERNALILLO COUNTY - ORGANIZATIONAL CHART



*Organizational unit of county government reporting to assigned Deputy County Manager/Director
Last updated 05/13/13

COUNTY OF BERNALILLO

PRINCIPAL OFFICIALS

June 30, 2013

COUNTY COMMISSIONERS

Maggie Hart Stebbins, Chair	District 3
Debbie O'Malley, Vice Chair	District 1
Art De La Cruz, Member	District 2
Wayne A. Johnson, Member	District 5
Lonnie C. Talbert, Member	District 4

COUNTY ELECTED OFFICIALS

Tanya R. Giddings	Assessor
Maggie Toulouse Oliver	Clerk
Willow Misty Parks	Probate Judge
Dan Houston	Sheriff
Manny Ortiz	Treasurer

COUNTY MANAGER

Tom Zdunek

DEPUTY COUNTY MANAGERS

Teresa A. Byrd, Deputy County Manager for Finance
Vince Murphy, Deputy County Manager for Community Services
Tom Swisstack, Deputy County Manager for Public Safety
Jarvis Darnell Middleton, Deputy County Manager for Public Works

COUNTY OF BERNALILLO, NEW MEXICO
CONTRIBUTORS
June 30, 2013

Teresa A. Bryd
Deputy County Manager for Finance

Financial Reporting Personnel

Jeff P. Lovato, MBA
Accounting Director

Bonnie Ulibarri-Romero, CPA
Financial Projects Coordinator

Anthony Infantino, MBA
Financial Projects Coordinator

Trudy McGregor, CPA
Financial Administrator

Nataliya Rubinchik, MSA
Financial Administrator

Vincent Lujan
Financial Administrator

Sueko Solosky
Financial Services Administrator

Cindy Torres
Accounting Officer

Leticia Carreon
Accounting Officer

Virginia C. Montoya
Accounting Officer

Victoria Herring
Administrative Officer

Treasurer's Office

Fidel A. Bernal, CPA
Chief Deputy Treasurer
Ryan C. Travelstead
Accounting Manager

Fixed Assets Section

Martin Gallegos
Fixed Asset Manager

Budget and Business Improvement

Shirley Ragin
Director
Stephanie Pugh
Financial Services Administator
Mario Ruiz
Financial Services Administator

BERNALILLO COUNTY
STATE OF NEW MEXICO

Report of Independent Auditors

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

Report on the Financial Statements

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 for the general fund of Bernalillo County, New Mexico (County) as of and for the year ended June 30, 2013 and the related notes to the financial statements 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, nonmajor enterprise, internal service funds, and the budgetary comparisons for all nonmajor funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2013, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

Praxity
MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design 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. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County as of June 30, 2013, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparisons for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental, nonmajor enterprise, and internal service fund of the County as of June 30, 2013, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for all nonmajor funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the County's financial statements, the combing and individual fund financial statements, and the budgetary comparison. The accompanying schedule of expenditures of federal awards as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations,* introductory and statistical section and the other schedules required by *2.2.2. NMAC* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards and other schedules required by *2.2.2. NMAC* are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures and other schedules required by *2.2.2. NMAC* are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

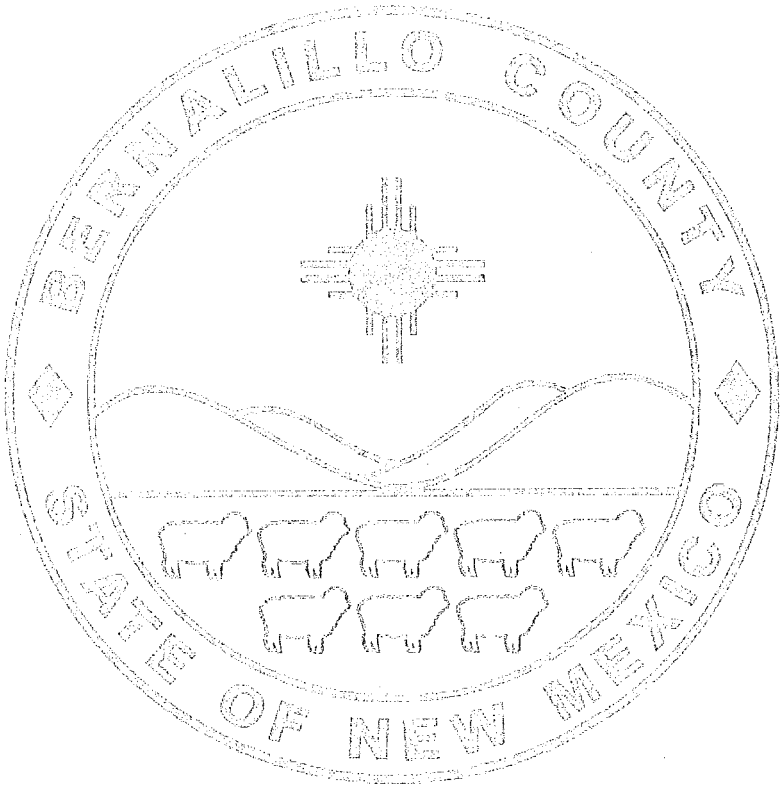
The introductory and statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2013 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Moss Adams LLP

Albuquerque, New Mexico
November 15, 2013


BERNALILLO COUNTY
STATE OF NEW MEXICO

COUNTY OF BERNALILLO NEW MEXICO
Management's Discussion and Analysis
June 30, 2013

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, 2013. 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

Government-wide financial statements (Statement of Net Position and Statement of Activities)

- The total government-wide assets of the County exceed its liabilities as of June 30, 2013 by $593,764,086 (*net position*), a decrease of $22,822,079 or a 3.7% decrease. Of this amount, $372,504,791 is net investment in capital assets. Of the remaining balance, $133,136,883 is restricted for specific purposes and $88,122,412 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

- As of June 30, 2013, the County's governmental activities and business type activities have a net position of $586,721,658 and $7,042,428 respectively.

- Total net position of the County is comprised of the following:

Net Position by Category	June 30, 2013	% to Total	June 30, 2012	% to Total
Net investment in capital assets	$ 372,504,791	63%	$ 360,462,408	58%
Restricted net position	133,136,883	22%	140,368,833	23%
Unrestricted net position	88,122,412	15%	115,754,924	19%
Total net position	$ 593,764,086	100%	$ 616,586,165	100%

Individual Fund Financial Statements

- As of June 30, 2013, the County's governmental funds reported combined fund balances of $284,139,686. This reflects a decrease of $29,116,856 from the previous fiscal year and is primarily attributed to a planned draw down of fund balance approved by the County Commission for various County projects which included the implementation of the new Vendor Invoice Management System (VIM), the implementation of the new Mobile Asset Management System, the implementation of the Governance Risk Compliance (GRC) Internal Access Controls solution, the purchase of heavy equipment, vehicles, and machinery and equipment for the Fire Department, and additional expenditures incurred at the County's Metropolitan Detention Center (MDC). In addition, the County recognized a net decrease in the fair value of investments of $12.8 million which resulted in a negative net change in the General Fund fund balance of $26.1 million.

- The fund balance in the County's General Fund decreased from $207,059,224 in FY12 to $180,982,624 in FY13, a decrease of $26,076,600 or a 12.6% decrease. The decrease was attributed to planned expenditures for various county projects and the recognition of a net

decrease in the fair value of investments as stated above. Of this amount, $69,463,043 or 38.4% of the general fund is for the State of New Mexico Department of Finance and Administration required reserve (*reported in restricted fund balance*), $43,293,845 or 23.9% is committed for various county projects, $16,952,826 or 9.4% is assigned for subsequent years' expenditures, and $13,017,420 or 7.2% is assigned for future county needs.

- The County was able to maintain adequate reserves in the amount of $69,463,043 (*reported in restricted fund balance*) as required by the State of New Mexico Department of Finance and Administration, Local Government Division – 3/12 of the General Fund Budget for FY14.

- At the end of the fiscal year, the unassigned fund balance of the County's General Fund was $35,809,099 which complies with the County's minimum fund balance policy of 2/12 of the prior year General Fund operating expenditures to be used for emergency contingencies and cash flow purposes.

Long-Term Debt

- During the year, the County sold $17,800,000 of General Obligation Bonds, Series 2013, which included $6,400,000 for storm drains, $5,000,000 for roads, $3,500,000 for public safety, $1,800,000 for parks and recreation, $600,000 for facility improvements, and $500,000 for libraries.

- The County has $453,367,857 in available bonding capacity or 78.7% of allowable bonding capacity per the New Mexico State Constitution (*see page 166*).

- The County's 2013 General Obligation Bonds were rated "AAA" by both Fitch Ratings and Standard & Poor's and rated "Aaa" by Moody's Investors Service. In addition, both Fitch Ratings and Standard & Poor's affirmed its "AAA" rating and Moody's Investors Service affirmed its "Aaa" rating on the County's existing GO Bond debt with an outlook of stable.

- In addition to its "AAA" and "Aaa" bond ratings respectively, Standard and Poor's and Moody's Investors Service rates Bernalillo County as "STRONG" on its financial management assessment criteria. Also, both rating agencies recognized the County for the consistent maintenance of healthy general fund reserves. The County continues its effort to incorporate comprehensive financial planning in its long-range vision in order to remain solvent during the slow growing economy.

Miscellaneous

- The County property valuations decreased 0.4% from $14.45 billion in FY12 to $14.39 billion in FY13 (*see page 157*).

- The County managed and expended $18,716,696 in Federal Funds in FY13 (*see page 175*).

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 position presents information on all of the County's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position is 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, culture and recreation, health and welfare 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 other individual governmental funds of which thirteen are classified as Special Revenue funds, fourteen are classified as Debt Service funds, and three are classified as Capital Projects funds. Information for the General fund, the Grants 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. A budgetary comparison statement for the General fund is presented on pages 38-39. In addition, the County adopts an annual budget for other non-major funds. A budgetary statement is presented individually for all those funds that have an adopted budget.

The basic governmental fund financial statements can be found on pages 34-39 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 40-42 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 43 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 44-79 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 80-123 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The County's governmental-wide net assets exceed liabilities by $593,764,086 for the fiscal year ending June 30, 2013. By far the largest portion of the County's net position (*62.7 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 58.5% of net position. 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 Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Assets:						
Current and other assets	$ 330,785,617	$ 363,612,635	$ 6,183,485	$ 5,259,590	$ 336,969,102	$ 368,872,225
Capital assets	584,634,186	572,890,008	3,394,992	3,294,086	588,029,178	576,184,094
Total assets	915,419,803	936,502,643	9,578,477	8,553,676	924,998,280	945,056,319
Liabilities:						
Long-term liabilities	271,966,969	268,602,823	331,834	465,022	272,298,803	269,067,845
Other liabilities	56,731,176	57,114,607	2,204,215	2,287,702	58,935,391	59,402,309
Total liabilities	328,698,145	325,717,430	2,536,049	2,752,724	331,234,194	328,470,154
Net Position:						
Net Investment in capital assets	369,109,799	357,168,323	3,394,992	3,294,085	372,504,791	360,462,408
Restricted	133,136,883	140,368,833	-	-	133,136,883	140,368,833
Unrestricted	84,474,976	113,248,057	3,647,436	2,506,867	88,122,412	115,754,924
Total net position	$ 586,721,658	$ 610,785,213	$ 7,042,428	$ 5,800,952	$ 593,764,086	$ 616,586,165

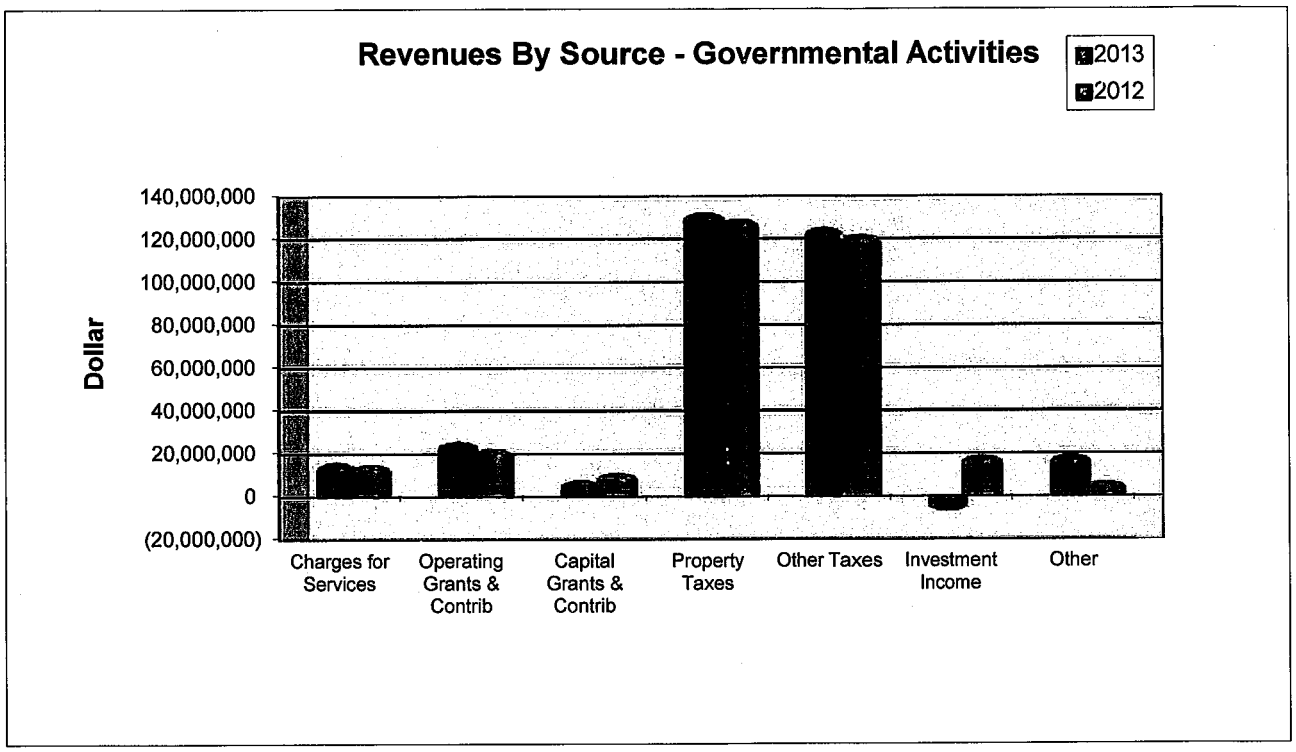
Restricted net position in the amount of $133,136,883 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, $88,122,412, may be used to meet the government's ongoing obligations to citizens and creditors.

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

Governmental activities. Governmental activities during the year decreased the County's net position by $24,063,555 in FY13 compared to an increase of $13,641,393 in FY12.

County of Bernalillo's Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Revenues:						
Program revenues:						
Charges for services	$16,405,544	$15,539,133	$6,622,921	$6,420,809	$23,028,465	$21,959,942
Operating grants and contributions	26,164,799	22,785,744	1,128,440	1,282,614	27,293,239	24,068,358
Capital grants and contributions	7,941,803	11,537,451	20,518	63,756	7,962,321	11,601,207
General revenues:						
Property taxes	132,624,981	129,585,691	-	-	132,624,981	129,585,691
Other taxes	125,662,324	122,505,605	-	-	125,662,324	122,505,605
Investment income (loss)	(7,191,138)	19,404,077	3,914	6,336	(7,187,224)	19,410,413
Other	19,592,905	6,931,763	348,685	558,253	19,941,590	7,490,016
Total revenues	321,201,218	328,289,464	8,124,478	8,331,768	329,325,696	336,621,232
Expenses:						
General government	67,393,999	57,591,475	-	-	67,393,999	57,591,475
Public works	45,883,104	44,480,787	-	-	45,883,104	44,480,787
Public safety	153,629,728	145,585,157	-	-	153,629,728	145,585,157
Health and welfare	45,278,882	43,128,410	-	-	45,278,882	43,128,410
Culture and recreation	21,360,907	12,755,946	-	-	21,360,907	12,755,946
Interest on long-term debt	10,876,254	10,989,496	-	-	10,876,254	10,989,496
Solid Waste	-	-	4,710,379	4,841,418	4,710,379	4,841,418
Housing Authority	-	-	1,306,043	1,340,960	1,306,043	1,340,960
Seybold Village	-	-	355,259	156,761	355,259	156,761
Juvenile Detention Center	-	-	1,017,035	904,892	1,017,035	904,892
El Centro Familiar	-	-	336,185	404,057	336,185	404,057
Total expenses	344,422,874	314,531,271	7,724,901	7,648,088	352,147,775	322,179,359
Increase (decrease) in net position before transfers	(23,221,656)	13,758,193	399,577	683,680	(22,822,079)	14,441,873
Transfers in (out)	(841,899)	(116,800)	841,899	116,800	-	-
Capital contributions	-	-	-	167,166	-	167,166
Increase (decrease) in net position	(24,063,555)	13,641,393	1,241,476	967,646	(22,822,079)	14,609,039
Net position – beginning	610,785,213	597,143,820	5,800,952	4,833,306	616,586,165	601,977,126
Net position – ending	$586,721,658	$610,785,213	$7,042,428	$5,800,952	$593,764,086	$616,586,165



Governmental Activities revenues decreased by $7.1 million from $328.3 million in FY12 to $321.2 million in FY13, a decrease of 2.2%. Key elements in the decrease of governmental activities revenues are as follows:

- Program revenues charges for services increased $866 thousand from $15.5 million in FY12 to $16.4 million in FY13, a 5.6% increase. The increase was attributed to increases in collections of $320 thousand in Clerk's fee, collections of $307 thousand in commissary commission fees, collections of $173 thousand in Section 8 voucher fees, and collections of $200 thousand in valuation fees. The increase was offset by slight decreases in other areas within this category.

- Program revenues operating grants and contributions increased $3.4 million from $22.8 million in FY12 to $26.2 million in FY13, a 14.9% increase. The increase was primarily attributed to an increase of $843 thousand in Housing and Urban Development (*HUD*) grant operating revenue in the Section 8 Housing-Voucher fund, reimbursements of $574 thousand received for the 2012 general election and 2013 Albuquerque Public School (*APS*) Board election, and $493 thousand received from the state for purchase of ballot on demand systems and other election materials for the November 6, 2012 general election. Also, a total of $695 thousand in reimbursements was received from the City of Albuquerque for custodial services, from the County's Housing Department for audit services, from the County's Assessor Office for IT services, and from the New Mexico Community Foundation for the ABC Community Schools Partnership program. In addition, the increase was attributed to $226 thousand received from the new University of New Mexico (*UNM*) Milagro grant used for a residential treatment facility for women, $144 thousand received from the new emergency management grant for a buffer zone protection plan, and $303 thousand more received from the Center for Disease Control grant used for a health study.

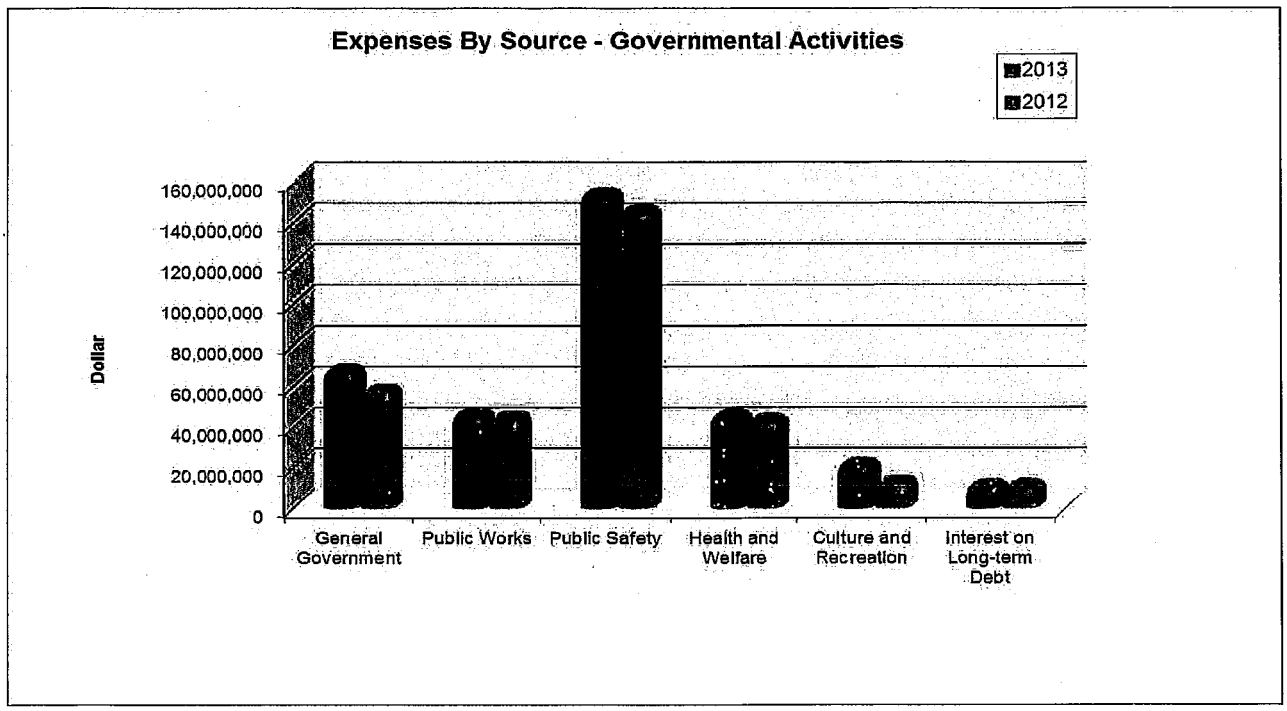
- Program revenues capital grants and contributions decreased $3.6 million from $11.5 million in FY12 to $7.9 million in FY13, a 31.3% decrease. The decrease was primarily attributed to no reimbursements received in FY13 from the Albuquerque Bernalillo County Water Utility Authority on a reimbursement contract for the South Valley Water Utility Project Phase VI which was completed in FY12.

- General revenues property taxes increased $3 million from $129.6 million in FY12 to $132.6 million in FY13, a 2.3% increase. The increase was attributed to an increase in the County's operational residential mill levy from 6.866 to 7.208 per $1,000 of assessed taxable value and an increase in the County's operational non-residential mill levy from 10.650 to 10.750 per $1,000 of assessed taxable value. In addition, there was a slight increase in the current property tax collections rate from 95.97% in FY12 to 96.33% in FY13. The increase in revenue was offset by the expiration of the residential and non-residential open space mill levy of .100 per $1,000 in FY12 and a decrease in the assessed taxable valuation within the County of $59 million from $14.453 billion in FY12 to $14.394 billion in FY13.

- General revenues other taxes increased $3.2 million from $122.5 million in FY12 to $125.7 million in FY13, a 2.6% increase. The increase was primarily attributed to an increase in gross receipts tax (*GRT*) revenue as a result of the FY12 and FY13 equalization distribution from the state of $3 million and $3.2 million respectively posted and recorded in FY13. This fiscal year, the County recorded, as a revenue accrual, the FY13 equalization distribution which was received in cash in September 2013. In future reporting periods, the equalization distribution for the current period of this report will be recorded as a revenue accrual in the current reporting period.

- General revenues investment income decreased $26.6 million from $19.4 million in FY12 to a negative $7.2 million in FY13, a 137.1% decrease. The decrease was primarily attributed to the recognition of an unrealized investment income loss that resulted from the change in net market value of the County's investments at the end of FY13 versus the net market value at the end of FY12. In FY12, the net market value of the County's investments reflected a net increase of $9.4 million and in FY13, the net market value of the County's investments reflected a net decrease of $14.2 million. As a result, the unrealized investment income, due to the change in net market value of the County's investments, decreased by $23.6 million from FY12 to FY13. In addition, the decrease was attributed to a decrease in realized investment income of $3.1 million.

- Other revenues increased $12.7 million from $6.9 million in FY12 to $19.6 million in FY13, a 184.1% increase. The increase was primarily attributed to $9.7 million recognized as miscellaneous revenue to capitalize as a non-cash donation the Public Safety Center (*land and building*) located at 501 Roma NW, which was transferred to the County from the State of New Mexico through passed legislation. Also, the increase is attributed to $1 million recognized as miscellaneous revenue to capitalize machinery, equipment and infrastructure as non-cash donations. In addition, in FY13, the County recorded a revenue accrual of $1.5 million for cash received from the City of Albuquerque in August 2013 for the return of a portion of health insurance premium payments made which exceeded the cost of claims and administration for the fiscal years 2007 through 2013.



Governmental activities expenses increased by $29.9 million from $314.5 million in FY12 to $344.4 million in FY13, an increase of 9.5%. Key elements of the increase in governmental activities expenses are as follows:

- General government expenses increased by $9.8 million from $57.6 million in FY12 to $67.4 million in FY13, a 17% increase. The majority of the increase was attributed to a $1.2 million increase in contractual services and operating expenses for the Bureau of Elections, a $1.3 million increase in contractual services and operating expenses for the Economic Development Department, a $2 million increase in contractual services, computer supplies and other operating expenses for Administration and Core Services, and a $1.6 million increase in City Mandate expenses. In addition, the increase was attributed to increases in operating expenses for the Accounting Department, the Purchasing Department, and the Building Division of $1.5 million. Also, capital outlay for others expense increased by $1.5 million and depreciation expense increased by $475 thousand. The remaining variance can also be attributed to increases in other general government areas.

- Public works expenses increased by $1.4 million from $44.5 million in FY12 to $45.9 million in FY13, a 3.1% increase. The increase was attributed to an increase in operating expenses for Building Maintenance of $579 thousand, for Fleet Facilities Administration of $86 thousand, for the Information Technology Program of $54 thousand, for the Engineering Section of $97 thousand, and for Division Support of $323 thousand. In addition, the increase was attributed to an increase in utility expenses of $323 thousand.

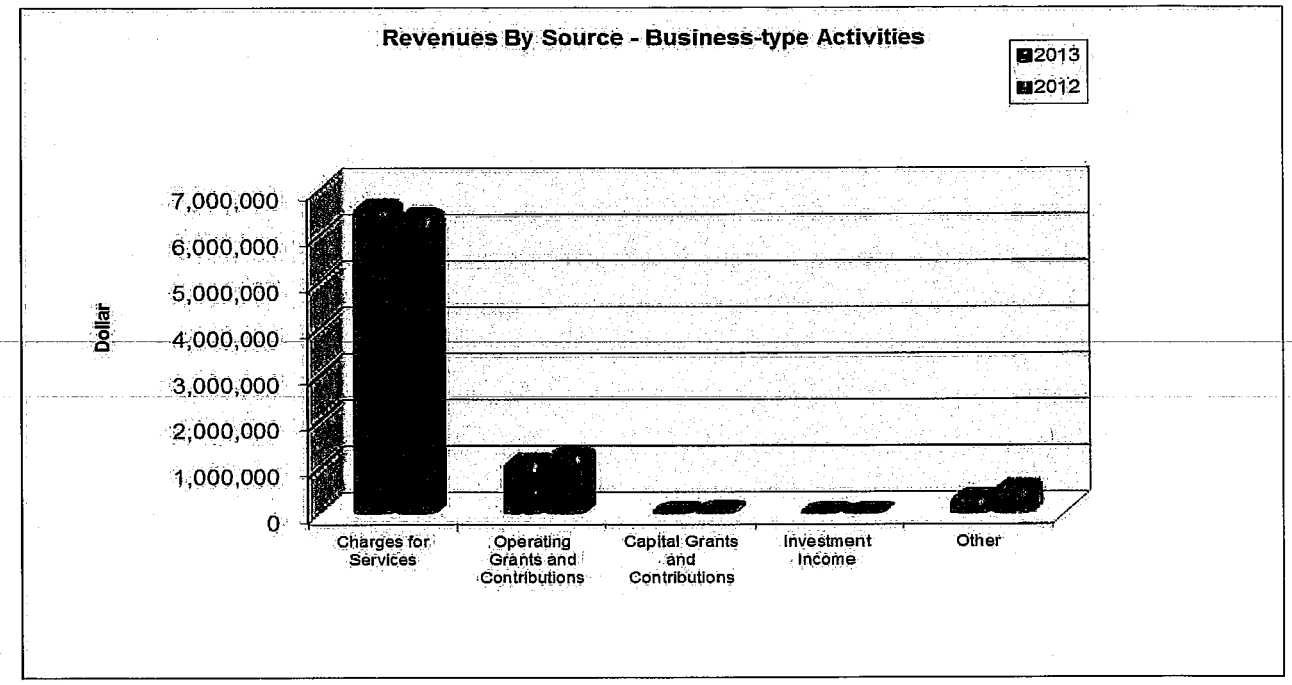
- Public safety expenses increased by $8 million from $145.6 million in FY12 to $153.6 million in FY13, a 5.5% increase. A portion of the increase was attributed to an increase of $1.4 million for field services expenses for the Sheriff's Office, $1.5 million for psychiatric acute care expenses at the MDC, $960 thousand for the McClendon lawsuit expenses related to the MDC, $755 thousand for segregation expenses at the MDC, $656 thousand for multi-line insurance premium expenses

for the MDC Executive program, and $573 thousand for electronic monitoring contractual services expenses at the MDC. In addition, the increase was attributed to an increase of $1.8 million in operating expenses at Communications, Fire and Rescue, the Youth Services Center, and the MDC. Also, FY13 depreciation expense and compensated absences expenses increased in this category by $281 thousand and $107 thousand respectively.

- Health and welfare expenses increased by $2.2 million from $43.1 million in FY12 to $45.3 million in FY13, a 5.1% increase. The increase was primarily attributed to an increase in expenses for medical health care services provided to inmates at the MDC, for the new medical observation program at the Department of Substance Abuse, and for the new Albuquerque Ambulance service program for the indigent.

- Culture and recreation expenses increased by $8.6 million from $12.8 million in FY12 to $21.4 million in FY13, a 67.2% increase. The increase was primarily attributed to an increase of $6.5 million in expenses for capital outlay for others. In addition, the depreciation expense for FY13 in this category increased by $1.1 million. Also, the increase was attributed to an increase in operating expenses of $1 million in various areas including the County pools, the South Valley Multi-Purpose Center, the County fitness centers, the County community centers, and maintenance of County parks.

Business-type activities. Business-type activities net position increased by $1,241,476 during the current fiscal year. During the year, the Solid Waste fund, the Bernalillo County Housing Authority fund, the Regional Juvenile Detention Center fund, and the El Centro Familiar fund had more total program revenues than total program expenses resulting in income before contributions of $527,678, $39,148, $36,499, and $35,835 respectively. The Seybold Village fund had less total program revenues than total program expenses resulting in a loss before contributions of $260,101. Overall, the business-type activities experienced an $820,570 operating loss (program revenues less expenses) before non-operating revenues of $1,199,629, capital grant subsidies of $20,518, and transfers in of $841,899.



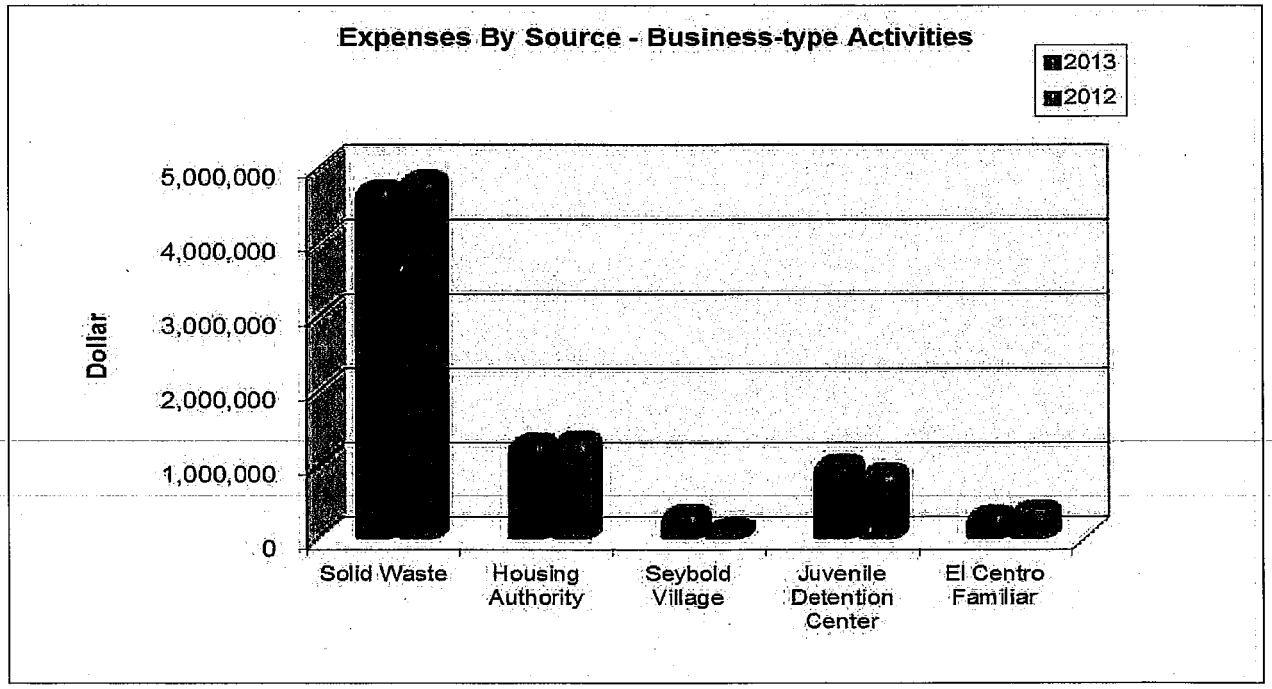
Business-type activities revenue decreased from $8.332 million in FY12 to $8.124 million in FY13, a 2.5% decrease. Key elements in the decrease of business-type activities revenue are as follows:

- Revenue program charges for services increased from $6.4 million in FY12 to $6.6 million in FY13, a 3.1% increase. The increase was attributed to $168 thousand more in administrative fees collected at the Bernalillo County Housing Authority in FY13. In addition, the increase was attributed to $70 thousand more in administrative fees collected for solid waste collection services provided to county residents by Waste Management, Inc.

- Revenue program operating grants and contributions decreased from $1.3 million in FY12 to $1.1 million in FY13, a 15.4% decrease. The decrease was primarily attributed to $169 thousand less in other government grant subsidies received from Housing and Urban Development (*HUD*) for rehabilitation of homes at the Bernalillo County Housing Authority due to the scope of work performed and the reduction of homes to rehabilitate in FY13.

- Revenue program capital grants and contributions decreased from $64 thousand in FY12 to $21 thousand in FY13, a 67.2% decrease. The decrease was attributed to less in capital grant subsidies received from HUD for the Seybold Village Handicapped project due to the reduction of improvements needed.

- Other revenues decreased from $558 thousand in FY12 to $349 thousand in FY13, a 37.5% decrease. The decrease was primarily attributed to $195 thousand less in miscellaneous revenue recognized in the Solid Waste fund, the Bernalillo County Housing Authority fund, and the Seybold Village Handicapped Project fund in FY13.



Business-type activities expenses increased from $7.648 million in FY12 to $7.725 million in FY13, a 1% increase. Key elements of the increase are as follows:

- Solid Waste expenses decreased from $4.841 million in FY12 to $4.710 million in FY13, a 2.7% decrease. A significant portion of the decrease was attributed to a decrease of $110 thousand in salaries and wages and a decrease of $50 thousand in other charges and services as four months of governmental gross receipt tax payments totaling $64 thousand for FY11 were recorded in this category in FY12 to correct a posting oversight. This did not occur in FY13. The decrease was offset by an increase in materials and supplies of $18 thousand and depreciation expense of $6 thousand.

- Housing Authority expenses decreased from $1.341 million in FY12 to $1.306 million in FY13, a 2.6% decrease. The decrease was primarily attributed to a decrease of $160 thousand in contractual services as a result of a decrease in homes that were rehabilitated in FY13 and a decrease of $12 thousand in salary and wages. The decrease was offset by an increase of $117 thousand in other services and charges and an increase of $23 thousand in materials and supplies.

- Seybold Village expenses increased from $157 thousand in FY12 to $355 thousand in FY13, a 126.1% increase. The increase was primarily attributed to an increase of $202 thousand in contractual services to utilize reserves for extraordinary and routine maintenance of facilities. This was offset by a decrease of $3 thousand in other services and charges.

- Juvenile Detention Center expenses increased from $905 thousand in FY12 to $1.017 million in FY13, a 12.4% increase. The increase was primarily attributed to an increase of $24 thousand in salaries and wages, an increase of $12 thousand in contractual services, and an increase in materials and supplies of $91 thousand. This was offset by a decrease of $15 thousand in other services and charges.

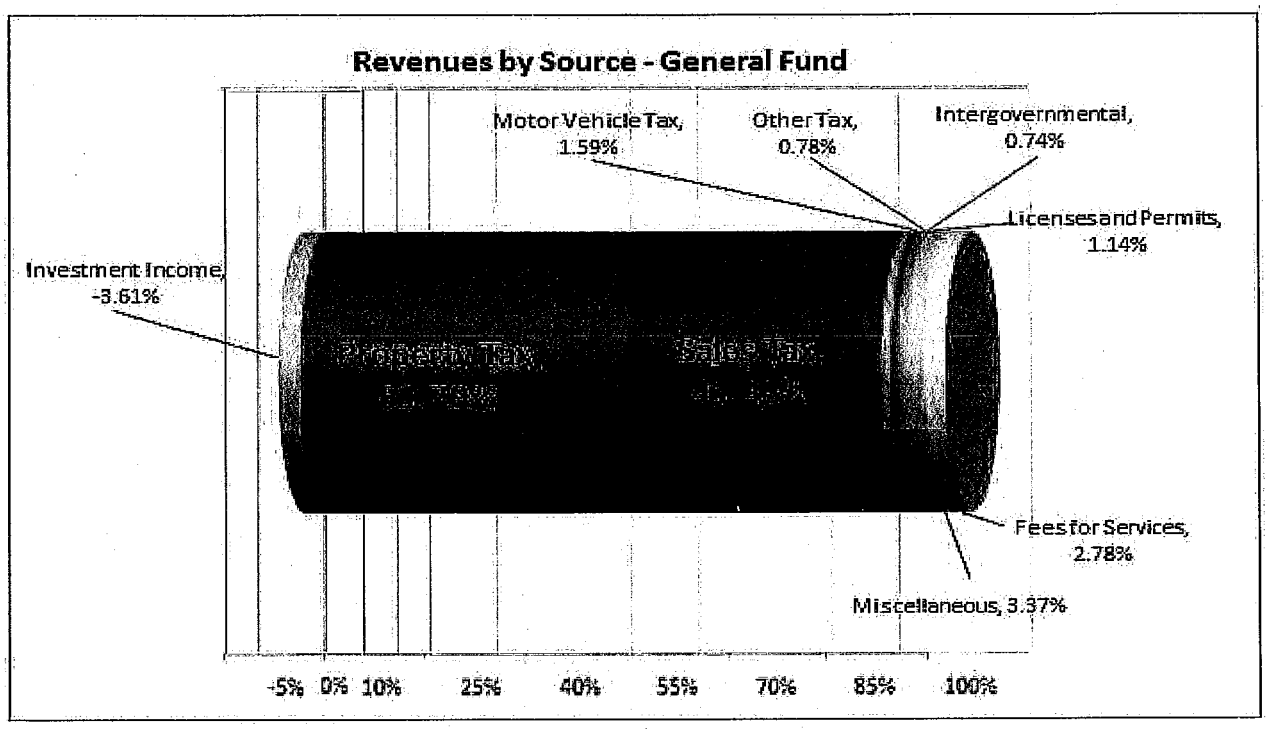
- El Centro Familiar expenses decreased from $404 thousand in FY12 to $336 thousand in FY13, a 16.8% decrease. The decrease was primarily attributed to a decrease of $60 thousand in salaries and wages, a decrease of $55 thousand in other charges and services and a decrease of $20 thousand in miscellaneous expense. This was offset by an increase of $56 thousand in contractual services, an increase of $6 thousand in depreciation expense and an increase of $4 thousand in materials and supplies.

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, assigned and unassigned 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 $284,139,686, a decrease of $29.1 million. Approximately 29.8% of this total, $84,586,380, constitutes assigned ($48,777,281) and unassigned ($35,809,099), which is available for spending at the County's discretion. The remainder of fund balance is made up of non-spendable in form (*i.e., inventory, advances*) amounts of $16,702,782, restricted amounts of $139,556,679, and committed amounts of $43,293,845 which are detailed in the notes to the financial statements.

General Fund. The County's general fund balance decreased $26,076,600 during the current fiscal year. Key factors in this decrease are based on the decrease in investment income as a result of the net decrease in the fair market value of investments in FY13 combined with a planned draw down of fund balance approved by the County Commission for various county projects which included the implementation of the new Vendor Invoice Management System, the implementation of the new Mobile Asset Management System, the implementation of the Governance Risk Compliance (*GRC*) Internal Access Controls solution, the purchase of heavy equipment for the Fire Department, and additional expenditures incurred at the County's Metropolitan Detention Center (*MDC*).



General Fund revenues decreased $15 million from $247.5 million in FY12 to $232.5 million in FY13, a decrease of 6.1%. Key elements in the decrease of General Fund revenues are as follows:

- Property tax revenue increased by $4.2 million from $116.2 million in FY12 to $120.4 million in FY13, a 3.6% increase. The increase was attributed to an increase in the County's operational residential mill levy from 6.866 to 7.208 per $1,000 of assessed taxable value and an increase in the County's operational non-residential mill levy from 10.650 to 10.750 per $1,000 of assessed taxable value. In addition, there was a slight increase in the current year property tax collections rate from 95.97% in FY12 to 96.33% in FY13. The increase in revenue was offset by a decrease in the assessed taxable valuation within the County of $59 million from $14.453 billion in FY12 to $14.394 billion in FY13.

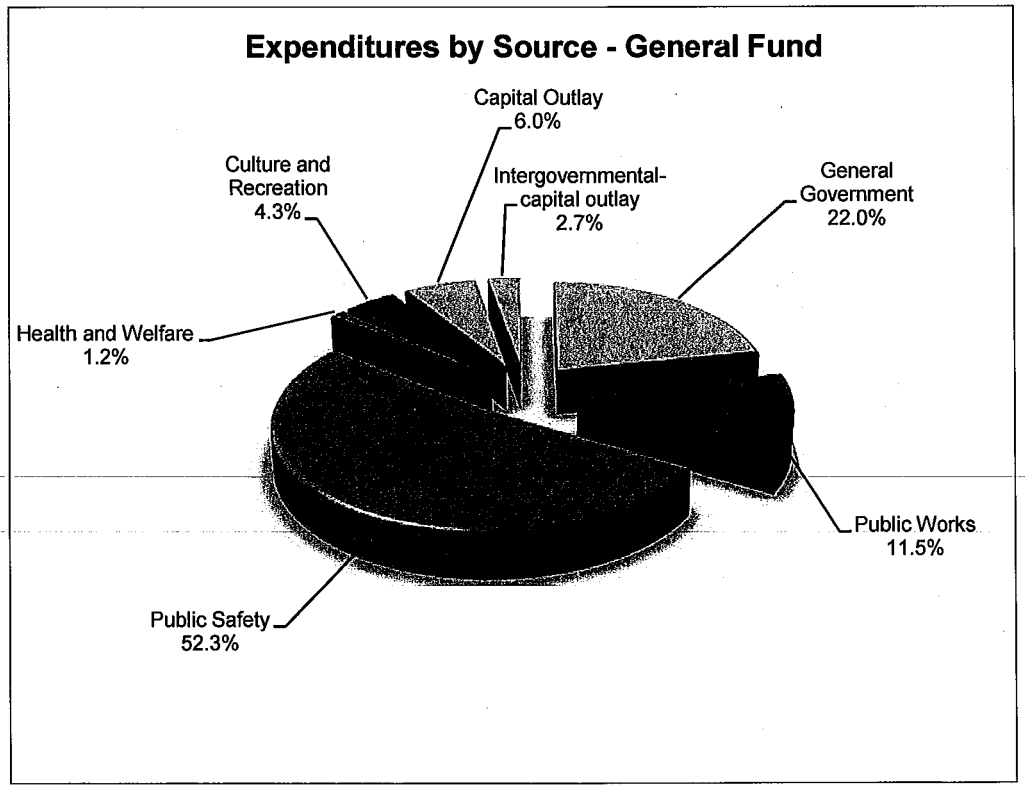
- Gross receipts tax revenue (*GRT*) increased by $3.3 million from $93 million in FY12 to $96.3 million in FY13, a 3.5% increase. The increase was primarily attributed to an increase in gross receipts tax revenue as a result of the FY12 and FY13 equalization distribution from the state of $3.0 million and $3.2 million respectively, reported and recognized in FY13. This fiscal year, the County recorded, as a revenue accrual, the FY13 equalization distribution which was

received in cash in September 2013. In future reporting periods, the equalization distribution for the current period of this report will be recorded as a revenue accrual in the current period.

- Investment income revenue decreased by $26.6 million from $18.2 million in FY12 to a negative $8.4 million in FY13, a decrease of 146.2%. The decrease was primarily attributed to the recognition of an unrealized investment income loss that resulted from the change in net market value of the County's investments at the end of FY13 versus the net market value at the end of FY12. In FY12, the net market value of the County's investments reflected a net increase of $9.4 million and in FY13, the net market value of the County's investments reflected a net decrease of $14.2 million. As a result, the unrealized investment income, due to the change in net market value of the County's investments, decreased by $23.6 million from FY12 to FY13. In addition, the decrease was attributed to a decrease in realized investment income of $3.1 million.

- Miscellaneous income revenue increased by $2.5 million from $5.3 million in FY12 to $7.8 million in FY13, a 47.2% increase. The increase was primarily attributed to recording a revenue accrual of $1.5 million for cash received from the City of Albuquerque in August 2013 for the return of a portion of health insurance premium payments made by the County which exceeded the cost of claims and administration for the fiscal years 2007 through 2013. In addition, in FY13, the County received a reimbursement of $1.2 million from a $3 million settlement payment made in FY12 following a judgment in a class action suit brought against the Sheriff's Office involving the narcotics fund.

General Fund expenditures increased $26.5 million from $222.4 million in FY12 to $248.9 million in FY13, an increase of 11.9%. Key elements in the increase in General Fund expenditures are as follows:



- General government expenditures increased by $7.4 million from $47.3 million in FY12 to $54.7 million in FY13, a 15.6% increase. The majority of the increase was attributed to a $1.2 million increase in contractual services and operating expenditures for the Bureau of Elections, a $1.3 million increase in contractual services and operating expenditures for the Economic Development Department, a $2 million increase in contractual services, computer supplies and other operating expenditures for Administration and Core Services, and a $1.6 million increase in City Mandate expenditures. In addition, the increase was attributed to increases in operating expenditures for the Accounting Department, the Purchasing Department, and the Building Division section of $1.5 million.

- Public works expenditures increased by $1.8 million from $26.8 million in FY12 to $28.6 million in FY13, a 6.7% increase. The increase was attributed to an increase in operating expenditures for Building Maintenance of $579 thousand, for Fleet Facilities Administration of $86 thousand, for the Information Technology Program of $54 thousand, for the Engineering Section of $97 thousand, for Division Support Services of $323 thousand, and for the Construction Section of $156 thousand. In addition, the increase was attributed to an increase in utility expenditures of $323 thousand.

- Public safety expenditures increased by $7.3 million from $122.8 million in FY12 to $130.1 million in FY13, a 5.9% increase. A portion of the increase was attributed to an increase of $1.4 million for field services expenditures at the Sheriff's Office, $1.5 million for psychiatric acute care expenditures at the MDC, $960 thousand for the McClendon lawsuit expenditures related to the MDC, $755 thousand for segregation expenditures at the MDC, $656 thousand for multi-line insurance premium expenditures for the MDC Executive program, and $573 thousand for electronic monitoring contractual services expenditures at the MDC. In addition, the increase was attributed to an increase of $1.8 million in operating expenditures at Communications, Fire and Rescue, the Youth Services Center, and the MDC.

- Health and welfare expenditures decreased by $5.7 million from $8.6 million in FY12 to $2.9 million in FY13, a 66.3% decrease. The decrease was primarily attributed to expenditures recorded in the General Fund in FY12 for medical health care services provided to inmates at the MDC and other MDC expenditures which were recorded in the Health Care GRT Fund in FY13.

- Culture and recreation expenditures increased by $1.4 million from $9.4 million in FY12 to $10.8 million in FY13, a 14.9% increase. The increase was primarily attributed to increases in operating expenditures for land management of open space of $263 thousand, for community centers of $105 thousand, for pools of $167 thousand, for before and after school programs of $111 thousand, for community service outreach of $319 thousand, for parks maintenance of $66 thousand, and for various other programs in this category.

- Capital outlay increased by $8.1 million from $6.9 million in FY12 to $15 million in FY13, a 117.4% increase. The increase was primarily attributed to expenditures of $2.7 million for heavy equipment, vehicles, and machinery and equipment for the Fire Department, $1.2 million for general county fleet replacement, and $1.2 million for IT infrastructure and equipment upgrades. In addition, the increase is attributed to expenditures of $723 thousand for various parking lot paving projects for county facilities, $262 thousand for Sheriff's Office vehicle fleet replacements, $293 thousand for continued maintenance of the Annex Building located at 415

Tijeras NW, $268 thousand for a heavy equipment motor grader for Public Works, and other expenditures for various projects around the County.

- Intergovernmental-capital outlay increased by $6.2 million from $589 thousand in FY12 to $6.8 million in FY13, a 1,052.6% increase. The increase was primarily attributed to expenditures of $5 million for the Middle Rio Grande Urban Wildlife Refuge project and $1.6 million for the Mid-Region Council of Governments (*MRCOG*) bond redemption.

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.

The Grants Fund had a fund balance of zero during the current fiscal year as revenues equaled expenditures.

Grants Fund revenues increased by $2 million from $16.9 million in FY12 to $18.9 million in FY13, an increase of 11.8%. Key elements in the increase of the Grants Fund revenues are as follows:

- Intergovernmental revenues increased by $1.6 million from $16.8 million in FY12 to $18.4 million in FY13, a 9.5% increase. The increase was primarily attributed to an increase in intergovernmental grant revenue reimbursements in FY13 of $547 thousand for the APS/CNM school board election grant, $541 thousand for the Department of Substance Abuse grants, $303 thousand for the Center for Disease Control health grant, $144 thousand for the new emergency management grant, and $104 thousand for the City of Albuquerque elementary/mid-school initiative grant.

- Miscellaneous revenue increased by $406 thousand from $129 thousand in FY12 to $535 thousand in FY13, a 314.7% increase. The increase was attributed to an increase in non-governmental grant revenue reimbursements in FY13 for the University of New Mexico Milagro grant for women substance abuse treatment and the Annie Casey private foundation grant for juvenile detention alternatives.

Grants Fund expenditures increased by $2 million from $16.9 million in FY12 to $18.9 million in FY13, an increase of 11.8%. Key elements in the increase of the Grants Fund expenditures are as follows:

- General government expenditures increased by $436 thousand from zero in FY12 to $436 thousand in FY13. The increase was attributed to grant expenditures incurred by the Clerk's Office for the APS/CNM school board election held during FY13.

- Public safety expenditures increased by $932 thousand from $8.2 million in FY12 to $9.1 million in FY13, an 11.4% increase. The increase was attributed to an increase in grant expenditures of $460 thousand for the Department of Substance Abuse miscellaneous grants, $288 thousand for administration of the Driving While Intoxicated (*DWI*) grants, and $209 thousand for the Homeland Security Emergency Management Grant.

- Health and welfare expenditures increased by $429 thousand from $225 thousand in FY12 to $654 thousand in FY13, a 190.7% increase. The increase was attributed to an increase in grant expenditures of $322 thousand for the Environmental Health Grant and $104 thousand for the Social Services Reimbursement Grant.

- Capital outlay expenditures decreased by $647 thousand from $4.6 million in FY12 to $3.9 million in FY13, a 14.1% decrease. The decrease was primarily attributed to a decrease in grant expenditures of $627 thousand for the Alameda Trail and $196 thousand for the Fisher and Smith Gymnasium as these projects were completed in FY12.

- Intergovernmental-capital outlay increased by $867 thousand from $2.8 million in FY12 to $3.7 million in FY13, a 31% increase. The increase was primarily attributed to a substantial increase in grant expenditures for the Codero Mesa Trans Line and Pump Station as the majority of work for this project was completed in FY13. This was offset by a decrease in grant expenditures for Eubank Boulevard as the majority of grant expenditures for this project were recorded in FY12 and prior fiscal years.

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.

The Construction Fund balance increased by $5.6 million from $39.2 million in FY12 to $44.8 million in FY13, a 14.3% increase. The increase was attributed to an increase in bond proceeds as, during the fiscal year, the County issued $17.8 million in General Obligation Bonds, Series 2013. This was offset by $12.3 million as expenditures exceeded revenues during the fiscal year.

Construction Fund revenues decreased by $4.2 million from $4.6 million in FY12 to $360 thousand million in FY13, a 91.3% decrease. Key elements in the decrease of Construction Fund revenues are as follows:

- Intergovernmental revenues decreased by $4.2 million from $4.2 million in FY12 to $14 thousand in FY13, a decrease of 100%. The decrease was attributed to a decrease in reimbursable contract revenue of $4.2 million recognized from the Albuquerque Bernalillo County Water Utility Authority in FY12 for reimbursement of expenditures for the South Valley Drinking Water Phase VI project which was completed in FY12.

Construction Fund expenditures decreased by $6.6 million from $19.3 million in FY12 to $12.7 million in FY13, a 34.2% decrease. Key elements in the decrease in Construction Fund expenditures are as follows:

- Capital outlay expenditures decreased $4 million from $14 million in FY12 to $10 million in FY13, a 28.6% decrease. The majority of the decrease was attributed to a decrease in expenditures of $2.2 million for the Stanford Health Clinic project as the majority of work on this project was completed in FY12. In addition, the expenditures for the James McGrane, Jr.

Public Safety Complex project decreased by $1.3 million as the project was completed in FY12. The remainder of the decrease was attributed to decreased expenditures in FY13 for various other County capital outlay projects.

- Intergovernmental-capital outlay expenditures decreased by $2.5 million from $2.8 million in FY12 to $329 thousand in FY13, an 89.3 % decrease. The decrease was primarily attributed to a decrease in expenditures for the South Valley Drinking Water Phase VI project which was completed in FY12.

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 2013, the County's Special Revenue funds reported combined ending fund balances of $30,633,116, a decrease of $6,853,525. Of the fund balance, $9,953 is non-spendable in form and the reminder of $30,623,163 is restricted for specific purposes. Key elements in the decline of the total special revenue fund balance are as follows:

- The decrease was primarily attributed to a decrease of $8.2 million in the fund balance of the Health Care GRT Fund from $17.2 million in FY12 to $9 million in FY13, a 47.7% decrease. In FY13, this fund generated $10.1 million in revenues, expenditures of $17.1 million, and other financial uses of $1.2 million.

- The decrease was also attributed to a $1.2 million decrease in the fund balance of the Section 8 Housing-Voucher Fund from $2.1 million in FY12 to $916 thousand in FY13, a 57.1% decrease. In FY13, this fund generated $12 million in revenues, expenditures of $13.2 million, and other financing sources of $55 thousand.

- The decrease was offset by an increase of $2.2 million in the fund balance of the Valuation Fund from $13 million in FY12 to $15.2 million in FY13, a 16.9% increase. In FY13, this fund generated $5.6 million in revenues, expenditures of $3 million, and other financing uses of $326 thousand.

Debt Service funds. As of the end of fiscal year 2013, the County's Debt Service funds reported combined ending fund balances of $19,813,253, an increase of $706,535. Of the fund balance, $14,276,949 is non-spendable in form and the remainder of the fund balance of $5,536,304 is restricted to pay debt service. Key elements of the increase in the total fund balance are as follows:

- The increase was attributed to an increase of $2.3 million in the General Obligation Bond Debt Service Fund from $2.6 million in FY12 to $4.9 million in FY13, an 88.5% increase. In FY13, this fund generated $12.8 million in revenues, debt service expenditures of $11.2 million, and other financing sources of $717 thousand.

- The increase was also attributed to the establishment of two debt service reserve funds; Refunding Series 2010A Debt Reserve Fund for $900,000 and Refunding Series 2010B Debt Reserve Fund for $159,419, which were required per the bond documents.

- The increase was offset by a decrease of $2,554,581 in the Series 1996B Debt Service Fund, the Series 1997 Debt Service Fund, the Refunding Series 1998 Debt Service Fund, the

Refunding Series 2005 Debt Service Fund, the Series 2008A Debt Service Fund, and the TRAN Debt Service Fund of $915,865, $451,519, $432,362, $447,645, $187,661, and $119,529 respectively.

Capital Projects funds. As of the end of fiscal year 2013, the County's Capital Project funds reported combined ending fund balances of $7,873,719, a decrease of $2,509,914. During the year, as capital projects are completed, the costs of the projects are reclassified as capital assets and removed from the capital project funds. The fund balance of $7,873,719 is restricted for capital projects. Key elements of the decrease in the total fund balance are as follows:

- The majority of the decrease was attributed to a decrease of $2.9 million in the Open Space Fund from $5.7 million in FY12 to $2.8 million in FY13, a 50.9% decrease. The majority of the decrease was in large part due to a small amount of residual property tax revenue recognized in FY13 as the mil levy expired in FY12 and capital outlay expenditures of $1.5 million. There were also operating expenditures of $1.5 million.

- The decrease was offset by an increase of $447 thousand in the Impact Fee Fund balance as impact fee revenues and interest of $554 thousand exceeded expenditures of $107 thousand.

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 $288 thousand or by 0.12% from $236.7 million to $237 million (*final*). General fund total original budgeted expenditures increased $72.3 million or by 29.9% from $241.4 million to $313.7 million (*final*). Significant changes between the original budget and the final amended budget are summarized as follows:

- The miscellaneous original revenue budget increased $265 thousand from $4.2 million to $4.4 million. The increase was primarily attributed to $109 thousand established to accept and budget revenue from the sale of excess property at Fire Sub-Station 35 and $50 thousand established to accept and budget revenue from the Department of Substance Abuse Program (DSAP) to support the creation of a web based client tracking system application for DSAP. In addition, $23 thousand was established for the purpose of accepting and budgeting revenue from the 2012 Taste of New Mexico ticket sales.

- The general government human resources (HR) original expenditure budget increased $849 thousand from $4.3 million to $5.1 million. The increase was attributed to $582 thousand established for Timekeeper Training Software and $269 thousand established for operating expenditures for HR training services provided to county employees.

- The general government information technology original expenditure budget increased $1.5 million from $7.4 million to $8.9 million. The increase was to establish budget for technology system upgrades, technology infrastructure upgrades and replacement, and to support the purchase of 105 mobile data terminals with docking stations and CAD/ERS interface.

- The general government general county original expenditure budget increased $15 million from $9.9 million to $24.9 million. The increase was primarily attributed to remaining encumbered purchase order budget swept into the general county line item as part of the FY12 purchase order close out process in FY13, line item transfers of excess budget from other categories into this category, and expenditure budget established to be used to fund various county projects during the year.

- The general government economic development original expenditure budget increased $2.3 million from $1.4 million to $3.7 million. The majority of the increase was attributed to $1.5 million established for the Las Estancias Local Economic Development Act Project and $561 thousand established for contingency funding.

- The general government zoning, building and environmental health original expenditure budget increased $1 million from $4.1 million to $5.1 million. The increase was to establish budget for upgrades to the department's permitting system.

- The general government clerk original expenditure budget increased $782 thousand from $5 million to $5.8 million. The increase was to establish budget for the November 2012 general election.

- The public works fleet-facilities management original expenditure budget decreased $1.7 million from $18.3 million to $16.6 million. The decrease was attributed to line item transfers from this category to the general government general county category to be used as needed for various county projects.

- The public safety metropolitan detention center (MDC) original expenditure budget increased $12.1 million from $50.4 million to $62.5 million. The increase was primarily attributed to $9.3 million established for various MDC initiatives which included population initiatives, the sewing initiative, pre-trial services, body scanners, the community custody program, and food service equipment, etc. In addition. $2.8 million was established for any recurring technology needs.

- The public safety communications department original expenditure budget increased $1.2 million from $3.7 million to $4.9 million. The increase was primarily established for the Sheriff's/Fire CAD Mobile and Records Management System.

- The public safety Sheriff original expenditure budget increased $5.5 million from $33.5 million to $39 million. The increase was attributed to expenditure budget established for, salary increases and overtime, fleet replacement, metro air operations, and forensic lab services.

- The health and welfare MDC expenditure budget decreased $4.9 million from $6.4 million to $1.5 million. The decrease was attributed to line item transfers from this category to the general government general county category to be used as needed for various MDC operations.

- The health and welfare social services expenditure budget increased $921 thousand from $428 thousand to $1.3 million. The increase was attributed to expenditure budget established for the YDI Family & Community Services program, for Hogares Inc., which provides state of the art

mental health evaluation and treatment for children and youth, and to fund other social service programs.

- The culture and recreation parks and recreation expenditure budget increased $1.7 million from $8.4 million to $10.1 million. The majority of the budget increase was established to fund seasonal temporary labor needs and for various other projects and programs at parks and recreation.

- The capital outlay original expenditure budget increased $32.1 million from $7.4 million to $39.5 million. The increase was primarily attributed to $5.5 million established for the Middle Rio Grande Wildlife Refuge project, $2 million established for the North Valley Little League project, $2.2 million established for the Sheriff's Office fleet replacement, $3.9 million established for the Fire Station 41 and 46 upgrade project, $1.9 million established for the Fire Department heavy equipment purchases, $1.8 million established for MDC cameras, $1.7 million established for general fleet replacement, $1.2 million established for IT data center/infrastructure upgrades, and $1.1 million established for the Conduit Fiber Install project. In addition, there was $822 thousand established for the Syclo Mobil Work Order Management System, $766 thousand established for HVAC upgrades, $750 thousand established for upgrades at the Mid-Region Council of Government Building, and $673 thousand established for upgrades at the Parky's Pals Community Center. In addition, budget was established for various other county projects.

- The intergovernmental capital outlay original expenditure budget increase from zero to $1.6 million. The increase was established to redeem the Mid-Region Council of Governments outstanding bond.

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

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 $4,689,734 or by 2%. General Fund expenditures were less than budgetary estimates by $63,683,153 or by 20.3%. During the year the County incurred a deficiency of revenues and other financing sources over expenditures and other financing uses in the amount of $18,108,403. Individual significant differences between the General Fund final budget and actual amounts are summarized as follows:

- Property tax revenue had a positive variance of $3,495,048. The budget projections estimated a 95% collection rate of current property taxes within the County as of June 30, 2013. The actual current year collection rate was 96.3%. The significant reason for the positive variance was that current property tax collections were $2,159,418 greater than budget *(2% of budget)* and delinquent tax collections, interest on current and delinquent tax collections, and penalties on current and delinquent tax collections exceeded projections by $1,335,630.

- Gross receipt tax (*GRT*) revenue had a negative variance of $2,410,724. The negative variance was primarily attributed to a $1.1 million decrease in the County's May 2013 tax distribution due to a State of New Mexico approved claim made by a business in the unincorporated area of Bernalillo County. In addition, the reduction was attributed to legislation passed by the state which reduced the tax rate for the utility and manufacturing industries which will continue to reduce GRT tax distributions to the County in future fiscal years.

- Miscellaneous revenue had a positive variance of $1,876,622. The positive variance was primarily attributed to a one-time reimbursement payment received in FY13 for $1.2 million from a $3 million settlement payment made in FY12 following a judgment in a class action suit brought against the Sheriff's Office involving the federal narcotics fund. The remainder was attributed to more than expected general revenue in this category.

- General government legal expenditures had a positive variance of $1,108,945. The variance was primarily attributed to lower than expected expenditures for contractual services of $456,683 and less than expected expenditures from the contingency line item of $621,229. In addition, there were less than expected expenditures of $67,031 for regular full time salary and wages.

- General government accounting expenditures had a positive variance of $1,071,313. The variance was primarily attributed to lower than expected expenditures from the contingency line item of $675,075 and less than expected expenditures of $248,060 for contractual services. In addition, the positive variance was due to salary savings of $62,500.

- General government risk management expenditures had a positive variance of $3,185,601. The variance was primarily attributed to lower than expected multi-line insurance premiums of $2,786,076, less than expected expenditures for multi-line deductibles of $190,779, and less than expected expenditures for law enforcement officer liability claims of $104,015.

- General government human resources expenditures had a positive variance of $1,178,164. The variance was primarily attributed to lower than expected expenditures for contractual services of $1,055,388.

- General government information technology expenditures had a positive variance of $1,507,702 which was primarily attributed to lower than expected expenditures for IT equipment maintenance repair of $608,494 and less than expected expenditures from the contingency line item of $955,664.

- General government general county expenditures had a positive variance of $17,282,522. The variance was primarily attributed to lower than expected expenditures for contingencies of $6,446,566, less than expected expenditures for salary contingency of $9,499,636, and less than expected expenditures for fleet contingency of $1,081,422.

- General government economic development expenditures had a positive variance of $1,259,107. The variance was primarily attributed to lower than expected expenditures for contractual services of $945,224 and less than expected expenditures for contingency of $227,874.

- Public safety accounting expenditures had a positive variance of $3,544,740. The variance was primarily attributed to lower than expected expenditures for maintenance of the Regional Detention Center facility of $3,420,877.

- Public Safety metropolitan detention center (*MDC*) expenditures had a positive variance of $5,423,381. A significant portion of the variance was attributed to lower than expected expenditures of $4,665,478 for various operating expenditures in the MDC Executive line item and less than expected expenditures of $613,700 for contractual services in the MDC Population line item.

- Public Safety communications department expenditures had a positive variance of $1,426,550. The variance was primarily attributed to lower than expected expenditures for contingency of $1,326,598.

- Public Safety sheriff expenditures had a positive variance of $1,233,385. The variance was primarily attributed to lower than expected expenditures for salaries and benefits and for the metro air program.

- Health and welfare metropolitan detention center expenditures had a positive variance of $1,296,022. The variance was attributed to less than expected expenditures for professional services related to health care services for MDC inmates recognized in the general fund.

- Capital outlay expenditures had a positive variance of $23,147,141. The variance was primarily attributed to budgeted expenditures county-wide which never materialized or were less than expected during the year. These included positive variances for the following projects: $3.9 million for upgrades and renovations at Fire Stations 41 and 46, $2 million for the North Valley Little League project, $1.7 million for MDC cameras, $738 thousand for upgrades and renovations at the Mid-Region Council of Governments building, $699 thousand for Sheriff's replacement vehicles, $630 thousand for HVAC and electrical upgrades at the Juvenile Justice Center, $557 thousand for community centers' renovations, $511 thousand for general fleet replacement, and $395 thousand for the Conduit Fiber Installation project. In addition, budget of $5 million for the Middle Rio Grande Wildlife Refuge project was recognized in this category and the expenditure was recorded and recognized in the intergovernmental capital outlay category. The remaining variance balance pertained to various other projects county-wide with less than expected expenditures than what was budgeted.

- Intergovernmental capital outlay expenditures had a negative variance of $5,180,126. The variance was primarily attributed to $5 million in expenditures for the Middle Rio Grande Wildlife Refuge project recognized in this category and the budget recognized in the capital outlay category. The remaining variance was attributed to expenditures for other projects that were budgeted in the capital outlay category.

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.

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, 2013 amounts to $588,029,178 (*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 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 $20,100,000 dollars by the Board of County Commissioners. 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:

- Construction was completed on the Alameda Trail project which consisted of a 12 foot wide trail from just north of Edith Boulevard to 4th Street. The project included landscaping and a trail bridge over Edith Boulevard. The project construction cost was $1,769,462.

- Construction was completed on the Cordero Mesa 36-inch Transmission Line project which consisted of a transmission water line from Otto reservoir to Cordero Mesa reservoir. The project is part of a larger Cordero Mesa water system project that will supply water to the Western Albuquerque Land Holding development. The project construction cost was $3,684,812.

- Construction was completed on the Eubank Boulevard Phase II project which consisted of widening Eubank Boulevard from Paseo Del Norte Boulevard to Wilshire Avenue. The project included a 12 foot wide asphalt trail, storm drainage improvements and landscaping. The project construction cost was $1,715,675.

- Construction was completed on the County-wide Road Improvements Project, Phase I, which was the fourth improvement to the unpaved roads. The roads included in this project were: Frost Road, Kings Road, Anne Pickard Loop, Anne Pickard Court, San Pedro View, Juniper Drive, Cedar Lane, Canyon Road, Lakeview Drive, Kelly Lynn Drive, Marks Place, Fairview Drive, Skyline Drive, Skyline Drive West, North Court, Peacock Lane, Peacock Court, Big Dipper Road, Constellation Drive, Whippoorwill Lane, and East Ridge Road in the East Mountain area. The project construction cost was $4,263,000.

- The Vista del Rio project consists of drainage improvements which are intended to improve storm water drainage for the Vista del Rio Neighborhood, an area of approximately 150 acres of established residential and semi-rural development located within the Southwest Valley of the County. Infrastructure improvements include new road, curb and gutter, and storm drain with inlets. The storm water in the northern half of the project will be conveyed to the Sanchez Farm pond and storm water in the southern half of the project will be conveyed to a new pond just east of Perry Road. The project will be constructed in four phases; Phase I includes Mora Road, Phase II is Vito Romero Road, Phase III is Bonito Road, and Phase IV will include Perry Road, Vista del Rio, Elena Drive, Rinconado Lane, a detention pond and pump station. Phase I was completed at a cost of $1,207,298; Phase II was completed at a cost of $1,432,881; Phase III is under construction and will cost $1,433,063; Phase IV is in the final design phase and is estimated to cost $5 million.

- Construction was completed on the Bosque Trail Improvement project which consisted of rehabilitating the Bosque Trail from Tingley Drive to the South Diversion Channel for a total distance of roughly 4.5 miles. The project improvements also included two bicycle monitoring stations, additional benches, signage, and improved connections to nearby facilities. The project construction cost was $947,690.

- Construction was completed on the replacement of seven HVAC units and two chillers at County facilities. Three HVAC units were replaced at the Youth Service Center and four HVAC units were replaced at the Assessor's Building at a cost of $689,822. Two chillers where replaced at the Public Safety Center located at 401 Roma NW at a cost of $162,127. The replacement of these units will reduce high energy bills and increase comfort.

- Construction was completed on the replacement of four major roofs at County facilities at a total cost of $868,373. The roof replacements took place at the Assessor's Building, the Bernalillo County U.S. District Courthouse, the Steve Schiff District Attorney Building, and the Union Square Building.

- Construction was completed on the Public Health Facility project which consisted of a 58,000 square foot tenant improvement that now houses the Department of Health and Las Familia. The facility replaced the existing Sanford Clinic that was housed at the University of New Mexico. The funding was provided through a State Legislative Grant, 1/16th Health Care Gross Receipts Tax, and General Obligation Bonds. Including the purchase of the land, the project construction cost was $8,236,850.

- Construction has begun on the South Valley Multipurpose Addition project. It will consist of the addition of a 2,694 square foot multipurpose gym to the existing 17,700 square foot South Valley Multipurpose Community Center. The addition will have an occupancy load of 152 and will have direct access to the existing kitchen and will function as a shelter in-place for the area. The addition will include new restrooms and the building will be designed so that it can be converted to other uses as needed. The estimated completion date is late winter 2014 and will cost approximately $823,610.

- Construction has begun on Fire Station 41 and Fire Station 46 located in the East Mountains. The project will include additions to the existing facilities to accommodate more fulltime fire fighters at full occupancy and to accommodate other Bernalillo County functions such as Environmental Health, Public Works, and Building Zoning and Planning. The estimated completion date is late

summer 2014 and will cost approximately $4,805,000.

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

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	$136,156,585	$136,026,601	$ 435,352	$ 435,352	$136,591,937	$136,461,953
Buildings	192,876,094	180,301,986	2,658,521	2,729,726	195,534,615	183,031,712
Machinery and equipment	21,785,984	19,790,783	114,002	93,732	21,899,986	19,884,515
Land improvements	14,427,206	7,979,635	151,276	35,276	14,578,482	8,014,911
Infrastructure	169,540,945	162,945,084	-	-	169,540,945	162,945,084
Leasehold improvements	1,758,510	1,887,046	-	-	1,758,510	1,887,046
Construction in progress	45,536,457	61,424,198	35,841	-	45,572,298	61,424,198
Art	2,552,405	2,534,675	-	-	2,552,405	2,534,675
Total	$584,634,186	$572,890,008	$3,394,992	$3,294,086	$588,029,178	$576,184,094

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 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 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 $120,525,000. 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 2013, this tax is approximately $0.897 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 December 1, 2017 through June 15, 2032. The ratio of net general obligation bonded debt to taxable valuation and

the amount of bonded debt per capita are useful indicators of the County's debt position. The State's Constitution provides for a legal debt limit of four percent *(4.0%)* of taxable valuation. The ratio for the County is less than one percent *(0.8%)* of the $14.4 billion taxable value of property within Bernalillo County, as of June 30, 2013. The County may currently issue up to an additional $453.4 million of general obligation bonds. The net general bonded debt per capita is $181.76. The lowest per capita amount in the last ten fiscal years was $133.59 in fiscal year ended June 30, 2006. The County's ratings on uninsured general obligation bonds as of June 30, 2013 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 $135,670,000. The County has six outstanding revenue bonds: the 1996B series, the 1997 series, the 1998 refunding series, the 2005 partial refunding series, the 2010A series, and the 2010B refunding series. These bonds are payable from net pledged gross receipt tax revenues. Although the bonds are general obligations of the County, the County intends to pay the bonds solely from the net pledged revenues. The net revenue bonded debt per capita is $205.58. The lowest per capita amount in the last ten fiscal years was $205.58 in fiscal year ended June 30, 2013. The pledged revenue coverage of gross receipts tax revenues to debt service requirements is 3.14. The lowest pledged revenue coverage in the last ten fiscal years was 1.43 in fiscal year 2011. These bonds have retirement dates ranging from October 1, 2017 through June 15, 2029. The County's ratings on gross receipt tax revenue bonds as of June 30, 2013 were:

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

General Obligation and Revenue Bonds Outstanding

	Governmental Activities	
	2013	2012
General obligation bonds	$ 120,525,000	$ 109,845,000
Revenue bonds	135,670,000	142,985,000
Total	$ 256,195,000	$ 252,830,000

As presented above, the County's total outstanding bond debt increased by $3,365,000 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 2014 budget. The County's operating budgeted appropriations were increased approximately 3.3 percent from FY13 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

slow growth with the economy returning to pre-recessionary levels by the end of 2015. The recovery of housing markets is expected to be a major component of growth over the next few years. For 2013, it is anticipated that New Mexico will add about 11,000 jobs for a 1.4% growth. For the period 2014 to 2016, the forecast is for the economy to expand by an average of 13,000 jobs per year for an average growth of 1.6%. New Mexico personal income growth in 2013 will be significantly impacted by the increase in the payroll social security tax that was set in place on January 2, 2013. For 2013, total personal income is forecast to grow by 2.2% and real disposable income will grow by only 0.6%. The unemployment rate has declined from a March 2013 rate of 6.9 % to a rate of 6.8 % in August 2013.

The outlook for the Albuquerque MSA economy is moderate growth and the economy is expected to reach pre-recessionary employment levels by late 2016 or early 2017. For 2013, forecasts indicate that total employment will grow by 1.0% in the first quarter of the year and 1.4% to 1.5% in each of the remaining quarters. The economy is expected to add 4,806 jobs for the year, with the private sector adding 5,022 jobs. Personal income is expected to grow slowly in 2013 by 2.3% after growing by only 2.1% in 2012. In the longer-term, personal income is forecast to grow by 5.1% in 2014 before slowing slightly to 4.8% in 2015. The unemployment rate has declined from an August 2012 rate of 7.3% to a rate of 7.0% in July 2013 and is forecast to continue to decline to 6.9% by 2014 and to 5.5% by 2018.

The Albuquerque MSA economy is forecast to add net jobs in 2013. The accommodation and food services are expected to add 1,148 jobs as growth in this sector shows no sign of slowing. Employment in the tourism sectors should also see an increase as the Downs at Albuquerque adds jobs at its new casino throughout the year. In addition, administrate and waste services are expected to add jobs as this sector stabilizes. Part of the gains will be from the Sitel call center, which will hire 200 full-time and 150 part-time positions at its Albuquerque location by the end of the year. Health and social assistance is forecast to add 781 jobs in the year. This sector, along with the finance and insurance sector should see an increase in the MSA from the 400 jobs announced to be added by Blue Cross Blue Shield, 400 by Molina Healthcare and the 64 jobs by United Healthcare before the end of the year. Also, construction is expected to add jobs as home building picks up in the MSA and begins to reflect the increased rate of growth of housing permits in the city of Albuquerque. The information sector is forecast to add 356 jobs, while the retail sector is expected to add 333 jobs as retailer Lowes Home Improvement continues to add jobs throughout the year. The professional and technical services sector is forecast to add 293 jobs as the demand for professionals increases with the improved economic conditions. The government sector is also expected to add jobs as state and local government budget situations improve.

In summary, the Albuquerque MSA economy will grow moderately in 2013 and will continue to grow each year through 2018.

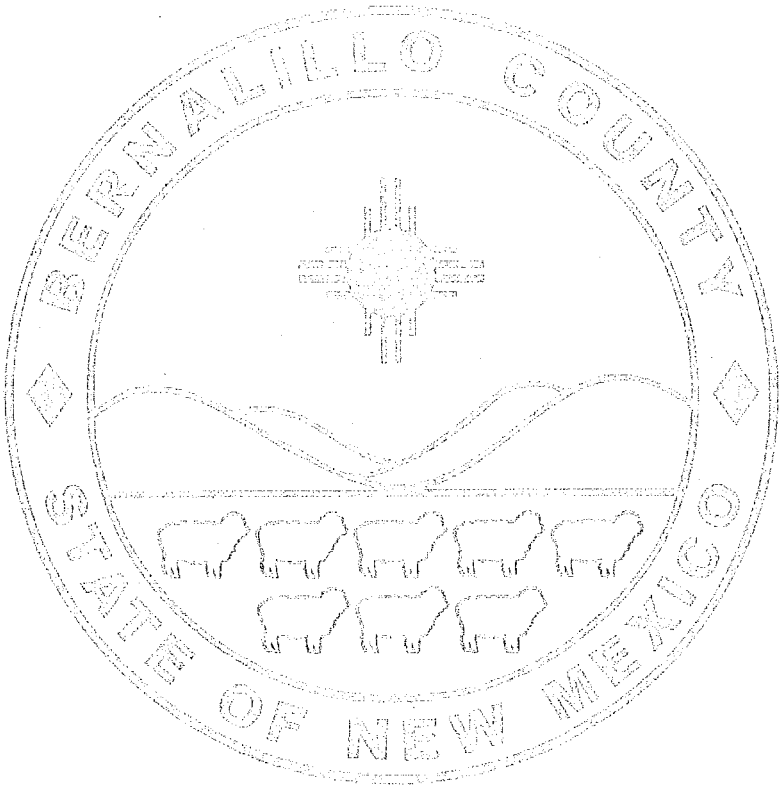
Request for Information

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 Finance, One Civic Plaza, NW – 10th Floor, Albuquerque, New Mexico 87102.

COUNTY OF BERNALILLO, NEW MEXICO
STATEMENT OF NET POSITION
JUNE 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	$ 263,885,673	$ 5,855,790	$ 269,741,463
Accounts receivable, net	43,758,219	1,757,298	45,515,517
Accrued interest receivable	1,227,779	394	1,228,173
Note receivable	172,630	-	172,630
Due from grantor	2,894,254	-	2,894,254
Internal balances	1,429,997	(1,429,997)	-
Inventory	756,203	-	756,203
Prepaid assets	2,124,020	-	2,124,020
Deferred charges	1,096,893	-	1,096,893
Cash-restricted	12,806,949	-	12,806,949
Investment in joint venture	633,000	-	633,000
Capital assets not being depreciated:			
Land	136,156,585	435,352	136,591,937
Art	2,552,405	-	2,552,405
Construction in progress	45,536,457	35,841	45,572,298
Capital assets (net of accumulated depreciation):			
Building	192,876,094	2,658,521	195,534,615
Land improvements	14,427,206	151,276	14,578,482
Machinery and equipment	21,785,984	114,002	21,899,986
Infrastructure	169,540,945	-	169,540,945
Leasehold improvements	1,758,510	-	1,758,510
Total capital assets	584,634,186	3,394,992	588,029,178
Total assets	915,419,803	9,578,477	924,998,280
LIABILITIES			
Accounts payable	19,891,632	860,815	20,752,447
Interest payable	2,985,774	-	2,985,774
Accrued payroll	6,719,993	60,081	6,780,074
Unearned revenue	7,342,875	1,234,537	8,577,412
Due to grantor	-	1,541	1,541
Deposits held in trust for others	-	14,422	14,422
Noncurrent liabilities:			
Due within one year	19,790,902	32,819	19,823,721
Due in more than one year	271,966,969	331,834	272,298,803
Total liabilities	328,698,145	2,536,049	331,234,194
NET POSITION			
Net investment in capital assets	369,109,799	3,394,992	372,504,791
Restricted for:			
Public safety	1,944,890	-	1,944,890
Health and welfare	12,778,986	-	12,778,986
Debt service	7,006,304	-	7,006,304
Capital projects	26,034,420	-	26,034,420
General government	15,909,240	-	15,909,240
Reserve requirement	69,463,043	-	69,463,043
Unrestricted	84,474,976	3,647,436	88,122,412
Total net position	$ 586,721,658	$ 7,042,428	$ 593,764,086

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


BERNALILLO COUNTY
STATE OF NEW MEXICO

BERNALILLO COUNTY, NEW MEXICO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position – Primary Government: Governmental Activities	Net (Expenses) Revenues and Changes in Net Position – Primary Government: Business-type Activities	Net (Expenses) Revenues and Changes in Net Position – Primary Government: Total
Primary government:							
Governmental activities:							
General government	$ 67,393,999	$ 10,729,594	$ 1,773,156	$ 253,740	$ (54,637,509)		$ (54,637,509)
Public works	45,883,104	1,676,819	32,012	6,977,001	(37,197,272)		(37,197,272)
Public safety	153,629,728	2,529,245	11,575,975	53,600	(139,470,908)		(139,470,908)
Culture and recreation	21,360,907	1,049,072	613,147	657,462	(19,041,226)		(19,041,226)
Health and welfare	45,278,882	420,814	12,170,509	-	(32,687,559)		(32,687,559)
Interest on long-term debt	10,876,254	-	-	-	(10,876,254)		(10,876,254)
Total governmental activities	344,422,874	16,405,544	26,164,799	7,941,803	(293,910,728)		(293,910,728)
Business-type activities:							
Solid waste	4,710,379	4,825,778	176,000	-	-	$ 291,399	291,399
Housing Authority	1,306,043	501,763	779,490	-	-	(24,790)	(24,790)
Seybold Village Handicapped Project	355,259	45,766	-	20,518	-	(288,975)	(288,975)
Regional Juvenile Detention Center	1,017,035	1,053,534	-	-	-	36,499	36,499
El Centro Familiar	336,185	196,080	172,950	-	-	32,845	32,845
Total business-type activities	7,724,901	6,622,921	1,128,440	20,518	-	46,978	46,978
Total primary government	$ 352,147,775	$ 23,028,465	$ 27,293,239	$ 7,962,321	(293,910,728)	46,978	(293,863,750)
General revenues:							
Property taxes					132,624,981	-	132,624,981
Gross receipts taxes					120,149,781	-	120,149,781
Motor vehicle taxes					3,702,824	-	3,702,824
Gas taxes					1,809,719	-	1,809,719
Investment income:							
Interest income					5,623,656	3,914	5,627,570
Net decrease in the fair value of investments					(12,814,794)	-	(12,814,794)
Miscellaneous					19,592,905	348,685	19,941,590
Transfers					(841,899)	841,899	-
Total general revenue and transfers					269,847,173	1,194,498	271,041,671
Change in net position					(24,063,555)	1,241,476	(22,822,079)
Net position - beginning					610,785,213	5,800,952	616,586,165
Net position - ending					$ 586,721,658	$ 7,042,428	$ 593,764,086

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

COUNTY OF BERNALILLO, NEW MEXICO
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013

	General	Grants Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	$ 172,786,465	$ 2,437,531	$ 42,614,707	$ 44,421,061	$ 262,259,764
Accounts receivable, net	34,264,326	-	3,525,000	5,968,893	43,758,219
Accrued interest receivable	955,674	-	67,325	204,780	1,227,779
Note receivable	172,630	-	-	-	172,630
Due from grantor	-	2,894,254	-	-	2,894,254
Inventory	746,250	-	-	9,953	756,203
Advances to other funds	1,497,000	-	-	1,470,000	2,967,000
Cash - restricted	-	-	-	12,806,949	12,806,949
Total assets	$ 210,422,345	$ 5,331,785	$ 46,207,032	$ 64,881,636	$ 326,842,798
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	$ 11,935,783	$ 724,137	$ 1,370,058	$ 5,101,343	$ 19,131,321
Accrued payroll	6,410,033	180,810	-	129,150	6,719,993
Unearned revenue	10,358,054	2,929,838	-	1,291,052	14,578,944
Due to other funds	735,851	-	-	40,003	775,854
Advances from other funds	-	1,497,000	-	-	1,497,000
Total liabilities	29,439,721	5,331,785	1,370,058	6,561,548	42,703,112
Fund balances:					
Nonspendable	2,415,880	-	-	14,286,902	16,702,782
Restricted	69,493,554	-	26,029,939	44,033,186	139,556,679
Committed	43,293,845	-	-	-	43,293,845
Assigned	29,970,246	-	18,807,035	-	48,777,281
Unassigned	35,809,099	-	-	-	35,809,099
Total fund balances	180,982,624	-	44,836,974	58,320,088	284,139,686
Total liabilities and fund balances	$ 210,422,345	$ 5,331,785	$ 46,207,032	$ 64,881,636	$ 326,842,798

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 POSITION
JUNE 30, 2013

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

Total fund balance governmental funds (page 34)	$ 284,139,686
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	584,634,186
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.	1,096,893
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 position.	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.	(291,757,871)
Accrued Interest Payable	(2,985,774)
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.	9,360,089
Net position governmental activities. (page 32)	$ 586,721,658

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, 2013

	General	Grants Fund	Construction Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes:					
Property	$ 120,416,953	$ -	$ -	$ 12,773,033	$ 133,189,986
Sales	96,316,614	-	-	23,833,167	120,149,781
Motor vehicle	3,702,824	-	-	-	3,702,824
Gas	1,809,719	-	-	-	1,809,719
Intergovernmental:					
Federal	407,065	5,133,386	-	12,112,275	17,652,726
State	530,628	12,346,607	-	1,661,514	14,538,749
Other	777,482	873,743	13,902	250,000	1,915,127
Licenses and permits	2,648,321	-	-	-	2,648,321
Fees for services	6,459,802	-	-	7,297,421	13,757,223
Investment income:					
Interest Income	4,406,434	-	345,616	871,606	5,623,656
Net decrease in the fair value of investments	(12,814,794)	-	-	-	(12,814,794)
Miscellaneous	7,828,471	534,881	-	613,060	8,976,412
Total revenues	232,489,519	18,888,617	359,518	59,412,076	311,149,730
EXPENDITURES					
Current:					
General government	54,659,667	436,440	1,216,510	3,757,127	60,069,744
Public works	28,620,426	340,022	928,513	410,110	30,299,071
Public safety	130,101,375	9,096,793	842	2,052,777	141,251,787
Health and welfare	2,859,663	654,181	-	39,757,346	43,271,190
Culture and recreation	10,777,214	717,388	18,491	473,568	11,986,661
Capital outlay	15,010,837	3,929,714	10,049,645	3,659,830	32,650,026
Integovernmental - capital outlay	6,826,346	3,714,079	328,870	2,082,868	12,952,163
Debt service:					
Principal	-	-	-	14,435,000	14,435,000
Interest	-	-	-	11,449,338	11,449,338
Bond issuance cost	-	-	120,367	-	120,367
Total expenditures	248,855,528	18,888,617	12,663,238	78,077,964	358,485,347
Excess (deficiency) of revenues over expenditures	(16,366,009)	-	(12,303,720)	(18,665,888)	(47,335,617)
Other financing sources (uses)					
Transfers in	307,190	-	-	13,525,446	13,832,636
Transfers out	(10,403,267)	-	(717,066)	(3,554,202)	(14,674,535)
Bonds issued	-	-	17,800,000	-	17,800,000
Premium	-	-	837,434	-	837,434
Sale of capital assets	385,486	-	-	37,740	423,226
Total other financing sources (uses)	(9,710,591)	-	17,920,368	10,008,984	18,218,761
Net changes in fund balances	(26,076,600)	-	5,616,648	(8,656,904)	(29,116,856)
Fund balance - beginning	207,059,224	-	39,220,326	66,976,992	313,256,542
Fund balance - ending	$ 180,982,624	$ -	$ 44,836,974	$ 58,320,088	$ 284,139,686

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, 2013

Amounts reported for governmental activities in the statement of activities are different because:	
Net changes in fund balances total governmental funds (page 36)	$ (29,116,856)
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.	12,469,624
The net effect of sale of capital assets is to increase net position. 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 position differs from the change in fund balance by the cost of capital assets sold.	(725,446)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(565,005)
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.	(4,082,067)
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.	(2,043,805)
Change in net position of governmental acitivities (page 33)	$ (24,063,555)

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, 2013

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Taxes:				
Property	$ 117,195,053	$ 117,195,053	$ 120,690,101	$ 3,495,048
Sales	94,321,678	94,321,678	91,910,954	(2,410,724)
Motor vehicle	3,772,316	3,772,316	3,721,609	(50,707)
Gas	1,762,000	1,762,000	1,789,137	27,137
Intergovernmental - federal	-	-	407,066	407,066
Intergovernmental - state	-	-	520,502	520,502
Intergovernmental - other	-	-	777,482	777,482
Licenses and permits	2,946,083	2,969,583	2,648,321	(321,262)
Fees for services	6,411,553	6,411,553	6,597,748	186,195
Investment income	6,100,080	6,100,080	6,282,455	182,375
Miscellaneous	4,174,485	4,439,384	6,316,006	1,876,622
Total revenues	236,683,248	236,971,647	241,661,381	4,689,734
Other Financing Sources:				
Transfer in	685,708	685,708	307,190	(378,518)
Sale of assets	100,000	333,669	385,486	51,817
Total other financing sources	785,708	1,019,377	692,676	(326,701)
Total revenues and other financing sources	237,468,956	237,991,024	242,354,057	4,363,033
Prior year cash balance budgeted	12,407,106	86,154,589		
Total budget	249,876,062	324,145,613		
EXPENDITURES				
Current:				
General government:				
County commission	888,145	1,015,472	907,126	108,346
County manager	1,056,197	1,184,634	1,028,635	155,999
Deputy	456,643	416,703	416,213	490
Legal	3,155,210	3,351,949	2,243,004	1,108,945
Public information	697,566	689,187	586,832	102,355
Assessor	2,645,921	2,508,973	2,460,814	48,159
Treasurer	2,650,682	2,564,526	2,403,764	160,762
Accounting	4,406,220	4,230,489	3,159,176	1,071,313
Risk management	6,694,687	6,530,893	3,345,292	3,185,601
Budget and business improvement	3,715,428	4,122,044	3,626,377	495,667
Human resources	4,307,965	5,156,625	3,978,461	1,178,164
Information technology	7,410,429	8,942,129	7,434,427	1,507,702
Purchasing	1,275,311	1,559,534	1,493,767	65,767
General county	9,852,837	24,903,497	7,620,975	17,282,522
Solid waste	697,259	631,494	513,222	118,272
Planning and Geo Resources	-	5,250	-	5,250
Social Services	1,875	9,375	7,165	2,210
Economic development	1,384,821	3,680,493	2,421,386	1,259,107
Zoning, building and environmental health	4,076,136	5,146,592	4,240,409	906,183
Clerk	4,981,083	5,763,230	5,660,070	103,160
Probate	235,774	243,214	239,971	3,243
Capital improvements	654,490	516,015	425,663	90,352
Total general government	61,244,679	83,172,318	54,212,749	28,959,569

COUNTY OF BERNALILLO, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP Budgetary Basis)
GENERAL FUND
For the Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Public works:				
General county	47,012	47,012	47,012	-
Solid waste	2,432,990	2,396,777	1,825,482	571,295
Division support	638,332	837,514	834,927	2,587
Fleet-facilities management	18,290,472	16,566,739	15,715,135	851,604
Operations and maintenance	4,610,576	3,981,464	3,799,791	181,673
Technical services	3,054,811	3,183,695	3,171,736	11,959
Planning and geo resources	2,989,794	3,007,933	2,728,286	279,647
Economic Development	130,914	130,914	125,577	5,337
Parks and recreation	270,534	270,346	283,938	(13,592)
Total public works	32,465,435	30,422,394	28,531,884	1,890,510
Public safety:				
Deputy County Manager for Public Safety	404,541	374,887	374,361	526
Accounting	3,606,127	3,578,605	33,865	3,544,740
Information technology	994,783	979,325	794,244	185,081
Purchasing	-	103,430	102,750	680
General county	383,950	91,320	46,513	44,807
Fire and rescue	19,604,577	20,147,348	20,581,597	(434,249)
Office of emergency management	449,049	198,089	145,470	52,619
Metropolitan detention center	50,403,770	62,541,952	57,118,571	5,423,381
Animal care	1,776,915	1,886,686	1,767,641	119,045
Communications department	3,717,607	4,922,798	3,496,248	1,426,550
Sheriff	33,458,533	39,001,871	37,768,486	1,233,385
Youth services	7,128,318	7,866,330	7,547,164	319,166
Total public safety	121,928,170	141,692,641	129,776,910	11,915,731
Health and welfare:				
Accounting	66,352	117,421	106,165	11,256
General County	3,661	3,661	3,661	-
Solid waste	253,556	18,736	215,000	(196,264)
Metropolitan detention center	6,428,157	1,495,648	199,626	1,296,022
Social services	427,852	1,349,133	1,190,576	158,557
Zoning, building and environmental health	2,047,936	2,130,069	1,666,428	463,641
Parks and recreation	30,000	30,000	30,000	-
Housing	232,487	550,300	332,424	217,876
Total health and welfare	9,490,001	5,694,968	3,743,880	1,951,088
Culture and recreation:				
Deputy county manager for community services	288,229	832,382	328,114	504,268
Accounting	84,824	96,549	62,689	33,860
General county	-	15,000	15,000	-
Social services	124,447	318,000	256,186	61,814
Economic development	1,218	232,592	187,072	45,520
Parks and recreation	8,403,291	10,076,679	9,722,901	353,778
Total culture and recreation	8,902,009	11,571,202	10,571,962	999,240
Capital outlay	7,406,201	39,542,604	16,395,463	23,147,141
Intergovernmental capital outlay	-	1,646,219	6,826,345	(5,180,126)
Total expenditures	241,436,495	313,742,346	250,059,193	63,683,153
Other financing uses				
Transfers out	8,439,567	10,403,267	10,403,267	-
Total expenditures and other financing uses	$ 249,876,062	$ 324,145,613	$ 260,462,460	$ 63,683,153
Deficiency of revenues and other financing sources over expenditures and other financing uses			$ (18,108,403)	

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

COUNTY OF BERNALILLO, NEW MEXICO
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2013

	Business-type Activities Enterprise Funds Total Nonmajor	Governmental Activities- Internal Service Funds
ASSETS		
Current assets:		
Cash and investments	$ 5,855,790	$ 1,625,909
Accounts receivable, net	1,757,298	-
Accrued interest receivable	394	-
Due from other funds	697,321	735,851
Prepaid assets	-	2,124,020
Total current assets	8,310,803	4,485,780
Noncurrent assets:		
Capital assets:		
Land	435,352	-
Land improvements	166,027	-
Buildings	6,520,210	-
Construction in progress	35,841	-
Equipment, machinery, and furniture	1,645,779	-
Less accumulated depreciation	(5,408,217)	-
Total noncurrent assets	3,394,992	-
Total assets	11,705,795	4,485,780
LIABILITIES		
Current liabilities:		
Accounts payable and other current liabilities	860,815	760,311
Compensated absences	32,819	-
Accrued payroll	60,081	-
Due to other funds	657,318	-
Due to grantor	1,541	-
Unearned revenue	1,234,537	2,124,020
Total current liabilities	2,847,111	2,884,331
Noncurrent liabilities:		
Compensated absences	331,834	-
Deposits held in trust for others	14,422	-
Advance from other funds	1,470,000	-
Total noncurrent liabilities	1,816,256	-
Total liabilities	4,663,367	2,884,331
NET POSITION		
Net investment in capital assets	3,394,992	-
Unrestricted	3,647,436	1,601,449
Total net position	$ 7,042,428	$ 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 POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2013

	Business-type Activities Enterprise Funds Total Nonmajor	Governmental Activities- Internal Service Funds
Operating revenues:		
Administrative and service fees	$ 6,381,075	$ 7,215,257
Rental income:		
Tenants	241,846	-
Other income	281,410	-
Total operating revenues	6,904,331	7,215,257
Operating expenses:		
Salaries and wages	1,643,541	-
Contractual services	4,954,864	7,215,257
Materials and supplies	284,761	-
Other services and charges	538,824	-
Miscellaneous expense	57,806	-
Depreciation	245,105	-
Total operating expenses	7,724,901	7,215,257
Operating income (loss)	(820,570)	-
Non-operating revenues:		
Interest income	3,914	-
Gain on sale of capital assets	67,275	-
Grants - subsidies	348,950	-
Other government grant subsidies	779,490	-
Total nonoperating revenue	1,199,629	-
Income (loss) before contributions and transfers	379,059	-
Capital - grant subsidies	20,518	-
Transfers in	841,899	-
Change in net position	1,241,476	-
Total net position - beginning	5,800,952	1,601,449
Total net position - ending	$ 7,042,428	$ 1,601,449

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, 2013

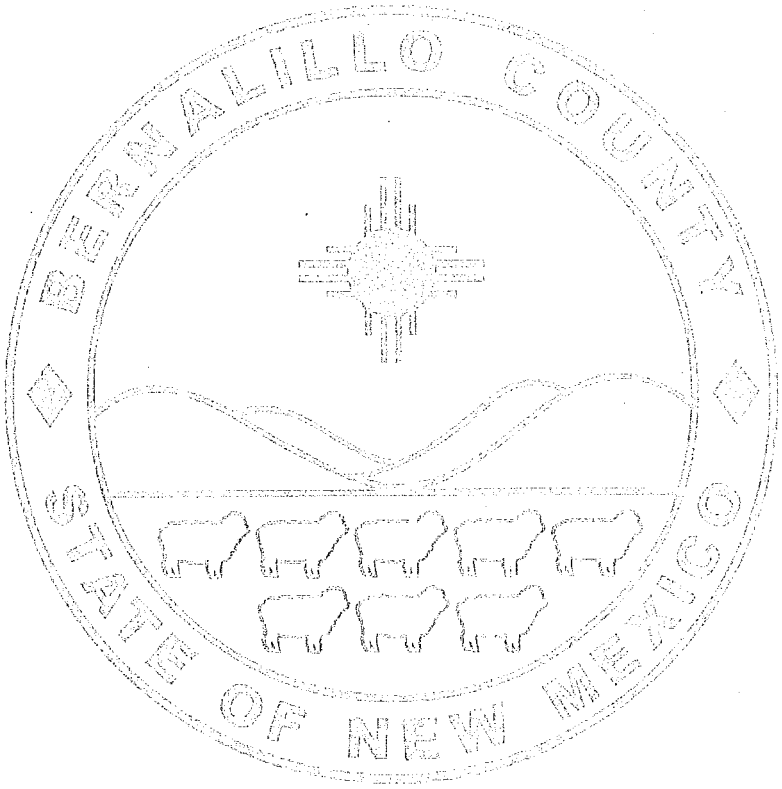
	Business-type Activities Enterprise Funds Total Nonmajor	Governmental Activities- Internal Service Funds
Cash flows from operating activities:		
Receipts from administration and service fees	$ 6,773,709	$ 7,071,585
Receipts from rents	246,348	-
Receipts from other funds for goods and services	581,152	-
Payments to employees for services	(1,443,058)	-
Payments to vendors for goods and services	(6,278,590)	(7,134,502)
Payments to other funds for goods and services	(379,009)	-
Miscellaneous cash received	111,620	-
Net cash provided (used) by operating activities	(387,828)	(62,917)
Cash flows from noncapital financing activities:		
Operating grants/subsidies received	1,128,440	-
Contributions to other funds	(60,000)	-
Transfers in from other funds	841,899	-
Net cash provided by noncapital financing activities	1,910,339	-
Cash flows from capital and related financing activities:		
Proceeds from sale of capital assets	67,275	-
Acquisition of capital assets	(346,011)	-
Capital grants received	20,518	-
Net cash provided (used) by capital and related financing activities	(258,218)	-
Cash flows from investing activities:		
Interest received on investments	3,914	-
Net increase in cash and cash equivalents	1,268,207	(62,917)
Cash and cash equivalents, beginning of year	4,587,583	1,688,826
Cash and cash equivalents, end of year	$ 5,855,790	$ 1,625,909
Reconciliation of operating loss to net cash flows provided (used) by operating activities:		
Operating income (loss)	$ (820,570)	$ -
Adjustments to reconcile operating income to net cash provided(used) by operating activities:		
Depreciation expense	245,105	-
Change in assts and liabilities:		
Accounts receivable	3,563,453	-
Allowance for uncollectable accounts	(3,335,049)	-
Inventory	4,729	-
Due from other funds	246,738	(143,472)
Prepaid expenses	-	(71,636)
Deferred revenue	(272)	71,636
Accounts payable	66,145	80,555
Due to other funds	(210,959)	-
Tenants payable	(786)	-
Accrued compensated absences	(146,362)	-
Net cash flows provided (used) by operating activities	$ (387,828)	$ (62,917)

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, 2013

	Agency Funds
ASSETS	
Cash and investments	$ 20,478,538
Receivables, net:	
Property taxes	37,524,659
Other	3,790,000
Total assets	$ 61,793,197
LIABILITIES	
Deposits held in trust for others	$ 20,547,722
Other	3,439
Future collectable taxes	41,242,036
Total liabilities	$ 61,793,197

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


BERNALILLO COUNTY
STATE OF NEW MEXICO

COUNTY OF BERNALILLO, NEW MEXICO
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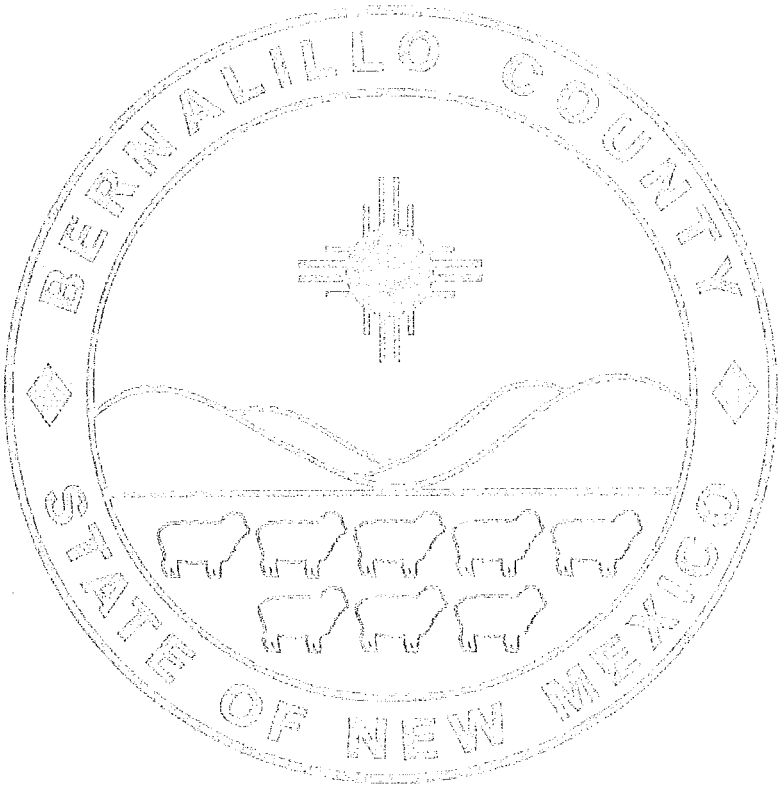
BERNALILLO COUNTY
STATE OF NEW MEXICO

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.

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, 2013.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities,* which normally are supported by taxes and intergovernmental revenues and other non-exhange transactions, 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 is 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. Under GASB 33, the County defines "available" to 60 days after the fiscal year end. Businees-type activities are financed in

whole or in part by fees charged to external parties. 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.

Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, gross receipts taxes, motor vehicle taxes, cigarette taxes, gasoline taxes, licenses, grants, entitlements, donations 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 *Construction fund* accounts for financial resources to be used for the acquisition or construction of major capital facilities.

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.

As a general rule, the effect of inter-fund 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 92% 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 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 (committed, assigned, or unassigned) amounts are available for use, it is the County's policy to consider restricted amounts be reduced first. When an expenditure is incurred for purposes for which amounts in any unrestricted fund balance classification could be used, it shall be the policy of the County that committed amounts would be used first, followed by assigned amounts and then unassigned amounts.

D. Assets, liabilities, and net position 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 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 .07% of outstanding property taxes at June 30, 2013.

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.

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:

Assets	Years
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. Also, at will employees can accumulate unlimited vacation pay. 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 position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

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

8. Net position

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

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

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

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

9. Fund balance classification

In the governmental fund financial statements, fund balance is reported in five classifications.

No spendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form; for example inventories, prepaid amounts, long-term amount of loans and notes receivable or (b) legally or contractually required to be maintained intact; for example debt service reserves.

Restricted - This classification includes amounts that are restricted to a specific purpose. Fund balances are restricted when constraints placed on the use of resources are either: (a) Externally imposed by creditors (such as debt covenants), grantors, contributors, or laws or regulations of other governments; (b) Enabling legislation, as the term is used authorizes the County to assess, levy, charge or otherwise mandate payment of resources and includes a *legally enforceable* requirement that those resources be used only for the specific purposes stipulated in the legislation.

Committed - This classification includes amounts that can only be used for specific purposes to constraints imposed by formal action of the County's highest level of decision-making authority. The Board of County Commissioners (Commission) is the highest level of decision making authority for the County that can, by adoption of a resolution commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Assigned – This classification includes amounts that are constrained by the County's *intent* to be used for specific purposes, but are neither restricted nor committed and should be reported as assigned fund balance. The Board of County Commissioners has by resolution delegated the authority to assign amounts to be used for specific purposes to the County Manager and the Deputy County Manager for Finance.

Unassigned – This classification is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount.

It is the County's policy at the end of the fiscal year, that the County will maintain spendable, unassigned portions of the General Fund balance for cash flow equal to two months of the prior year General Fund operating expenditures. In addition to cash flows needs this accommodates emergency contingency concerns.

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

Certain reclassifications of prior year information have been made to conform to new GASB requirements.

13. Use of estimates

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

II. Reconciliation of government-wide and fund financial statements

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

The governmental fund balance sheet includes reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. 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	$ (120,525,000)
Revenue Bonds	(135,670,000)
Deferred amounts –Premium, Discounts, and Refunding	(4,664,237)
Compensated absences	(30,898,634)
Net adjustment to reduce fund balance – total governmental funds To arrive at net position – governmental activities	$ (291,757,871)

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 reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position 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	$ 32,650,026
Capital outlay – Internal labor Included in operating expenses	1,025,520
Donated assets	10,918,713
Depreciation expense	(32,124,635)
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net position in governmental activities	$ 12,469,624

Another element of that reconciliation states that "The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase net position."

Sale of assets	$ (423,226)
Loss on Disposal	(658,488)
Gain on sale of assets	356,268
Net adjustment to decrease total governmental funds to arrive at changes in net position in governmental activities	$ (725,446)

Another element of that reconciliation states that "Some revenues in the statement of activities do not provide current financial resources and are not reported as revenues in the funds." The details of this difference are as follows:

Property taxes receivable – current year	$ 9,360,089
Property taxes receivable – prior year	(9,925,094)
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net position in governmental activities	$ (565,005)

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 position. The details of this difference are as follows:

Debt issued or incurred:	
Issuance of general obligation bonds	$ (17,800,000)
Bond issuance cost	120,367
Premium	(837,434)
Principal repayments:	
General obligation bonds	7,120,000
Revenue bonds	7,315,000
Net adjustment to decrease net changes in fund balances – Total governmental funds to arrive at changes in net position of governmental activities	$ (4,082,067)

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	$ (2,377,449)
Accrued interest	20,049
Amortization of premium	553,035
Amortization of deferred charge on refunding	(82,662)
Amortization of bond discounts	(43,631)
Amortization of issuance cost	(113,147)
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net position in governmental activities	$ (2,043,805)

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 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 center non-GAAP statement to the GAAP statement is as follows:

	General Fund
Net change in fund balance – GAAP basis	$ (26,076,600)
(Increase) decrease in assets:	
Accounts receivable	(4,269,511)
Due from other funds	(1,522,590)
Accrued interest	1,876,021
Fair market value of investments	12,814,794
Increase (decrease) in liabilities:	
Accounts payable	(712,769)
Deferred revenue	273,148
Accrued payroll	(490,896)
Net changes in fund balance	$ (18,108,403)

B. Deficit fund equity

There is an unrestricted deficit balance of $613,630 in the El Centro Familiar Fund. The County expects that the pay down in the "advance from other funds" and a FY14 subsidy from the general fund will be sufficient to cover the deficit.

IV. Detailed notes on all funds

A. Cash and investments

As of June 30, 2013, the County had the following investments.

Investment Type	Fair Value	Weighted Maturity Average (Months)	Percent of Total
Federal Farm Credit Agency	$ 23,661,805	118.29	8.8%
Federal Home Loan Bank	120,680,889	124.90	45.0%
Federal Mortgage Acceptance Corp.	9,411,250	120.79	3.5%
Federal National Mortgage Assoc.	91,811,582	178.00	34.3%
Repurchase Agreements	16,681,279	153.83	6.2%
Certificate of Deposits	5,984,234	5.20	2.2%
Total fair value	$ 268,231,039		100%
Portfolio weighted average maturity		141.47	

Interest Rate Risk. The County's investment policy does not limit investment maturities as a way of managing its exposure to fair value losses arising from increasing interest rates. Calls on U.S. Agencies securities are not included in the calculation of the weighted maturity average.

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, repurchase agreements, and municipal GRT Revenue Bonds.

As of June 30, 2013, 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 AA+ by Standard & Poor's.

Concentration of Credit Risk. The Concentration of Risk is the risk of loss that may arise in the event of default by a single issuer. The County's investment policy places no limit on the amount the County may invest in any one issuer. The table above shows Bernalillo County's investment holdings by issuer and the percentage each issuer makes up of the total investments held by the County as of June 30, 2013.

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: $5,984,234 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, 2013, $256,226 of the County's deposits was exposed to collateral risk. All other balances are not exposed to any custodial risk. $256,226 with Southwest Capital Bank was uninsured. They are fully collateralized and the collateral is held in the County's name.

Additionally, as of June 30, 2013 those deposits along with the County's Federal Agency Securities were held by the safekeeping department of the Wells Fargo Trust. On September 30, 2012, KPMG LLP issued an unqualified opinion for the SSAE 16 requirement of Wells Fargo Trust Operations.

A reconciliation of cash and investments for the County follows:

Bank accounts	$	34,794,288
Petty cash on hand		1,623
Carrying amount of investments		268,231,039
Total cash and investments	$	303,026,950

Statement of Net Position

Primary Government		
Cash and investments	$	269,741,463
Cash-restricted		12,806,949
Statement of Fiduciary Assets and Liabilities		20,478,538
Total cash, investment	$	303,026,950

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, 2013.

Investment income. The County reported investment income(loss) of $(7,191,138), which consists of the following components:

	General Fund	Construction Fund	Non major Governmental Funds	Total Government Funds
Realized investment:				
Income	$ 5,653,328	$ 356,995	$ 879,299	$ 6,889,622
Discount	591,449	-	-	591,449
Unrealized:				
Investment discount	37,678	-	-	37,678
Loss - investment accrual	(458,904)	(11,379)	(7,693)	(477,976)
Loss mark to market valuation:				
Current year	(12,814,794)	-	-	(12,814,794)
Prior year-reversed	(1,417,117)	-	-	(1,417,117)
Net investment Income(loss)	$ (8,408,360)	$ 345,616	$ 871,606	$ (7,191,138)

B. Receivables

	General Fund	Construction Fund	Non major Governmental Funds	Total Government Funds
Property taxes	$ 10,381,766	$ -	$ 1,136,440	$ 11,518,206
Gross Receipts Taxes	18,252,138	-	4,718,831	22,970,969
Gasoline Taxes	285,379	-	-	285,379
Motor Vehicle Tax	207,099	-	-	207,099
Transportation Fees	100,610	-	-	100,610
Special Assessments	81,860	-	-	81,860
Intergovernmental	417,775	-	-	417,775
Due from other governments	5,427,939	3,525,000	198,189	9,151,128
Other	345,512	-	1,850	347,362
Gross Receivables	35,500,078	3,525,000	6,055,310	45,080,388
Less: Allowance for Uncollectibles	(1,235,752)	-	(86,417)	(1,322,169)
Net total receivables	$ 34,264,326	$ 3,525,000	$ 5,968,893	$ 43,758,219

	Enterprise Funds	Agency Funds
Property Taxes	$ -	$ 40,344,389
Solid Waste Fees	4,309,036	-
Special Assessments	-	54,218
Due from other governments	273,748	-
Other	38	3,735,782
Gross Receivables	4,582,822	44,134,389
Less: Allowance for uncollectibles	(2,825,524)	(2,819,730)
Net Total Receivables	$ 1,757,298	$ 41,314,659

The County maintains a receivable balance in the Solid Waste fund that consists of balances that are not expected to be collected within one year and which are deemed uncollectable. These balances become legally uncollectable when "any debt that is not enforceable in a judicial proceeding because the applicable state of limitation has run" out. 12.2.12.7(I) NMAC. The County may remove legally uncollectable debt that is four years old, and that is contractually 6 years old as permitted by NMSA 1978, § 3-37-7.

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 which 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 principal payments of $1,470. The balance of this note was $103,290 at June 30, 2013. The second note balance for $69,340 with the Duran family is due in 30 years, with an interest rate of 6.5%. The total note receivable for June 30, 2013 is $172,630.

C. Capital assets

Capital asset activity for the year was as follows:

	Balance June 30, 2012	Increases	Decreases	Balance June 30, 2013
Governmental activities				
Capital assets, not being depreciated:				
Land	$ 136,026,601	$ 768,484	$ (638,500)	$ 136,156,585
Construction in progress	61,424,198	29,995,120	(45,882,861)	45,536,457
Art	2,534,675	17,730	-	2,552,405
Total capital assets, not being Depreciated	199,985,474	30,781,334	(46,521,361)	184,245,447
Capital assets, being depreciated:				
Buildings	310,265,895	25,270,152	(66,500)	335,469,547
Land improvements	8,862,572	7,802,540	-	16,665,112
Machinery and equipment	77,574,928	9,629,746	(3,416,739)	83,787,935
Infrastructure	289,086,309	16,993,348	-	306,079,657
Leasehold improvements	3,213,396	-	-	3,213,396
Total capital assets being Depreciated	689,003,100	59,695,786	(3,483,239)	745,215,647
Less Accumulated depreciation for:				
Buildings	(129,963,909)	(12,683,187)	53,643	(142,593,453)
Land improvements	(882,937)	(1,354,969)	-	(2,237,906)
Machinery and equipment	(57,784,145)	(7,560,456)	3,342,650	(62,001,951)
Infrastructure	(126,141,225)	(10,397,487)	-	(136,538,712)
Leasehold improvements	(1,326,350)	(128,536)	-	(1,454,886)
Total accumulated depreciation	(316,098,566)	(32,124,635)	3,396,293	(344,826,908)
Total capital assets, being depreciated, net	372,904,534	27,571,151	(86,946)	400,388,739
Governmental activities capital assets, net	$ 572,890,008	$ 58,352,485	$ (46,608,307)	$ 584,634,186

	June 30, 2012	Increases	Decreases	June 30, 2013
Business-type activities				
Capital assets, not being depreciated:				
Land	$ 435,352	$ -	$ -	$ 435,352
Construction in progress	-	35,841	-	35,841
Total capital assets, not being depreciated	435,352	35,841	-	471,193
Capital assets, being depreciated:				
Land improvements	44,559	121,468	-	166,027
Buildings	6,385,659	134,551	-	6,520,210
Machinery and equipment	1,840,360	54,151	(248,732)	1,645,779
Total capital assets being depreciated	8,270,578	310,170	(248,732)	8,332,016
Less accumulated depreciation for:				
Land improvements	(9,283)	(5,468)	-	(14,751)
Buildings	(3,655,933)	(205,756)	-	(3,861,689)
Machinery and equipment	(1,746,628)	(33,881)	248,732	(1,531,777)
Total accumulated depreciation	(5,411,844)	(245,105)	248,732	(5,408,217)
Total capital assets, being depreciated, net	2,858,734	65,065	-	2,923,799
Business-type activities capital assets, net	$ 3,294,086	$ 100,906	$ -	$ 3,394,992

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

Governmental activities:	
General government	$ 5,122,760
Public safety	10,728,151
Culture and recreation	2,982,877
Public works	11,246,181
Health and welfare	2,044,666
Total depreciation expense-governmental activities	$ 32,124,635
Business-type activities:	
Solid waste	$ 34,401
Housing Authority	56,327
Seybold Village	49,082
El Centro Familiar	105,295
Total depreciation expense-business-type activities	$ 245,105

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of June 30, 2013, is as follows:

	Due To:			
	General Fund	Nonmajor Governmental Funds	Enterprise Funds	Total
Due From:				
Internal Service	$ 735,851	$ -	$ -	$ 735,851
Enterprise Funds	-	40,003	657,318	697,321
Total	$ 735,851	$ 40,003	$ 657,318	$ 1,433,172

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, 2013. The 2010B Debt Service Fund advanced the Housing Authority $1,650,000 in FY10 which has an outstanding balance of $1,470,000 at June 30, 2013.

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, 2013 were as follows:

	Transfer out:			
	General Fund	Construction Fund	Nonmajor Governmental Funds	Total
Transfer in:				
General Fund	$ -	$ -	$ 307,190	$ 307,190
Nonmajor funds	9,561,368	717,066	3,247,012	13,525,446
Enterprise	841,899	-	-	841,899
Total	$ 10,403,267	$ 717,066	$ 3,554,202	$ 14,674,535

E. Leases

Operating Leases

During the fiscal year ended June 30, 2013, the County leased equipment, and office space under operating leases. The County's expenditures on those leases for the fiscal year ended June 30, 2013, were $1,026,220. 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. The County's future minimum rental commitments is $42,762 for the year ended 2014.

During the year, the County, as lessor, leased various office spaces at a cost of approximately $2.73 million and a carrying amount of $1.3 million under operating leases. Rental revenue was $543,286 and depreciation expense on those assets was $109,377.

F. Long-term debt

Changes in long-term liabilities
Long-term liability activity for the year ended June 30, 2013, was as follows:

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013	Amounts Due within One Year
Governmental Activities:					
Bonds:					
G.O. bonds	$ 109,845,000	$ 17,800,000	$ (7,120,000)	$ 120,525,000	$ 9,005,000
Revenue bonds	142,985,000	-	(7,315,000)	135,670,000	8,005,000
Deferred amounts:					
Bond premiums	5,632,467	837,434	(553,035)	5,916,866	-
Bond discounts	(534,586)	-	43,631	(490,955)	-
Refunding	(844,336)	-	82,662	(761,674)	-
Total bonds	257,083,545	18,637,434	(14,861,742)	260,859,237	17,010,000
Other liabilities:					
Compensated absences	28,521,185	15,253,534	(12,876,085)	30,898,634	2,780,902
Governmental activity Long-term liabilities	$ 285,604,730	$ 33,890,968	$ (27,737,827)	$ 291,757,871	$ 19,790,902

	Balance June 30, 2012	Additions	Deletions	Balance June 30, 2013	Amounts Due within One Year
Business-type Activities:					
Compensated absences	$ 511,014	253,527	(399,888)	364,653	$ 32,819

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 $5,851,628 and debt related to unspent proceeds is $26,676,273. The GO bonds outstanding as of June 30, 2013 are comprised of the following issues:

Issue	Amount	Interest Rate	Final Maturity
Series 1997	$ 3,975,000	4.75%	December 1, 2017
Series 1999	8,670,000	4.50%	August 1, 2019
Series 2004	3,029,000	4.00%-4.40%	October 15, 2021
Series 2005	4,705,000	3.75%-4.00%	February 1, 2020
Series 2005A	4,446,000	4.25%-4.50%	February 1, 2025
Series 2006	7,770,000	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 2009	6,300,000	3.00%-4.50%	June 1, 2019
Series 2009A	8,250,000	1.90%-3.60%	December 1, 2020
Partial Refunding Series 2010	12,750,000	2.50%-4.00%	February 1, 2022
Series 2011	3,650,000	3.00%-3.00%	February 1, 2019
Advance Refunding 2012	5,980,000	2.00%-4.00%	June 15, 2023
Series 2012A	14,400,000	3.00%-4.00%	June 15, 20132
Series 2013	17,800,000	2.00%-4.00%	August 15, 2028
Total	$ 120,525,000		

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

	Governmental Activities	
Year Ending June 30,	Principal	Interest
2014	$ 9,005,000	$ 4,347,240
2015	9,150,000	4,078,200
2016	9,445,000	3,741,531
2017	9,010,000	3,408,524
2018	9,376,000	3,063,730
2019-2023	41,359,000	10,012,541
2024-2028	25,950,000	3,590,071
2029-2032	7,230,000	451,608
	$ 120,525,000	$ 32,693,445

The Gross Receipts Tax Revenue Bonds are limited obligations of the County, payable solely from gross receipts tax revenues. The gross receipts tax revenue bonds outstanding as of June 30, 2013 are comprised of the following issues:

Issue	Amount	Interest Rate	Final Maturity
Series 1996B	$ 45,555,000	5.00%-5.70%	April 1, 2027
Series 1997	5,800,000	5.25%-5.75%	October 1, 2017
Refunding Series 1998	37,835,000	5.125%-5.25%	April 1, 2027
Partial Refunding Series 2005	38,880,000	4.50%-5.25%	October 1, 2026
Series 2010A	6,130,000	2.50%-4.00%	June 15, 2019
Refunding Series 2010B	1,470,000	2.00%-4.5%	June 15, 2029
	$ 135,670,000		

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

	Governmental Activities	
Year Ending	Principal	Interest
2014	$ 8,005,000	$ 6,964,497
2015	7,730,000	6,594,960
2016	8,635,000	6,198,816
2017	9,165,000	5,762,773
2018	9,515,000	5,308,079
2019-2023	45,725,000	19,603,097
2024-2028	46,605,000	6,246,596
2029	290,000	11,963
	$ 135,670,000	$ 56,690,781

At June 30, 2013, the following general obligation bonds were authorized and unissued.

Approved by Voters on	Purpose	Authorized
November 6, 2012	Road Bonds	$ 5,000,000
November 6, 2012	Storm Drain	2,500,000
November 6, 2012	Library Bonds – Books	800,000
November 6, 2012	Facilities Improvements – ADA	400,000
Total		$ 8,700,000

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, 2013, $3,020,000 of general obligation bonds outstanding is considered defeased.

G. Special assessment bonds

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

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, 2013:

Improvement Bonds	Interest Rate	Date Issued	Date Series Matures	Amount of Original Issue	Bonds Outstanding June 30, 2013
Comanche Griegos BC-83-1B	6.25%	12/03	12/15/23	$2,085,000	$1,155,000

At June 30, 2013, 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	$ 10,120	$ 13,502	$ 55,475	$ 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
5. The bonded indebtedness or assignable certificates have been paid.

H. 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. 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.

Industrial Revenue Bonds

In fiscal year 2013, the County issued three new Industrial Revenue Bonds. As of June 30, 2013, there were eighteen series of Industrial Revenue Bonds outstanding with an original issue amount of $211,021,000. The remaining principal balance outstanding as of June 30, 2013 is $103,920,168.

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, 2013, there were eight series of project revenue bonds with an original issue amount of $37,625,000. The remaining outstanding principal balance as of June 30, 2013 is $29,599,543.

New Mexico Non-profit Corporation Project Revenue Bond

In fiscal year 2013, the County has two project revenue bonds; the YMCA of New Mexico Project and MRCOG Project with an total issue amount of $6,385,449. The remaining principal balance as of June 30, 2013 is $5,704,070.

I. Fund balance requirements

The New Mexico Department of Finance and Administration (DFA) requires that 3/12 of the FY14 budgeted expenditures in the general fund be restricted as subsequent-year expenditures to maintain an adequate cash flow until the next significant property tax collection. The DFA required reserve balance for FY13 is $69,463,043. In addition, $35,809,099 is classified as unassigned in the general fund to comply with the County's minimum fund balance policy of 2/12 of the prior year operating expenditures to be used for cash flow and emergency contingencies.

J. Fund balance purpose

The detail information for nonspendable, restricted, committed, assigned and unassigned fund balances are disclosed below:

	General	Construction Fund	Other Funds	Total Funds
Nonspendable				
Notes receivable	$ 172,630	$ -	$ -	$ 172,630
Advances to other funds	1,497,000	-	1,470,000	2,967,000
Inventory	746,250	-	9,953	756,203
Debt service - restricted	-	-	12,806,949	12,806,949
Restricted				
Reserve requirement	69,463,043	-	-	69,463,043
Grant match funds	30,511	-	-	30,511
Debt service	-	-	5,536,304	5,536,304
Road bonds	-	9,683,514	-	9,683,514
Public Safety:				
Bonds	-	5,653,931	-	5,653,931
Fire protection	-	-	525,244	525,244
Sheriffs	-	-	524,712	524,712
DSAP	-	-	714,694	714,694
Law enforcement	-	-	170,287	170,287
Healthcare	-	-	9,290,035	9,290,035
Environmental services	-	-	2,572,503	2,572,503
Infrastructure	-	4,871,056	5,084,643	9,955,699
Open space	-	-	2,789,076	2,789,076
Valuation	-	-	15,201,942	15,201,942
Housing services	-	-	916,448	916,448
Library	-	866,819	-	866,819
Parks bonds	-	2,297,355	-	2,297,355
Clerks - recording	-	-	706,680	706,680
Other purposes	-	2,657,264	618	2,657,882
Committed				
General county contingency	2,500,000	-	-	2,500,000
General salaries- term, vacant, current	4,857,084	-	-	4,857,084
MDC salaries - term, temporary staffing	4,859,521	-	-	4,859,521
MDC - electronic monitoring	2,454,250	-	-	2,454,250
McClendin case	3,736,987	-	-	3,736,987
MDC - miscellaneous	2,119,558	-	-	2,119,558
Regional detention center	3,544,740	-	-	3,544,740
Sheriffs Salaries - terms	2,287,158	-	-	2,287,158
Helicopter - metro air	338,841	-	-	338,841
Fleet replacement - general, sheriff	2,434,375	-	-	2,434,375
Heavy equipment - general, fire	3,075,000	-	-	3,075,000
Fire salaries - terms	285,291	-	-	285,291
Social services	834,818	-	-	834,818
Rio Grande pool	1,840,000	-	-	1,840,000
Information technology	1,041,098	-	-	1,041,098
Infrastructure/buildings	2,834,230	-	-	2,834,230
Housing	610,438	-	-	610,438
Primary election	1,360,721	-	-	1,360,721
PILT	760,304	-	-	760,304
LEDA/Special Events	500,000	-	-	500,000
Various projects	1,019,431	-	-	1,019,431

	General	Construction Fund	Other Funds	Total Funds
Assigned				
Subsequent years expenditures	16,952,826	-	-	16,952,826
DWI seizure	400,000	-	-	400,000
Helicopter - metro air	200,000	-	-	200,000
Sheriffs various	235,070	-	-	235,070
MDC projects	2,054,248	-	-	2,054,248
Public safety iniatives	693,815	-	-	693,815
MATS adolescent	236,465	-	-	236,465
Communications - CAD various	1,729,898	-	-	1,729,898
Zoning - ACCELA system	167,607	-	-	167,607
Information technology - various software	909,753	-	-	909,753
Economic development	393,458	-	-	393,458
Housing	115,278	-	-	115,278
Road	-	2,269,132	-	2,269,132
Storm drain	-	3,253,317	-	3,253,317
Water, wastewater projects	-	10,730,072	-	10,730,072
Trails	-	700,521	-	700,521
Arts	-	478,474	-	478,474
Library	500,000	-	-	500,000
Open space	1,893,000	-	-	1,893,000
Rio Grande pool	123,532	-	-	123,532
North Valley little league	500,000	-	-	500,000
MRCOG building	500,226	-	-	500,226
Building, Infrastructure	1,456,423	-	-	1,456,423
Other purposes	908,647	1,375,519	-	2,284,166
Unassigned				
Minimum fund balance policy	35,809,099	-	-	35,809,099
	$ 180,982,624	$ 44,836,974	$ 58,320,088	$ 284,139,686

K. Net position restricted by enabling legislation

The government-wide statement of net position reports $133,136,883 of restricted net position, of which $11,562,346 is restricted by enabling legislation.

L. 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 standards as applied to governmental funds. The net position reconciles 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:

Net Position		Amount
Net Position - Housing Choice Vouchers 14.871	$	826,630
Compensated Absences		89,818
Fund balance - Section 8 Housing - Vouchers	$	916,448

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 position reconciles 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:

Net Position		Amount
Net Position – Central Office	$	3,223,760
Net Position – Home Rehabilitation		172,218
Net Position – Housing Authority		3,395,978
Compensated Absences		(89,818)
Fund balance – Housing Authority	$	3,306,160

Department of Substance Abuse Financial Data Schedule

The federal HUD grant associated with the Department of Substance Abuse is combined with other grants reported in the Grant Fund. The Financial Data Schedule, as required by HUD, is included and only reflects the Department of Substance Abuse grant program, and therefore there are no differences to reconcile.

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 joined a Multi-line Pool in January 1989 and the Law Enforcement Pool in 1995. These public entity risk pools operate as a common risk management and insurance program for workers' compensation, property and casualty, and law enforcement liability coverage. The County pays an annual premium to the pools for general insurance coverage. The Bernalillo County Risk Management Director is a voting member on the Workers' Compensation Pool Board of Directors and the Deputy County Manager for Finance is a voting member on the Multi-line and Law Enforcement Pool Board of Directors.

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 $750,000 (workers' compensation), $500,000 (multi-line),

and $500,000 (law enforcement), for each insured event. The insurance 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 31 counties in this pool, which for the fiscal years that ended June 30, 2013, 2012, and 2011 contributed a total of $7,829,935, $7,735,091, and $7,678,065 respectively. The premium that each county pays depends upon the payroll total and the loss experience specific to that county. Bernalillo County has a self-insurance retention of $400,000 (maximum amount paid for each insured event before using insurance) and $1,750,000 annual aggregate limit, thus dramatically reducing Bernalillo County's annual pool contribution. For the fiscal years that ended June 30, 2013, 2012, and 2011, the County contributed $698,081, $664,839, and $633,180 respectively. In addition to premiums, Bernalillo County maintains a reserve fund for each fiscal year to service open claims that are less than the self-insured retention limit.

The Multi-line Pool provides property and casualty coverage for 28 counties. The coverage includes buildings and contents, automobile physical damage and liability, general liability, personal injury, employee benefits liability, public officials' errors and omissions, crime, fuel storage tanks, and boiler and machine coverage. Premiums for the Multi-line Pool are paid for the calendar year. For calendar years 2013, 2012, and 2011, participating counties contributed a total of $7,283,018, $7,214,238, and $7,080,611 respectively. For calendar years 2013, 2012, and 2011, Bernalillo County contributed $1,612,612, $1,671,288, and $1,611,393, respectively. For each calendar year, a reserve fund is kept to pay deductibles for open multi-line claims.

The self-insured retention level for this pool 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 the County Reinsurance Limited, to a policy limit of $2,000,000. Additionally, the pool has purchased another excess liability policy in the amount of $3,000,000.

The Law Enforcement Pool provides coverage for law enforcement activities and liabilities, which includes the Sheriff's Department, the Metropolitan Detention Center, and the Youth Services Center. Currently, the pool provides coverage for 28 members. For calendar years 2013, 2012, and 2011, participating counties contributed a total of $9,344,652, $9,136,377, and $8,999,962 respectively. For calendar years 2013, 2012, and 2011 Bernalillo County contributed $2,623,006, $2,384,550, and $2,228,552 respectively. For each calendar year, a reserve fund is kept to pay deductibles for law enforcement liability claims.

The pooling agreements require the pools to be self-sustaining. The Pool Boards retain one year's budget in surplus prior to considering an equity distribution to the participating counties. The pools retain the risk of loss to be shared proportionately by pool participants. Bernalillo County does not retain the sole risk of losses incurred. For the fiscal years that

ended June 30, 2013, 2012, and 2011 there were no payments in excess of the annual premium contributions for self-sustainment of the insurance pools.

The New Mexico County Insurance Authority has published its own financial report for the fiscal year ended June 30, 2013, which can be obtained from the New Mexico Association of Counties, 444 Galisteo St., Santa Fe, New Mexico 87501. (http://www.nmcounties.org/)

Bernalillo County carries commercial insurance for all other risks of loss not covered by pool insurance such as medical professional liability, law enforcement aviation operations, accident and sickness for sheriff reserve officers, cyber-liability, and a volunteer accident policy.

B. Construction and other significant commitments

Construction commitments. At June 30, 2013 the County is committed to $27,831,000 under construction contracts for capital assets.

Litigation. The County is a defendant in a number of lawsuits, the significant majority of which are covered under the County's insurance policy through the New Mexico Association of Counties. 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 are two pending claims that are not covered by insurance. In one case involving a claim of irregularities in the 2012 General Election, there are no monetary damages being sought. In the other case, if damages are awarded by judgment or paid pursuant to settlement negotiations, the amount is not likely to exceed $10,000.

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, 2013, 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 comply with the statue, 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 FY14 which will

generate approximately $10 million annually. The gross receipts are distributed to the State of New Mexico, Human Services Department.

Encumbrances. At year end the amount of significant encumbrances greater than $300,000 which are expected to be honored upon performance by vendor in the next year were as follows:

General fund	$ 3,551,720
Grants fund	2,582,624
Construction fund	7,526,474
Nonmajor governmental	802,147
Total	$ 14,462,965

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 FY13, 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 FY13 was $430,582 and $430,002 of this amount has been received to date which includes $1,527 for medical costs. Bernalillo County receives 100% of all medical costs billed under these cost of care agreements.

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 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 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 employer, employee and retiree contributions are required to be remitted to RHCA on a monthly basis. The statutory requirements for the employer and the employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

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. For employees who are members of an enhanced retirement plan (state police and adult correctional officer coverage plan 1; municipal police member coverage plans 3, 4 and 5; municipal fire member coverage plan 3, 4, and 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary, and each participating employee was required to contribute 1.25% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Bernalillo County's contributions to the RHCA for the years ended June 30, 2013, 2012 and 2011 were $2,281,109, $2,072,085 and $1,723,830, respectively, which equal the required contributions for each year.

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 plan of the gross covered salary. The contribution requirements of plan members and the County are established state statute 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, 2013, 2012, and 2011 were $14,013,271, 14,013,271 and $12,882,327, respectively, which equal the amount of the required contributions for each fiscal 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, 2013.

	Employee		Employer	
Covered Division	**Percent**	**Dollars**	**Percent**	**Dollars**
General-management, blue collar and white collar	13.15%	$6,882,581	9.15%	$4,789,015
General-other	9.15	25,541	9.15	25,537
Sheriff	16.30	2,595,984	18.50	2,946,370
Fire	16.20	1,753,307	21.25	2,299,859
Detention	16.65	3,349,953	16.65	3,349,956

	Employee/Employer combined	
	Percent	**Dollars**
Retired employees	9.15-21.25%	755,089

F. Subsequent events

The results of the fiscal year 2013 audit identified material weaknesses within the County Treasurer's Office. Due to these findings, the New Mexico Office of the State Auditor has designated Bernalillo County for a special audit related to the financial affairs and transactions of the County Treasurer's Office. At the time of this audit report, the results of this special audit are unknown.

APPENDIX E

BERNALILLO COUNTY INVESTMENT POLICY
(ADOPTED APRIL 1, 2014)

Bernalillo County

Investment Policy

March 2014

Bernalillo County Treasurer, Manny Ortiz
Board of County Commissioners:
Debbie O'Malley, Chair
Art De La Cruz, Vice Chair
Maggie Hart Stebbins
Lonnie C. Talbert
Wayne A. Johnson

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I. Statement of Purpose/Statutory Authority/Objectives:

A. Purpose of Investment Policy.

This Investment Policy is adopted by the County Board of Finance and the County Treasurer. The Board of Finance and the Treasurer desire to maintain adequate liquidity through matching the County's cash flow projections with short term cash balances. All deposits and investments should be consistent with the highest standards of safety through proper management of market and credit risk.

B. Statutory Authority.

The Investment Policy clarifies the delegation and implementation of statutory duties of the County Treasurer and the County Board of Finance with regard to the investment of public funds. Of course, simply, in the event of a conflict between this Investment Policy and the respective statutory provisions, the statutory provisions control.

The County Treasurer is authorized to supervise the deposit and safekeeping of the public money of Bernalillo County and all the money which may at any time come into or be in his/or her possession as County Treasurer and ex-officio tax collector. This authority shall be exercised by and with the advice and consent of the County Board of Finance, and with that advice and consent, designate banks, savings and loan associations and credit unions. New Mexico Statutes Annotated 1978 § 4-43-2.

The Board of County Commissioners is authorized to constitute a County Board of Finance to supervise the determination of the qualifications of the institutions receiving the public money of Bernalillo County and provide advice and consent to the County Treasurer on all investments and deposits of County monies. New Mexico Statutes Annotated 1978 § 6-10-8.

Specific statutory authority of the County Treasurer concerning the investment of public funds, with the advice and consent of the County Board of Finance, can be found in New Mexico Statutes Annotated 1978 §§ 6-10-8; 6-10-10; 6-10-10.1; 6-10-24; 6-10-44 ; and 6-10-44.1.

C. Objectives.

Funds will be invested in a manner that is in conformance with Federal, State, and County legal requirements. The objectives of the County shall be based upon a risk tolerance analysis adopted annually by the County Board of Finance which shall balance the three following objectives:

1. **Safety**. The first priority is the preservation and protection of the principal of the funds to be invested. Risk elements include duration, credit soundness and liquidity;

2. **Maintenance of Liquidity Needs**. The second priority is maintaining sufficient availability of cash, or the capacity to obtain it without sacrificing principal loss, in order to satisfy the reasonably anticipated, continuing operational requirements of the specific funds invested; and

3. **Return on Investments**. The third priority is to optimize investment return, consistent with the higher priorities accorded to the safety and liquidity of principal. Return may only be considered a priority when safety and liquidity have already been ensured.

D. Scope.

This Investment Policy is a comprehensive guide governing the investment functions of the County Treasurer and County Board of Finance with respect to public money of Bernalillo County, New Mexico invested by the Treasurer with the advice and consent of the Board of Finance in the exercise of statutory authority. The policy covers all monies invested by the Treasurer. It does

not apply, in its entirety, to funds held in the County's operating and savings bank accounts with the fiscal agent bank. Fiscal agent bank deposit balances and repurchase agreement instruments shall comply with state statutory collateral requirements as outlined in the Fiscal Agent Bank section of this policy.

II. Definitions:

Investment Officer	The individual or third-party entity authorized and selected by the County Treasurer and County Board of Finance to understand, invest, manage, and monitor the County's portfolio of assets in the custody of the County Treasurer, with the advice of a Registered Investment Advisor (RIA), in cooperation with the County Treasurer on behalf of Bernalillo County. The Investment Officer will devise strategies for growth, and is charged with recognizing and avoiding serious risks.
Investment Advisor	A person or entity registered with the SEC, a state, or Financial Industry Regulatory Authority (FINRA), approved by and reporting to the County Treasurer and County Board of Finance that is responsible for advising the Investment Officer and County Treasurer and that may independently manage a securities portfolio on behalf of the County of Bernalillo.
Custodian	A specialized financial institution that is a member of the Securities Investor Protection Program (SIPC), approved by the County Treasurer and County Board of Finance, responsible for the safekeeping of assets. The assets may be in electronic or physical form. Some additional responsibilities may include facilitating securities settlements and the collection of income on assets held in safekeeping.
Duration	A measure of the sensitivity of an underlying security, or portfolio, to changes in interest rates.
DVP	Delivery Versus Payment, a method of securities settlement where securities are simultaneously exchanged for payment.
Fiscal Agent Bank	A bank, appointed by the County Treasurer and County Board of Finance, acting on behalf of the County of Bernalillo, to perform various financial functions that include the processing and handling of cash activities.
Maturity Date	The date on which the principal amount of a debt instrument becomes due and is repaid to the investor, along with all remaining interest.
WAM	Weighted Average Maturity. For a given portfolio, the average maturity of investment holdings weighted by the relative size of each position.

III. Standards of Care:

A. Delegation of County Board of Finance Investment Approval Authority to an Investment Officer.

1. To ensure effective investment management of public funds, the County Board of Finance shall contract with an Investment Advisor.

2. The Investment Officer shall have specific expertise in fixed income securities management, cash management and risk management in order to achieve the objectives of the Investment Policy.

3. Every investment of public monies shall be completed with the County Treasurer and Investment Officer's specific dual written approval unless delegated to a Registered Investment Advisor.

4. The County Treasurer and the Investment Officer shall report to the County Board of Finance monthly through a written report and quarterly at County Board of Finance meetings.

5. In addition to specific investment responsibilities, the Investment Officer, working with the County Treasurer, shall also track investments, provide securities settlement and cash transfer support and manage the collateral process for the depository relationships by entities within the County.

6. In the event there is no Investment Officer serving, the Board of Finance's authority of advice and consent for all investments of public money shall be delegated to the County Manager, or Manager designee, for dual written approval with the County Treasurer as provided in Subparagraph 3 above.

7. The County Board of Finance's statutory authority, except as delegated above, is retained by the County Board of Finance.

B. County Treasurer's Duties under the Investment Policy.

1. The County Treasurer retains all of his/her statutory authority and responsibility to properly deposit and invest the public monies of Bernalillo County. The authority shall be exercised in compliance with this Investment Policy.

2. The County Treasurer shall perform his/her duties in conjunction with, and in cooperation with the Investment Officer, recognizing that the County Board of Finance's authority of advice and consent on specific deposits and investments is exercised by the Investment Officer.

C. Ethics and Conflict of Interest.

The Board of Finance, the County Treasurer, Investment Officer, Investment Advisor, all broker/dealers and other finance, investment and securities professionals with the Treasurer's office shall become familiar with and comply with the Investment Policy, the standards of conduct and all policies of the office of the County Treasurer and laws as described below, and generally pertinent laws of the State of New Mexico.

1. Standards of Conduct.

The Board of Finance, the County Treasurer and the Investment Officer shall adhere to standards of conduct required by the following:

- The Bernalillo County Code, Code of Conduct, 2-126 to 2-139;
- The Governmental Conduct Act, NMSA §§ 10-16-1 to -18;
- The Gift Act, NMSA 1978 §§10-16B-1 to -4; and
- The Procurement Code, NMSA 1978 §§ 13-1-28 to 199.

2. Conflict of Interest.

The Board of Finance, the County Treasurer, the Investment Officer, the Investment Advisor and all of their officers and employees involved in the investment process shall abide by the provisions of the Bernalillo County Code of Conduct and refrain from personal activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial investment decisions. Each person involved in the investment process shall disclose any material interests in financial institutions with which they conduct business. Disclosure shall be made to the County Clerk. They shall further disclose in writing any personal financial/investment positions that could be related to the

performance of the County's investment portfolio. All persons involved in the investment process shall refrain from undertaking any personal investment transactions with the same individual with whom business is conducted on behalf of the County.

D. Prudence.

The County Treasurer and the Investment Officer shall perform their investment duties in a manner consistent with this Investment Policy and the standards applicable to their respective positions.

1. The County Treasurer shall perform his or her duties following a prudent person standard.

2. The Investment Officer shall perform his/her duties in the manner of a prudent person in light of the purposes, terms, distribution requirements and other circumstances then prevailing as to the assets entrusted to them.

3. In investing, the County Treasurer and the Investment Officer should exercise reasonable care, skill, diligence and prudence considering investments not in isolation, but in the context of the portfolio as a whole and of part of an overall investment strategy. That strategy shall incorporate the risk and return objectives articulated in this policy or documented through procedures.

4. The County Treasurer and Investment Officer shall act in accordance with New Mexico Statutes, written procedures, which shall be adopted by the County Treasurer with the advice and consent of the Board of Finance within one hundred and eighty (180) days of the adoption of this Policy, and the time limit may be extended for good cause or upon agreement by the Treasurer and the Board of Finance.

IV. Identification of Funds:

This Investment Policy applies to the investment of all funds managed by the County Treasurer, with the advice and consent of the County Board of Finance.

A. Fiscal Agent Bank Balances are monies held at the fiscal agent bank and are managed to a target balance after payment of checks, warrants, ACH volume and wire transfers processed by the County.

B. The Repurchase Pool acts as a repository for cash balances of the County.

C. The Investment Portfolio is comprised of funds not immediately needed in cash balances to cover county expenses and debts. This Portfolio includes all bond proceeds until they are expended on capital projects. The Portfolio is separated into two primary components based upon the expected cash flow needs of the County.

1. **Liquidity component** provides funds for short-term cash needs of the County. The liquidity component is expected to have minimal liquidity risk and all investments in this component are constrained to investments of less than one (1) year duration.

2. **Long-term component** comprises cash that is not reasonably expected to be necessary to meet the short-term cash flow needs of the County. Accordingly, it may be invested over a longer term than the liquidity component as specified by the maturity restrictions of Section VIII B.

V. Controls:

A. Custody.

All investment securities purchased by the County, held as collateral on repurchase agreements and bank deposits shall be held in third-party safekeeping at a financial institution qualified to act in this capacity.

All securities held for the County Treasurer's portfolio will be held free and clear of any lien and all transactions will be conducted in compliance with NMSA 1978 § 6-10-10 with a goal of contemporaneous transfer and same day settlement

The custodian will provide monthly reports, which list all transactions that occurred during the month and all securities held for the County Treasurer at month-end including the book and market value of holdings and performance related to any approved benchmarks. The reports shall be placed on the County's Transparency web site.

The fiscal agent and representatives of the custodian responsible for, or in any manner involved with, the safekeeping and custody process of the County Treasurer shall be bonded in amounts required by the County Board of Finance under a custody agreement to protect from losses, from malfeasance and misfeasance.

B. All trades to be done Delivery vs. Payment (DVP).

C. Authorized Broker-Dealers.

The County Treasurer, with the advice and consent of the County Board of Finance, shall approve all authorized brokers and dealers. The County Treasurer will maintain a list of broker-dealers authorized to provide investment services to the County. The Broker-Dealer list shall be posted on the County's Transparency web site. Authorized Broker-Dealers will be limited to those who meet all of the following conditions:

- Broker-Dealer refers to firm and individual employees of these firms that have direct contact with the County Treasurer's office.
- The Broker-Dealer must be a registered dealer pursuant to the Uniform Securities Act of New Mexico[1] and,
- The Broker-Dealer must be registered with the financial industry regulatory authority (FINRA); and,
- The Broker-Dealer must have a minimum of five (5) years of current and continuous employment history involving fixed income securities; and,
- All assigned individuals who have direct contact with securities trading between the County Treasurer's office and the firm must have a FINRA Series 7 license, or equivalent certification.

D. Authorized Financial Institutions and Other Investment Counterparties.

The County Treasurer, with the advice and consent of the County Board of Finance, shall approve all authorized financial institutions and investment counterparties authorized to provide investment services to the County. The County Treasurer and Investment Officer will maintain a list of financial institutions and investment counterparties authorized to provide investment services to the County. This list shall be placed on the County's Transparency web site. Authorized financial institutions and investment counterparties will be limited to those who meet any of the following conditions:

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[1]Uniform Securities Act of New Mexico, NMSA 1978 §§58-13C-101 to -701 (2009)

- Certified or designated bank, savings and loan associations or credit unions located in Bernalillo County eligible to receive public money on deposit in New Mexico; or
- Direct issuers of eligible investments; or,
- Registered investment advisor.

E. Competitive Transactions.

The County Treasurer and Investment Officer will conduct all securities transactions in a fair, open and transparent competitive process. By July 1, 2014, the County Treasurer and the Investment Officer shall employ electronic trading platforms for open market security transactions, contingent upon the availability of funding by the Board of County Commissioners.

- All securities transactions shall be executed at a price most advantageous to the County.
- An effort to obtain at least three bids or offers will be conducted, or documentation of comparable securities levels retained, in order to ensure records evidencing price transparency and competitive levels.
- Offers or bids for securities for other than open market securities may be received from approved broker-dealers or direct issuers by any of the following means:
    - By phone, with immediate written or e-mail documentation of the transaction;
    - By e-mail or other form of electronic communication; or,
    - Directly from issuers of eligible investments.

F. Internal Controls.

The County Treasurer and the Investment Officer will maintain written procedures and will establish internal controls to protect against the loss of public funds arising from negligence, theft, or misuse. These controls will include, but not be limited to:

- Regular communication between the County Treasurer and Investment Officer and/or Board of Finance regarding investment activities, including any significant changes in market value or credit quality of investment positions;
- Monthly reconciliation of internal investment accounting and reporting to all external statements provided by the custodian and other financial institutions;
- Compliance with all approved policies by investment and accounting staff;
- Compliance with applicable Federal, State and County statutes;
- Requiring DVP except for physical securities;
- Clear delegation of investment authority;
- Separation of investing authority from cash activities and record-keeping;
- Sufficient collateralization of deposits that meets or exceeds statutory requirements;
- Use of approved objective criteria in selecting broker-dealers and financial institutions authorized to provide investment services to the County;
- Report of violations of this policy immediately to the Board of Finance; and,
- Use of approved objective criteria in awarding investment purchases and sales to authorized financial institutions and broker-dealers.

G. Investment Committee. The County Treasurer shall appoint an Investment Committee, with the advice and consent of the Board of Finance, to review investment reporting and perform duties as described in sub-paragraph two (2).

1. Members.

The Committee shall be comprised of five members: the County Treasurer; the County Manager; the County Finance Director; one community member with expert knowledge or professional experience in the subject of public finance or investment of public funds; and one member that is a member of the Board of Finance whom is selected unilaterally by the Board. The Investment Officer and the Investment Advisor shall be advisory ex-officio members. The community member shall serve a four year term. A vacancy created by the loss of the community member shall be filled in the same manner as the original appointment.

2. Duties.

(a) Review and recommend changes to the Investment Policy to the County Treasurer and County Board of Finance at least annually. The County Board of Finance shall adopt a resolution, stating that it has reviewed the Investment Policy and that the resolution adopted shall record any changes made to the Investment Policy.

(b) The Investment Committee shall monitor the investment transactions to ensure that proper controls are in place to guarantee the integrity and security of the County Treasurer's investment Portfolio.

(c) Ensure that current State laws and policies of Bernalillo County, are being adhered to by the County Treasurer, Board of Finance and Investment Officer.

(d) Meet as appropriate, but not less than quarterly, to deliberate such topics as: economic outlook, portfolio diversification and maturity structure, benchmarks, potential risks and the target rate of return on the investment portfolio. A quorum is necessary to conduct a meeting.

(e) Review and recommend custodians and broker-dealers. A list will be recommended to the County Treasurer and County Board of Finance of financial institutions authorized to provide investment services. In addition, a list will also be recommended to the County Treasurer and County Board of Finance of security broker/dealers. The broker-dealers list will be recommended by the Investment Committee no less than annually.

(f) Identify potential violations of the Investment Policy and immediately communicate any problems to the County Treasurer and the County Board of Finance and suggest remedial actions to achieve conformity with the Investment Policy.

H. External Controls.

The County Treasurer and the Investment Officer will keep all records related to investment activities.

- As prescribed by the Audit Act[2], the County Auditor or designated independent auditor will review the investment activities of the County Treasurer's office annually to determine the compliance of those activities with this policy and State statutes.
- The market value of all funds held by the custodian will be calculated monthly and provided to the County Treasurer and Investment Officer.

[2] Audit Act NMSA 1978 §§12-6-1 to-14

VI. Fiscal Agent Bank Balances.

All deposits in the fiscal agent bank operating account, savings account and repurchase agreements used for sweep accounts shall comply with state statutes. Statutory collateral requirements for bank deposit required collateral is governed by NMSA 1978 §§ 6-10-16 and 6-10-17. For repurchase agreements, the governing statute is NMSA 1978 §6-10-10 (H).

VII. Eligible Investments:

A. Eligible Investments.

All money not immediately necessary for public use or not invested in or deposited in banks, savings and loans or credit unions shall be invested in accordance with New Mexico Statutes Annotated 1978 §§6-10-10 and 6-10-10.1, including but not limited to the following:

1. Bonds or negotiable securities of the United States, the state or a county, municipality or school district that has a taxable valuation of real property for the last preceding year of at least fifty million dollars ($50,000,000) and that has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within five years last preceding; or,
2. Securities that are issued and backed by the full faith and credit of the United States government or issued by its agencies or instrumentalities; or,

3. Shares of a diversified investment company registered pursuant to the federal Investment Company Act of 1940 that invests in fixed-income securities or debt instruments that are listed in a nationally recognized, broad-market, fixed-income-securities market index; provided that the investment company or manager has total assets under management of at least one hundred million dollars ($100,000,000) and provided that the County Board of Finance may allow reasonable administrative and investment expenses to be paid directly from the income or assets of these investments; or,

4. Individual, common or collective trust funds of banks or trust companies that invest in fixed-income securities or debt instruments that are listed in a nationally recognized, broad-market, fixed-income-securities market index; provided that the investment company or manager has total assets under management of at least one hundred million dollars ($100,000,000) and provided that the County Board of Finance may allow reasonable administrative and investment expenses to be paid directly from the income or assets of these investments; or,

5. Shares of pooled investment funds managed by the state investment officer, as provided in Subsection E of Section 6-8-7 NMSA 1978; provided that the County Board of Finance may allow reasonable administrative and investment expenses to be paid directly from the income or assets of these investments; or,

6. In 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 earned by the investor. The contract shall be fully secured by obligations of the United States or other securities backed by the United States having a market value of at least one hundred two percent (102%) of the contract. The collateral required for investment in the contracts provided for in this subsection shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with the investment; or,

7. Public funds to be invested in negotiable securities or loans to financial institutions fully secured by negotiable securities at current market value shall not be paid out unless there is a contemporaneous transfer of the securities at the earliest time industry practice permits, but in all cases, settlement shall be on a same-day basis either by physical delivery or, in the case of uncertificated securities, by appropriate book entry on the books of the issuer, to the purchaser or to a reputable safekeeping financial institution acting as agent or trustee for the purchaser, which agent or trustee shall furnish timely confirmation to the purchaser; or,

8. State of New Mexico Local Government Investment Pool.

B. Repurchase Agreements.

Repurchase Agreements are subject to additional restrictions:

- Transactions will be conducted only with approved dealers, the County's Fiscal Agent Bank, approved counterparties under a securities lending arrangement, or master Custodial Bank, and under the terms of written master repurchase agreement or securities lending arrangement;
- Counterparties will have a rating of "A" or better from a nationally recognized statistical rating agency;
- The maximum term of any repurchase agreement will be one (1) year, except in the case of bond proceeds where a repurchase agreement is limited to three (3) years; and,
- Tri-Party Repo may be entered into with a contracted custodial bank for this purpose, as long as all securities meet the requirements below.

Securities accepted as collateral for repurchase agreements will be subject to the following additional restrictions:

- Securities placed as collateral for repurchase agreements, with maturity under ten (10) years, will be priced at one hundred two percent (102%) of market value, plus accrued income;
- Securities with a final maturity of ten (10) years or greater placed as collateral for repurchase agreements will be priced at one hundred three (103%) of market value, plus accrued income;
- Agency mortgage-backed securities placed as collateral for term repurchase agreements with a maturity longer than seven days will be priced at one hundred five (105%) of market value, plus accrued income;
- Term repurchase agreements with a maturity date that is longer than seven (7) days are required to have daily pricing of collateral;
- Only treasury and agency securities will be utilized as collateral for repurchase agreements; and,
- All collateral shall be marked to market daily.

VIII. Investment Parameters:

To provide for the safety and liquidity of funds availability, the investment portfolio will be subjected to the restrictions listed below. These represent investment restrictions under this investment policy and there may be separate procedures containing additional, more restrictive limitations for certain investment instruments.

All restrictions are based on a settlement date basis.

Maximum percentages for a particular issuer, investment type or liquidity constraints may on occasion be exceeded due to unforeseen circumstances (e.g., due to fluctuations in fund

balances). Exceptions will be reported to the County Treasurer, the Investment Committee, and the County Board of Finance monthly.

A. Diversification.

The following diversification limits shall apply to each portfolio:

Allowable Securities	*Diversification Limits*	*Further Limitations*
US Treasury Obligations	100%	
US Agency Obligations	100%	Per Issuer: 35%
US Agency Issued Mortgage Securities	25%	
Bank Demand Deposits	100%	
Certificates of Deposit	$10 Million	
NM LGIP	35%	No more than 35% of NM LGIP
Municipal Securities	15%	Per Issuer: 5%
Repurchase Agreements	100%	Per Counterparty: 35%
Variable Rate Obligations	25%	
Callable Securities	25%	

B. Maturity Restrictions.

1. Maturity limits for the long term component:

Allowable Securities	*Maturity Limits*	*Further Limitations*
All Securities	5 Years	
Certificates of Deposit	3 Years	
Municipal Bonds	3 Years	
Term Repurchase Agreements	1 Year	For BPIPs: 3 Years

2. Maturity limits for the liquidity component:

(a) An amount equal to at least fifteen (15) percent of the annual budget of the County shall have a maturity limit of thirty (30) days or less.

(b) The remainder of the liquidity component shall have a maturity limit of one (1) year or less.

C. Portfolio Duration.

The County Treasurer and the Investment Officer, with the advice of the Investment Advisor, shall manage the portfolio to the approved benchmark duration and an asset allocation strategy approved by the County Treasurer and County Board of Finance in order to approximate market returns on the investment portfolio.

D. Credit Quality.

The issuer credit ratings shall from a nationally recognized statistical rating agency.

The following issuer credit rating limits shall apply for both components of the portfolio:

Short Term Credit Rating	A1, P1, F-1 MIG-1 or better
Long Term Credit Rating	A or better

IX. Reporting:

The Investment Officer shall prepare a monthly investment report for the County Treasurer, including a management summary that provides an analysis of the status of the current investment portfolio and the individual transactions which were executed. The management summary will be prepared in a manner which will allow the County Treasurer to ascertain

whether investment activities during the reporting period are in compliance with the Investment Policy and New Mexico statutes.

The Investment Officer and the County Treasurer will submit and present the monthly investment report, to the County Board of Finance and shall make sure that the report is posted on the County Transparency website.

A. Specific Reporting Requirements.

The report will include, at a minimum, the following:

- An executive summary that provides an analysis of the status of the current Investment Portfolio and the individual transactions that were executed;
- An asset listing showing par value, cost, market value, type of investment, issuer, and interest rate of securities held;
- WAM and effective duration of the Investment Portfolio compared to applicable approved benchmarks;
- Average portfolio credit quality;
- Total rate of return for the Investment Portfolio for the one month, three months, and twelve months with applicable approved benchmark returns for the same periods;
- Any cash flow projections prepared for the portfolio;
- Sensitivity or Shock analysis;
- Transaction listing for the reporting period;
- A report of primary issues purchased and report of secondary issues purchased or sold;
- Transaction summaries for the reporting period and fiscal-year-to-date that include trade volumes, distributions by type of investment and counterparty; and,
- Investment Compliance Review to include any violations of this Investment Policy.

B. Performance Standards.

- The Investment Portfolio will be compared to an approved benchmark that appropriately models an expected risk and return profile.

C. Quarterly Reporting.

On a quarterly basis, the County Treasurer and the Investment Officer shall prepare a quarterly investment report that describes the investment strategy employed during the past quarter and the strategy planned for the next quarter.

D. Annual Reporting.

At the next meeting after September 30 of each year, the County Treasurer and the Investment Officer shall prepare an annual investment report that describes the investment strategy employed during the past year and the strategy planned for the next fiscal year. The report shall include annual comparisons of portfolio return to performance benchmarks for the preceding fiscal year.

X. Approval:

This investment policy will be effective upon approval by the County Board of Finance and the County Treasurer.

This policy is hereby adopted by the Board of Finance on the _____
and will supersede all previously adopted investment policies.

APPROVED:

BERNALILLO COUNTY BOARD OF FINANCE

_____
Debbie O'Malley, Chair

_____
Art De La Cruz, Vice Chair

_____
Maggie Hart Stebbins, Member

_____
Lonnie C. Talbert, Member

_____
Wayne A. Johnson, Member

_____
Manny Ortiz, Bernalillo County Treasurer

APPROVED:

_____
Randy M. Autio, Bernalillo County Attorney

ATTEST:

_____
Maggie Toulouse Oliver, Bernalillo County Clerk

BERNALILLO COUNTY COUNTY CLERK SEAL STATE OF NEW MEXICO