NEW ISSUE
Book Entry Only

RATINGS:
Standard & Poor's: AAA
Moody's Investors Service: Aa1
Fitch Ratings: AA+

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

$8,400,000
BERNALILLO COUNTY, NEW MEXICO
GENERAL OBLIGATION BONDS
SERIES 2007A

Dated: Date of Issuance **Due: August 1, as detailed below:**

The Bonds will be issued as fully registered bonds, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, the securities depository for the Bonds, to which principal and interest payments on the Bonds will be made. Individual purchases will be made in book entry form only in denominations of $5,000 or any integral multiple thereof. Purchasers of the Bonds will not receive physical delivery of bond certificates. (See "**THE BONDS; BOOK ENTRY ONLY SYSTEM**"). Interest is payable semi-annually on February 1 and August 1, commencing August 1, 2008. Principal is payable annually as detailed below. The Bonds are subject to redemption prior to maturity as more fully described herein.

MATURITIES, INTEREST RATES AND YIELDS

Year (8/1)	Principal	Interest	Yield	CUSIP No.	Year (8/1)	Principal	Interest	Yield	CUSIP No.
2013	$390,000	4.00%	3.65%	085275 C3	2021	$575,000	4.15%	4.20%	085275 L3
2014	405,000	4.00%	3.70%	085275 D1	2022	605,000	4.20%	4.25%	085275 M1
2015	430,000	4.00%	3.75%	085275 E9	2023	635,000	4.25%	4.30%	085275 YN9
2016	450,000	4.00%	3.80%	085275 F6	2024	665,000	4.25%	4.33%	085275 YP4
2017	475,000	4.00%	3.90%	085275 G4	2025	700,000	4.30%	4.36%	085275 YQ2
2018	495,000	4.00%	3.99%	085275 H2	2026	735,000	4.30%	4.40%	085275 YR0
2019	520,000	4.00%	4.05%	085275 J8	2027	770,000	4.35%	4.42%	085275 YS8
2020	550,000	4.10%	4.15%	085275 K5					

The Bonds are general obligations of the County. The Bonds are payable from general (*ad valorem*) taxes which may be levied against all taxable property within the County without limitation as to rate or amount. The Bonds were authorized for the purpose of various public purposes as more fully described herein.

The Bonds are being offered when, as and if issued by the County, subject to the prior approval of Hughes & Strumor, Ltd. Co., Albuquerque, New Mexico, as Bond Counsel. Certain other matters will be passed upon by Hughes & Strumor, Ltd. Co. as Disclosure Counsel. It is anticipated that the Bonds will be available for delivery through the Depository Trust Company, New York, New York on or about October 16, 2007.

RBC Capital Markets

Official Statement Dated: October 9, 2007

BERNALILLO COUNTY, NEW MEXICO

One Civic Plaza, N.W., Suite 10111
Albuquerque, New Mexico 87102
Telephone: (505) 768-4000

COUNTY COMMISSION

Alan B. Armijo, Chair
E. Tim Cummins, Vice-Chair
Deanna Archuleta, Commissioner
Teresa Cordova, PhD, Commissioner
Michael Brasher, Commissioner

COUNTY OFFICIALS

Thaddeus Lucero, Manager
Patrick J. Padilla, Treasurer
Karen L. Montoya, Assessor
Maggie Toulouse, Clerk
Darren P. White, Sheriff
Merri Rudd, Probate Judge

COUNTY FINANCE DEPARTMENT

Dan Mayfield, CGFM
Deputy County Manager for Budget and Finance
One Civic Plaza, N.W., 10th Floor
Albuquerque, New Mexico 87102
Telephone: (505) 768-4020

BOND & DISCLOSURE COUNSEL

Hughes & Strumor, Ltd. Co.
2221 Rio Grande Blvd. NW, Suite 100
Albuquerque, New Mexico 87104
Telephone: (505) 842-6700

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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 2007A (the "Bonds") in the aggregate principal amount of $8,400,000 by Bernalillo County, New Mexico (the "County"). The offering of the Bonds is made only by way of this Official Statement which supersedes any other information or materials used in connection with the offer or sale of the Bonds. Additional information concerning the County, the Bonds, and other aspects of this offering may be obtained from the Deputy County Manager for Finance, One Civic Plaza, N.W., Suite 10111, Albuquerque, New Mexico 87102, Telephone: (505) 768-4020.

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

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

All terms used in this Official Statement which are not defined herein shall have the meanings given such terms in Resolution No. 55-2007 authorizing issuance of the Bonds adopted by the Board of County Commissioners (the "Board") on September 11, 2007 (the "Bond Resolution").

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

AND

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

SUMMARY INFORMATION

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

PURPOSE:	The Bonds will be used for various public purposes throughout Bernalillo County, New Mexico as follows:
	ROADS $4,900,000
	STORM SEWERS AND DRAINS $3,500,000
AUTHORIZATION:	The Bonds were authorized by Resolution No. AR 55-2007 adopted by the Board of County Commissioners on September 11, 2007 and resolution No. FR 64-2007 adopted October 9, 2007.
SECURITY:	These Bonds are General Obligation Bonds of the County and are payable from general (*ad valorem*) taxes which may be levied against all taxable property within the County without limitation as to rate or amount.
COMPLIANCE:	The County undertakes to comply with Rule 15c2-12. (*See* "**APPENDIX B**.")
DELIVERY:	Delivery of the Bonds to the purchaser through the facilities of the Depository Trust Company is expected on or about October 16, 2007.
REDEMPTION:	The Bonds are subject to redemption prior to maturity as more fully described herein (*see* "The Bonds; Prior Redemption").
PAYING AGENT/ REGISTRAR:	Initially, the Deputy County Manager for Finance or any successor named by the Board of County Commissioners.

PURPOSE AND PLAN OF FINANCING

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

SOURCES AND USES OF FUNDS

Par amount of the Bonds:	$8,400,000.00
Original issue premium (discount):	(53,000.00)
TOTAL SOURCES OF FUNDS:	$8,347,000.00
Project Fund:	$8,268,221.08
Costs of Issuance**:	78,778.92
TOTAL USES OF FUNDS:	$8,347,000.00

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

THE BONDS

AUTHORIZATION

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

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

APPROVED AND UNSOLD FROM 2004 ELECTION	
Storm Sewers and Drains	$3,500,000
APPROVED AND UNSOLD FROM 2006 ELECTION	
Roads	$4,500,000

DESCRIPTION OF THE BONDS

The Bonds are dated as of the date of issuance and will bear interest from that date, payable on February 1 and August 1 in each year commencing August 1, 2008. The Bonds will bear interest at the rates per annum and mature in the amounts and at the times set forth on the cover page of this Official Statement. The principal and interest of the Bonds is payable through the Depository Trust Company, New York, New York.

SECURITY FOR THE BONDS

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

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

REGISTRATION

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

BOOK ENTRY ONLY SYSTEM

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

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

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing

details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bond is discontinued.

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

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

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

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

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

payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

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

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

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

LIMITATIONS ON REMEDIES AVAILABLE TO OWNERS OF BONDS

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

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

PRIOR REDEMPTION

Optional Redemption

Bonds maturing on and after August 1, 2018 are subject to redemption, in whole or in part, at the option of the County at any time on or after August 1, 2017 at par, plus accrued interest to the date of redemption.

DEBT AND OTHER OBLIGATIONS

(as of September 15, 2007)

GENERAL OBLIGATION BONDS OUTSTANDING

G.O. Bond Series	Original Issue	Outstanding Principal
1997	$11,170,000	$7,680,000
1999	18,676,000	13,280,000
2000	10,160,000	1,355,000
2001	4,600,000	4,600,000
2002	16,400,000	14,445,000
2002A	9,190,000	6,840,000
2003	10,210,000	9,060,000
2004	3,029,000	3,029,000
2005	13,940,000	12,025,000
2005A	5,261,000	5,261,000
2006	10,000,000	10,000,000
2007	10,400,000	10,400,000
TOTAL		$97,975,000

Source: Bernalillo County Finance Department

DEBT SERVICE SCHEDULE

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

Date	Principal	Coupon	Interest	Total	Calendar Year Total
8/1/ 2008			276,190.73	276,190.73	276,190.73
2/1/ 2009			174,436.25	174,436.25	
8/1/ 2009			174,436.25	174,436.25	348,872.50
2/1/ 2010			174,436.25	174,436.25	
8/1/ 2010			174,436.25	174,436.25	348,872.50
2/1/ 2011			174,436.25	174,436.25	
8/1/ 2011			174,436.25	174,436.25	348,872.50
2/1/ 2012			174,436.25	174,436.25	
8/1/ 2012			174,436.25	174,436.25	348,872.50
2/1/ 2013			174,436.25	174,436.25	
8/1/ 2013	$ 390,000	4.00%	174,436.25	564,436.25	738,872.50
2/1/ 2014			166,636.25	166,636.25	
8/1/ 2014	405,000	4.00%	166,636.25	571,636.25	738,272.50
2/1/ 2015			158,536.25	158,536.25	
8/1/ 2015	430,000	4.00%	158,536.25	588,536.25	747,072.50
2/1/ 2016			149,936.25	149,936.25	
8/1/ 2016	450,000	4.00%	149,936.25	599,936.25	749,872.50
2/1/ 2017			140,936.25	140,936.25	
8/1/ 2017	475,000	4.00%	140,936.25	615,936.25	756,872.50
2/1/ 2018			131,436.25	131,436.25	
8/1/ 2018	495,000	4.00%	131,436.25	626,436.25	757,872.50
2/1/ 2019			121,536.25	121,536.25	
8/1/ 2019	520,000	4.00%	121,536.25	641,536.25	763,072.50
2/1/ 2020			111,136.25	111,136.25	
8/1/ 2020	550,000	4.10%	111,136.25	661,136.25	772,272.50
2/1/ 2021			99,861.25	99,861.25	
8/1/ 2021	575,000	4.15%	99,861.25	674,861.25	774,722.50
2/1/ 2022			87,930.00	87,930.00	
8/1/ 2022	605,000	4.20%	87,930.00	692,930.00	780,860.00
2/1/ 2023			75,225.00	75,225.00	
8/1/ 2023	635,000	4.25%	75,225.00	710,225.00	785,450.00
2/1/ 2024			61,731.25	61,731.25	
8/1/ 2024	665,000	4.25%	61,731.25	726,731.25	788,462.50
2/1/ 2025			47,600.00	47,600.00	
8/1/ 2025	700,000	4.30%	47,600.00	747,600.00	795,200.00
2/1/ 2026			32,550.00	32,550.00	
8/1/ 2026	735,000	4.30%	32,550.00	767,550.00	800,100.00
2/1/ 2027			16,747.50	16,747.50	
8/1/ 2027	770,000	4.35%	16,747.50	786,747.50	803,495.00
	$ 8,400,000		4,824,150.73	13,224,150.73	

BERNALILLO COUNTY GENERAL OBLIGATION DEBT SERVICE

Year	Series 1997	Series 1999	Series 2000	Series 2001	Series 2002	Series 2002A	Series 2003	Series 2004	Series 2005	Series 2005A	Series 2006	Series 2007	Series 2007A	Total
2008	918,148	1,432,600	489,860	426,265	1,293,825	835,235	781,911	126,076	1,783,134	229,186	698,825	491,111	276,191	9,784,375
2009	915,888	1,435,025	485,700	425,690	1,299,338	830,816	783,119	126,076	1,938,669	229,186	713,825	520,000	348,873	10,054,213
2010	912,150	1,440,650	487,113	424,528	1,302,528	830,048	786,863	126,076	1,541,316	229,186	728,825	520,000	348,873	9,680,163
2011	907,225	1,444,250	-	427,890	1,303,668	827,823	783,563	126,076	526,706	483,986	731,325	520,000	348,873	8,433,395
2012	901,113	1,450,825	-	427,230	1,306,968	824,898	784,078	126,076	1,630,953	483,386	735,925	520,000	348,873	9,542,335
2013	893,813	1,455,150	-	430,890	1,309,173	825,668	784,550	126,076	788,506	485,861	734,825	1,030,000	738,873	9,605,397
2014	885,325	1,462,225	-	433,635	1,315,446	819,319	785,101	126,076	792,506	482,468	733,125	1,024,500	738,273	9,600,013
2015	875,650	1,466,825	-	435,435	1,318,815	815,863	784,368	126,076	785,569	479,718	730,825	1,023,000	747,073	9,591,230
2016	964,788	1,468,950	-	436,260	1,319,273	825,081	787,340	126,076	781,569	476,543	732,825	1,020,250	749,873	9,690,842
2017	947,988	1,478,600	-	441,080	1,316,843	817,000	783,771	126,076	786,769	472,943	734,025	1,011,250	756,873	9,675,233
2018	-	1,485,325	-	439,805	1,316,574	-	783,534	126,076	780,769	474,790	729,525	1,011,250	757,873	7,907,538
2019	-	1,489,125	-	437,650	1,313,273	-	781,705	1,026,076	773,969	478,894	729,325	1,004,750	763,073	8,799,858
2020	-	-	-	439,600	1,306,849	-	778,315	990,076	783,094	482,931	733,225	997,000	772,273	7,285,382
2021	-	-	-	445,400	1,302,400	-	773,160	1,283,076	780,000	485,869	731,225	993,000	774,723	7,570,873
2022	-	-	-	-	1,294,728	-	753,818	-	-	473,259	728,425	987,500	780,860	5,020,611
2023	-	-	-	-	-	-	-	-	-	469,950	729,347	985,500	785,450	2,972,270
2024	-	-	-	-	-	-	-	-	-	470,600	728,875	976,750	788,463	2,966,712
2025	-	-	-	-	-	-	-	-	-	470,350	727,372	971,500	795,200	2,966,447
2026	-	-	-	-	-	-	-	-	-	-	724,413	964,500	800,100	2,491,039
2027	-	-	-	-	-	-	-	-	-	-	719,981	960,750	803,495	2,486,253
Total	9,122,085	17,509,550	1,462,673	6,071,358	19,619,696	8,251,749	11,715,194	4,686,064	14,473,528	7,859,106	14,556,063	17,532,611	13,224,151	146,124,176

FINANCIAL DATA

COUNTY ASSESSED VALUATION

Taxable Value of Property Assessed (1/3 market value)	$12,472,121,170
Add: Centrally Assessed (Corporate)	476,185,795
Total	$12,948,306,965
Estimated Actual Value	$38,844,920,895

BONDED INDEBTEDNESS

Outstanding Bonds	$97,975000
Series 2007A Bonds	8,400,000
Authorized and Unissued Bonds**	2,700,000
Total Direct Debt after Issuance of the Series 2007A Bonds	$109,075,000

Source: Bernalillo County Finance Department

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**Consists of $2,700,000 bonds authorized and unissued from the 2006 general election.*

DIRECT AND OVERLAPPING DEBT (AS OF JUNE 30, 2007)

	G.O. Bonds Outstanding	Percent Applicable to Bernalillo County	County Share of G.O. Debt
Bernalillo County	$ 109,075,000	100.00%	$ 109,075,000
State of New Mexico *(1)*	299,295,000	34.98%	104,683,013
City of Albuquerque *(1)*	193,619,194	87.55%	169,513,604
Albuquerque Public Schools *(1)*	122,918,000	99.40%	122,180,492
Albuquerque Metropolitan Arroyo Flood Control Authority *(1)*	22,250,000	96.04%	21,368,900
Central NM Community College *(1)*	16,600,000	99.50%	16,517,000
Moriarty School District *(2)*	19,605,000	0.55%	107,828
Village of Los Ranchos de Albuquerque (3)	3,600,000	1.49%	53,801
			$567,605,228

Ratios:

Direct and Overlapping Debt as a percentage of Taxable Assessed Valuation	4.38%
Direct and Overlapping Debt as a percentage of Actual Market Value	1.46%
Assessed Valuation Per Capita (2006 Estimated Population 615,099)	$ 21,050.77
Direct and Overlapping General Obligation Debt Per Capita	$ 922.79

(1) Outstanding G.O. debt at December 31, 2006
(2) Outstanding G.O. debt at June 30, 2006
(3) Series 2007 GO Bonds issued August, 2007

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

BONDING CAPACITY

Legal Bonding Capacity	$517,932,282
Less total bonds to be outstanding	(109,075,000)[1]
Capacity in excess of present requirements	$408,857,282

Source: Bernalillo County Finance Department

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[1]*Includes Series 2007A Bonds and authorized and unissued bonds.*

ASSESSED VALUATION

PROPERTY SUBJECT TO TAXATION

Real property is subject to taxation with certain exemptions. Within the real property classification, exemptions include: property of the United States of America; property of the State, all counties, towns, cities and school districts or other municipal corporations; public libraries; community ditches and all laterals thereof; all church property not used for commercial purposes; all property used for educational and charitable purposes; all cemeteries not used or held for private or corporate profit; motor vehicles (other than mobile homes) and all bonds of the State, counties, municipalities and districts. Also, certain amounts of the taxable value of property is exempt from taxation if such property is owned by the head of a family who is a State resident ($3,500 of residential property) or is owned by a veteran or a veteran's unmarried surviving spouse if the veteran or spouse is a State resident ($2,000 of residential property). All tangible personal property has been exempted from property taxation by statute except for tangible personal property used, produced, manufactured, held for sale, leased or maintained by a person for purposes of his profession, business or occupation (unless otherwise specifically exempted from property taxation by the Federal or State Constitution or law); tangible property for which the owner has claimed a deduction from depreciation for federal income tax purposes; mobile homes; livestock; and certain inventories of personal property.

ASSESSMENT OF PROPERTY

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

Gas Accounting Division of the Taxation and Revenue Department based on the prior calendar year's output. The net taxable value of all property is one-third of the actual value (the "Assessment Ratio").

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

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

REASSESSMENT

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

LIMITATION ON INCREASES IN VALUATION OF RESIDENTIAL REAL PROPERTY

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

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

ASSESSED VALUATION COMPARISON

Tax Year	Bernalillo County	City of Albuquerque	Albuquerque Public Schools
2007	$12,948,306,965	$10,368,985,950	$12,872,613,178
2006	11,715,540,463	9,714,625,364	11,650,648,268
2005	11,002,745,292	9,071,038,260	10,938,714,749
2004	10,091,960,621	8,276,006,548	10,037,626,828
2003	9,660,815,811	7,883,833,602	9,609,046,239
2002	9,351,411,056	7,619,420,780	9,415,384,004
2001	9,134,321,827	7,289,625,807	9,111,055,779
2000	8,556,955,697	6,808,876,223	8,414,389,808
1999	8,543,509,487	6,601,390,162	8,152,257,439
1998	6,922,594,872	5,708,309,544	6,915,162,313
1997	6,704,501,819	5,184,693,295	6,556,310,480
1996	6,360,178,414	5,184,695,224	6,434,311,611
1995	6,216,096,985	5,077,421,148	6,287,304,154
1994	5,242,580,014	4,312,040,404	5,294,046,953
1993	5,170,771,547	4,256,318,634	5,163,986,238
1992	5,093,834,032	4,196,606,572	5,079,289,065
1991	5,001,385,449	4,145,192,424	4,988,114,689
1990	4,857,775,554	4,011,654,196	4,845,502,078

Source: Bernalillo County Finance Department

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COUNTY OF BERNALILLO, NEW MEXICO PRINCIPAL TAXPAYERS AS OF 2006

Taxpayer	Industry	Taxable Assessed Value	% of Total Assessed Value
Public Service Company of New Mexico Electric	Utility	$104,166,649	0.925%
Qwest Corp fka U.S. West Communications	Telecommunications	96,234,524	0.855%
Southwest Airlines	Airline	20,079,667	0.178%
Comcast Cablevision of NM Inc.	Cable TV Franchise	17,554,859	0.156%
Simon Property Group Ltd. (Cottonwood Mall)	Real Estate	16,684,032	0.148%
Verizon Wireless	Telecommunications	16,585,876	0.147%
Public Service Co. of NM Gas Services	Utility	16,201,457	0.144%
GCC Rio Grande	Real Estate	14,625,298	0.122%
Voicestream PCS II Corp.	Telecommunications	14,017,627	0.120%
Alltel Communications Inc. - NM	Telecommunications	11,114,311	0.098%

Source: Bernalillo County Finance Department

TAX RATES

YIELD CONTROL

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

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

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

The annual business indicator index is defined as "annual implicit price deflator index for state and local government purchases of goods and services, as published in the United States Department of Commerce monthly publication entitled "Summary of Current Business" or any successor publication for the calendar year." The yield control formula applies to both residential and

nonresidential property, but the calculations for each property class are made separately. Additionally, the yield control formula applies to any authorized operating levy but not to any debt service levy.

20-MILL LIMITATION ANALYSIS

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

RESIDENTIAL AND NON-RESIDENTIAL PROPERTY

Property in New Mexico is sub-classified as either residential or nonresidential based on its use. The calculation of revenue limitations for Yield Control, as discussed above, is performed separately for each property class. The result is that levies for operational purposes may be different for each property class. The County's residential assessed valuation was $8,410,708,983 and the value on nonresidential property was $2,860,632,386 for tax year 2006. The levies below are shown for each property class. Rates for 2006 are not yet available.

TAX RATES IN BERNALILLO COUNTY

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

	2006	2005	2004	2003	2002	2001
State of New Mexico	$ -	$ -	$ -	$ -	$ -	$ -
Bernalillo County	6.113	6.131	7.031	7.007	5.918	5.608
City of Albuquerque	3.012	3.028	3.019	3.019	2.014	2.019
AMAFCA	.178	.180	.183	.186	0.188	0.188
Albuquerque MSD #12	.241	.242	.240	.239	0.239	0.239
Central NM CC	2.477	2.488	1.649	1.674		
Total	12.021	12.069	12.122	12.125	$8.359	$8.054

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

	2006	2005	2004	2003	2002	2001
State of New Mexico	$1.291	$1.234	$1.028	$1.520	$1.123	$1.765
Bernalillo County	.830	1.147	.830	1.147	1.200	1.254
City of Albuquerque	7.976	7.976	7.976	7.976	8.976	8.976
Albuquerque MSD #12	8.023	8.036	8.040	8.036	6.504	8.034
AMAFCA	.675	.675	.675	.675	.675	0.675
UNM Hospitals	6.482	6.500	6.500	6.500	6.500	6.500
Central NM CC	.550	0.550	3.019	3.011	3.008	3.008
Total	$25.827	26.118	28.068	28.865	27.986	$30.212

Total Levy

	2006	2005	2004	2003	2002	2001
State of New Mexico	$1.291	$1.234	$1.028	$1.520	$1.123	$1.765
Bernalillo County	7.211	7.280	8.200	8.154	7.118	7.185
City of Albuquerque	10.988	11.004	10.995	10.995	10.990	10.995
Albuquerque MSD #12	8.264	8.278	8.280	8.275	6.273	8.273
AMAFCA	.853	.855	.858	.861	.863	0.863
UNM Hospitals	6.482	6.500	6.500	6.500	6.500	6.500
Central NM CC	3.027	3.038	3.019	3.011	3.008	3.008
Total Residential Levy	$38.116	$38.189	$38.022	$39.316	$35.875	$38.589

Other County Rates:	2006	2005	2004	2003	2002	2001
City of Albuquerque						
Total Non-Residential	$43.620	$41.420	$44.377	$45.704	$41.417	$45.248
Village of Tijeras						
Total Residential	$27.142	$27.180	$27.862	$28.456	$25.086	$27.777
Total Non-Residential	$34.175	$36.973	$28.480	$35.548	$32.122	$34.296
Village of Los Ranchos						
Total Residential	$26.275	$26.330		$27.460	$24.022	$26.731
Total Non-Residential	$32.100	$30.170		$33.323	$29.897	$32.612

Source: Bernalillo County Finance Department

TAX COLLECTIONS

METHODS OF TAX COLLECTION

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

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

INTEREST ON DELINQUENT TAXES

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

PENALTY FOR DELINQUENT TAXES

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

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

REMEDIES AVAILABLE FOR NON-PAYMENT OF TAXES

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

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

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

TAX COLLECTION HISTORY - BERNALILLO COUNTY

Tax Year	Net Taxes Charged to Treasurer	Taxes Collected To Date	Percentage Collected
As of June 30, 2007			
2006	$459,924,205	$443,198,370	96.36%
2005	425,244,710	418,375,611	98.38%
2004	399,819,732	397,650,077	99.46%
2003	386,234,568	384,955,527	99.67%
2002	342,736,377	341,426,179	99.62%
2001	356,526,561	354,791,275	99.51%
As of June 30, 2006			
2005	$427,762,070	$411,172,774	96.12%
2004	399,943,440	394,567,822	98.68%
2003	386,261,168	383,999,156	99.41%
2002	342,757,047	341,125,698	99.52%
2001	356,534,714	354,681,018	99.48%
2000	311,972,254	310,805,551	99.63%
As of June 30, 2005			
2004	$400,292,096	$383,127,289	99.78%
2003	386,342,930	380,457,426	99.57%
2002	342,830,820	340,045,362	99.37%
2001	356,580,516	354,341,141	99.19%
2000	311,999,812	310,662,517	98.48%
1999	293,865,653	293,204,471	95.71%
As of June 30, 2004			
2003	$386,695,130	$369,590,539	95.58%
2002	342,657,220	337,093,690	98.38%
2001	356,655,653	353,450,599	99.10%
2000	312,507,353	310,314,025	99.30%
1999	294,321,962	293,045,664	99.57%
1998	259,239,168	258,459,615	99.70%
As of June 30, 2003			
2002	$342,574,636	$325,780,959	95.12%
2001	356,754,439	349,063,518	97.84%
2000	312,553,943	309,181,738	98.92%

Tax Year		Net Taxes Charged to Treasurer	Taxes Collected To Date	Percentage Collected
	1999	294,350,780	292,718,711	99.45%
	1998	259,304,680	258,309,133	99.62%
	1997	250,229,931	249,770,008	99.82%
	1996	235,171,198	234,956,596	99.91%
As of June 30, 2002				
	2001	$360,196,852	$341,320,253	95.58%
	2000	314,394,841	306,645,723	98.01%
	1999	302,620,378	292,115,772	99.24%
	1998	259,221,833	258,566,450	99.70%
	1997	249,687,335	249,736,076	99.80%
	1996	236,219,558	234,946,726	99.90%
As of June 30, 2001				
	2000	$313,805,354	$293,841,628	93.64%
	1999	293,349,030	287,330,428	97.95%
	1998	259,629,855	257,841,666	99.31%
	1997	250,304,933	249,449,947	99.66%
	1996	235,246,027	234,859,087	99.04%
	1995	222,099,664	221,898,970	99.91%
As of June 30, 2000				
	1999	$302,620,378	$270,446,038	89.37%
	1998	259,398,991	254,542,809	98.13%
	1997	249,939,838	248,336,201	99.36%
	1996	235,229,602	234,782,416	99.78%
	1995	222,112,727	221,887,672	99.90%
As of June 30, 1999				
	1998	$259,904,334	$244,793,157	94.19%
	1997	249,966,823	245,850,320	98.35%
	1996	235,313,495	234,363,377	99.60%
	1995	222,116,842	221,774,526	99.85%
	1994	199,423,547	199,183,107	99.88%

Tax Year As of June 30, 1998	Net Taxes Charged to Treasurer	Collections to Date	Percentage Collected
1997	$248,672,058	$235,469,597	94.69%
1996	235,413,276	232,179,916	98.63%
1995	222,173,118	221,440,863	99.98%
1994	199,439,465	199,126,379	99.84%
1993	196,448,465	196,154,644	99.85%
As of June 30, 1997			
1996	$235,837,039	$225,156,832	95.47%
1995	222,391,544	217,912,560	97.99%
1994	199,483,017	198,761,446	99.64%
1993	196,476,041	196,018,779	99.77%

Source: Bernalillo County Treasurer

THE COUNTY

GENERAL

The economic and population hub of New Mexico, Bernalillo County, is located in the north central region of the state at the conjunction of Interstate Highways 25 and 40. Its boundaries encompass the entire City of Albuquerque. With 615,099 residents, (2006 Estimated) Bernalillo County ranks 90th in population of the nation's 3,066 counties. The County comprises nearly 31% of New Mexico's population total and 80% of the three county Albuquerque MSA, and is home to the University of New Mexico, Kirtland Air Force Base and Sandia National Laboratories

The Albuquerque MSA continues to enjoy strong population growth, continued residential and non-residential construction and unemployment rates below the State as a whole and the nation. The positive influence of defense related industries located in the County is a historical fact; however, economic diversification has increased in recent years. The mission of Sandia National Laboratories has changed over the years to include non-defense research. Sandia has entered into a number of joint research projects with private industry and has placed a major emphasis on the transfer of technology to benefit existing industries and to spawn new ones. It is anticipated that the greater diversification in the role of Sandia will further the diversification of the area economy. Because of

its accessibility and tourist facilities, the County and the surrounding area is the gateway for tourism in New Mexico as well as an attraction in its own right. The County and the City of Albuquerque features the historic "Old Town", the Sandia Peak Tramway and ski area , a number of nationally recognized museums and the Cibola National Forest. Other attractions include the Albuquerque International Balloon Fiesta, the National Hispanic Cultural Center, the Gathering of Nations Native American event, the National Arabian Arabian_Horse Show and the New Mexico State Fair. There are several Indian pueblos within easy driving distance that draw many tourists because of their historical and cultural significance and arts.

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

COUNTY GOVERNMENT

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

THE GOVERNMENT BODY

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

BERNALILLO COUNTY COMMISSIONERS

Alan B. Armijo, Chair, District 1. Term expires December 2010; first elected, November 2002. Joins the Board of County Commissioners after serving as an Albuquerque City Councilman for twelve years. Mr. Armijo has a long and distinguished career in public service. He is currently the Governmental Liaison for APS where he has over twenty-three years of experience as a teacher and coach and 30 years as an educator. He holds a Master and Bachelor's Degree in Education from the University of New Mexico and a certificate from the Harvard John F. Kennedy School of Government Program. He is an advocate for education, youth programs, smart planning for growth and operating a fiscally responsible government.

E. Tim Cummins, Vice Chair, District 4. Term expires December 2008; first elected November 2000. Attended Albuquerque Public Schools and the University of New Mexico. Has

served as a City Councilor of the City of Albuquerque. Mr. Cummins has spent countless hours helping the community and served as one of the seven original trustees for the Endowment Foundation for All Faiths and as a member on the Board of Governors for Goodwill Industries. Occupation: Commercial Real Estate Broker.

Deanna Archuleta, Commissioner, District 3. Term expires December, 2008; first elected 2004. Worked as a professor of Sociology at the University of New Mexico and taught there for five years. Served as President of the Summit Park Neighborhood Association, giving her a first-hand opportunity to develop the district's vision and direction. Also served as a representative of the Big I Task Force, as a member of the City of Albuquerque Transit Advisory Board, Vice-President of the APS Citizens' Advisory Council, PTA President and Instructional Council Parent Representative for Montezuma Elementary. A New Mexico native, received her Masters from the University of New Mexico and is currently finishing her Doctoral degree.

Michael Brasher, Commissioner, District 5. Term expires December 2010; first elected 2002; actively involved in his community and regularly attends neighborhood association meetings in the district. He is the General Manager of KANW Radio, a noncommercial educational station owned and operated by the Albuquerque Public Schools. He possesses twenty-five years of experience in broadcasting. A lifelong resident of the Albuquerque community, he is an avid bicyclist and enjoys the native terrain and dry temperate climate.

Teresa L. Córdova, Ph.D., District 2. Term expires December 2008; first elected November 2004. Has extensive experience working with residents and community leaders to identify issues and deliver solutions to the South Valley. A professor in Community and Regional Planning at the University of New Mexico, she has taught classes in land use, economic development and community based planning since 1991. Ms. Córdova recently retired as director of the Resource Center for Raza Planning, a student group of planning and policy analysts at the UNM. She received a Ph.D. from the University of California, Berkeley, is the recipient of the YWCA "Woman on the Move" award and was an Outstanding South Valley Citizen. She also served on the Unification Charter Commission and was former president of the Rio Grande Community Development Corporation.

COUNTY MANAGER AND STAFF

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

and Zoning, Building and Planning. Mr. Lucero was appointed County Manager effective September 20, 2003.

Dan Mayfield, CFGM, Deputy County Manager for Budget and Finance. Joined Bernalillo County as Comptroller in March of 1989. Has progressive managerial experience in accounting and finance since 1972. Mayfield received an MBA from New Mexico Highlands University and a BBA from the University of New Mexico. Mr. Mayfield received CGFM, Certificate # 2254 issued in l995.

RETIREMENT PLAN

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

Funding Policy. Plan members are required to contribute 9.15-16.3% of their gross salary and the County is required to contribute 9.15-21.25% depending upon the division of the gross covered salary. The contribution requirements of plan members and the County are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The County's contributions to PERA for the years ending June 30, 2006, 2005, and 2004 were $7,088,026, $6,532,575, and $5,928,824, respectively, equal to the amount of the required contributions for each year. The following table outlines the divisions the County participates in and the contributions for the year ending June 30, 2006.

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

Source: Bernalillo County

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES OF THE COUNTY

2006 AUDIT REPORT

Meyners + Company, LLC, Certified Public Accountants & Consultants, of Albuquerque, New Mexico and the office of the State Auditor conducted the audit of the County's general-purpose financial statements and the combining and individual fund and account group financial statements for the fiscal year ended June 30, 2006. The report of such accounting firm is attached as Appendix C hereto.

See **"APPENDIX C – STATE OF NEW MEXICO COUNTY OF BERNALILLO COMPREHENSIVE ANNUAL FINANCIAL REPORT, FISCAL YEAR ENDED JUNE 30, 2006"** for the County's complete audited financial statements.

BASIS OF PRESENTATION - FUND ACCOUNTING

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

GOVERNMENTAL FUND TYPES

1. General Fund - The General Fund is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund. It is funded primarily through property, sale and other miscellaneous taxes.

2. Debt Service Fund - The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs.

3. Capital Project Funds - The Capital Project Funds are used to account for financial resources to be used for the acquisition of major capital facilities and related costs. Capital Project funding is comprised of bond proceeds, federal and state grants and/or current federal funds.

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

Proprietary Fund Type-Enterprise Funds.

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

Fiduciary Fund Type-Agency Funds.

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

Fixed Assets and Long-Term Liabilities

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

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

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

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

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

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

BASIS OF ACCOUNTING

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

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

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THE COUNTY'S CURRENT FINANCES

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

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

Regional Juvenile Detention Center	1,273,084	1,245,626	-	-	-	(27,458)	(27,458)
El Centro Familiar	404,069	107,485	-	-	-	(296,584)	(296,584)
Total business-type activities	6,572,669	5,495,303	196,975	-	-	(880,391)	(880,391)
Total primary government	$ 257,688,311	$ 36,352,439	$ 22,144,675	$ 24,212,609	(174,098,197)	(880,391)	(174,978,588)
	Property taxes				95,070,478	-	95,070,478
	Gross receipts taxes				74,565,522	-	74,565,522
	Motor vehicle taxes				4,132,542	-	4,132,542
	Cigarette taxes				5,707	-	5,707
	Gas taxes				1,964,503	-	1,964,503
	Investment income				9,043,065	50,653	9,093,718
	Operating grants				-	534,517	534,517
	Miscellaneous				13,182,736	107,233	13,289,969
					-	-	-
					-	16,688	16,688
	Total general revenue and transfers				197,964,553	709,091	198,673,644
	Change in net assets				23,866,356	(171,300)	23,695,056
					365,264,649	5,175,390	370,440,039
	Prior period adjustment				-	(210,033)	(210,033)
					365,264,649	4,965,357	370,230,006
					$ 389,131,005	$ 4,794,057	$ 393,925,062

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

Functions/Programs	Expenses	Program Revenues: Charges for Service	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets – Primary Government: Governmental Activities	Net (Expenses) Revenues and Changes in Net Assets – Primary Government: Business-Type Activities	Net (Expenses) Revenues and Changes in Net Assets – Primary Government: Total
Primary Government:							
Government activities							
General government	$ 45,288,911	$21,395,970	$ 1,008,250	$ -	$ (22,884,691)	$ -	$ (22,884,691)
Public safety	34,986,816	-	2,357	13,038,508	(21,945,951)	-	(21,945,951)
Culture and recreation	89,268,696	-	7,427,307	39,915	(81,801,474)	-	(81,801,474)
Health and welfare	11,411,012	60	852,589	1,106,620	(9,451,743)	-	(9,451,743)
Public works	19,266,114	-	12,535,023	874,397	(5,856,694)	-	(5,856,694)
Interest and other charges	15,077,459	-	-	-	(15,077,459)	-	(15,077,459)
Total governmental activities	215,299,008	21,396,030	21,825,526	15,059,440	(157,018,012)	-	(157,018,012)
Business-like activities:							
Solid waste	3,255,586	3,050,320	139,226	-	-	(66,040)	(66,040)
Housing Authority	1,036,213	479,823	-	-	-	(556,390)	(556,390)
Seybold Village Handicapped Project	145,955	31,905	-	-	-	(114,050)	(114,050)
El Centro Familiar	382,877	95,764	-	-		(287,113)	(287,113)
Regional Juvenile Detention Center	1,330,647	1,245,191	-	-	-	(85,456)	(85,456)
Total business-like activities	6,151,278	4,903,003	139,226	-	-	(1,109,049)	(1,109,049)
Total primary government	$221,450,286	$26,299,033	$21,964,752	$15,059,440	$(157,018,012)	$ (1,109,049)	$(158,127,061)
			General Revenues:				
			Property taxes		97,468,762	-	97,468,762
			Gross receipts taxes		55,548,897	-	55,548,897
			Motor vehicle taxes		3,608,463	-	3,608,463

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

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

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

		Program Revenues			Net (Expenses) Revenues and Changes in Net Assets			
					Primary Government			Component Unit
Functions/Programs	**Expenses**	**Charges for Service**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-Type Activities**	**Total**	**Redevelopment Corporation**
Primary Government:								
Government activities								
General government	$ 37,501,192	$16,687,785	$ 504,723	$ 6,355	$ (20,302,329)	$ -	$ (20,302,329)	$ -
Public safety	32,294,831	-	356,530	21,216,205	(10,722,096)	-	(10,722,096)	-
Culture and recreation	82,328,864	-	8,503,339	103,493	(73,722,032)	-	(73,722,032)	-
Health and welfare	11,409,199	97	841,768	1,644,695	(8,922,639)	-	(8,922,639)	-
Public works	18,785,416	-	11,509,565	873,929	(6,401,922)	-	(6,401,922)	-
Interest and other charges	14,651,079	-	-	-	(14,651,079)	-	(14,651,079)	-
Total governmental activities	196,970,581	16,687,882	21,715,925	23,844,677	(134,722,097)	-	(134,722,097)	-
Business-like activities:								
Solid waste	3,353,335	3,054,698	148,490	-	-	(150,147)	(150,147)	
Housing Authority	1,672,735	1,528,126	-	-	-	(144,609)	(144,609)	
Seybold Village Handicapped Project	126,954	31,563	-	-	-	(95,391)	(95,391)	
Regional Juvenile Detention Center	1,275,350	1,331,114	-	-	-	55,764	55,764	
Total business-like activities	6,428,374	5,945,501	148,490	-	-	(334,383)	(334,383)	-
Total primary government	$203,398,955	$22,633,383	$21,864,415	$23,844,677	$(134,722,097)	$ (334,383)	$(135,056,480)	$ -
Component unit:								
Redevelopment Corporation	$ 392,493	$ 97,643	$ -	$ -	$ -	$ -	$ -	$ (294,850)
			General Revenues:					
			Property taxes		94,043,897	-	94,043,897	

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

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

Note: No comparable statements of activities were prepared for fiscal years prior to 2004 due to the implementation of GASB 34 and GASB 35. Audited revenues, expenditures and fund balances for the fiscal years ending June 30, 2001, 2002 and 2003 are presented below.

REVENUES, EXPENDITURES AND FUND BALANCES

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

AREA ECONOMIC INFORMATION

POPULATION

Year	Bernalillo County	Albuquerque MSA	State
1960	262,199	292,500	951,023
1970	315,774	353,800	1,017,055
1980	420,262	485,500	1,303,303
1990	480,577	589,131	1,515,069
2000	556,678	712,738	1,819,046
2006 est.	615,099	816,811	1,954,599

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

PER CAPITA PERSONAL INCOME - BERNALILLO COUNTY

Year	Bernalillo County	New Mexico	U.S.A.	% of N.M.	% of U.S.
2005	$32,556	$27,889	$34,471	116.70%	94.44%
2004	$31,441	$26,679	$33,090	117.80%	95.02%
2003	$29,908	$24,846	$31,466	120.28%	95.5%
2002	$29,487	$24,247	$30,795	121.7%	95.5%
2001	$29,697	$24,083	$30,562	123.0%	95.3%
2000	$27,078	$22,134	$29,845	122.1%	88.7%
1999	$25,677	$21,042	$29,847	122.0%	86.0%
1998	$25,154	$20,656	$27,939	121.7%	90.0%

Year	Bernalillo County	New Mexico	U.S.A.	% of N.M.	% of U.S.
1997	$24,052	$19,698	$26,883	122.1%	89.4%
1996	$23,413	$18,964	$25,334	123.4%	92.4%

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

NON-AGRICULTURAL EMPLOYMENT - ALBUQUERQUE MSA*

	2001	2002	2003	2004	2005 r/	2006 p/
Albuquerque MSA 1/						
Total Employment	362.2	361.7	363.1	370.2	377.9	391.7
Total Private	292.0	289.3	289.8	295.5	301.7	313.1
Goods Producing	51.9	48.2	47.5	48.6	51.4	55.2
Services Providing	240.1	241.1	242.3	246.9	250.3	257.9
Natural Resources & Mining & Construction	24.8	23.4	24.1	25.9	28.6	31.2
Manufacturing	27.1	24.8	23.4	22.6	22.8	24.0
Wholesale Trade	13.8	13.4	13.0	12.8	13.0	13.3
Retail Trade	41.6	41.8	42.2	42.9	43.6	43.8
Transp., Warehousing & Utilities	10.6	10.6	10.5	10.5	10.4	10.5
Information	11.4	11.0	10.2	9.6	8.7	9.4
Financial Activities	19.6	18.9	18.8	19.1	19.3	19.3
Professional & Business Services	58.6	57.8	57.5	59.2	60.7	63.2
Educational & Health Services	39.3	41.3	42.7	45.0	46.3	47.9
Leisure & Hospitality	34.2	34.8	35.8	36.1	36.5	38.4
Other Services	11.1	11.5	11.7	11.8	11.9	12.2
Government	70.2	72.4	73.4	74.7	76.2	78.6

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

Note*: Industry classifications are based on the North American Industry Classification System (NAICS).*
Source*: New Mexico Dept. of Labor, Economic Research and Analysis.*
Table prepared by*: Bureau of Business and Economic Research, University of New Mexico.*

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CIVILIAN LABOR FORCE - BERNALILLO COUNTY

	2006	2005	2004	2003	2002
Labor force	313,406	303,920	300,146	294,782	292,886
Employment	301,179	289,198	284,470	279,085	278,412
Unemployment	12,227	14,722	15,676	15,697	14,474
% unemployment - Bernalillo County	3.90%	4.80%	5.20%	5.30%	4.90%
% unemployment - New Mexico	4.20%	5.30%	5.80%	5.90%	5.50%

MAJOR EMPLOYERS

Organization	Employees	Description
Kirtland Air Force Base (Civilian) Includes 7,720 Sandia National Labs	16,360	Air Force Materiel Command Research Development
Albuquerque Public Schools	14,480	Educational Institution
University of New Mexico	14,300	Educational Institution
City of Albuquerque	6,680	Government
Presbyterian Health Care System	6,670	Health Care
State of New Mexico	5,490	Government
Kirtland AFB (Military Active Duty)	5,100	Defense
Intel Corporation	4,700	Semiconductor Manufacturer
UNM Hospital	4,600	Hospital/Medical Services
Bernalillo County	2,300	Government
PNM Electric & Gas Services	1,800	Utilities Provider
N.M. Veterans Affairs Healthcare System	1,800	Hospital
Central New Mexico Community College	1,770	Education institution

T-Mobile	1,700	Customer Service Center
Sandia Resort and Casino	1,670	Casino
Bank of America	1,600	Financial Institution
Rio Rancho Public Schools	1,580	Educational Institution
Heritage Home Healthcare	1,300	Home-based Healthcare Services
U.S. Forest Service	1,200	Government
Route 66 Casino	1,200	Casino
Isleta Gaming Palace	1,200	Casino
Eclipse Aviation	1,170	Aircraft Manufacturer

Source: Albuquerque Economic Development, Inc. 2007 Survey

LITIGATION

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

TRANSCRIPT AND CLOSING DOCUMENTS

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

LEGAL MATTERS

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

UNDERTAKING TO PROVIDE ONGOING DISCLOSURE

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

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

TAX MATTERS

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

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

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

To the extent the issue price of any maturity of the Bonds is less than the amount to be paid at maturity of such Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Bonds), the difference constitutes "original issue discount," the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Bonds which is excluded from gross income for federal income tax purposes. Beneficial Owners of the Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Bonds in the original offering to the public at the first price at which a substantial amount of such Bonds is sold to the public.

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

Prospective purchasers of the Bonds should be aware that ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social

Security or Railroad Retirement benefits, certain S corporations with "excess net passive income," foreign corporations subject to the branch profits tax, life insurance companies and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the Bonds. Bond Counsel does not express any opinion regarding such collateral tax consequences. Prospective purchasers of the Bonds should consult their tax advisors regarding collateral federal income tax consequences.

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

INVESTMENT PROCEDURES FOR BERNALILLO COUNTY

INVESTMENTS

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

LEGAL INVESTMENTS

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

(1) Bonds or negotiable securities of the State of New Mexico or of any county, municipality or school district which has a taxable valuation of real property of at least one million dollars ($1,000,000) and has not defaulted in the payment of interest or sinking fund obligations or failed to pay any bonds at maturity at any time within the last five years;

(2) Bonds or negotiable securities of the United States including U.S. Treasury bonds, notes or bills;

(3) Other securities issued by the United States government or its agencies or instrumentalities that are backed by the full faith and credit of the United States government, or issued by agencies guaranteed by the United States government, which include Government National Mortgage Association (GNMA) mortgaged backed securities,

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

(4) Any bonds or other obligations issued pursuant to the Municipal Housing Law or issued by any public housing authority or agency in the United States, when such bonds or other obligations are secured by a pledge of annual contributions to be paid by the United States government or any agency thereof...provided, however, that nothing contained in the Municipal Housing Law shall be construed as relieving any person...from any duty of exercising reasonable care in selecting securities;

(5) contracts with banks, savings and loan associations or credit unions for the present purchase and resale at a specified time in the future of specific securities at specified prices at a price differential representing the interest income to be carried by the investor backed by the United States having a market value of at least one hundred two percent of the contract. The collateral securing such contracts with the foregoing financial institutions must be shown on the financial institution's books as being the property of the investing Local Government and the designation of the collateral must be contemporaneous with the investor;

(6) New Mexico also has a short term (less than thirty (30) days) investment fund created in the state treasury. The fund consists of all deposits from governmental entities and that are placed in the custody of the state treasurer for short-term investment purposes pursuant to law. The state treasurer shall invest the fund in permitted investments as set forth above and may elect to have the short-term investment fund consolidated for investment purposes with the state funds under the control of the state treasurer; provided that accurate and detailed accounting records are maintained for the account of each participating local government or entity and that a proportionate amount of interest earned is credited to each of the separate government accounts. The funds shall be invested to achieve its objective, which is to realize the maximum return consistent with safe and prudent management. At the end of each month, all interest earned from investment of the short-term investment fund shall be distributed by the state treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of the time the amounts in the funds were invested. No fees or transfer expenses are charged to the participating entities who invest in the short-term investment fund.

CURRENT INVESTMENTS

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

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

RATINGS

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 "Aa1" to the Bonds.

Fitch Ratings has assigned a municipal bond rating of "AA+" to the Bonds.

These rating reflect only the view of such rating agencies, and an explanation of the significance of such rating may be obtained from the respective rating agency. There is no assurance that such ratings will remain for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agencies, if in their judgments, circumstances so warrant. Any such downward revision or withdrawal may have an adverse effect on the market price for the Bonds.

COUNTY APPROVAL OF OFFICIAL STATEMENT

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

BERNALILLO COUNTY, NEW MEXICO

_/s/_Alan B. Armijo_____
Chair, Board of County Commissioners

APPENDIX A

FORM OF LEGAL OPINION

APPENDIX A

FORM OF LEGAL OPINION

October ___, 2007

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

$8,400,000
Bernalillo County, New Mexico
General Obligation Bonds
Series 2007A

Ladies and Gentlemen:

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

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

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

1. The Bonds 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, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in

determining adjusted current earnings. The opinions set forth in the preceding sentence are subject to the condition that the County comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The County has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

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

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

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

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

Very truly yours,

Hughes & Strumor, Ltd. Co.

APPENDIX B

UNDERTAKING TO PROVIDE ONGOING DISCLOSURE

APPENDIX B

CONTINUING DISCLOSURE UNDERTAKING

$8,400,000
BERNALILLO COUNTY, NEW MEXICO
GENERAL OBLIGATION BONDS
SERIES 2007A

This instrument constitutes the written undertaking by the Bernalillo County, New Mexico (the "Issuer") for the benefit of the holders of the above-captioned bonds (the "Bonds") required by Section (b)(5)(i) of Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (17 C.F.R. Part 240, § 240. 15c2-12) (the "Rule"). Capitalized terms used in this undertaking and not otherwise defined in Bernalillo County, New Mexico a resolution adopted by the Board of County Commissioners on October 9-, 2007 (the "Resolution") shall have the meanings assigned such terms in subsection 3 hereof.

1. The Issuer undertakes to provide the following information as provided herein:
   a. Annual Financial Information;
   b. Audited Financial Statements, if any; and
   c. Material Event Notices.

2. a. The Issuer shall, while any Bonds are Outstanding, provide the Annual Financial Information on or before March 31 of each year (the "Report Date"), beginning in 2008 to each then existing NRMSIR and the SID, if any. The Issuer may adjust the Report Date if the Issuer changes its fiscal year by providing written notice of the change of fiscal year and the new Report Date to each then existing NRMSIR and the SID, if any; provided that the new Report Date shall be 270 days after the end of the new fiscal year and provided further that the period between the final Report Date relating to the former fiscal year and the initial Report Date relating to the new fiscal year shall not exceed one year in duration. It shall be sufficient if the Issuer provides to each then existing NRMSIR and the SID, if any, the Annual Financial Information by specific reference to documents previously provided to each NRMSIR and the SID, if any, or filed with the Securities and Exchange Commission and, if such a document is a final official statement within the meaning of the Rule, available from the Municipal Securities Rulemaking Board.

b. If not provided as part of the Annual Financial Information, the Issuer shall provide the Audited Financial Statements when and if available while any Bonds are Outstanding to each then existing NRMSIR and the SID, if any.

c. If a Material Event occurs while any Bonds are Outstanding, the Issuer shall provide a Material Event Notice in a timely manner to the Municipal Securities Rulemaking Board

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

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

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

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

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

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

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

(i) Principal and interest payment delinquencies;

(ii) Non-payment related defaults;

(iii) Unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) Unscheduled draws on credit enhancements reflecting financial difficulties;

(v) Substitution of credit or liquidity providers, or their failure to perform;

(vi) Adverse tax opinions or events affecting the tax-exempt status of the security;

(vii) Modifications to rights of security holders;

(viii) Bond calls;

(ix) Defeasances;

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

(xi) Rating changes.

d. "Material Event Notice" means written or electronic notice of a Material Event.

e. "NRMSIR" means a nationally recognized municipal securities information repository, as recognized from time to time by the Securities and Exchange Commission for the purposes referred to in the Rule. The NRMSIRs as of the date hereof are:

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

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

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

Standard & Poor's Securities Evaluations, Inc.
55 Water Street
45th Floor
New York, NY 10041
Phone: (212) 438-4595
Fax: (212) 438-3975
www.jjkenny.com/jjkenny/pser_descrip_data_rep.html

Email: nrmsir_repository@sandp.com

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

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

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

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

[Remainder of page intentionally left blank]

In Witness Whereof, Bernalillo County, New Mexico has caused this instrument to be signed, subscribed, and executed, and attested with the signature of the Chair of the Board of County Commissioners; has caused its corporate seal to be affixed on this instrument; all as of October 9, 2007.

BERNALILLO COUNTY, NEW MEXICO

/s/Alan B. Armijo
Board of County Commissioners, Chair

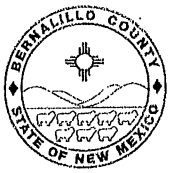
APPENDIX C

STATE OF NEW MEXICO
COUNTY OF BERNALILLO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2006

County of Bernalillo
State of New Mexico

BOARD OF COUNTY COMMISSIONERS
ALAN B. ARMIJO, CHAIR
DISTRICT 1
TERESA L. CÓRDOVA,Ph.D., VICE-CHAIR
DISTRICT 2
DEANNA ARCHULETA, MEMBER
DISTRICT 3
E. TIM CUMMINS, MEMBER
DISTRICT 4
MICHAEL BRASHER, MEMBER
DISTRICT 5

THADDEUS LUCERO, COUNTY MANAGER



ONE CIVIC PLAZA, N.W.
ALBUQUERQUE, NM 87102
(505) 768-4000
FAX (505) 768-4329

MARK J. CARRILLO, ASSESSOR
MARY HERRERA, CLERK
MERRI RUDD, PROBATE JUDGE
DARREN P. WHITE, SHERIFF
PATRICK PADILLA, TREASURER

November 15, 2006

Board of County Commissioners
Alan B. Armijo, Chair
Teresa L. Cordova, Ph.D., Vice Chair
Deanna Archuleta, Member
E. Tim Cummins, Member
Michael Brasher, Member
One Civic Plaza, 10th Floor
Albuquerque, New Mexico 87102

Dear Commissioners:

County Management hereby submits the Comprehensive Annual Financial Report (CAFR) of the County of Bernalillo (the County), New Mexico, for fiscal year ending June 30, 2006.

New Mexico State Statute 12-6-3, NMSA 1978 Compilation requires that an annual audit of a governmental unit's accounting records and Comprehensive Annual Financial Report be performed by independent public accountants. 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.

Meyners and Company, LLC, Certified Public Accountants, have issued an unqualified opinion on the County's comprehensive annual financial report for the year ended June 30, 2006. The independent auditor's report is located at the front of the financial statements.

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

PROFILE OF THE COUNTY

Bernalillo County is located in the central region of the state and is the economic and population hub of New Mexico. Its boundaries encompass the entire City of Albuquerque. With an estimated population of 603,562 in 2005, the County ranks 90th in population of the nation's 3,066 counties. It comprises nearly 31 percent of New Mexico's population and 80 percent of the three county Albuquerque Metropolitan Statistical Area, (MSA); Sandoval and Valencia being the other two counties.

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

The County maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board. The County's legal level of budgetary control is at the fund level, except for the Emergency Medical Services and Fire Districts funds, whose legal level of budgetary authority is at the program or district level. Appropriations within a fund may be adjusted under the authority of the County Manager or Deputy County Managers as long as the total fund appropriations remain the same. Appropriation adjustments between funds require approval of the Board and the New Mexico State Department of Finance and Administration (DFA). The Local Government Division of DFA is the agency responsible for regulating the budgetary affairs of the County. Budget adjustments that do not require DFA approval are limited to transfers of budget between departments within a fund or transfers between line items within a department within a fund. State statutes prohibit the County from making expenditures in excess of the final approved budget at the fund level. The appropriated amounts reflected in the accompanying financial statements 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 80 percent of its population, has emerged as a hub for commerce and industry in the Southwest. It accounts for nearly half of all economic activity in New Mexico. In the 2006 Forbes List of "Best Places for Business and

Careers," the Albuquerque MSA placed 1st out of the 200 largest metro areas in the Country. Top-ranked Albuquerque MSA has the lowest business costs in the country at 24 percent below the national average and also benefited from an educated population and rising household incomes. The Albuquerque MSA ranked 1st for the "Cost of Doing Business" category, 30th for the "Income Growth" category and 54th for the "Educational Attainment" category.

The Albuquerque MSA has been on a path of accelerating expansion, with non-agricultural employment growth continually increasing since the beginning of 2006. Non-farm employment growth reached 2.8 percent in the second quarter, up from 2.7 percent in the first quarter. Personal income growth was 6.2 percent during the second quarter of 2006. The unemployment rate was 4.2 percent, the lowest since the third quarter of 2001. The Albuquerque MSA economy added 10,400 jobs (net) between the second quarter of 2005 and the second quarter of 2006. As has been the case for the last two years, most of the new jobs appeared in only three sectors of the economy – construction, government, and educational/health care/social assistance. The construction sector added 2,500 jobs, an increase of 8.8 percent. Despite the large gain, the total dollar value of construction contracts awarded during the second quarter of 2006 decreased 13.9 percent. Residential contracts were up 12.6 percent, and non-residential buildings fell 10.9 percent, and contracts for other than buildings decreased 60.9 percent. The Government sector employment increased by 2,100 jobs in the second quarter of 2006, a gain of 2.8 percent. Local government employment was up 2.2 percent, while state government employment rose 2.9 percent. Federal government employment posted a 4.0 percent gain, reflecting the addition of hundreds of U.S. Forest Service jobs. Educational services, health care, and social assistance, the third major contributor to the employment growth, added 1,567 jobs in the second quarter, a 3.4 percent increase. The leisure and hospitality sector has been doing quite well during the last four quarters, averaging employment growth of about 2.5 percent. The manufacturing sector has rebounded and employment increased 3.7 percent in the second quarter, an increase of 833 jobs. Retail trade employment growth slowed to 1.5 percent in the second quarter, but still managed to add 677 jobs. All of the remaining economic sectors showed minimal employment gains, but no sector exhibited employment declines.

Long-term financial planning

The financial condition of the County is strong. The County has made an enormous effort to incorporate comprehensive financial planning in its long-range vision. DFA requires that 3/12 of budgeted expenditures be reserved at year-end to maintain an adequate cash flow until the next significant property tax collection. The DFA reserve requirement of $47,880,110 in the general fund represents 50% of the total general fund balance of $97,463,296. The County has an unreserved, designated fund balance of $40,812,441 or 41 percent of total general fund balance. A portion of unreserved fund balance in the general fund has been designated for unencumbered carryover in the amount of $19,721,768, future capital projects in the amount of $10,000,000, fiscal year 2007 salary adjustment in the amount of $4,100,000, and for budget stabilization in the amount of $6,990,673. A portion of the unencumbered carryover amount has been designated for the purchase of a new County-wide Enterprise Resource Planning Financial Management system that the County plans to implement in fiscal years 2007 and 2008. Additional unreserved fund balance amounts have been designated to allow County Departments and Elected Offices to carryover fiscal year 2006 budgeted balance into fiscal year 2007 in accordance with the County's two-year budget plan.

Relevant financial policies

After researching the concept of two-year budgets, including examining other cities' and counties' experiences with the process, management decided to transition to a two-year budget. Approval provided for an appropriation for two fiscal years at once, with funding being available to departments for one year at a time. Departments were given a base budget and salary projections for each of the two years. Departments had the opportunity to evaluate their budgets prior to commencement of the second year. Any necessary changes will be presented to the Board of County Commissioners as adjustments to the base budget. The biennial budget process has encouraged a long-term view of financial planning and shifted the emphasis from the process itself to a more careful examination of resource allocation choices.

Major initiatives

On July 1, 2006 Bernalillo County became the sole operator of the Metropolitan Detention Center (MDC). For the past thirty years, under a Joint Powers Agreement (JPA), the City of Albuquerque (City) was responsible for the daily operations of the facility and both the City and the County shared equally in the operating costs. However, the debt service payments for MDC is the sole responsibility of the County. In April of 2005, the County was notified of the City's intent to cancel the JPA. On October 11, 2005, the Board of County Commissioners adopted a 1/8% Correctional Facility Gross Receipt Tax ordinance in accordance with the Laws of 2004, Chapter 110. The tax will become effective on July 1, 2006 and funds will be utilized for the County's operations of the MDC. The total approved Fiscal Year 2007 operating budget for MDC is $54,862,532 and includes $2,770,802 of operating funds for the addition of the new Health Services Unit. The County continues to explore every avenue available to reduce costs and to improve operating efficiencies at the MDC and to identify alternate funding sources for the operations of the facility.

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, 2005. This was the second consecutive year that the County has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the County must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Sincerely,

Thaddeus Lucero
County Manager

Daniel J. Mayfield
Deputy County Manager for Budget and Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

County of Bernalillo
New Mexico

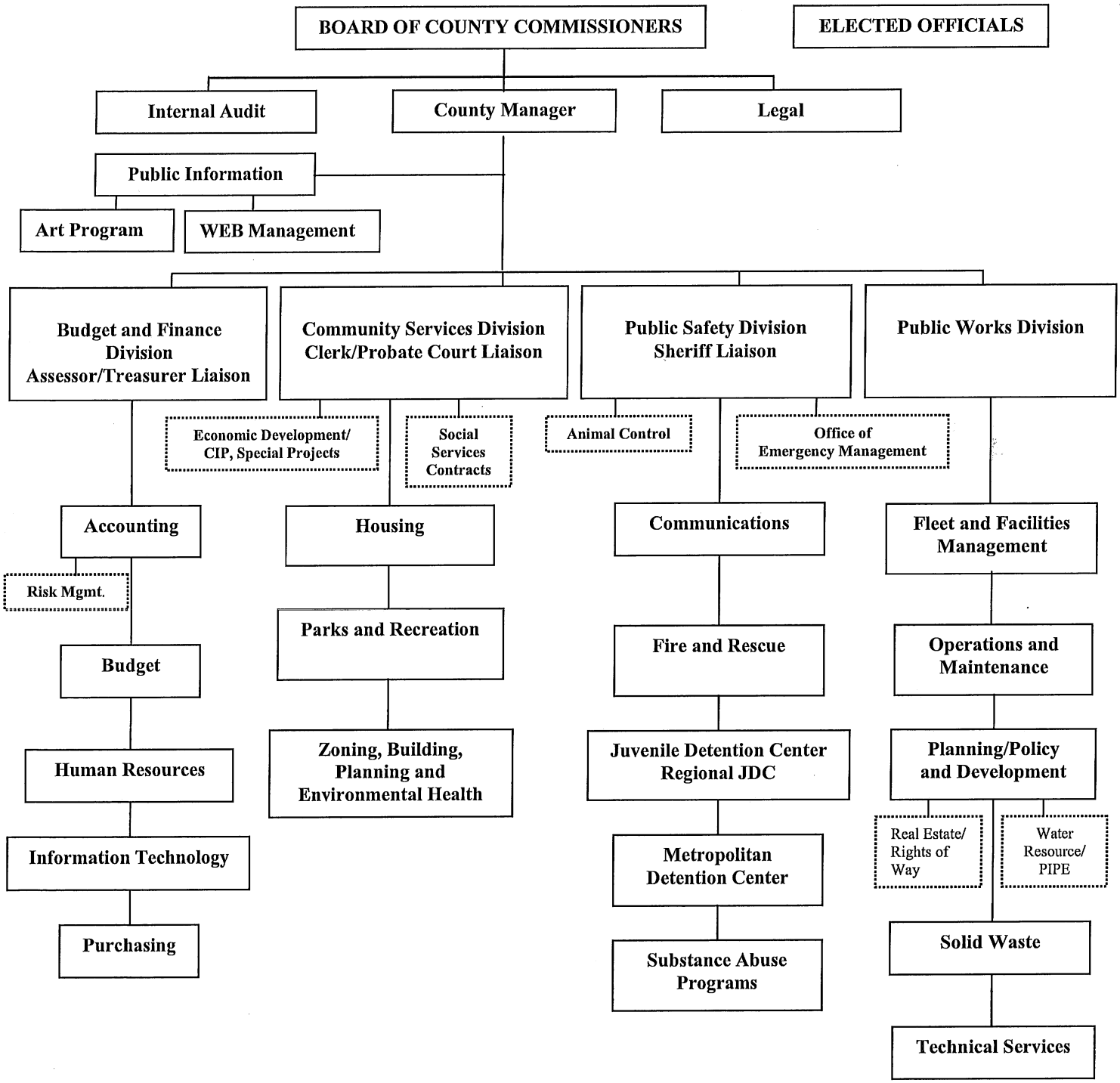
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2005

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

BERNALILLO COUNTY ORGANIZATIONAL CHART



COUNTY OF BERNALILLO

PRINCIPAL OFFICIALS

June 30, 2006

COUNTY COMMISSIONERS

Alan B. Armijo, Chair	District 1
Teresa L. Cordova, Ph.D., Vice Chair	District 2
E. Tim Cummins, Member	District 4
Deanna A. Archuleta, Member	District 3
Michael Brasher, Member	District 5

COUNTY ELECTED OFFICIALS

Darren P. White	County Sheriff
Patrick J. Padilla	County Treasurer
Mary Herrera	County Clerk
Mark J. Carrillo	County Assessor
Merri Rudd	Probate Judge

COUNTY MANAGER

Thaddeus Lucero

DEPUTY COUNTY MANAGERS

Daniel J. Mayfield, CGFM, Deputy County Manager for Budget and Finance
Julie M. Baca, Deputy County Manager for Community Services
John P. Dantis, Deputy County Manager for Public Safety
Timothy West, Deputy County Manager for Public Works

COUNTY OF BERNALILLO, NEW MEXICO

CONTRIBUTORS

June 30, 2006

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

Financial Reporting Personnel

Gregory Stricklin, CPA
Accounting Director

Jeff P. Lovato, MBA
Financial Projects Coordinator

Bonnie Ulibarri-Romero, CPA
Financial Administrator

Ray Garcia
Financial Administrator

Sue Solosky
Financial Services Administrator

Cindy Torres
Accounting Officer

Leticia Carreon
Accountant Senior

Jessie Fairbanks
Accountant Senior

Anita Montoya
Accountant Senior

MEYNERS +
COMPANY, LLC
Certified Public Accountants/
Consultants to Business

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

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the County of Bernalillo, New Mexico (County) as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the County's nonmajor governmental, fiduciary, and nonmajor enterprise funds presented as supplementary information in the accompanying combining and individual fund financial statements and schedules as of and for the year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof, and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental, fiduciary and nonmajor

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enterprise fund of the County as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable, thereof, and the budget comparisons for the nonmajor governmental funds, enterprise funds, and the TRAN Debt Service Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2006, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

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

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

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

Meyner + Company, LLC

November 13, 2006

COUNTY OF BERNALILLO NEW MEXICO
Management's Discussion and Analysis
June 30, 2006

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, 2006. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages i-v of this report.

Financial Highlights

- The government-wide assets of the County exceed its liabilities as of June 30, 2006 by $391,831,224, an increase of $21,391,185 or a 5.5% increase. Of this amount, $264,003,528 is invested in capital assets, net of related debt. Of the remaining balance, $43,396,414 is restricted for specific purposes and $84,431,282 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.

- The fund balance in the County's general fund increased from $72,308,683 in FY05 to $97,463,295, an increase of $25,154,612 or a 34.79% increase.

- The County was able to maintain adequate reserves in the amount of $47,880,110 as required by the State of New Mexico Department of Finance and Administration, Local Government Division – 3/12 of the General Fund Budget for FY07.

- During the year, the County sold $5,261,000 of General Obligation Bonds (Series 2005A). $1,500,000 for library books, $1,000,000 for roads, $1,255,000 for parks and recreation, and $1,506,000 for public safety. Also, the County issued $13,940,000 of General Obligation Refunding Bonds with an average interest rate of 3.81% to advance refund $4,410,000 of series 1995 bonds outstanding, $2,700,000 of series 1996 bonds outstanding, and $6,275,000 of series 2000 bonds outstanding.

- The County has $366,942,308 in available bonding capacity or 81.47% of allowable bonding capacity per the New Mexico State Constitution (see page 153).

- The County property valuations increased 11.48% from $10.10 billion in FY05 to $11.26 billion in FY06 (see page 144).

- The County maintained its Aa1 rating with Moody's Investors Service, Inc. and AA+ for Standard & Poor's Rating Service and Fitch for its General Obligation Bonds and was upgraded by Standards and Poor to an AA+ rating from an AA rating on the Gross Receipt Tax Revenue Bonds.

Overview of the Financial Statements

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

Government-wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business. Revenues are recorded when earned and expenses recorded when a liability is incurred, regardless of the timing of related cash flows. For example, property taxes are recognized as revenues in the year for which they are levied. The statement of net assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating. The statement of activities presents information showing how the County's net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both of the government-wide financial statements differentiate functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (Business-type activities). The governmental activities of the County include general government, public works, public safety, health and welfare, and culture and recreation. The Business-type activities of the County include Solid Waste, Bernalillo Housing Authority, Seybold Village Handicapped Project, the Juvenile Detention Center, and El Centro Familiar. The government-wide financial statements can be found on pages 21-22 of this report.

Fund financial statement. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

The County adopts an annual appropriated budget for its General fund. A budgetary comparison statement for the General fund is presented on page 27. In addition, the County adopts an annual budget for other non-major funds. A budgetary comparison statement is presented in the aggregate and individually for all those funds.

The basic governmental fund financial statements can be found on pages 23-26 of this report.

Proprietary funds. The County maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *Business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for Solid Waste, Housing Authority, Seybold Village Handicapped Project, Regional Juvenile Detention Center, and the El Centro Familiar. An *Internal service fund* is used to account for operations that provide services to other departments or agencies of the County on a cost-reimbursement basis. The County's internal service fund is the Risk Management fund, which is used to account for its risk management activities. Because the services provided by the Risk Management fund predominantly benefit governmental rather than business-type functions, this fund is included within *governmental activities* in the government-wide financial statements. The basic proprietary fund financial statements can be found on pages 28-30 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 31 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 33-63 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 63-113 of this report.

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The County's governmental-wide net assets exceed liabilities by $391,831,224 for the fiscal year ending June 30, 2006. By far the largest portion of the County's net assets (67 percent) reflects its investment in capital assets (e.g., infrastructure, land, buildings, machinery, and equipment) less any debt, used to acquire those assets, that is still outstanding. In the prior year, the County's investment in capital assets was 70% of net assets. The County uses these capital assets to provide services to the citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

County of Bernalillo Net Assets

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Assets:						
Current and other assets	$281,394,443	$234,517,129	$3,798,216	$ 2,368,950	$285,192,659	$236,886,079
Capital assets	481,156,828	481,366,127	4,949,500	5,417,840	486,106,328	486,783,967
Total assets	762,551,271	715,883,256	8,747,716	7,786,790	771,298,987	723,670,046
Liabilities:						
Long-term liabilities	269,118,143	269,724,477	2,799,457	1,986,294	271,917,600	271,710,771
Other liabilities	106,395,961	80,894,130	1,154,202	625,106	107,550,163	81,519,236
Total liabilities	375,514,104	350,618,607	3,953,659	2,611,400	379,467,763	353,230,007
Net Assets:						
Invested in capital assets, net of related Debt	259,799,155	256,203,651	4,204,373	3,602,601	264,003,528	259,806,252
Restricted	43,396,414	49,216,804	-	-	43,396,414	49,216,804
Unrestricted	83,841,598	59,844,194	589,684	1,572,789	84,431,282	61,416,983
Total net assets	$387,037,167	$365,264,649	$4,794,057	$5,175,390	$391,831,224	$370,440,039

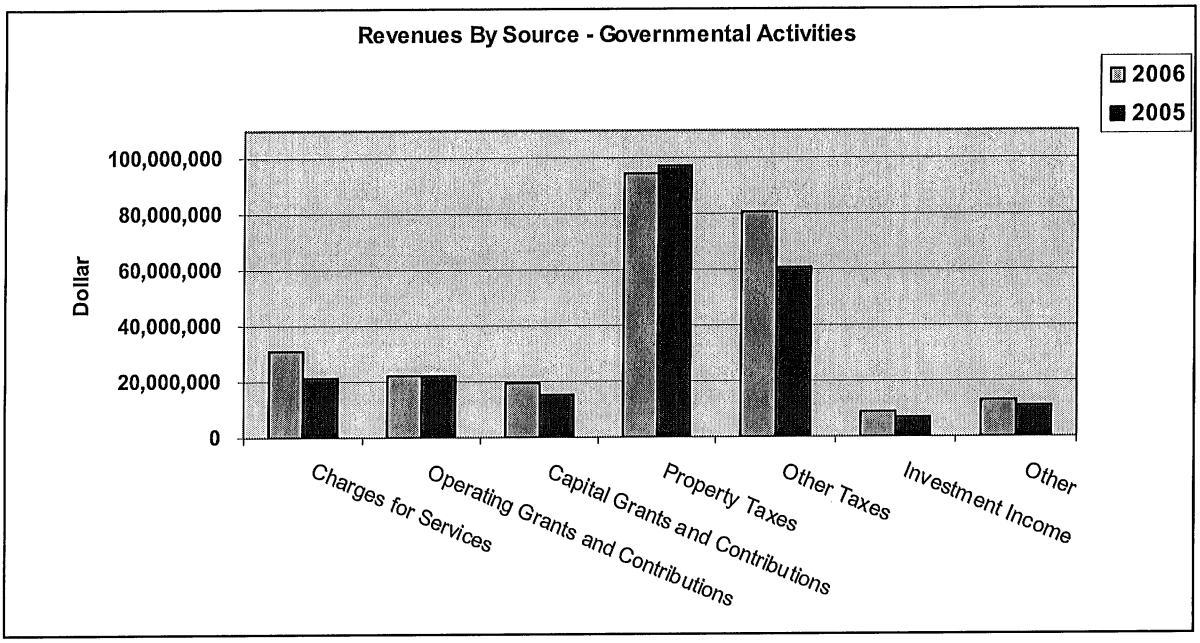
Restricted net assets in the amount of $43,396,414 represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, $84,431,282 may be used to meet the government's ongoing obligations to citizens and creditors.

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

Governmental activities. Governmental activities during the year increased the County's net assets by $21,772,518 in FY06 as compared to $19,292,259 in FY05.

County of Bernalillo's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for services	$30,857,136	$21,396,030	$5,495,303	$ 4,903,003	$36,352,439	$26,299,033
Operating grants and contributions	21,947,700	21,825,526	196,975	139,226	22,144,675	21,964,752
Capital grants and contributions	19,257,667	15,059,440	-	-	19,257,667	15,059,440
General revenues:						
Property taxes	95,070,478	97,468,762	-	-	95,070,478	97,468,762
Other taxes	80,668,274	60,843,367	-	-	80,668,274	60,843,367
Investment income	9,043,065	6,952,564	50,653	9,022	9,093,718	6,961,586
Grants and contributions not restricted to specific programs	-	-	534,517	558,439	534,517	558,439
Other	13,182,736	10,845,578	107,233	119,688	13,289,969	10,965,266
Total revenues	270,027,056	234,391,267	6,384,681	5,729,378	276,411,737	240,120,645
Expenses:						
General government	46,477,713	45,288,911	-	-	46,477,713	45,288,911
Public works	45,618,719	34,986,816	-	-	45,618,719	34,986,816
Public safety	108,438,819	89,268,696	-	-	108,438,819	89,268,696
Health and welfare	19,199,026	19,266,114	-	-	19,199,026	19,266,114
Culture and recreation	14,202,035	11,411,012	-	-	14,202,035	11,411,012
Interest on long-term debt	14,318,226	15,077,459	-	-	14,318,226	15,077,459
Solid Waste	-	-	4,257,715	3,255,586	4,257,715	3,255,586
Housing Authority	-	-	469,038	1,036,213	469,038	1,036,213
Seybold Village	-	-	168,763	145,955	168,763	145,955
Juvenile Detention Center	-	-	1,273,084	1,330,647	1,273,084	1,330,647
El Centro Familiar	-	-	404,069	382,877	404,069	382,877
Total expenses	248,254,538	215,299,008	6,572,669	6,151,278	254,827,207	221,450,286
Increase in net assets before transfers	21,772,518	19,092,259	(187,988)	(421,900)	21,584,530	18,670,359
Transfers in (out)	-	200,000	-	(200,000)	-	-
Capital contributions	-	-	16,688	1,113,598	16,688	1,113,598
Increase in net assets	21,772,518	19,292,259	(171,300)	491,698	21,601,218	19,783,957
Net assets –beginning	365,264,649	346,202,703	5,175,390	4,059,309	370,440,039	350,262,012
Prior period adjustment		(230,313)	(210,033)	624,383	(210,033)	394,070
Net assets – beginning as restated	365,264,649	345,972,390	4,965,357	4,683,692	370,230,006	350,656,082
Net assets – ending	$387,037,167	$ 365,264,649	$4,794,057	$5,175,390	391,831,224	$370,440,039



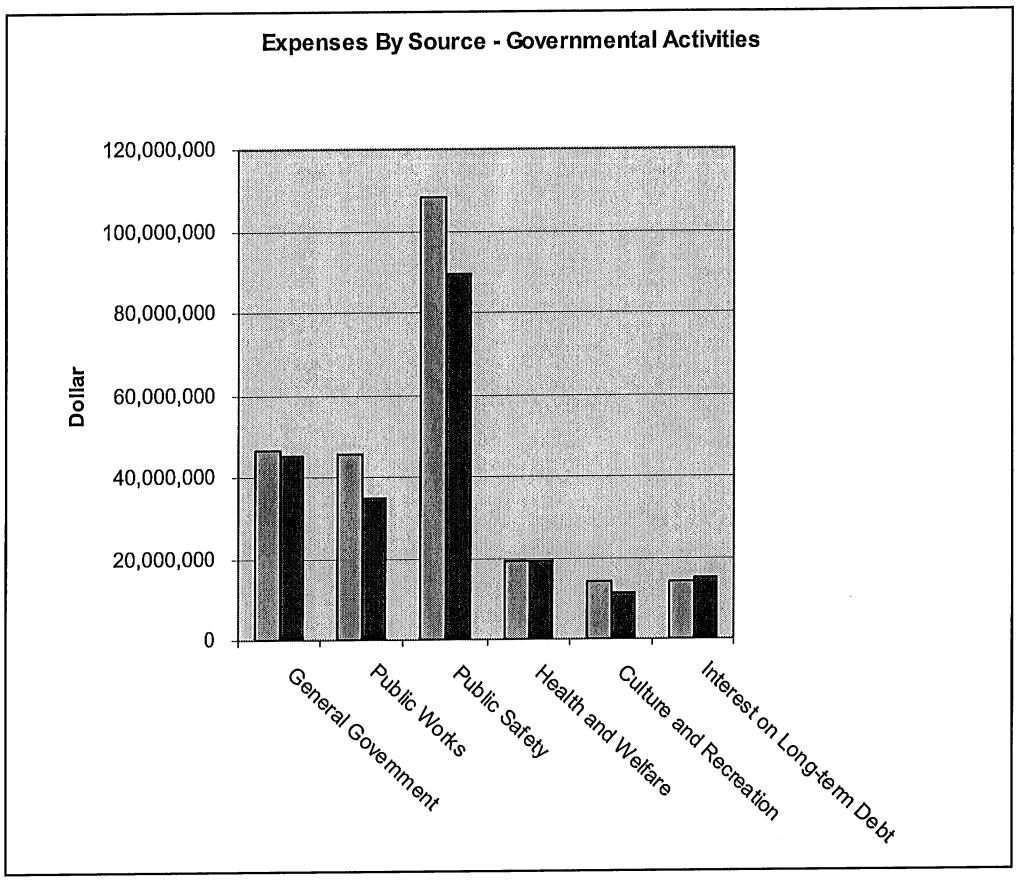
Governmental Activities revenues increased by $35.6 million from $234.4 to $270.0, an increase of 15.2%. Key elements in the growth of governmental activities revenues are as follows:

- General revenues other taxes increased $19.8 million from $60.8 million in FY05 to $80.6, a 32.5% increase, which accounts for 55.6% of the increase in governmental activities revenues during the year. The increase is attributed to a 3/16 tax rate increase in the County's operational gross receipt tax rate from 5.375% to 5.5625% (5.0 state portion) that was effective for the last half of FY05 (January 1, 2005) and all of FY06. The overall taxable gross receipts reported by the State for Bernalillo County increased by 1.23% during the year from $15.121 billion in FY05 to $15.307 billion in FY06. The small increase in the taxable gross receipts was attributed in part to a state-wide food and physician gross receipt tax exemption that went into effect on January 1, 2005.

- Program revenues Charges for Services increased by $9.4 million from $21.4 to $30.8 million, a 43.9% increase which accounts for 26.4% of the increase in governmental activities revenues during the year. The increase is attributed to an increase in the fees collected for services for the Regional Correction Center (RCC) from $4.6 million in FY05 to $13.0 million in FY06. The RCC was only operational for four months during FY05 as compared to twelve months during FY06.

- Program revenues Capital Grants and Contributions increased by $4.2 million from $15.0 million to $19.2 million, a 28.0% increase. A significant part of the increase was attributed to an increase in spending on the Isleta Blvd Phase II right of way and road improvement project costs.

- Property taxes revenue decreased $2.4 million from $97.4 million to $95.0 million, a 2.5% decrease. While taxable property valuation within the County increased 11.5% from $10.102 billion to 11.260 or by $1.158 billion, the County's operation non-residential mill levy rate decreased slightly from 11.6 to 10.658. The decrease in property tax rates was slightly offset by an increase in the current property tax collection rate from 95.71% to 96.12%.



Governmental activities expenses increased by $32.9 million from $215.3 to $248.2, a 15.3% increase. Key elements in the changes of governmental activities expenses, other than an increase in salary and related fringe benefit costs due to a 3% across the board salary increase, a 10% increase in healthcare premium cost, and a 5% employer contribution increase in healthcare premium benefits for County employees, are as follows:

- General government expenses increased by $1.2 million from $45.3 million to $46.5 million, a 2.6% increase. The increase in general government expenses is primarily attributed to the annual cost of living increase and enhancement of employee healthcare benefits.

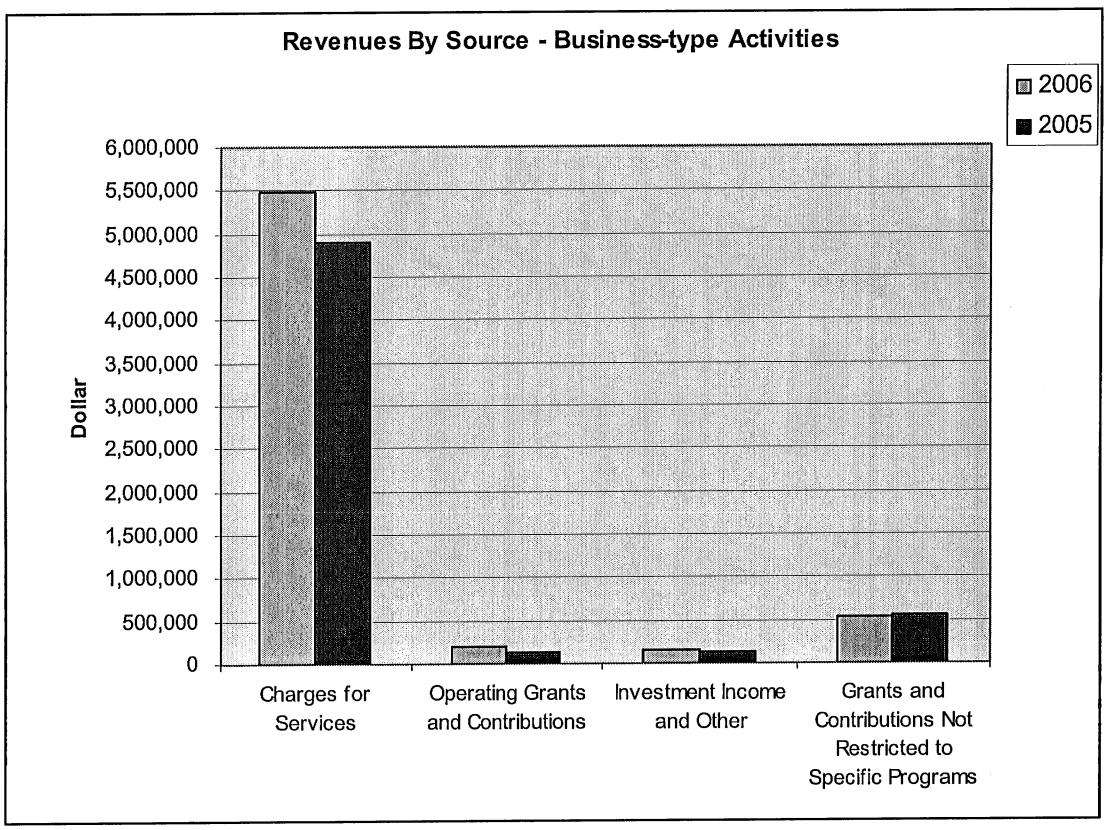
- Public works expenses increased by $10.7 million from $34.9 million to $45.6 million, a 30.6% increase, which accounts for 32.5% of the increase in governmental activities expenses during the year. $5.8 million of this increase is attributed to cost associated with the development of the west-side industrial park (Tempur-Pedic). A significant portion of the remaining increase is attributed to the cost incurred for Phase II of the Isleta Boulevard Reconstruction project.

- Public safety expenses increased by $19.1 million from $89.3 million to $108.4 million, a 21.4% increase, which accounted for 58.0% of the increase in governmental activities expenses during the year. A large percentage of the increase, $8.4 million, was attributed to an increase in expenses charged for services for the Regional Correction Center from $4.6 million in FY05 to $13.0 million in FY06. The RCC was only operational for four months during FY05 as compared to twelve

months during FY06. Increased cost associated with operating the Albuquerque/Bernalillo County Metropolitan Detention Center was due to an increasing average daily inmate population, which accounted for $2.4 million of the increase in public safety expenses in FY06. The remaining significant increase in public safety expenses was the result of an expansion of Fire and Rescue operations. Between FY04 and FY06 an additional 48 new positions were created and filled in order to enable at least two apparatus units from each station to respond to fire and rescue calls and to fully staff all fire stations.

- Culture and recreation expenses increased by $2.8 million from $11.4 million to $14.2 million, a 24.6% increase, which accounted for 8.4% of the increase in governmental activities expenses during the year. The increase was attributed to an increase in the purchase of library books of $953,505, increased grant expenses of $324,371, increase costs associated with city mandates and general operating costs.

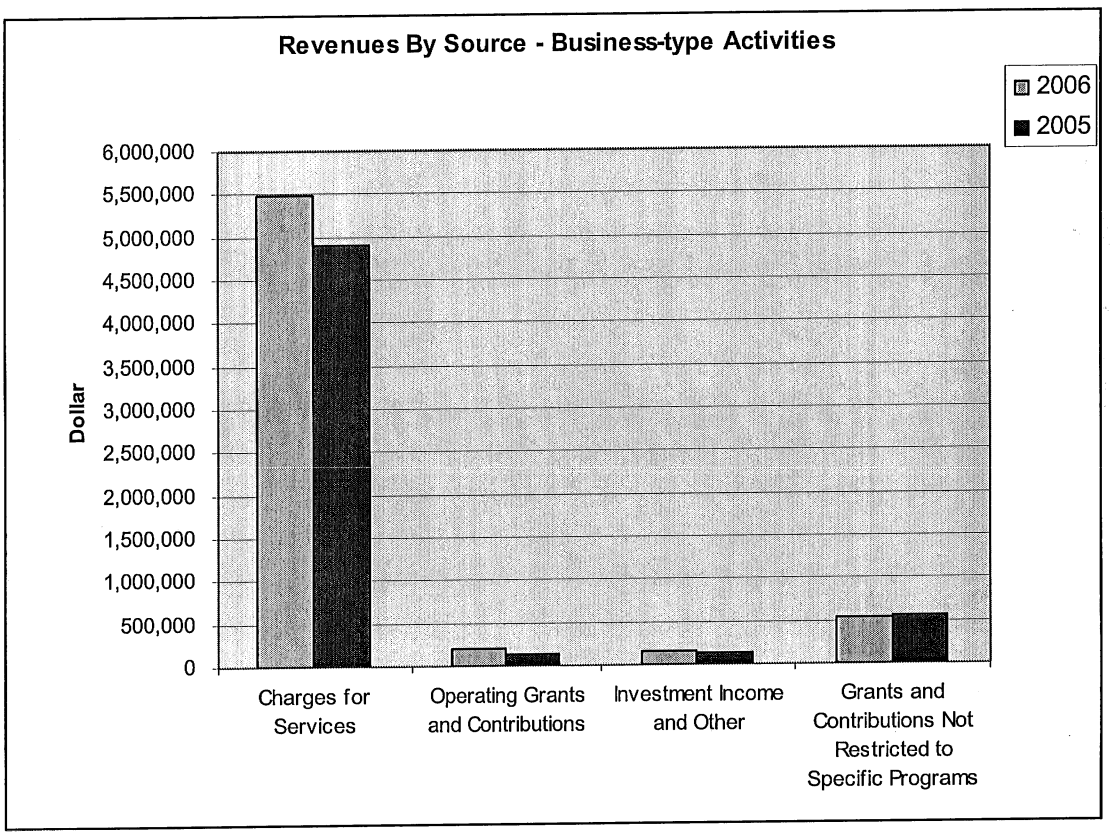
Business-type activities. Business-type activities net assets decreased by $171,300 during the current fiscal year. The Solid Waste fund, the Housing Authority, the Seybold Village Handicapped Project fund, the Juvenile Detention Center, and the El Centro Familiar incurred losses of $38,600, $365,744, $128,600, $27,458 and $190,406 respectively before capital contributions and operating transfers out. These losses represent the degree to which ongoing program expenses have outstripped ongoing program revenues. Overall, the Business-type activities experienced a $750,808 operating loss (program revenues less expenses) before non-operating revenues of $562,820.



Business-type activities revenue increased from $5.7 million in FY05 to $6.4 million in FY06, a 12.3% increase. A key element in the increase of business-type activities revenues is as follows:

- Revenue Program charges for services increased from $4.9 million to $5.5 million, a 12.2% increase. The increase was attributed to an increase in the solid waste fees of $1.0 million due to a fee increase implemented in FY06 and to an increase in revenues from a new recycling program.

- Revenue Program charges for the Housing Authority decreased from $479,823 to $79,899, an 83.3% decrease. In FY05, additional revenues were generated from the sale of rehabilitated homes to qualified low-income individuals. FY06 revenue of $79,899 represents rental income - lease purchase.



Business-type activities expenses increased from $6.2 million to $6.6, a 6.5% increase. Key elements in the increase of business-type activities expenses are as follows:

- Contractual expenses in the Solid Waste Fund increased from $2.0 million to $2.9. A significant portion of the increase was attributed to the additional cost of implementing the new recycling program.

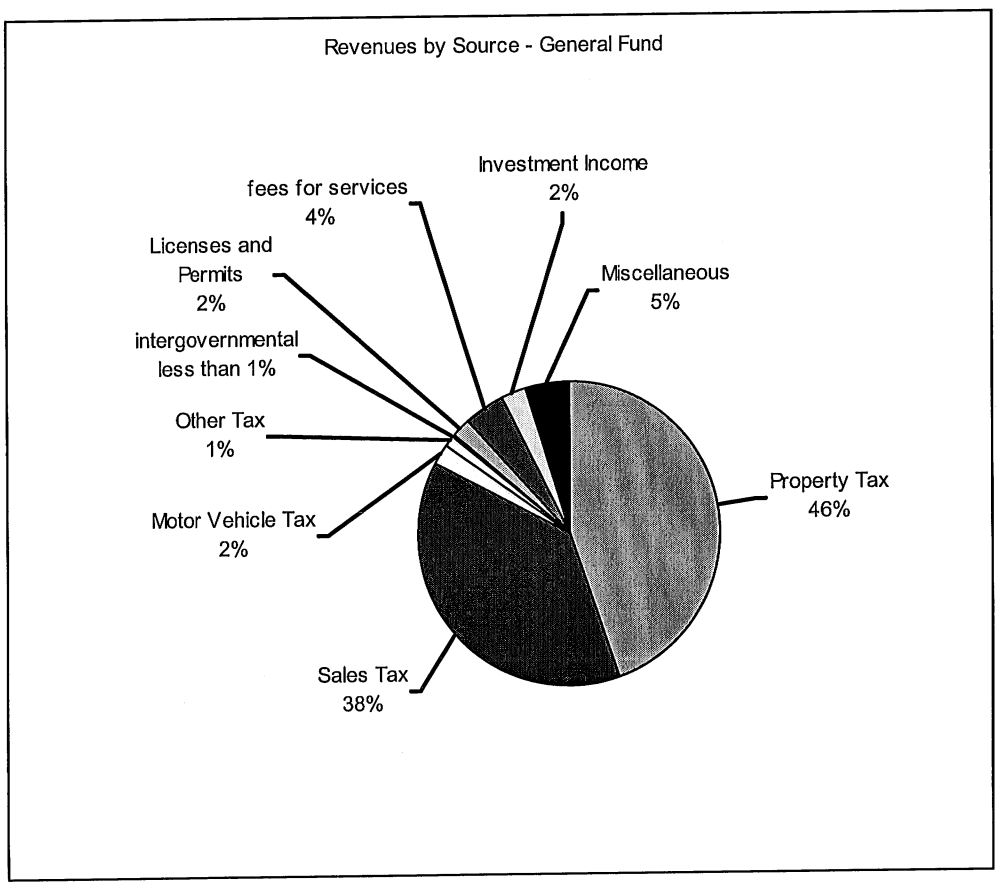
- Grant expenses in the Housing Authority decreased from $808,374 to $221,863 which was reflective of a decrease in home rehabilitation grant funds.

Financial Analysis of the County's Funds

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of $183,788,099. Approximately 33.9% of this total, $62,321,144, constitutes unreserved fund balance, which is available for spending at the County's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed: 1) to DFA 3/12 reserve requirement $47,880,110, 2) $49,555,176 in encumbrances to liquidate contracts and purchase orders of the prior period, 3) $21,847,708 to pay debt service, and 4) $2,183,961 for a variety of other restricted purposes.

General Fund. The County's general fund balance increased $25,154,612 during the current fiscal year. Key factors in this growth are based on the increase in local taxes from the previous year combined with less than expected incurred expenditures during the year.

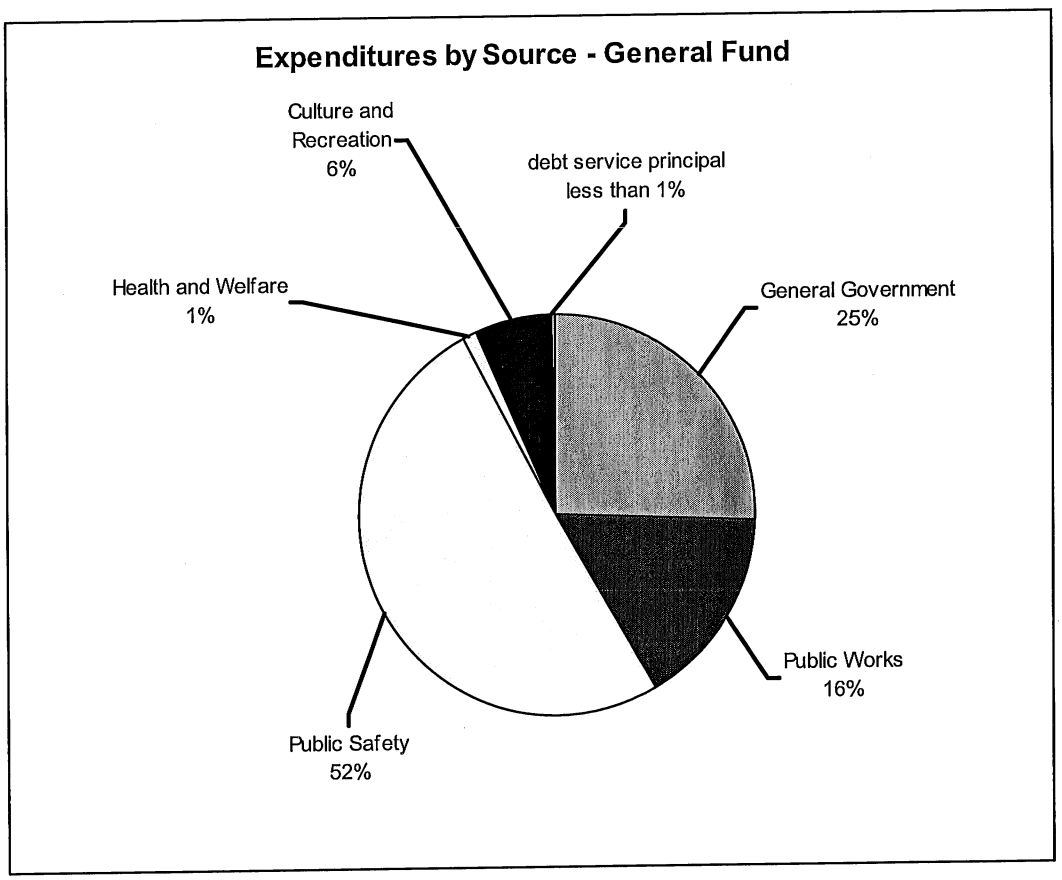


General Fund revenues increased $17.5 million from $168.0 million to $185.5 million, an increase of 10.4%. Key elements in the growth of General Fund revenues are as follows:

- Gross receipt tax revenue in the General Fund increased by $19.0 million or by 36.7% from $51.7 million to $70.7 million. The increase in gross receipt tax revenue accounts for almost all of the increase in revenues during the year and is attributed to an increase in the County's gross receipt tax rate from 5.375% to 5.5625% that went into effect January 1, 2005; however, the full effect of the rate increase was not fully realized until FY 2006.

- Property taxes revenue decreased by $3.7 million or by 4.3% from $86.7 million to $83.0 million. While taxable property valuation within the County increased 11.48% from $10.10 billion to $11.26 or by $1.16 billion, the County's operational non-residential mill levy rate decreased slightly from 11.6 to 10.658. The decrease in property tax rates was slightly offset by an increase in the current property tax collection rate from 95.71% to 96.12.

General Fund expenditures increased $15.9 million from $130.4 million to $146.3, a 12.2% increase. Key elements in the increase in General Fund expenditures, other than an increase in salary and related fringe benefit costs due to a 3% across the board salary increase for County employees, are as follows:



- Public Works expenditures increased by $7.4 million from $16.2 million to $23.6 million, a 45.6% increase, which accounted for 46.5% of the increase in General Fund expenditures. $5.8 million of this increase is attributed to cost associated with the development of the west-side industrial park (Tempur-Pedic). A significant portion of the remaining increase is attributed to the cost incurred for Phase II of the Isleta Boulevard Reconstruction project.

- Public Safety expenditures increased by $7.0 million from $66.9 million to $73.9 million, a 10.5% increase, which accounted for 44.0% of the increase in General Fund expenditures. Increased cost associated with operating the Albuquerque/Bernalillo County Metropolitan Detention Center was due to an increasing average daily inmate population, which accounted for $2.4 million of the increase in public safety expenditures. The remaining significant increase in public safety expenditures was the result of an expansion of Fire and Rescue operations. Between FY04 and FY06 an additional 48 new positions were created and filled in order to enable at least two apparatus units from each station to respond to fire and rescue calls and to fully staff all fire stations.

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 2006, the County's Special Revenue funds reported combined ending fund balances of $10,937,600, an increase of $2,144,446. $237,198 of the fund balance is reserved for advances to other funds, $4,232,272 is reserved for encumbrances, and the remaining fund balance of $6,468,130 is unreserved undesignated.

Debt Service funds. As of the end of fiscal year 2006, the County's Debt Service funds reported combined ending fund balances of $20,845,262, an increase of $1,913,482. All of the fund balance is reserved to pay debt service.

Capital Projects funds. As of the end of fiscal year 2006, the County's Capital Project funds reported combined ending fund balances of $53,539,496 a decrease of $5,206,223. During the year, as capital projects are completed the cost of the projects are reclassified as capital assets and removed from the capital project fund. $38,498,919 of the fund balance is reserved for encumbrances and the remaining fund balance of $15,040,577 is unreserved undesignated.

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

Budgetary Highlights Original Budget – Final Budget Comparison.

General Fund. General fund original budgeted revenues increased $448,770, or by .3%, from $165.3 million to $165.7 million. General fund original budgeted expenditures increased $448,771, or by .2%, from $182.5 million to $182.9 million. Significant changes between the original budget and the final amended budget are summarized as follows:

- The Miscellaneous income revenue budget was increased from $7.3 million to $7.7 million to increase miscellaneous reimbursements from payments in lieu of taxes.

- The Finance original expenditure budget increased $7.8 million from $8.3 million to $16.1 million. $7.4 million of the increase was for a new county-wide Enterprise Resources Planning (ERP) financial reporting system.

- The General County original expenditure budget increased $3.7 million from $11.4 million to $15.1 million. The increase was primarily attributed to $4.5 million in new Senate Bill 88 gross receipt tax monies which were earmarked in part for MDC Transition/Infrastructure, MDC carryover cost, fleet appropriations, and various other items.

- The Other expenditure budget decreased by $24.4 million from $26.4 million to $2.0 million due to the reclassification of $24.9 million in budgeted expense, associated with the new Senate Bill 88 gross receipt tax monies that were identified in the County's two-year budget (Fiscal years 2005 and 2006), which was re-categorized in FY2006.

- The Public Works original expenditure budget increased $2.4 million from $24.1 to $26.5 million. A significant portion of the increase in expenditures was attributed to an increase in anticipated cost associated with the West/Mesa water sewer project for the Westside Industrial Park project.

- The Fire original expenditure budget increased $1.3 million from $9.4 million to $10.7 million. The increase was attributed to an increase in salary and overtime cost associated with the increase of new fire and rescue operational staffing levels.

- The Sheriff original expenditure budget increased $4.2 million from $25.4 million to $29.6 million. A significant portion of the expenditure budget increase was $3.3 million for the purchase of a new helicopter. The other portion of the increase is attributed to increased salary cost.

- The Metropolitan Detention Center original expenditure budget increased $3.6 million from $33.2 to $36.8 million. The increase was attributed to higher operating costs at the jointly Albuquerque/Bernalillo County funded detention center due to a higher than expected inmate average daily population and increases in medical care, workers compensation premiums and other operating costs.

General Fund Budgetary Highlights – Budget to Actual

General Fund revenues exceeded budgetary estimates by $19,343,270 or by 11.67%. General Fund expenditures were less than budgetary estimates by $32,772,479 or by 17.9% thus eliminating the need to draw upon existing fund balance. During the year the County incurred an excess of revenues over expenditures and other financing sources in the amount of $21,520,109. Individual significant differences between the General Fund final budget and actual amounts are summarized as follows:

- Property tax revenue had a positive variance of $5,471,065. The budget projections had projected a 95% collection rate of current property taxes within the County as of June 30, 2006. The actual

collection rate was 96.12%. The significant reason for the positive variance was that delinquent taxes and interest on delinquent taxes exceeded projections by $1,147,764 and $683,392 respectively. Current property tax collections was $3,727,935 greater than budget (5.1% of budget) which was reflective of the 11.4% increase in assessed taxable property valuation from the 2005 reappraisal that was higher than anticipated.

- Gross receipt tax revenue had a positive variance of $7,422,580. The State implemented a statewide food and physician gross receipt tax exemption of which the full effect on the reduction of revenue to the County would not be completely realized until 2006 which resulted in a more than normal conservative estimate of projected revenues. Also, during the second half of 2006, the taxable gross receipts from businesses in the County grew at a 4.63% rate which was significantly higher than anticipated due to a favorable economy.

- Fees for services revenue had a positive variance of $1,566,231. The increase was attributed to an increase in Clerk fees of $671,274 as a result of higher collections due to low interest rates (refinancing of home loans) and the larger number of recordings. Other increases were attributed to higher than expected public works design review fees of $226,882 and public works chargeback fees of $524,600.

- Investment income revenue had a positive variance of $2,011,494. The increase was attributed to a significant increase in cash on hand to invest and an improved local and national economy which resulted in the ability to invest at higher interest rates than what had been anticipated.

- Finance expenditures had a positive variance of $9,031,247. A significant portion of this variance pertained to the anticipated purchase of a new Enterprise Resources and Planning financial software system that was budgeted at $7,428,000 that is not scheduled for implementation until July 1, 2008. A significant portion of the remaining variance was attributed to lower insurance premiums and deductibles of $539,444 and less than expected expenditures for Law Enforcement Officer liability claims in the amount of $542,095 and lower than expected fleet replacement cost of $208,643. The remaining variance balance pertained to minor adjustments in various other operating categories some of which had a negative variance effect.

- General County expenditures had a positive variance of $7,506,137. This variance was primarily attributed to lower expenses of $6,780,485 for items earmarked to be paid for with new Senate Bill 88 gross receipt tax monies, $667,921 in budgeted capital improvements and outlays that were not incurred, $782,480 less in prior year carryover expenditures that did not materialize, and $555,650 in anticipated election expense that was not paid out of current year funds. The remaining variance balance pertained to minor adjustments in various other operating categories some of which had a negative variance effect.

- Sheriff expenditures had a positive variance of $2,703,805. This variance was attributed to a $2,980,787 variance for the purchase of a new helicopter which was not finalized before the end of FY2006. The remaining variance balance pertained to minor adjustments in various other operating categories some of which had a negative variance effect.

- Bernalillo County Detention Center expenditure category had a positive variance of $8,041,576. This variance was attributed to less than expected cost for MDC transition of $3,775,068, some of which was not recorded until the next fiscal year, and less than expected staffing and operating cost of $4,266,508 that were not realized for the new Health Services Unit that did not open up in 2006.

- Culture and recreation expenditure category had a positive variance of $1,618,380. The variance was attributed in part to less cost associated with funding City of Albuquerque mandates in the amount of $478,862. It is also attributed in part to $484,200 in tennis court renovations that had not yet been spent and smaller savings in other operational areas.

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, 2006 amounts to $486,106,328 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, machinery and equipment, construction in progress, and infrastructure. Each year the Board of County Commissioners updates the Capital Improvements Program (CIP) in order to plan, both long and short range financing for the County's capital projects. The CIP process provides for the development and submittal of requests for the annual and six-year requests for the Capital Improvements Program. A wide range of public facilities and equipment is considered in the CIP. There are statutory requirements that provide for design, construction, major repair, reconstruction or replacement of facilities such as buildings, jails, courthouses, roadways, bridges, parks, and some heavy equipment. The County can use several types of funding for the CIP that includes General Obligation Bonds, Revenue Bonds, Special Assessment District Bonds, Federal grants and State grants and appropriations.

Citizen involvement is solicited to determine and prioritize the needs of the County by holding public meetings. The Board of County Commissioners holds periodic advertised meetings at various locations within each Commission District to solicit public input and discuss the public's requests. Capital improvement projects selected by the Board and adopted in the CIP that are to be funded by General Obligation Bonds are placed on the ballot in the next General Election. The General Obligation Bond schedule is based on a two-year cycle and issuance is currently limited to $18 million dollars by the Board of County Commissioners in order to maintain the same property tax rate. Other Capital improvement projects are included in the State of New Mexico Infrastructure Program for funding consideration. Major capital asset events during the current fiscal year included the following:

- The work on the Valley Utilities Project (VUP), started in FY02, is progressing and is expected to take close to ten years to complete at a cost of nearly $110 million. VUP construction projects, providing approximately 1,900 water and sanitary sewer connections, were either completed or construction was started. The County took over as lead agency from the City of Albuquerque for the Area I and J project that will serve a large portion of the Village of Los Ranchos de Albuquerque. The initial project, serving the Caballero del Norte subdivision, has started construction. The design phase for the larger second phase will be completed early in FY06/07.

- The design for the Isleta Boulevard Reconstruction Project, Phase 2, was completed and construction started.

- Through the use of funds from County bonds and New Mexico Department of Transportation funds, the County was able to complete the construction of a number of local road improvement projects throughout the County including the Golf Course Road project and the Industrial Park Water System, serving Tempur-Pedic.

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

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	$122,476,209	$121,202,983	$ 435,352	$ 435,352	$122,911,561	$121,638,335
Buildings	173,807,704	179,312,066	3,501,579	3,760,015	177,309,283	183,072,081
Machinery and equipment	9,306,552	10,717,076	977,731	1,089,514	10,284,283	11,806,590
Infrastructure	149,159,238	147,498,576	-	-	149,159,238	147,498,576
Leasehold improvements	2,233,853	2,346,013	-	-	2,233,853	2,346,013
Construction in progress	22,748,760	18,864,901	34,838	132,959	22,783,598	18,997,860
Art	1,424,512	1,424,512	-	-	1,424,512	1,424,512
Total	$481,156,828	$481,366,127	$4,949,500	$5,417,840	$486,106,328	$486,783,967

Additional information on the County's capital assets can be found in note IV-C. on pages 47-48 of this report.

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

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

General Obligation Bonds. At the end of the current fiscal year, the County had total general obligation debt outstanding of $83,475,000. 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 2006, this tax is approximately $.83 per $1,000 of assessed taxable value in ad valorem taxes to support general obligation bonds, which constitute direct and general obligations of the County. These bonds have retirement dates ranging from February 1, 2010 through February 1, 2025. 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 (0.74%) of the $11.2 billion taxable value of property within Bernalillo County, as of June 30, 2006. The County may currently issue up to an additional $366.9 million of general obligation bonds. The net general bonded debt per capita is $133.44. The lowest per capita amount in the last ten fiscal years was $113.00 in fiscal year ended June 30, 2002. The County's ratings on uninsured general obligation bonds as of June 30, 2006 were:

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

At the end of the current fiscal year, the County had total revenue bond debt outstanding of $181,510,000. The county has seven outstanding revenue bonds: the 1996B series, the 1997 series, the 1998 refunding series, the 1999 series, the 2002 series, the 2004 partial refunding series, and the 2005 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 $305.92. The lowest per capita amount in the last nine fiscal years was $209.04 in fiscal year end June 30, 1997. The pledged revenue coverage of gross receipts tax revenues to debt service requirements is 4.97. The lowest pledged revenue coverage in the last seven fiscal years was 2.19 in fiscal year 2002. These bonds have retirement dates ranging from November 15, 2011 through April 1, 2027. Standard's and Poor has rated the County's revenue bonds AA+.

General Obligation and Revenue Bonds Outstanding

	Governmental Activities		Business-type Activities	
	2006	2005	2006	2005
General obligation bonds	$ 83,475,000	$ 82,479,000	$ -	$ -
Revenue bonds	181,510,000	187,340,000	1,780,000	1,815,000
Total	$264,985,000	$269,819,000	$1,780,000	$1,815,000

The County's total bond debt decreased by $4,869,000 during the current fiscal year. Additional information on the County's long-term debt can be found in note IV.F on pages 51-54 of this report and in the statistical section of this report.

Economic Factors and Next Year's Budgets and Rates

According to forecasts by the University of New Mexico's Bureau of Business and Economic Research, the New Mexico economy will continue to experience non-farm employment growth during the next four quarters averaging 2.7 percent. Growth will then slow to near 2.0 percent into 2009. Non-farm employment growth is expected to reach 2.3 percent in 2007 and dropping to 2.0 percent in 2008 and 2009. New Mexico personal income is projected to increase 6.1 percent this year and 5.5 percent in 2007. New Mexico personal income growth is expected to closely mirror the national rate in the remaining months of 2006 and in 2007. Sources of projected new job growth in Bernalillo County include: Tempur-Pedic, Eclipse Aviation and Verizon Wireless. The construction of the Tempur-Pedic plant in Bernalillo County is well underway. The over 800,000 square foot facility was constructed at a cost of $56 million and the company will eventually provide 300 jobs. The indicators seem to agree the local economy is on solid footing.

Request for Information

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

COUNTY OF BERNALILLO, NEW MEXICO
STATEMENT OF NET ASSETS
JUNE 30, 2006

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	$ 231,245,547	$ 2,062,941	$ 233,308,488
Accounts receivable	29,135,560	1,087,379	30,222,939
Accrued interest receivable	1,600,108	176	1,600,284
Note receivable	186,555	-	186,555
Due from grantor	15,722,043	-	15,722,043
Internal balances	337,403	(337,403)	-
Inventory	134,145	-	134,145
Prepaid assets	1,263,106	22,369	1,285,475
Deferred charges	1,136,976	-	1,136,976
Held for sale	-	962,754	962,754
Investment in joint venture	633,000	-	633,000
Capital assets not being depreciated:			
Land	122,476,209	435,352	122,911,561
Art	1,424,512	-	1,424,512
Construction in progress	22,748,760	34,838	22,783,598
Capital assets (net of accumulated depreciation):			
Building	173,807,704	3,501,579	177,309,283
Machinery, and equipment	9,306,552	977,731	10,284,283
Infrastructure	149,159,238	-	149,159,238
Leasehold improvements	2,233,853	-	2,233,853
Total assets	762,551,271	8,747,716	771,298,987
LIABILITIES			
Accounts payable	11,025,197	702,140	11,727,337
Interest payable	3,936,780	-	3,936,780
Retainage payable	952,318	-	952,318
Tax anticipation note payable	55,000,000	-	55,000,000
Accrued payroll	2,618,078	52,261	2,670,339
Unearned revenue	13,295,643	321,260	13,616,903
Due to grantor	239,206	-	239,206
Deposits held in trust for others	5,410,000	22,133	5,432,133
Noncurrent liabilities:			
Due within one year	13,918,739	56,408	13,975,147
Due in more than one year	269,118,143	2,799,457	271,917,600
Total liabilities	375,514,104	3,953,659	379,467,763
NET ASSETS			
Invested in capital assets, net of related debt	259,799,155	4,204,373	264,003,528
Restricted for:			
Public safety	2,404,370	-	2,404,370
Culture and recreation	3,871	-	3,871
Health and welfare	3,305,859	-	3,305,859
Debt service	5,166,429	-	5,166,429
Capital projects	27,535,296	-	27,535,296
General government	4,980,589	-	4,980,589
Unrestricted	83,841,598	589,684	84,431,282
Total net assets	$ 387,037,167	$ 4,794,057	$ 391,831,224

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

BERNALILLO COUNTY, NEW MEXICO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

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 Assets – Primary Government: Governmental Activities	Net (Expenses) Revenues and Changes in Net Assets – Primary Government: Business-type Activities	Net (Expenses) Revenues and Changes in Net Assets – Primary Government: Total
Primary government:							
Governmental activities:							
General government	$ 46,477,713	$ 30,856,985	$ 280,737	$ 11,152	$ (15,328,839)		$ (15,328,839)
Public works	45,618,719	-	-	17,551,403	(28,067,316)		(28,067,316)
Public safety	108,438,819	-	8,267,824	161,551	(100,009,444)		(100,009,444)
Culture and recreation	14,202,035	151	887,767	1,355,935	(11,958,182)		(11,958,182)
Health and welfare	19,199,026	-	12,511,372	177,626	(6,510,028)		(6,510,028)
Interest on long-term debt	14,318,226	-	-	-	(14,318,226)		(14,318,226)
Total governmental activities	248,254,538	30,857,136	21,947,700	19,257,667	(176,192,035)		(176,192,035)
Business-type activities:							
Solid waste	4,257,715	4,022,140	196,975	-	-	(38,600)	(38,600)
Housing Authority	469,038	79,889	-	-	-	(389,149)	(389,149)
Seybold Village Handicapped Project	168,763	40,163	-	-	-	(128,600)	(128,600)
Regional Juvenile Detention Center	1,273,084	1,245,626	-	-	-	(27,458)	(27,458)
El Centro Familiar	404,069	107,485	-	-	-	(296,584)	(296,584)
Total business-type activities	6,572,669	5,495,303	196,975	-	-	(880,391)	(880,391)
Total primary government	$ 254,827,207	$ 36,352,439	$ 22,144,675	$ 19,257,667	(176,192,035)	(880,391)	(177,072,426)
General revenues:							
Property taxes					95,070,478	-	95,070,478
Gross receipts taxes					74,565,522	-	74,565,522
Motor vehicle taxes					4,132,542	-	4,132,542
Cigarette taxes					5,707	-	5,707
Gas taxes					1,964,503	-	1,964,503
Investment income					9,043,065	50,653	9,093,718
Operating grants					-	534,517	534,517
Miscellaneous					13,182,736	107,233	13,289,969
Transfers					(200,000)	(200,000)	(400,000)
Transfers					200,000	200,000	400,000
Capital contributions - capital assets					-	16,688	16,688
Total general revenue and transfers					197,964,553	709,091	198,673,644
Change in net assets					21,772,518	(171,300)	21,601,218
Net assets - beginning					365,264,649	5,175,390	370,440,039
Prior period adjustment					-	(210,033)	(210,033)
Net assets - beginning as restated					365,264,649	4,965,357	370,230,006
Net assets - ending					$ 387,037,167	$ 4,794,057	$ 391,831,224

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

COUNTY OF BERNALILLO, NEW MEXICO
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	General	TRAN Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	$116,264,749	$21,002,446	92,376,657	$ 229,643,852
Accounts receivable	24,675,178	-	4,460,382	29,135,560
Accrued interest receivable	863,379	-	736,729	1,600,108
Note receivable	186,555	-	-	186,555
Due from other funds	2,192,656	-	922,312	3,114,968
Due from grantor	-	-	15,722,043	15,722,043
Inventory	134,145	-	-	134,145
Prepaid assets	129,063	-	-	129,063
Advances to other funds	1,497,000	-	237,199	1,734,199
Total assets	$145,942,725	$21,002,446	$ 114,455,322	$ 281,400,493
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	$ 2,160,953	$ -	$ 8,667,046	$ 10,827,999
Retainage payable	93,885	-	858,433	952,318
TRAN payable	35,000,000	20,000,000	-	55,000,000
Accrued payroll	2,485,797	-	132,281	2,618,078
Unearned revenue	8,442,313	-	9,413,764	17,856,077
Due to other funds	296,482	-	2,915,234	3,211,716
Due to grantor	-	-	239,206	239,206
Deposits held in trust			5,410,000	5,410,000
Advances from other funds	-	-	1,497,000	1,497,000
Total liabilities	48,479,430	20,000,000	29,132,964	97,612,394
Fund balances:				
Reserved for:				
Notes receivable	186,555	-	-	186,555
Advances to other funds	1,497,000	-	-	1,497,000
Inventory	134,145	-	-	134,145
Prepaid items	129,063	-	237,198	366,261
Debt service	-	1,002,446	20,845,262	21,847,708
Encumbrances	6,823,985	-	42,731,191	49,555,176
Reserve requirement	47,880,110	-	-	47,880,110
Unreserved, designated for Subsequent years' expenditures	40,812,437	-	-	40,812,437
Unreserved, undesignated for:				
Special revenue fund	-	-	6,468,130	6,468,130
Capital projects fund	-	-	15,040,577	15,040,577
Total fund balances	97,463,295	1,002,446	85,322,358	183,788,099
Total liabilities and fund balances	$145,942,725	$21,002,446	$ 114,455,322	281,400,493

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

COUNTY OF BERNALILLO, NEW MEXICO
RECONCILIATION OF THE BALANCE SHEET GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006

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

Total Fund Balance Governmental Funds (page 23)	$ 183,788,099
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	481,156,828
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.	1,136,976
Internal service funds are used by management to charge the cost of insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	1,601,449
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	(283,036,882)
Accrued Interest Payable	(3,936,780)
Recognition of property tax revenue (less allowance for uncollectible accounts) on full accrual basis. Governmental funds recognize property tax revenue on the modified accrual basis.	5,694,477
Net assets governmental activities. (page 21)	$ 387,037,167

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, 2006

	General	TRAN Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes:				
Property	$ 83,003,693	$ -	$ 11,938,529	$ 94,942,222
Sales	70,751,581	-	3,813,941	74,565,522
Motor vehicle	4,132,542	-	-	4,132,542
Cigarette	3,805	-	1,902	5,707
Gas	1,964,503	-	-	1,964,503
Intergovernmental	161,451	-	41,205,518	41,366,969
Licenses and permits	4,082,490	-	756,010	4,838,500
Fees for services	7,808,647	-	18,048,387	25,857,034
Investment income	4,633,510	-	4,409,555	9,043,065
Miscellaneous	8,972,865	-	4,209,871	13,182,736
Total revenues	185,515,087	-	84,383,713	269,898,800
EXPENDITURES				
Current:				
General government	37,287,422	-	3,697,119	40,984,541
Public works	23,613,073	-	3,226,872	26,839,945
Public safety	73,912,429	-	22,456,614	96,369,043
Health & welfare	1,820,433	-	16,432,725	18,253,158
Culture and recreation	9,456,586	-	2,286,132	11,742,718
Capital outlay	-	-	38,355,698	38,355,698
Debt service:				
Principal	212,282	-	11,419,778	11,632,060
Interest	-	1,672,569	13,159,299	14,831,868
Bond issuance cost	-	-	643,458	643,458
Total expenditures	146,302,225	1,672,569	111,677,695	259,652,489
Excess (deficiency) of revenues over expenditures	39,212,862	(1,672,569)	(27,293,982)	10,246,311
Other financing sources (uses)				
Transfers in	200,000	1,800,000	25,045,866	27,045,866
Transfers out	(14,258,250)	-	(12,787,616)	(27,045,866)
Long-term note issued	-	-	7,401,160	7,401,160
Bonds issued	-	-	6,466,000	6,466,000
Refunding bond issued	-	-	56,425,000	56,425,000
Premium on bonds issued	-	-	4,888,617	4,888,617
Discount on revenue bond	-	-	(413,689)	(413,689)
Payment to refunding bond escrow agent	-	-	(60,879,651)	(60,879,651)
Total other financing sources (uses)	(14,058,250)	1,800,000	26,145,687	13,887,437
Net changes in fund balances	25,154,612	127,431	(1,148,295)	24,133,748
Fund balance - beginning	72,308,683	875,015	86,470,653	159,654,351
Fund balance - ending	$ 97,463,295	$ 1,002,446	$ 85,322,358	183,788,099

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, 2006

Amounts reported for governmental activities in the statement of activities are different because:	
Net changes in fund balances total governmental funds (page 25)	$ 24,133,748
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.	468,249
The net effect of sale of capital assets is to increase net assets. In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of capital assets sold.	(677,548)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	128,256
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.	(1,611,919)
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.	(668,268)
Change in net assets of governmental acitivities (page 22)	$ 21,772,518

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

COUNTY OF BERNALILLO , NEW MEXICO
STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL (NON-GAAP Budgetary Basis)
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues				
Taxes:				
Property	$ 77,425,951	$ 77,425,951	$ 82,897,016	$ 5,471,065
Gross receipts	61,849,198	61,849,198	69,271,778	7,422,580
Motor vehicle	3,545,000	3,545,000	4,085,611	540,611
Cigarette	3,700	3,700	3,729	29
Gas	1,524,794	1,524,794	1,970,115	445,321
Intergovernmental	-	-	161,451	161,451
Licenses and permits	4,571,675	4,571,675	4,077,811	(493,864)
Fees for services	6,307,757	6,307,757	7,873,988	1,566,231
Investment income	2,778,805	2,778,805	4,790,299	2,011,494
Miscellaneous income	7,298,340	7,747,110	9,965,462	2,218,352
Total revenues	165,305,220	165,753,990	185,097,260	19,343,270
Other financing sources				
Transfers in	200,000	200,000	200,000	-
Sale of capital assets	100,000	100,000	680,796	580,796
Total other financing sources	300,000	300,000	880,796	580,796
Total revenue and other financing sources	165,605,220	166,053,990	185,978,056	19,924,066
Prior year cash balance budgeted	30,284,611	30,497,374		
Total budget	195,889,831	196,551,364		
Expenditures				
Current:				
General government:				
County commission	516,924	563,820	540,430	23,390
County manager	1,272,781	1,397,668	1,388,034	9,634
Public information	594,616	623,680	609,485	14,195
Information technology	5,770,537	5,769,130	5,652,465	116,665
Finance	8,355,505	16,158,604	7,127,357	9,031,247
General county	11,449,947	15,105,024	7,598,887	7,506,137
Human resources	1,358,445	1,491,379	1,440,285	51,094
Zoning	2,365,967	2,534,334	2,523,500	10,834
Legal	1,422,937	1,514,380	1,107,951	406,429
County clerk	3,339,221	3,522,626	3,245,999	276,627
Assessor/reappraisal	2,720,460	2,722,609	2,673,343	49,266
Treasurer	1,817,741	1,962,360	1,930,576	31,784
Other	26,478,724	2,008,066	1,857,067	150,999
Total general government	67,463,805	55,373,680	37,695,379	17,678,301
Public works	24,111,829	26,531,113	24,286,955	2,244,158
Public safety:				
Fire	9,476,953	10,710,020	10,639,836	70,184
Sheriff	25,449,534	29,630,008	26,926,203	2,703,805
Animal control	868,791	925,752	818,443	107,309
Juvenile detention center	5,948,267	6,405,158	6,226,716	178,442
Metropolitan detention center	33,290,856	36,873,442	28,831,866	8,041,576
Communications department	2,321,157	2,512,297	2,709,923	(197,626)
Total public safety	77,355,558	87,056,677	76,152,987	10,903,690
Culture and recreation	11,193,421	11,652,646	10,034,266	1,618,380
Health and welfare	2,152,896	2,112,164	1,817,827	294,337
Debt service				
Principal	245,895	245,895	212,282	33,613
Total expenditures	182,523,404	182,972,175	150,199,696	32,772,479
Other financing uses				
Transfers out	13,366,427	13,579,189	14,258,251	(679,062)
Total expenditures and other financing uses	195,889,831	196,551,364	164,457,947	32,093,417
Excess of revenues and other financing sources over expenditures and other financing uses			$ 21,520,109	

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

COUNTY OF BERNALILLO, NEW MEXICO
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2006

	Business-type Activities Enterprise Funds Total Nonmajor	Governmental Activities- Internal Service Funds
ASSETS		
Current assets:		
Cash and investments	$ 2,062,941	$ 1,601,695
Accounts receivable, net	1,087,379	-
Accrued interest receivable	176	-
Due from other funds	529,488	196,952
Held for sale	962,754	-
Prepaid assets	22,369	1,134,043
Total current assets	4,665,107	2,932,690
Noncurrent assets:		
Capital assets:		
Land	435,352	-
Buildings	6,126,254	-
Construction in progress	34,838	-
Equipment, machinery, and furniture	3,020,039	-
Less accumulated depreciation	(4,666,983)	-
Total noncurrent assets	4,949,500	-
Total assets	9,614,607	2,932,690
LIABILITIES		
Current liabilities:		
Accounts payable and other current liabilities	702,140	197,198
Compensated absences	10,428	-
Accrued payroll	52,261	-
Due to other funds	629,692	-
Unearned revenue	321,260	1,134,043
Current portion of note payable	5,980	-
Current portion of revenue bonds	40,000	-
Total current liabilities	1,761,761	1,331,241
Noncurrent liabilities:		
Compensated absences	198,132	-
Deposits held in trust for others	22,133	-
Advance from other funds	237,199	-
Note payable	861,325	-
Revenue bonds payable	1,740,000	-
Total noncurrent liabilities	3,058,789	-
Total liabilities	4,820,550	1,331,241
NET ASSETS		
Invested in capital asets, net of related debt	4,204,373	-
Unrestricted	589,684	1,601,449
Total net assets	$ 4,794,057	$ 1,601,449

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

COUNTY OF BERNALILLO, NEW MEXICO
STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended June 30, 2006

	Business-type Activities - Enterprise Funds Total Nonmajor	Governmental Activities- Internal Service Funds
Operating revenues:		
Administrative and service fees	$ 5,267,766	$ 3,390,722
Rental income:		
Tenants	144,821	-
Other income	279,691	-
Total operating revenues	5,692,278	3,390,722
Operating expenses:		
Salaries and wages	1,872,596	-
Contractual services	3,006,520	3,390,722
Materials and supplies	258,798	-
Other services and charges	662,285	-
Landfill expenses	34,755	-
Grant expenditures	221,863	-
Depreciation	386,269	-
Total operating expenses	6,443,086	3,390,722
Operating income (loss)	(750,808)	-
Non-operating revenues (expenses):		
Interest income	50,653	-
Interest expense	(129,583)	
Operating grants	534,517	-
County contributions	107,233	-
Total nonoperating revenue	562,820	-
Income before transfers out	(187,988)	-
Capital contributions	16,688	-
Transfers in	200,000	-
Transfers out	(200,000)	-
Change in net assets	(171,300)	-
Total net assets - beginning	5,175,390	1,601,449
Prior period ajustment	(210,033)	-
Total net assets - beginning as restated	4,965,357	1,601,449
Total net assets - ending	$ 4,794,057	$ 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, 2006

	Business-type Activities- Enterprise Funds Total Nonmajor	Governmental Activities- Internal Service Funds
Cash flows from operating activities:		
Receipts from administration and service fees	$ 5,416,617	$ 3,390,722
Receipts from rents	131,415	-
Payments to employees for services	(1,382,732)	-
Payments to vendors for goods and services	(4,531,046)	(3,390,476)
Miscellaneous cash received	8,179	-
Net cash used by operating activites	(357,567)	246
Cash flows from noncapital financing activities:		
Operating grants/subsidies received	299,398	-
Contributions from other funds	8,876	-
Transfers out from other funds	200,056	-
Payments to other funds	(21,287)	-
Net cash used by noncapital financing activities	287,043	-
Cash flows from capital and related financing activities:		
Principal paid on bond maturities	832,305	-
Interest paid on bonds	(129,583)	-
Acquisition of capital assets	(863,993)	-
Capital grants received	235,119	-
Net cash provided by capital and related financing activities	73,848	-
Cash flows from investing activities:		
Interest received on investments	50,654	-
Net decrease in cash and cash equivalents	53,978	246
Cash and cash equivalents, beginning of year	2,008,963	1,601,449
Cash and cash equivalents, end of year	$ 2,062,941	$ 1,601,695
Reconciliation of operating loss to net cash flows used by operating activities:		
Operating income (loss)	$ (750,808)	$ -
Adjustments to reconcile operating income to net cash flows:		
Depreciation expense	386,269	-
(Increase) decrease in:		
Accounts receivable	(531,676)	-
Allowance for uncollectable accounts	374,053	-
Prepaid expenses	(22,370)	(1,405)
Deposits held in trust	7,818	-
Increase (decrease) in:		
Deferred revenue	60,956	1,405
Accounts payable	216,097	(92,725)
Due to other funds	(100,171)	92,971
Accrued compensated absences	2,265	-
Net cash flows used by operating activities	$ (357,567)	$ 246
Noncash capital activities:		
Contributions of capital assets from government	16,688	-

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, 2006

	Agency Funds
ASSETS	
Cash and investments	$ 9,747,685
Receivables:	
Property taxes	23,471,184
Other	734,149
Due from other funds	58,906
Total assets	$ 34,011,924
LIABILITIES	
Due to other funds	$ 58,906
Deposits held in trust for others	10,481,834
Future collectable	23,471,184
Total liabilities	$ 34,011,924

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

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, 2006.

B. Government-wide and fund financial statements

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

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

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

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

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

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

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

Property taxes, gross receipts taxes, motor vehicle taxes, cigarette taxes, gasoline taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Derived gross receipts tax revenue is recognized when the underlying exchange transaction takes place. A small portion of the gross receipts tax revenue is derived from an estimate of delinquent taxes not yet collected and available. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The County reports the following major governmental funds:

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

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

Additionally, the government reports the following fund types

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

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

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital

grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and/or delivering goods in connection with proprietary fund's principal ongoing operations. Approximately 85% of the operating revenues of the County's five proprietary funds consist of user and administrative fees.

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

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

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

The County reports unearned revenue on its combined balance sheet. Unearned revenues arise when a 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 incurrance of qualifying expenditures. In subsequent periods when both revenue recognition criteria methods are met or when the County has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

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

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

The County's cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments in the County's cash are stated at cost, which approximates fair value except for GNMAs and PEFCOs, which are recorded at fair market value using, quoted market prices for financial statement purposes. Interest income, realized gains and losses on investment transactions, and amortization of premiums/discounts on investment purchases are included for financial statement purposes as investment income and are allocated to participating funds based on the specific identification of the source of funds for a given investment.

State Statute Sections 6-10-44 and 6-10-10(f), NMSA 1978, as amended, authorize the County Treasurer to invest in United States Treasury certificates, United States Treasury bonds or negotiable securities of the United States, bonds or negotiable securities of the State of New Mexico or of any county, municipality, or school district and yield maintenance repurchase agreements with the advice and consent of the County Board of Finance. The Treasurer's investment procedures must be consistent with Bernalillo County Investment Policy.

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 7.4% of outstanding property taxes at June 30, 2006.

The County is responsible for assessing, collecting and distributing property taxes for other governmental entities and its own operational and debt service purposes. Property taxes are assessed on November 1 of each year based on the assessed value on the prior January 1 and are payable in two equal installments by November 10 of the year in which the tax bill is prepared and by April 10 of the following year. Property taxes are delinquent if not paid by December 10 and May 10. Taxes on real property are a lien from January 1 of the year for which the taxes are imposed. Collections and remittance of County property taxes are

accounted for in the County Treasurer Agency Funds. The billings are considered past due 60 days after the respective tax billing date, at which time the applicable property is subject to lien, and penalties and interest are assessed.

3. Inventories and prepaid items

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

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

4. Capital assets

Capital assets, which include property, plant, equipment, software, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The County defines capital assets as assets with an initial, individual cost of more than $1,000 and estimated useful life in excess of one year 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. Compensated absences

County employees may accumulate limited amounts of vacation pay which are payable to the employee upon termination or retirement. For governmental funds, expenditures are recognized during the period in which vacation costs become payable from available, expendable resources. A liability for amounts earned but not payable from available,

expendable resources is reported in the government-wide financial statements. For proprietary funds, vacation costs are recognized as a liability when earned.

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

6. Long-term obligations

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

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

7. Net Assets

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

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

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

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

8. Fund Equity Reservation and Designations

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

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

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

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

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

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

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

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

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

9. Cash Flows

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

10. Bond Premiums/Issuance Costs

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

11. Presentation

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

12. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported

amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

II. Reconciliation of government-wide and fund financial statements

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

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

Bonds and bond anticipation notes payable	$ (266,118,571)
Capital leases payable	(1,350,110)
Long-term note payable	(5,586,382)
Compensated absences	(9,981,819)
Net adjustment to reduce fund balance – total governmental funds to arrive at net assets – governmental activities	$ (283,036,882)

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

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

Capital outlay	$ 38,355,698
Expenses	(16,480,272)
Depreciation expense	(21,407,177)
Net adjustment to decrease net changes in fund balances – total Governmental funds to arrive at changes in net assets of Governmental activities	$ 468,249

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

Debt issued or incurred:	
Issuance of general obligation bonds	$ (19,201,000)
Issuance of revenue bonds	(43,690,000)
Issuance of long-term note	(7,401,160)
Bond issuance cost	643,458
Bond premium	(4,888,617)
Discount	413,689
Refunding	2,759,651
Principal repayments:	
General obligation and revenue bonds	9,605,000
Long-term note	1,814,778
Capital leases	212,282
Debt defeased:	
General obligation bonds	13,385,000
Gross receipts revenue bonds	44,735,000
Net adjustment to decrease net changes in fund balances – Total governmental funds to arrive at changes in net assets of governmental activities	$ (1,611,919)

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	$ (827,708)
Accrued interest	537,092
Amortization of deferred charge on refunding	(281,453)
Amortization of bond discounts	(23,450)
Amortization of issuance cost	(72,749)
Net adjustment to decrease net changes in fund balances – total Governmental funds to arrive at changes in net assets of Governmental activities	$ (668,268)

III. Stewardship, compliance and accountability

A. Budgetary information

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

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

Debt Service:
- Series 1996 Reserve
- Series 1996B Reserve
- Series 1997 Reserve
- Refunding Series 1998 Reserve
- Series 1999 Reserve

All Capital Projects Funds

Proprietary Funds
- Bernalillo County Housing Authority
- Seybold Village Handicapped Project
- El Centro Familiar

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

The County Manager is responsible for preparing the budget from requests submitted by division directors. The appropriated budget is prepared by line item within object class, program, department and fund; revenues expected to be available are estimated to provide for balanced budgeting. The comprehensive budget package is brought before the County Commissioners for approval by resolution. The proposed budget is then submitted by June 1 to the New Mexico Department of Finance and Administration Local Government Division (DFA) for approval. DFA certifies a pending budget by July 1 with final certification of the budget by the first Monday of September. The expenditure section of the budget, once adopted, is legally binding. Based on the final certified budget submitted, DFA certifies the allowable tax rates for property taxes in September.

Transfers of appropriations within a fund may be made with cognizant Deputy County Manager or elected official approval. Increases or decreases in the budget of a fund or transfers of appropriations between funds must be presented to the County Commission for

approval by resolution and must subsequently have DFA approval. Amendments made to the original budget are included in the budgetary comparison statements of this report, which reflect actual to budget.

Budgets and amendments to the budgets for all funds are adopted in a legally permissible manner. The legal level of budgetary control is the fund level. Expenditures may not legally exceed budgeted appropriations at the fund level except for the Emergency Medical Services and Fire District funds, whose legal level of budgetary authority is at the program or district level. All outstanding encumbrances must be rebudgeted in the next year's budget. During the year, several supplementary appropriations were necessary.

Budgetary compliance – non GAAP financial statements

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

	General Fund
Net changes in fund balance – GAAP basis	$ 25,154,612
(Increases) decreases in assets:	
Accounts receivable	(2,076,950)
Due to/from other funds	(1,286,319)
Accrued interest	(722,923)
Inventory	(90,251)
Increase (decrease) in liabilities:	
Accounts payable	(377,805)
Deferred revenue	3,269,660
Accrued payroll	(2,349,915)
Net changes in fund balance – Budget to Actual	$ 21,520,109

B. Deficit fund equity

There is unreserved/undesignated deficit fund balance in the Public Works Grants Fund, Grants Fund, the Law Enforcement Block Grant Fund, Storm Sewer Construction Fund, Juvenile Center Fund, the Parks & Recreation fund, and the Road Construction Fund in the amount of $921,546, $2,098,330, $12,354, $3,869,895, $21,067, $764,740, and $3,245,544 respectively. The deficit fund balances are primarily attributed to large encumbrance balances at year-end. There is a deficit net asset balance of $34,051 in the Fire District Fund. $19,245 of the deficit amount is attributed to encumbrance balances at year-end. The County expects that FY07 operating revenues will be sufficient to cover the remaining deficit balance.

IV. Detailed notes on all funds

A. Cash and investments

As of June 30, 2006, the County had the following investments.

Investment Type	Fair Value	Weighted Maturity Average (Months)
U.S. Agencies	$ 123,528,245	9.72
PEFCO Bonds	2,058,324	0.09
Hypo Bond	30,000,000	2.33
Repurchase Agreements	16,681,279	15.44
Certificates of Deposits	59,000,001	1.28
Total fair value	$ 231,267,849	
Portfolio weighted average maturity		1.98

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

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

As of June 30, 2006, the County's investments in U.S. Agencies and PEFCO bonds were rated Aaa by Moody's Investors Service and AAA by Standard & Poor's. The County's investments in HYPO bonds and Repurchase Agreements were rated Aaa by Moody's Investors Service and AAA by Standard & Poor's.

Concentration of Credit Risk. The County's investment policy places no limit on the amount the County may invest in any one issuer. More than 25 percent of the County's investments are in Certificates of Deposit with the County's local banks with maturities ranging from 7 days to 2 years and more than 22 percent of the County's investments are in U.S. Agencies with maturities less than 1 year.

Custodial Credit Risk. For an investment, custodial credit risk is the risk that, in the event of failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. As of June 30, 2006, $7,107,000 of the County's investment in CD's with New Mexico Bank & Trust was exposed to custodial credit risk. It was uninsured and uncollateralized. All other cash balances are not exposed. They are fully collateralized and the collateral is held in the County's name. The County's investments in U.S. Agencies and PEFCO bonds carry the explicit guarantee of the

U.S. Government. The remaining investments are not exposed to custodial credit risk. All are fully collateralized and the collateral is held in the County's name.
A reconciliation of cash and investments for the County follows:

Bank accounts	$	14,595,198
Petty cash on hand		1,570
Reconciling items		(2,808,444)
Carrying amount of investments		231,267,849
Total cash and investments	$	243,056,173

Statement of Net Assets	
Cash and investments:	
Primary Government	$233,308,488
Statement of Fiduciary Net Assets	9,747,685
Total cash, investment	$243,056,173

The County is required to obtain from each bank that is a depository for public funds pledged collateral in an aggregate amount equal to one half of the public money in each account (section 6-10-17 NMSA 1978). The pledged collateral is stated at market value as of June 30, 2006. Investments held at the State Investment Pool are monitored by the State Treasurer's Office and the State Treasurer issues separate financial statements, which disclose the collateral pledged to secure these deposits.

B. Receivables

	General	Nonmajor Governmental Funds	Enterprise Funds	Agency Funds	Total
Property Taxes	$ 6,225,513	$ 905,512	$ -	$ 25,194,395	$32,325,420
Gross Receipts Taxes	15,912,594	873,854	-	-	16,786,448
Gasoline Taxes	294,123	-	-	-	294,123
Motor Vehicle Tax	246,099	-	-	-	246,099
Cigarette Tax	341	170	-	-	511
Transportation Fees	200,531		-	-	200,531
Clerk's Fees	-	8,687	-	-	8,687
Solid Waste Fees	-	-	2,555,637	-	2,555,637
Special Assessments	-	-	-	733,609	733,609
Intergovernmental	222,016	6,825	-	-	228,841
Due from other governments	2,131,174	2,748,115	460,786	-	5,340,075
Other	544,535	1,376	785	540	547,236
Gross Receivables	25,776,926	4,544,539	3,017,208	25,928,544	59,267,217
Less: allowance for uncollectibles	(1,101,748)	(84,157)	(1,929,829)	(1,723,211)	(4,838,945)
Net total receivables	$ 24,675,178	$ 4,460,382	$ 1,087,379	$ 24,205,333	$54,428,272

Note receivable

On April 27, 2004 the County Commission approved a $200,000 loan to the Mid-Region Council of Governments (MRCOG) for renovations at the office building at 809 Copper Avenue NW that is owned by the County and leased to MRCOG under a lease purchase agreement. The money will be repaid over 15 years with interest at 3.9% and principle payments of $1,470. The balance of this note was $186,555 at June 30, 2006.

C. Capital assets

Capital asset activity for the year was as follows:

	Balance June 30,2005	Increases	Decreases	Balance June 30, 2006
Governmental activities				
Capital assets, not being depreciated:				
Land	$ 121,202,983	$ 1,273,226	$ -	$ 122,476,209
Construction in progress	18,864,901	20,600,854	(16,716,995)	22,748,760
Art	1,424,512	-	-	1,424,512
Total capital assets, not being Depreciated	141,492,396	21,874,080	(16,716,995)	146,649,481
Capital assets, being depreciated:				
Buildings	235,348,198	3,998,318	(161,630)	239,184,886
Machinery and equipment	61,306,825	2,859,793	(4,152,734)	60,013,884
Infrastructure	211,778,582	9,860,230	(853,319)	220,785,493
Leasehold improvements	2,804,000	-	-	2,804,000
Total capital assets being Depreciated	511,237,605	16,718,341	(5,167,683)	522,788,263
Less Accumulated depreciation for:				
Buildings	(56,036,132)	(9,427,252)	86,202	(65,377,182)
Machinery and equipment	(50,589,749)	(4,241,178)	4,123,595	(50,707,332)
Infrastructure	(64,280,006)	(7,626,587)	280,338	(71,626,255)
Leasehold improvements	(457,987)	(112,160)	-	(570,147)
Total accumulated depreciation	(171,363,874)	(21,407,177)	4,490,135	(188,280,916)
Total capital assets, being depreciated, net	339,873,731	(4,688,836)	(677,548)	334,507,347
Governmental activities capital assets, net	$ 481,366,127	$ 17,185,244	$ (17,394,543)	$ 481,156,828

	Balance June 30, 2005	Increases	Decreases	Balance June 30, 2006
Business-type activities				
Capital assets, not being depreciated:				
Land	$ 435,352	$ -	$ -	$ 435,352
Construction in progress	132,959	12,196	(110,317)	34,838
Total capital assets, not being depreciated	568,311	12,196	(110,317)	470,190
Capital assets, being depreciated:				
Buildings	6,127,003	-	(749)	6,126,254.
Machinery and equipment	2,953,285	82,608	(15,854)	3,020,039
Total capital assets being depreciated	9,080,288	82,608	(16,603)	9,146,293
Less accumulated depreciation for:				
Buildings	(2,366,990)	(257,797)	112	(2,624,675)
Machinery and equipment	(1,863,770)	(194,392)	15,854	(2,042,308)
Total accumulated depreciation	(4,230,760)	(452,189)	15,966	4,666,983
Total capital assets, being depreciated, net	4,849,528	(369,581)	(637)	(4,479,310)
Business-type activities capital assets, net	$ 5,417,839	$ (357,385)	$ (110,954)	$ 4,949,500

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

Governmental activities:	
General government	$ 2,219,368
Public safety	9,717,568
Culture and recreation	279,652
Public works	8,332,194
Health and welfare	858,395
Total depreciation expense-governmental activities	$ 21,407,177

Business-type activities:	
Solid waste	$ 125,300
Housing Authority	68,232
Seybold Village	68,960
El Centro Familiar	123,777
Total depreciation expense-business-type activities	$ 386,269

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of June 30, 2006, is as follows:

	Due from			
	General Fund	Nonmajor Governmental	Enterprise Funds	Total
Due to				
General fund	$	$ 1,755,930	$ 436,726	$ 2,192,656
Nonmajor fund	99,530	822,782		922,312
Enterprise funds		336,522	192,966	529,488
Internal service funds	196,952			196,952
Total	$ 296,482	$ 2,915,234	$ 629,692	$ 3,841,408

Advances. For the purpose of financing cost-reimbursement grants, the general fund advanced the grants fund $1,397,000 and the public works grants fund $100,000. The environmental fund financed the initial start-up of the solid waste fund through an advance of which $237,199 is outstanding at June 30, 2006.

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, 2006 were as follows:

Transfer to general fund from:	
Solid Waste- Enterprise funds	$ 200,000
Total transfers to general fund	200,000
Transfer to TRAN debt Service from	
General Fund	1,800,000
Transfers to debt service funds from:	
General Fund	12,040,446
Nonmajor governmental funds	11,468,135
Total transfers to debt service funds	23,508,581
Transfers to capital projects funds from:	
General Fund	5,000
Water/wastewater	974,386
Nonmajor funds	61,691
Total transfers to capital project funds	1,041,077

Transfers to special revenue funds from:	
Non major governmental funds	495,938
Transfers to enterprise funds from:	
General fund	$ 200,000

E. Leases

Capital Leases

The County is obligated to the State of New Mexico for the acquisition of voting machines. These leases lease agreements qualify as capital leases and recorded at the present value of their future minimum payments. The County does not pay interest on the capital lease obligation. Assets under capital leases totaled $2,695,850 for machinery and equipment. The following is a schedule of the future minimum lease payments under capital leases at June 30, 2006:

	Governmental Activities
2007	$ -
2008	212,282
2009	212,282
2010	212,282
2011	212,282
2012-2014	500,982
Total minimum lease payments	$ 1,350,110

Operating Leases

During the fiscal year ended June 30, 2006, the County leased equipment, and office space under operating leases. The County's expenditures on those leases for the fiscal year ended June 30, 2006, were $1,401,589. The County's future minimum rental commitments, accounted for as operating leases at June 30, 2006, are as follows:

	Amount
2007	$ 18,444
2008	6,600
2009	6,600
2010	4,850
Total	$ 36,494

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

During the year, the County, as lessor, leased various office spaces at a cost of approximately $3.98 million and a carrying amount of $1.9 million under operating leases. Rental revenue was $1,317,615 and depreciation expense on those assets was $159,234.

F. Long-term debt

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2006, was as follows:

	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006	Amounts Due within One Year
Governmental Activities:					
Bonds:					
G.O. bonds	$ 82,479,000	$ 19,201,000	$(18,205,000)	$ 83,475,000	$ 4,895,000
Revenue bonds	187,340,000	43,690,000	(49,520,000)	181,510,000	6,010,000
Deferred amounts:					
Bond premiums	19,464	4,888,617	(405,609)	4,502,473	-
Bond discounts	(35,886)	(413,689)	23,450	(426,125)	-
Refunding	(464,578)	(2,759,651)	281,453	(2,942,776)	-
Total bonds	269,338,000	64,606,277	(67,825,706)	266,118,571	10,905,000
Other liabilities:					
Capital leases	1,562,392	-	(212,282)	1,350,110	212,282
Long-term note	-	7,401,160	(1,814,778)	5,586,382	1,689,320
Compensated absences	9,154,111	6,716,332	(5,888,624)	9,981,819	1,112,137
Governmental activity Long-term liabilities	$ 280,054,503	$ 78,723,769	$(75,741,390)	$ 283,036,882	$ 13,918,739

	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006	Amounts Due within One Year
Business-type Activities:					
Bonds payable:					
Revenue bonds	$ 1,815,000	$ -	$ (35,000)	$ 1,780,000	$ 40,000
Compensated absences	206,294	217,773	(215,507)	208,560	10,428
Note payable	-	873,000	(5,695)	867,305	5,980
Business-type activity Long-term liabilities	$ 2,021,294	$ 1,090,773	$ (256,202)	$ 2,855,865	$ 56,408

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

General Obligation Bonds are direct obligations of the County for which its full faith and credit are pledged and are payable from taxes levied on property located within the County. During fiscal year 2006, the County issued $19,036,000 in general obligation bonds. The general obligation bonds outstanding as of June 30, 2006 are comprised of the following issues:

Issue	Amount	Interest Rate	Final Maturity
Series 1997	$ 8,210,000	4.50%-4.75%	December 1, 2017
Series 1999	14,830,000	4.50%-5.00%	August 1, 2019
Series 2000	1,765,000	5.10%-7.00%	February 1, 2010
Series 2001	4,600,000	4.10%-4.80%	October 1, 2021
Series 2002	15,125,000	3.20%-4.70%	February 15, 2022
Series 2002A	7,420,000	3.00%-4.25%	February 15, 2017
Series 2003	9,460,000	3.15%-4.65%	December 15, 2023
Series 2004	3,029,000	4.00%-4.40%	October 15, 2021
Series 2005	13,775,000	3.38%-4.00%	February 1, 2020
Series 2005A	5,261,000	4.00%-5.00%	February 1, 2025
Total	$ 83,475,000		

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

	Governmental Activities	
Year Ending June 30,	Principal	Interest
2007	$ 4,895,000	$ 3,544,710
2008	5,265,000	3,287,668
2009	5,405,000	3,076,073
2010	5,885,000	2,854,106
2011	5,675,000	2,626,005
2012-2016	25,595,000	9,944,374
2017-2021	25,046,000	4,253,086
2022-2024	5,709,000	396,922
	$ 83,475,000	$ 29,982,944

The Gross Receipts Tax Revenue Bonds are limited obligations of the County, payable solely from gross receipts tax revenues. During the fiscal year 2006, the County issued $43,690,000 in gross receipts bonds. The gross receipts tax revenue bonds outstanding as of June 30, 2006 are comprised of the following issues:

Issue	Amount	Interest Rate	Final Maturity
Series 1996B	$ 58,360,000	4.80%-5.70%	April 1, 2027
Series 1997	12,800,000	4.45%-5.75%	October 1, 2017
Refunding Series 1998	47,960,000	4.10%-5.25%	April 1, 2027
Series 1999	5,705,000	5.00%-5.75%	October 1, 2026
Series 2002	1,495,000	3.00%-3.50%	November 15, 2011
Series 2004	11,500,000	3.00%-5.25%	June 15, 2025
Partial Refunding Series 2005	43,690,000	3.50%-5.25%	October 1, 2026
	$ 181,510,000		

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

	Governmental Activities	
Year Ending June 30,	Principal	Interest
2007	$ 6,010,000	$ 9,242,816
2008	5,995,000	9,008,461
2009	6,260,000	8,728,579
2010	6,580,000	8,418,579
2011	6,845,000	8,099,148
2012-2016	36,390,000	35,480,894
2017-2021	45,125,000	25,077,575
2022-2026	55,280,000	12,289,476
2027-2028	13,025,000	623,381
	$ 181,510,000	$ 116,968,909

At June 30, 2006, the following general obligation bonds were authorized and unissued.

Approved by Voters on	Purpose	Authorized
November 2, 2004	Road Construction and Repair	$ 2,686,000
November 2, 2004	Storm Drain	7,585,000
November 2, 2004	Parks and Recreation	2,349,000
November 2, 2004	Public Safety	680,000
November 2, 2004	Facility Management	200,000
Total		$ 13,500,000

Advance and Current Refunding. On September 27, 2005 the County issued $13,940,000 of general obligation refunding bonds with an average interest rate of 3.81% to advance refund $4,410,000 of series 1995 bonds outstanding with an average interest rate of 4.98% and $2,700,000 of series 1996 bonds outstanding with an average interest rate of 5.27% and $6,275,000 of series 2000 bonds outstanding with an average interest rate of 5.265%. The net proceeds of $13,953,950 (including a premium of $214,258 and $200,307 in underwriting discounts and issuance cost) were used to purchase U.S. government securities that were placed in irrevocable trust with an escrow agent to provide for all future debt service payments the 1995, 1996, and 2000 Series bonds. As a result, the 1995, 1996, and the 2000 Series bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of assets. The difference between the cash flows required to service the old debt and the cash flows required to service the new debt and complete the advance refunding is $850,846. The advance refunding resulted in an economic gain $825,867.

On October 19, 2005 the County issued $42,485,000 of gross receipts refunding tax revenue bonds with an average interest rate of 4.308% to advance refund $44,375,000 of series 1999 with and average interest rate of 5.41%. The net proceeds of $46,925,700 (including a discount of $416,086 and an underwriter's discount of $352,836) plus additional $5,486,548 Series 1999 reserve fund monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments for the 1999 Series Bond. As a result the 1999 bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of assets. The difference between the cash flows required to service the old debt and the cash flows required to service the new debt and complete the advance refunding is $5,388,786. The advance refunding resulted in an economic gain $2,261,313

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, 2006, $44,735,000 of gross receipts tax revenue bonds and $5,410,000 of general obligation bonds outstanding are considered defeased.

Long-Term Notes. January, 2005, the County entered into an agreement with the New Mexico State Department of Transportation for a loan in the amount of $7,401,160 to finance a portion of the construction of Isleta Boulevard reconstruction project. The loan and interest of $275,840 are to be repaid over four years with pledged federal revenues. The principal payments for the years ended June 30, 2007, 2008 and 2009 are $1,689,320, $2,392,345 and $1,504,717 respectively for a total of $5,586,382.

Business-type activities long-term debt

The annual requirement to amortize the Multifamily Housing Refunding and Improvement Revenue Bonds outstanding as of June 30, 2006, is as follows:

	Principal	Interest
2007	$ 40,000	$ 104,130
2008	40,000	101,790
2009	45,000	99,450
2010	45,000	96,817
2011	50,000	94,185
2012-2016	290,000	424,418
2017-2021	385,000	328,478
2022-2026	505,000	203,286
2027-2029	380,000	45,337
Total	$ 1,780,000	$ 1,497,891

G. Short-term debt

Tax and Revenue Anticipation Notes

On December 15, 2005, and June 29, 2006 the County issued tax and revenue anticipation notes (TRANs) in the amount of $20,000,000, and $35,000,000 respectively. The County issues TRANs in advance of property tax collections, depositing the proceeds in its general fund. These notes are used to finance current expenditures pending receipt of tax payments in May and November.

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

	Balance June 30, 2005	Additions	Deletions	Balance June 30, 2006
Governmental Activities:				
Bonds and notes payable:				
Tax anticipation notes	$ 45,000,000	$ 55,000,000	$ (45,000,000)	$ 55,000,000

H. Special assessment bonds

The County, acting as the agent for the property owners, issued Special Assessment District Improvement Bonds to finance street and road improvements. The bonds are payable from and secured by a pledge of district special assessments. For redemption purposes, the bonds are numbered consecutively. All or any part of the bonds are subject to redemption in numerical order at the option of the County on any interest payment date prior to maturity, at a price equal to the principal amount thereof plus accrued interest to the redemption. The bonds bear interest from their issue date and are paid semiannually thereafter until paid. The bonds are not a debt of the County, and the County did not pledge its full faith and credit for payment of the bonds. The 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, 2006:

Improvement Bonds	Interest Rate	Date Issued	Date Series Matures	Amount of Original Issue	Bonds Outstanding June 30, 2006
Comanche Griegos BC-83-1A	7.25%	12/03	12/15/23	$1,390,000	$310,000
Comanche Griegos BC-83-1B	6.25%	12/03	12/15/23	$2,085,000	$1,885,000

At June 30, 2006, the Second Street, East Mountain, Paradise Hills, South Valley, and Heatherland Hills special assessment bonds had been fully paid. The remaining potential assets were as follows:

	Second Street BC-85-3	East Mountain BC-85-4	Paradise Hills BC-84-2	South Valley BC-84-1	Heatherland Hills BC-84-5
Cash and investments	$ -	$ 15,526	$ 10,559	$ 18,625	$ -
Accounts receivable:					
Billed, but uncollected	1,804	20,398	17,083	56,830	959
Total	$ 1,804	$ 35,924	$ 27,642	$ 75,455	$ 959

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

1. Bonds or assignable certificates were issued to finance the improvement; and
2. The funds obtained by the bonds or assignable certificates were spent for the improvement; and
3. The assessments were levied and collected for the payment of the bonds or assignable certificates; and

4. Either the bondholders or assignable certificate holders are barred by the statute of limitations or a court judgment or decree from collecting the indebtedness; or
5. The bonded indebtedness or assignable certificates have been paid.

I. Conduit debt obligations

From time to time, the County has issued Multifamily Housing Revenue Bonds to provide financial assistance to private sector entities for the acquisition, construction and rehabilitation of commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the County, the State of New Mexico nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2006, there were eleven series of project revenue bonds outstanding, with an aggregate principal amount payable of $91,660,000.

J. Fund balance reservations

The New Mexico Department of Finance and Administration (DFA) requires that 3/12 of budgeted expenditures in the general fund be reserved as subsequent-year expenditures to maintain an adequate cash flow until the next significant property tax collection. The DFA required reserve balance for FY06 is $47,880,110. Another portion of the general fund balance is unreserved and designated for subsequent years' expenditures in the amount $40,815,441 which includes $19,721,768 designated for unencumbered carryover, $4,100,000 for next year one-time salary adjustment, $10,000,000 designated for capital projects, and $6,993,673 for budget stabilization.

K. Financial data schedule reconciliation

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

Net Assets		Amount
Net Assets – Low Rent 14.850	$	1,424,794
Net Assets– CFP 14.872		34,838
Net Assets– Seybold Village Handicapped Project	$	1,459,632

The Section 8 Housing-Voucher Special Revenue Fund was presented in accordance with generally accepted accounting standard as applied to governmental funds. 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 Assets		Amount
Net Assets –Housing Choice Voucher 14.871	$	230,117
Compensated Absences		13,777
Fund balance – Section 8 Housing-Vouchers	$	243,894

The Housing Authority Enterprise Fund was presented in accordance with generally accepted standards as applied to enterprise funds. 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 Assets		Amount
Net Assets – State/Local	$	2,255,076
Compensated Absences		(13,776)
Fund balance – Housing Authority	$	(2,241,300)

L. Restatement prior year net assets

A prior year accounts payable in the amount of $210,033 was not recorded in the correct period. The effect on the Solid Waste Fund net assets of $780,525 as previously reported was a decrease of $210,033 to reflect the correction.

V. Other information

A. Risk management

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

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

The Workers' Compensation Pool provides workers' compensation coverage for every County employee. There are 28 counties in this pool, which for fiscal years ended 2006 and 2005 contributed a total of $5,110,819 and $4,049,028 respectively. The premium that each county pays depends upon the payroll total and the loss experience specific to that county. For fiscal years ended 2006 and 2005, the County contributed $663,192 and $510,148 respectively, to the Worker's Compensation Pool. The self-insured retention level for the pool during the period of coverage July 1, 2005 through June 30, 2006 was $300,000 (that is the maximum amount of coverage for each insured event before obtaining reinsurance). The pool has reinsurance coverage for losses above that amount from County Reinsurance Limited.

The Multiline Pool provides property and casualty coverage for 24 counties. The coverage includes buildings and contents, automobile physical damage, general liability, personal injury (including civil rights), host and liquor liability, automobile liability, public officials errors and omissions, money and securities, commercial blanket bond (employee fidelity), and depositors' forgery. The total premiums for this pool were $6,852,290 and $6,457,533 for the years ending December 31, 2006, and 2005, respectively. The County paid premiums to the Multiline Pool in calendar years 2006 and 2005 of $1,608,346 and $1,608,346, respectively.

The self-insured retention level for this pool during the period of coverage January 1, 2005 through December 31, 2006 is $150,000 for property and $250,000 for liability per occurrence (that is the maximum amount of coverage for each insured event before obtaining reinsurance). The pool has reinsurance coverage for losses above that amount from County Reinsurance Limited, to a policy limit of $2,000,000. Additionally, the pool has purchased another excess liability policy in the amount of $3,000,000.

The pooling agreements require the pools to be self-sustaining; it is not possible to estimate the range of contingent losses to be borne by the County. The Pool Boards retain a $3,000,000 equity prior to evaluating any refunds to the participating counties based upon losses expensed and losses incurred. The pools retain the risk of loss to be shared proportionately by pool participants. The County does not retain the sole risk of losses incurred by the County. There were no payments in excess of insurance coverage for the years ended June 30, 2006, 2005, and 2004.

The New Mexico County Insurance Authority has published its own financial reports for the fiscal year ended June 30, 2005, which can be obtained from the New Mexico Association of Counties, 613 Old Santa Fe Trail, Santa Fe, New Mexico, 87501.

The County carries commercial insurance for all other risks of loss, including law enforcement liability, emergency medical, foreign jurisdiction and excess liability, boiler and machinery, and sheriff reserve and rescue personnel. There were no payments in excess of insurance coverage for the years ended June 30, 2006, 2005, and 2004.

B. Contingencies

Litigation. The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the County Attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the County. There were 86 open cases during fiscal year 2005. Twenty-six cases were closed subsequent to June 30, 2006. Sixty cases remain open as of June 30, 2006. Insurance deductibles related to outstanding claims are estimated not to exceed $100,000. The County is not aware of other threatened lawsuits or claims pending in excess of $50,000.

Grant Compliance. The County receives significant financial assistance from the U.S. government. Entitlement to the resources is generally based on compliance with terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits by the grantor. As of June 30, 2006, management estimates that no material liabilities will result from such audits.

County Medicaid 1/16 Gross Receipts Tax Equivalent. Under State Statute Section 27-10-4, NMSA 1978 Compilation, a county which does not enact an ordinance imposing a county health care gross receipts tax pursuant to State Statute Section 7-20E-18, NMSA 1978 Compilation is required to dedicate to the county-supported Medicaid fund "an amount equal to a gross receipts tax rate of 1/16 of one percent applied to the taxable gross receipts tax reported during the prior fiscal year by persons engaging in business in the county." The County is currently complying with this statute through an arrangement with University Hospital. University Hospital transfers the equivalent of 1/16 percent gross receipt tax from revenues it receives to comply with the statute. However, if University Hospital fails to make this transfer, the County is liable for the transfer each year. Currently, that amount is approximately $9.5 million annually.

Other. At June 30, 2006, the County is committed to $4,911,674 under construction contracts for capital assets.

C. Joint ventures

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

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

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

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

D. Retiree Health Care Act

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

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

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

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

participating retiree pays a monthly premium for the medical plus basic life plan and an additional participation fee of five dollars ($5.00) if the eligible participant retired prior to the employer's NMRCHA effective date or is a former legislator and made no contributions to the plan.

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

The Retiree Health Care Authority issues a separate, publicly available audited financial report that includes post employment benefit expenditures of premiums and claims paid, participant contributions (employer, employee, and retiree), and net expenditures for the fiscal year. The report also includes the approximate number of retirees participating in the plan. That report may be obtained by writing to the Retiree Health Care Authority, 4308 Carlisle Blvd, NE, Suite 104, Albuquerque, New Mexico 87109.

For the fiscal year ended June 30, 2006, the County remitted $713,212 in employer contributions and $356,638 in employee contributions to the Retiree Health Care Authority.

E. Public employees' retirement system

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

Funding Policy. Plan members are required to contribute 9.15-16.65% of their gross salary and the County is required to contribute 9.15-21.25% depending upon the division of the gross covered salary. The contribution requirements of plan members and the County are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. County contributions are currently required for PERA retirees that return to work and retirees are required to contribute after their salary reaches $25,000. The County's contributions to PERA for the years ending June 30, 2006, 2005, and 2004 were $7,088,026, $6,532,575, and $5,928,824 respectively equal to the amount of the required contributions for each year. In accordance with Chapter 10, Article 11, Section 5 NMSA 1978, the County has elected to make contributions of seventy-five percent of its employees' member contributions under the General-management, blue collar, white collar, sheriff, fire

and Juvenile Detention Center (JDC) plans. The following table outlines the divisions the County participates in and the contributions for the year ending June 30, 2006.

	Employee		Employer	
Covered Division	**Percent**	**Dollars**	**Percent**	**Dollars**
General-management, blue collar and white collar	13.15%	$4,259,283	9.15%	$3,003,149
General-other	9.15	33,438	9.15	81,740
Sheriff	16.30	1,910,132	18.50	2,167,944
Fire	16.20	914,392	21.25	1,203,187
JDC	16.65	632,006	16.65	632,006

VI. Significant effects of subsequent events

On July 1, 2006 the County became the sole operator of the Metropolitan Detention Center (MDC). For the past thirty years, under a Joint Powers Agreement, the City of Albuquerque (City) was responsible for the daily operations of the facility and both the City and the County shared equally in the operating costs. However, the debt service payment for the MDC is the sole responsibility of the County. In October 2005, the Board of County Commissioners approved the adoption of the ordinance to implement a 1/8 percent Correctional Facility Gross Receipts Tax A (GRT) countywide effective July 1, 2006 to plan for the possibility of operating the MDC without financial assistance from the City. The GRT is effective July 1, 2006.

On November 17, 2006 the County sold $10,000,000 of general obligation bonds that were approved by voters on November 2, 2004. The bonds mature in serial amounts from February 1, 2008 through February 1, 2027. Interest rate coupon amounts range from 4.25 percent through 4.5 percent.