

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. Additionally, in the opinion of Bond Counsel, interest on the Bonds is exempt from taxation by the State of New Mexico. (See "TAX MATTERS" herein.)

\$10,000,000
BERNALILLO COUNTY, NEW MEXICO
GENERAL OBLIGATION BONDS
SERIES 2009

Dated: Date of Issuance

Due: June 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 December 1 and June 1, commencing December 1, 2009. Principal is payable annually as detailed below. The Bonds are not subject to redemption prior to maturity.

Maturities, Rates, Yields and CUSIP numbers

Maturity					Maturity				
(June 1)	Principal	Coupon	Yield	CUSIP	(June 1)	Principal	Coupon	Yield	CUSIP
2010	\$1,050,000	3.00%	0.50%	085275YZ2	2015	\$1,000,000	4.00%	2.71%	085275ZE8
2011	1,000,000	2.50%	1.25%	085275ZA6	2016	1,025,000	4.00%	2.94%	085275ZF5
2012	750,000	2.50%	1.65%	085275ZB4	2017	1,050,000	4.00%	3.15%	085275ZG3
2013	900,000	2.50%	2.00%	085275ZC2	2018	1,100,000	4.00%	3.35%	085275ZH1
2014	925,000	3.00%	2.49%	085275ZD0	2019	1,200,000	4.50%	3.52%	085275ZJ7

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 June 16, 2009.

Piper Jaffray

Official Statement Dated: June 9, 2009

BERNALILLO COUNTY, NEW MEXICO

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

COUNTY COMMISSION

Alan B. Armijo, Chair
Art De La Cruz, Vice Chair, Commissioner
Maggie Hart Stebbins, Commissioner
Michael C. Wiener, Commissioner
Michael Brasher, Commissioner

COUNTY OFFICIALS

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

COUNTY FINANCE DEPARTMENT

Dan Mayfield, CGFM
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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 2009 (the “Bonds”) in the aggregate principal amount of \$10,000,000 by Bernalillo County, New Mexico (the “County”). The offering of the Bonds is made only by way of this Official Statement which supersedes any other information or materials used in connection with the offer or sale of the Bonds. Additional information concerning the County, the Bonds, and other aspects of this offering may be obtained from the Deputy County Manager for Finance, One Civic Plaza, N.W., Suite 10111, Albuquerque, New Mexico 87102, Telephone: (505) 468-7020.

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. AR-26-2009 authorizing issuance of the Bonds adopted by the Board of County Commissioners (the “Board”) on April 28, 2009 (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:

PUBLIC HEALTH	\$2,000,000
ROADS	\$7,000,000
LIBRARIES	\$1,000,000

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 June 16, 2009.

REDEMPTION: The Bonds are not subject to redemption prior to maturity.

**PAYING AGENT/
REGISTRAR:** Initially, the Deputy County Manager for Budget and 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:	\$10,000,000.00
Original issue premium (discount):	<u>445,224.25</u>
TOTAL SOURCES OF FUNDS:	<u>\$10,445,224.25</u>
Project Fund:	\$10,363,822.12
Costs of Issuance**:	81,402.13
TOTAL USES OF FUNDS:	<u>\$10,445,224.25</u>

** 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 2008 ELECTION

Public Health	\$2,000,000
Roads	7,000,000
Libraries	1,000,000

DESCRIPTION OF THE BONDS

The Bonds are dated as of the date of issuance and will bear interest from that date, payable on June 1 and December 1 in each year commencing December 1, 2009. 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 or interest on the Bonds. Consequently, remedies available to the owners of the Bonds may have to be enforced from year to year.

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

PRIOR REDEMPTION

The Bonds are not subject to optional redemption prior to maturity.

DEBT AND OTHER OBLIGATIONS
(as of June 1, 2009)

GENERAL OBLIGATION BONDS OUTSTANDING

G.O. Bond	Original	Outstanding
<u>Series</u>	<u>Issue</u>	<u>Principal</u>
1997	\$11,170,000	\$7,125,000
1999	18,676,000	13,280,000
2000	10,160,000	925,000
2001	4,600,000	4,385,000
2002	16,400,000	13,735,000
2003	10,210,000	8,645,000
2004	3,029,000	3,029,000
2005	13,940,000	10,680,000
2005A	5,261,000	5,261,000
2006	10,000,000	9,665,000
2007	10,400,000	10,400,000
2007A	8,700,000	8,400,000
2008	2,700,000	<u>2,700,000</u>
TOTAL		<u>\$98,230,000</u>

Source: Bernalillo County Finance Department

DEBT SERVICE SCHEDULE

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

Date		Principal		Interest	Total	Fiscal Total
				\$		
12/1/	2009			158,813	\$ 158,813	
6/1/	2010	\$1,050,000	3.00%	173,250	1,223,250	\$1,382,063
12/1/	2010			157,500	157,500	
6/1/	2011	1,000,000	2.50%	157,500	1,157,500	1,315,000
12/1/	2011			145,000	145,000	
6/1/	2012	750,000	2.50%	145,000	895,000	1,040,000
12/1/	2012			135,625	135,625	
6/1/	2013	900,000	2.50%	135,625	1,035,625	1,171,250
12/1/	2013			124,375	124,375	
6/1/	2014	925,000	3.00%	124,375	1,049,375	1,173,750
12/1/	2014			110,500	110,500	
6/1/	2015	1,000,000	4.00%	110,500	1,110,500	1,221,000
12/1/	2015			90,500	90,500	
6/1/	2016	1,025,000	4.00%	90,500	1,115,500	1,206,000
12/1/	2016			70,000	70,000	
6/1/	2017	1,050,000	4.00%	70,000	1,120,000	1,190,000
12/1/	2017			49,000	49,000	
6/1/	2018	1,100,000	4.00%	49,000	1,149,000	1,198,000
12/1/	2018			27,000	27,000	
6/1/	2019	1,200,000	4.50%	27,000	1,227,000	1,254,000
		<u>\$10,000,000</u>		<u>\$2,151,063</u>	<u>\$11,469,100</u>	

BERNALILLO COUNTY OUTSTANDING GENERAL OBLIGATION DEBT SERVICE

Fiscal Year	Series 1997	Series 1999	Series 2000	Series 2001	Series 2002	Series 2003	Series 2004	Series 2005	Series 2005A	Series 2006	Series 2007	Series 2007A	Series 2008 (1)	Totals
2009	\$ 904,518	1,413,813	497,175	420,978	1,312,288	790,375	126,076	1,946,018	229,186	742,425	520,000	450,627	1,092,211	11,178,344
2010	901,519	1,415,338	499,225	420,109	1,316,388	795,863	126,076	1,934,418	229,186	743,425	520,000	348,873	1,055,250	10,091,405
2011	897,188	1,419,950		418,709	1,318,668	792,863	126,076	1,989,256	489,186	738,825	520,000	348,873	722,750	9,898,704
2012	891,669	1,422,538		422,560	1,323,668	794,263	126,076	788,506	488,786	743,825	520,000	348,873		8,707,299
2013	884,963	1,427,988		421,560	1,325,268	793,893	126,076	792,506	492,986	743,025	520,000	348,873		8,715,398
2014	877,069	1,431,188		424,763	1,333,078	795,208	126,076	785,568	488,736	741,625	1,017,250	731,073		9,584,709
2015	867,988	1,437,025		427,035	1,337,815	794,995	126,076	781,568	486,199	739,625	1,011,250	730,173		9,570,312
2016	857,719	1,440,388		428,348	1,339,815	798,740	126,076	786,768	483,236	742,025	1,009,125	738,473		9,591,876
2017	943,888	1,441,275		428,670	1,338,730	795,940	126,076	780,768	479,849	743,625	1,005,750	740,873		9,659,444
2018	926,494	1,449,463		432,943	1,339,955	796,603	126,076	773,968	482,036	739,425	996,250	747,373		8,810,586
2019		1,454,725		431,228	1,338,193	795,465	126,076	783,093	486,544	739,625	995,500	747,973		7,898,422
2020		1,457,063		428,625	1,333,353	792,945	1,008,076	780,000	491,244	744,025	988,375	752,673		8,776,379
2021				430,000	1,330,345	788,685	972,076		494,619	742,425	980,000	760,998		6,499,148
2022				435,200	1,324,455	787,635	1,256,038		482,119	740,025	975,250	762,791		6,763,513
2023						784,875			479,400	741,825	969,000	768,155		3,743,255
2024									480,500	741,869	966,125	771,956		2,960,450
2025									480,700	740,881	956,625	774,331		2,952,537
2026										738,863	950,500	781,150		2,470,513
2027										738,863	942,625	784,298		2,465,786
2027											937,875	786,748		1,724,623
	\$ 8,953,015	17,210,754	996,400	5,970,728	18,612,019	11,898,348	4,623,026	12,922,437	7,744,512	14,086,250	17,301,500	13,225,157	2,865,750	141,078,485

FINANCIAL DATA

COUNTY ASSESSED VALUATION

Taxable Value of Property Assessed (1/3 market value)	<u>\$13,802,981,051</u>
Estimated Actual Value	<u>\$41,408,943,153</u>

BONDED INDEBTEDNESS

Outstanding Bonds	\$98,230,000
Series 2009 Bonds	10,000,000
Authorized but unissued bonds (1)	<u>10,750,000</u>
Total Direct Debt after Issuance of the Series 2009 Bonds	<u>\$118,980,000</u>

Source: Bernalillo County Finance Department

(1) Bonds authorized by the General Election in 2008, including \$4,475,000 for constructing and equipping buildings, \$2,500,000 for constructing and equipping recreational facilities and \$3,500,000 for design, construction and repair of storm sewer and wastewater systems.

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DIRECT AND OVERLAPPING DEBT (AS OF DECEMBER 31, 2008)

	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)	362,735,000	27.89%	101,166,791
City of Albuquerque (1)	202,435,323	83.01%	168,041,562
Albuquerque Public Schools (1)	131,800,000	99.40%	131,009,200
Albuquerque Metropolitan Arroyo Flood Control Authority (1)	30,000,000	96.04%	28,812,000
Central NM Community College (1)	39,700,000	99.50%	39,501,500
Moriarty School District (2)	19,010,000	0.58%	110,258
Village of Los Ranchos de Albuquerque	3,600,000	1.49%	53,640
			<u>\$577,769,951</u>

Ratios:

Direct and Overlapping Debt as a percentage of Taxable Assessed Valuation	4.46%
Direct and Overlapping Debt as a percentage of Actual Market Value	1.49%
Assessed Valuation Per Capita (2006 Estimated Population 615,099)	\$ 21,050.77
Direct and Overlapping General Obligation Debt Per Capita	\$ 939.31

(1) Outstanding G.O. debt at October 31, 2007

(2) Outstanding G.O. debt at June 30, 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	\$552,119,240
Less total bonds to be outstanding	<u>(118,980,000)</u>
Capacity in excess of present requirements	\$433,139,240

Source: Bernalillo County Finance Department

ASSESSED VALUATION

PROPERTY SUBJECT TO TAXATION

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

ASSESSMENT OF PROPERTY

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

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

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

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

REASSESSMENT

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

LIMITATION ON INCREASES IN VALUATION OF RESIDENTIAL REAL PROPERTY

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

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

ASSESSED VALUATION COMPARISON

<u>Tax Year</u>	<u>Bernalillo County</u>	<u>City of Albuquerque</u>	<u>Albuquerque Public Schools</u>
2008	\$13,894,920,052	\$11,514,516,230	\$13,802,981,051
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 2008

<u>Taxpayer</u>	<u>Industry</u>	<u>Taxable Assessed Value</u>	<u>% of Total Assessed Value</u>
Public Service Company of New Mexico Electric	Utility	\$135,500,358	1.027%
Qwest Corp fka U.S. West Communications	Telecommunications	\$113,181,139	0.858%
Public Service Company of New Mexico Gas Svc	Utility	33,571,116	0.254%
GCC Rio Grande	Real Estate	20,117,495	0.153%
Southwest Airlines	Airline	20,292,079	0.153%
Comcast Cablevision of NM Inc.	Cable TV Franchise	18,340,589	0.139%
Simon Property Group Ltd. (Cottonwood Mall)	Real Estate	16,041,762	0.122%
Heitman Properties of NM	Real Estate	15,686,365	0.119%
Verizon Wireless	Telecommunications	14,280,430	0.108%
Hub Albuquerque LLC	Real Estate	14,261,640	0.108%

Source: Bernalillo County Finance Department

TAX RATES

YIELD CONTROL

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

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

Where: G is never less than 100%

I is never less than 0% or more than 5%

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

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

20-MILL LIMITATION ANALYSIS

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

RESIDENTIAL AND NON-RESIDENTIAL PROPERTY

Property in New Mexico is sub-classified as either residential or nonresidential based on its use. The calculation of revenue limitations for Yield Control, as discussed above, is performed separately for each property class. The result is that levies for operational purposes may be different for each property class. The levies below are shown for each property class. Rates for 2008 are not yet available.

TAX RATES IN BERNALILLO COUNTY

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

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
State of New Mexico	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Bernalillo County	6.184	6.183	6.113	6.131	7.031	7.007	7.007
City of Albuquerque	3.971	2.970	3.012	3.028	3.019	3.019	3.019
AMAFCA	.165	.167	.178	.180	.183	0.186	.186
Albuquerque MSD #12	.238	.238	.241	.242	.240	0.239	.239
Central NM CC	2.440	2.442	2.477	2.488	1.649	1.674	1.674
Total	12.998	12.000	12.021	12.069	12.122	8.359	8.359

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

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
State of New Mexico	\$1.250	\$1.221	\$1.291	\$1.234	\$1.028	\$1.520	\$1.123
Bernalillo County	.880	1.004	1.098	1.147	.830	1.147	1.200
City of Albuquerque	6.976	7.976	7.976	7.976	7.976	7.976	8.976
Albuquerque MSD #12	10.115	10.121	8.023	8.036	8.040	8.036	6.504
AMAFCA	.675	.675	.675	.675	.675	.675	0.675

UNM Hospitals	6.401	6.400	6.482	6.500	6.500	6.500	6.500
Central NM CC	.550	.555	0.550	.550	3.019	3.011	3.008
Total	26.847	\$27.952	26.095	28.068	28.865	27.986	\$27.986

<u>Total Levy</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
State of New Mexico	\$1.250	\$1.221	\$1.291	\$1.234	\$1.028	\$1.520	\$1.123
Bernalillo County	7.179	7.187	7.211	7.278	8.200	8.154	7.118
City of Albuquerque	10.947	10.946	10.988	11.004	10.995	10.995	10.990
Albuquerque MSD #12	10.353	10.359	8.264	8.278	8.280	8.275	6.273
AMAFCA	.840	.842	.853	.855	.858	.861	.863
UNM Hospitals	6.401	6.400	6.482	6.500	6.500	6.500	6.500
Central NM CC	2.990	2.997	3.027	3.038	3.019	3.011	3.008
Total Residential Levy	<u>\$39.960</u>	<u>\$39.9952</u>	<u>\$38.116</u>	<u>\$38.189</u>	<u>\$38.022</u>	<u>\$39.316</u>	<u>\$35.875</u>

Other County Rates:

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
<u>City of Albuquerque</u>							
Total Non-Residential	\$45.613	\$45.692	\$43.620	\$41.420	\$44.377	\$45.704	\$41.417
<u>Village of Tijeras</u>							
Total Residential	\$29.023	\$29.017	\$27.142	\$27.180	\$27.862	\$28.456	\$25.086
Total Non-Residential	\$36.318	\$36.348	\$34.175	\$36.973	\$28.480	\$35.548	\$32.122
<u>Village of Los Ranchos</u>							
Total Residential	\$29.173	\$29.159	\$26.275	\$26.330		\$27.460	\$24.022
Total Non-Residential	\$35.093	\$35.172	\$32.100	\$30.170		\$33.323	\$29.897

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.

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TAX COLLECTION HISTORY - BERNALILLO COUNTY

<u>Tax Year</u>	<u>Net Taxes Charged to Treasurer</u>	<u>Taxes Collected To Date</u>	<u>Percentage Collected</u>
As of March 31, 2009			
(1)			
2008	\$565,110,882	\$321,377,114	56.87%
2007	533,226,928	509,553,272	95.56%
2006	458,854,143	454,394,397	99.03%
2005	427,701,732	425,352,622	99.45%
2004	399,806,832	398,532,713	99.68%
2003	386,212,613	385,269,373	99.76%
(1) Second half of 2008 taxes due in May, 2009			
As of June 30, 2008			
2007	\$533,972,595	\$513,363,469	96.14%
2006	459,679,476	453,977,597	98.76%
2005	427,710,630	425,246,839	99.42%
2004	399,816,272	398,514,034	99.67%
2003	386,224,441	385,231,540	99.74%
2002	342,679,476	341,580,127	99.68%
As of June 30, 2007			
2006	\$459,924,205	\$443,198,370	96.36%
2005	425,244,710	418,375,611	98.38%
2004	399,819,732	397,650,077	99.46%
2003	386,234,568	384,955,527	99.67%
2002	342,736,377	341,426,179	99.62%
2001	356,526,561	354,791,275	99.51%
As of June 30, 2006			
2005	\$427,762,070	\$411,172,774	96.12%
2004	399,943,440	394,567,822	98.68%
2003	386,261,168	383,999,156	99.41%
2002	342,757,047	341,125,698	99.52%
2001	356,534,714	354,681,018	99.48%
2000	311,972,254	310,805,551	99.63%

As of June 30, 2005

<u>Tax Year</u>	<u>Net Taxes Charged to Treasurer</u>	<u>Taxes Collected To Date</u>	<u>Percentage Collected</u>
2004	\$400,292,096	\$383,127,289	99.78%
2003	386,342,930	380,457,426	99.57%
2002	342,830,820	340,045,362	99.37%
2001	356,580,516	354,341,141	99.19%
2000	311,999,812	310,662,517	98.48%
1999	293,865,653	293,204,471	95.71%
As of June 30, 2004			
2003	\$386,695,130	\$369,590,539	95.58%
2002	342,657,220	337,093,690	98.38%
2001	356,655,653	353,450,599	99.10%
2000	312,507,353	310,314,025	99.30%
1999	294,321,962	293,045,664	99.57%
1998	259,239,168	258,459,615	99.70%
As of June 30, 2003			
2002	\$342,574,636	\$325,780,959	95.12%
2001	356,754,439	349,063,518	97.84%
2000	312,553,943	309,181,738	98.92%
1999	294,350,780	292,718,711	99.45%
1998	259,304,680	258,309,133	99.62%
1997	250,229,931	249,770,008	99.82%
1996	235,171,198	234,956,596	99.91%
As of June 30, 2002			
2001	\$360,196,852	\$341,320,253	95.58%
2000	314,394,841	306,645,723	98.01%
1999	302,620,378	292,115,772	99.24%
1998	259,221,833	258,566,450	99.70%
1997	249,687,335	249,736,076	99.80%
1996	236,219,558	234,946,726	99.90%
As of June 30, 2001			
2000	\$313,805,354	\$293,841,628	93.64%
1999	293,349,030	287,330,428	97.95%
1998	259,629,855	257,841,666	99.31%
1997	250,304,933	249,449,947	99.66%
1996	235,246,027	234,859,087	99.04%

1995	222,099,664	221,898,970	99.91%
As of June 30, 2000			
1999	\$302,620,378	\$270,446,038	89.37%
1998	259,398,991	254,542,809	98.13%
1997	249,939,838	248,336,201	99.36%
1996	235,229,602	234,782,416	99.78%
1995	222,112,727	221,887,672	99.90%
As of June 30, 1999			
1998	\$259,904,334	\$244,793,157	94.19%
1997	249,966,823	245,850,320	98.35%
1996	235,313,495	234,363,377	99.60%
1995	222,116,842	221,774,526	99.85%
1994	199,423,547	199,183,107	99.88%

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 644,023 residents, (2007 Estimated) Bernalillo County ranks 90th in population of the nation's 3,066 counties. The County comprises nearly 31% of New Mexico's population total and 80% of the three county Albuquerque MSA, and is home to the University of New Mexico, Kirtland Air Force Base and Sandia National Laboratories

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

technology to benefit existing industries and to spawn new ones. It is anticipated that the greater diversification in the role of Sandia will further the diversification of the area economy. Because of its accessibility and tourist facilities, the County and the surrounding area is the gateway for tourism in New Mexico as well as an attraction in its own right. The County and the City of Albuquerque features the historic “Old Town”, the Sandia Peak Tramway and ski area , a number of nationally recognized museums and the Cibola National Forest. Other attractions include the Albuquerque International Balloon Fiesta, the National Hispanic Cultural Center, the Gathering of Nations native American event, the National Arabian Horse Show and the New Mexico State Fair. There are several Indian pueblos within easy driving distance that draw many tourists because of their historical and cultural significance and arts.

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

COUNTY GOVERNMENT

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

THE GOVERNMENT BODY

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

BERNALILLO COUNTY COMMISSIONERS

Alan B. Armijo, Chair, District 1. Term expires December 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.

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

Maggie Hart Stebbins, Commissioner, District 3. Term expires November, 2010. The former incumbent, *Deanna Archuleta*, who was elected to a four (4) year term in November 2008, resigned the position in April, 2009 to accept a position with President Obama's administration. Ms. Hart Stebbins was appointed to the vacancy by New Mexico Governor Bill Richardson, and will serve until a successor is elected at the November 2010 general election. Ms. Hart Stebbins is a project manager with the Mid-Region Council of Government. She has a Bachelor of Arts degree from Harvard University where she excelled as a collegiate lacrosse player, and was inducted into the Harvard Varsity Club Hall of Fame in 1999. She has served on numerous boards and commissions for governmental entities and not for profit organizations.

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

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.

COUNTY MANAGER AND STAFF

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

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

RETIREMENT PLAN

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

Funding Policy. Plan members are required to contribute 9.15-16.3% of their gross salary and the County is required to contribute 9.15-21.25% depending upon the division of the gross covered salary. The contribution requirements of plan members and the County are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The County’s contributions to PERA for the years ending June 30, 2008, 2007, and 2006 were \$10,319,466, \$9,292,843, and \$7,088,026, 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, 2008.

<u>Covered Division</u>	<u>Employee</u>		<u>Employer</u>	
	<u>Percent</u>	<u>Dollars</u>	<u>Percent</u>	<u>Dollars</u>
General-management, blue collar and white collar	13.15%	\$5,174,638	9.15%	\$3,922,100
General-other	9.15%	\$20,415	9.15%	\$17,296
Sheriff	16.30%	\$1,971,039	18.50%	\$2,348,989
Fire	16.20%	\$1,040,513	21.25%	\$1,525,745
Juvenile Detention Center	16.65%	\$2,069,884	16.65%	\$2,505,236

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES OF THE COUNTY

2008 AUDIT REPORT

Moss Adams, LLP, Certified Public Accountants & Business Consultants, of Albuquerque, New Mexico and the office of the State Auditor conducted the audit of the County's general-purpose financial statements and the combining and individual fund and account group financial statements for the fiscal year ended June 30, 2008. 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, 2008**" 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, 2008 (Audited)

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

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

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

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

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

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

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

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

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and</u>		<u>Total</u>
		<u>Charges for</u>	<u>Operating</u>	<u>Capital</u>	<u>Changes in Net Assets</u>		
					<u>Services</u>	<u>Grants and</u>	
			<u>Contributions</u>	<u>Contributions</u>	<u>Governmental</u>	<u>Business-type</u>	
					<u>Activities</u>	<u>Activities</u>	
Primary government:							
Governmental activities:							
General government	\$ 52,599,053	\$ 30,856,985	\$ 280,737	\$ 11,152	\$ (21,450,179)		\$ (21,450,179)
Public works	40,847,247	-	-	22,506,345	(18,340,902)		(18,340,902)
Public safety	109,844,858	-	8,267,824	161,551	(101,415,483)		(101,415,483)
Culture and recreation	14,421,312	151	887,767	1,355,935	(12,177,459)		(12,177,459)
Health and welfare	19,204,043	-	12,511,372	177,626	(6,515,045)		(6,515,045)
Interest on long-term debt	14,199,129	-	-	-	(14,199,129)		(14,199,129)
Total governmental activities	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
	<u>\$ 389,131,005</u>	<u>\$ 4,794,057</u>	<u>\$ 393,925,062</u>

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

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

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

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	<u>\$ 365,264,649</u>	<u>\$ 5,175,390</u>	<u>\$ 370,440,039</u>

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

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

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets			
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					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)

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

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	<u>\$ 346,202,703</u>	<u>\$ 4,059,309</u>	<u>\$ 350,262,012</u>	<u>\$ 624,383</u>

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

COUNTY OF BERNALILLO, NEW MEXICO
STATEMENT OF NET ASSETS
June 30, 2008

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 309,492,319	\$ 2,482,466	\$ 311,974,785
Accounts receivable, net	42,400,177	1,384,484	43,784,661
Accrued interest receivable	1,775,918	395	1,776,313
Note receivable	242,837	-	242,837
Due from grantor	15,577,130	-	15,577,130
Internal balances	784,086	(784,086)	-
Inventory	741,419	-	741,419
Prepaid assets	1,619,235	-	1,619,235
Deferred charges	1,126,228	-	1,126,228
Cash-restricted	16,681,279	-	16,681,279
Investment on joint venture	633,000	-	633,000
Capital assets not being depreciated:			
Land	126,161,702	639,444	126,801,146
Art	2,074,462	-	2,074,462
Construction in progress	63,704,927	-	63,704,927
Capital assets (net of accumulated depreciation):			
Building	169,298,644	4,577,349	173,875,993
Machinery and equipment	12,399,882	317,213	12,717,095
Infrastructure	161,043,915	-	161,043,915
Leasehold improvements	2,401,189	-	2,401,189
Total assets	928,158,349	8,617,265	936,775,614
LIABILITIES			
Accounts payable	16,660,850	208,288	16,869,138
Interest payable	4,165,724	5,839	4,171,563
Retainage payable	1,656,893	-	1,656,893
Tax anticipation note payable	55,000,000	-	55,000,000
Accrued payroll	3,764,242	60,676	3,824,918
Unearned revenue	9,376,404	456,559	9,832,963
Due to grantor	679,500	-	679,500
Deposits held in trust for others	-	34,951	34,951
Noncurrent liabilities:			
Due within one year	26,245,847	66,980	26,312,827
Due in more than one year	261,412,153	2,835,693	264,247,846
Total liabilities	378,961,613	3,668,986	382,630,599

NET ASSETS

Invested in capital assets,			
net of related debt	308,271,760	2,839,330	311,111,090
Restricted for:			
Public safety	4,937,404	-	4,937,404
Culture and recreation	4,285	-	4,285
Health and welfare	16,595,886	-	16,595,886
Debt service	2,679,485	-	2,679,485
Capital projects	50,218,147	-	50,218,147
General government	8,153,126	-	8,153,126
Reserve requirement	64,204,173	-	64,204,173
Unrestricted	94,132,470	2,108,949	96,241,419
Total net assets	<u>\$ 549,196,736</u>	<u>\$ 4,948,279</u>	<u>\$ 554,145,015</u>

AREA ECONOMIC INFORMATION

POPULATION

<u>Year</u>	<u>Bernalillo County</u>	<u>Albuquerque MSA</u>	<u>State</u>
1960	262,199	292,500	951,023
1970	315,774	353,800	1,017,055
1980	420,262	485,500	1,303,303
1990	480,577	589,131	1,515,069
2000	556,678	712,738	1,819,046
2007 est.	644,023	833,844	2,053,923

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

PER CAPITA PERSONAL INCOME - BERNALILLO COUNTY

<u>Year</u>	<u>Bernalillo County</u>	<u>New Mexico</u>	<u>U.S.A.</u>	<u>% of N.M.</u>	<u>% of U.S.</u>
2007	\$34,983	\$30,706	\$38,615	114.00%	90.59%
2006	\$33,932	\$29,346	\$36,794	115.63%	92.22%
2005	\$32,931	\$27,907	\$34,471	118.00%	95.53%
2004	\$30,986	\$26,366	\$33,090	117.52%	93.64%
2003	\$29,845	\$24,975	\$31,466	120.28%	95.5%
2002	\$29,427	\$24,330	\$30,795	121.7%	95.5%
2001	\$29,697	\$24,083	\$30,562	123.0%	95.3%
2000	\$27,078	\$22,134	\$29,845	122.1%	88.7%
1999	\$25,677	\$21,042	\$29,847	122.0%	86.0%
1998	\$25,154	\$20,656	\$27,939	121.7%	90.0%
1997	\$24,052	\$19,698	\$26,883	122.1%	89.4%
1996	\$23,413	\$18,964	\$25,334	123.4%	92.4%

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

NON-AGRICULTURAL EMPLOYMENT – BERNALILLO COUNTY

Industry	2002	2003	2004	2005	2006	2007
Agriculture, forestry, fishing & hunting	181	205	186	172	164	140
Mining	248	249	101	80	76	100
Utilities	*	*	*	*	*	*
Construction	19,965	20,871	22,698	24,896	27,103	26,762
Manufacturing	17,447	16,530	15,149	15,598	16,197	16,813
Wholesale trade	13,063	12,658	12,335	12,343	12,826	12,720
Retail trade	37,206	36,884	37,642	38,532	37,984	38,663
Transportation & warehousing	7,733	7,800	7,924	7,785	7,820	8,075
Information	9,544	9,038	8,633	7,711	8,452	8,135
Finance & insurance	11,562	11,454	11,092	11,167	10,941	10,679
Real estate & rental & leasing	4,903	4,843	4,884	5,032	5,210	5,410
Professional & technical services	26,401	27,448	28,043	28,719	29,195	29,937
Management of companies & enterprises	4,048	3,814	3,309	3,574	3,955	3,688
Administrative & waste services	24,640	23,789	24,723	24,872	26,676	27,088
Educational services	2,647	2,694	2,840	3,012	3,185	3,533
Health care & social assistance	31,353	32,211	34,409	35,126	35,966	36,611
Arts, entertainment & recreation	2,690	2,807	2,954	3,020	3,048	3,070
Accommodation & food services	28,520	29,455	29,438	29,470	31,099	31,221
Other services, except public admin	8,768	9,032	9,106	9,082	9,268	9,381
Non-classifiable	*	*	*	*	*	*
Total private sector	251,717	252,391	256,044	260,774	269,736	272,542
Public administration	56,510	57,414	58,290	58,749	60,685	61,268
Federal	13,402	13,334	13,441	13,535	13,878	13,862
State	16,880	17,369	17,546	17,724	18,065	18,267
Local	26,228	26,711	27,304	27,489	28,743	29,139
Grand total	308,226	309,805	314,334	319,523	330,422	333,810

* Non-Disclosure of data due to Confidentiality
Sum of Divisions may not add to total due to Non-Disclosure.

CIVILIAN LABOR FORCE

<i>Bernalillo County</i>	<u>2009</u> <u>(Q1)</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Labor Force	313,949	319,699	318,242	313,406	303,920
Employment	296,117	305,302	307,963	301,179	289,198
Unemployment	17,832	14,397	10,278	12,227	14,722
Percentage Unemployment – Bern. County	5.7%	4.5%	3.2%	3.9%	4.8%
Percentage Unemployment – New Mexico	5.6%	4.4%	3.3%	4.2%	5.3%
Percentage Unemployment – United States	8.5%	5.8%	4.6%	4.6%	5.1%

AREA EMPLOYERS

MANUFACTURERS

Company	Employees	Description
<u>Intel Corporation</u>	3,500	Semiconductor Mfg.
<u>Honeywell Defense & Space Electronic Systems</u>	1,100	Aircraft Avionics Mfg.
<u>Ethicon Endo-Surgerv</u>	530	Medical Instruments Mfg.
<u>GE Aircraft Engines</u>	500	Aircraft Engines Mfg.
<u>Thomas & Betts</u>	490	Electrical Connectors Mfg.
<u>General Mills</u>	190	Cereal Mfg.

MAJOR PUBLIC FACILITY/INSTITUTION IN THE ALBUQUERQUE METRO

Company	Employees	Description
<u>Kirtland Air Force Base</u>	35,690 (Civilian)* 4,860 (Military)	377th Air Base Wing
<u>University of New Mexico</u>	14,300	Higher Education
<u>Albuquerque Public Schools</u>	14,480	Local Government
<u>Sandia National Laboratories</u>	8,730	Federal Government
<u>City of Albuquerque</u>	6,680	Local Government
<u>Central NM Community College</u>	1,770	Higher Education
<u>Bernalillo County</u>	2,300	Local Government

*Kirtland's civilian employment number includes all Department of Energy employees, including Sandia National Labs, and contractors employed on and off base. Please note that the major change in employment between FY05 and FY06 is due to a data collection change (inclusion of off base contractors) and not an increase in employment.

MAJOR BACK OFFICE EMPLOYERS

Company	Employees	Description
<u>T-Mobile</u>	1,600	Customer Service Center

<u>CitiCards</u>	1,165	Account Collection
Convergys	900	Customer Service Center
<u>Blue Cross/Blue Shield</u>	845	Insurance Claims Processor
<u>Express Scripts</u>	520	Prescription Mail Order
<u>Bank of America</u>	700	Customer Service Center
<u>Sprint PCS</u>	650	Customer Service Center
<u>eTelecare Global Solutions</u>	650	Customer Service Center
<u>Gap Inc.</u>	400	Shared Services Center

NOTABLE TECHNOLOGY COMPANIES IN THE ALBUQUERQUE METRO

Company	Employees	Description
<u>Ktech Corp.</u>	460	Engineering, Specialty Manufacturing
<u>Emcore</u>	420	VCSELS - Compound Semiconductors
<u>CVI Laser Corp.</u>	200	Laser Optics Manufacturer
<u>GE Fanuc Embedded Systems</u>	175	Computer Components
<u>Applied Research Associates, Inc.</u>	100	Engineering, R&D, for Extreme Environments
<u>Apogen Technologies</u>	60	Management & Technology Consulting

SMALL AND EMERGING HIGH TECH COMPANIES IN THE ALBUQUERQUE METRO

Company	Employees
MEMX	MEMS and Nanotechnology Products
HT Micro, Inc.	Micro-Fluidic and Micro-Mechanical Systems Design and Fabrication
MesoFuel	On-Demand Hydrogen Generation Systems Developer
Qynergy	Compact Energy Sources Developer
MesoSystems	Biosafety and Security Products

Company	Employees	Description	Company	Employees
Hewlett-Packard	2008	-	1,350	Technical/Customer Support Center
Fidelity Investments	2008	250	1,250	Human resource services
SCHOTT Solar	2008	40	1,500	Photovoltaic modules and receiver tubes
Molina Healthcare	2008	-	15	Data Center
Sony Pictures Imageworks	2007	-	250	Computer-Generated Special Effects and Animation
PR Newswire	2007	50	125	Operations Center
<u>Albuquerque Studios</u>	2007	-	75	Film/TV Production Studio
Shamrock Foods	2006	100	-	Food Products Distribution Center
<u>Prime Therapeutics</u>	2006	60	100	Mail Service Pharmacy
<u>Verizon Wireless</u>	2006	1,100	1,400	Customer Technical Support Center
<u>Merillat Industries Inc.</u>	2006	250	700	Cabinet Maker
<u>Tempur-Pedic International</u>	2006	70	300	Mattress and Pillow Manufacturer
<u>Aero Mechanical Industries</u>	2005	70	170	Aircraft Repair and Manufacturing
U.S. Forest Service	2005	700	1,400	Financial Services Center
Stainless Motors, Inc.	2004	20	-	Stainless Steel Products Manufacturer

EXPANDING BUSINESSES IN THE ALBUQUERQUE METRO

Company	Employees	Description	Company	Employees
General Mills	Exp - 2009-2010	190	250	Cereal and Snack Food Mfg.
<u>Advent Solar</u>	Exp - 2006-2010	80	1,000	Solar Cells Manufacturer
<u>T-Mobile</u>	2005	1,700	-	Customer Service Center
<u>Intel Corp.</u>	Exp - 2005-2006	4,700	-	Semiconductor Manufacturing
<u>ClientLogic</u>	Aug. 2005	850	-	Sales, Retention, Customer Service, Tech Support
<u>Sandia Resort & Casino</u>	Dec. 2005	1,670	-	Resort and Casino
<u>Sandia National Laboratories</u>	Exp - 2003-2008	8,730	-	Microtechnology Laboratory and Nanotechnology Center

Source: Albuquerque Economic Development, Inc. 2008 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.

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

June ____, 2009

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

\$10,000,000
Bernalillo County, New Mexico
General Obligation Bonds
Series 2009

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. 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

\$10,000,000

BERNALILLO COUNTY, NEW MEXICO

GENERAL OBLIGATION BONDS

SERIES 2009

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 May 26, 2009 (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 2010 to EMMA. The Issuer may adjust the Report Date if the Issuer changes its fiscal year by providing written notice of the change of fiscal year and the new Report Date to EMMA; provided that the new Report Date shall be 270 days after the end of the new fiscal year and provided further that the period between the final Report Date relating to the former fiscal year and the initial Report Date relating to the new fiscal year shall not exceed one year in duration. It shall be sufficient if the Issuer provides to EMMA, the Annual Financial Information by specific reference to documents previously provided to EMMA or filed with the Securities and Exchange Commission and, if such a document is a final official statement within the meaning of the Rule, available from the Municipal Securities Rulemaking Board.
 - b. If not provided as part of the Annual Financial Information, the Issuer shall provide the Audited Financial Statements when and if available while any Bonds are Outstanding to EMMA.

c. If a Material Event occurs while any Bonds are Outstanding, the Issuer shall provide a Material Event Notice in a timely manner to EMMA. Each Material Event Notice shall be so captioned and shall prominently state the date, title and CUSIP numbers of the Bonds.

d. The Issuer shall provide in a timely manner to EMMA, notice of any failure by the Issuer while any Bonds are Outstanding to provide to EMMA, Annual Financial Information on or before the Report Date.

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

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

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

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

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

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

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

(xi) Rating changes.

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

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

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

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

[Remainder of page intentionally left blank]

In Witness Whereof, Bernalillo County, New Mexico has caused this instrument to be signed, subscribed, and executed, and attested with the signature of the Chair of the Board of County Commissioners; has caused its corporate seal to be affixed on this instrument; all as of June __, 2009.

BERNALILLO COUNTY, NEW MEXICO

/s/
Board of County Commissioners, Chair

APPENDIX C

**STATE OF NEW MEXICO
COUNTY OF BERNALILLO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2008**

**STATE OF NEW MEXICO
COUNTY OF BERNALILLO**

**COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT**

Fiscal Year Ended June 30, 2008

COUNTY OF BERNALILLO GOVERNMENT

Board of County Commissioners

Thaddeus Lucero, County Manager

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

Prepared by:

The Accounting Department



COUNTY OF BERNALILLO, NEW MEXICO

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COUNTY OF BERNALILLO, NEW MEXICO

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County of Bernalillo

State of New Mexico

BOARD OF COUNTY COMMISSIONERS

ALAN B. ARMIJO, CHAIR

DISTRICT 1

DEANNA ARCHULETA, VICE CHAIR

DISTRICT 3

TERESA L. CÓRDOVA, Ph.D., MEMBER

DISTRICT 2

E. TIM CUMMINS, MEMBER

DISTRICT 4

MICHAEL BRASHER, MEMBER

DISTRICT 5

THADDEUS LUCERO, COUNTY MANAGER



ONE CIVIC PLAZA, N.W.
ALBUQUERQUE, NEW MEXICO 87102
ADMINISTRATION (505) 768-4000
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KAREN L. MONTOYA, ASSESSOR

MARGARET C. TOULOUSE OLIVER, CLERK

MERRI RUDD, PROBATE JUDGE

DARREN P. WHITE, SHERIFF

PATRICK J. PADILLA, TREASURER

December 6, 2008

Board of County Commissioners

Alan B. Armijo, Chair

Deanna Archuleta, Vice Chair

Teresa L. Córdoba, Ph.D., 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, 2008.

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.

Moss Adams LLC, Certified Public Accountants, have issued an unqualified opinion on the County's comprehensive annual financial report for the fiscal year ending June 30, 2008. The

independent auditor's report is located at the front of the financial statements.

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

PROFILE OF THE COUNTY

Bernalillo County 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 629,292 in 2007, the County ranks 95th in population of the nation's 3,141 counties. It comprises 32 percent of New Mexico's population and 77 percent of the Albuquerque Metropolitan Statistical Area (MSA) comprised of Bernalillo County and portions of Sandoval, Tarrant and Valencia 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 (2007 population estimate of 518,271) making up 82 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 2008 Forbes List of "Best Places for Business and Careers," Albuquerque placed 13th out of the 200 ranked metro areas in the country, dropping seven spots from 6th last year. Albuquerque was

ranked 34th in the “Cost of Doing Business” category (no change from prior list) and 47th in the “Job Growth” category (up from 56th on last year’s list).

Forecasts by the University of New Mexico’s Bureau of Business and Economic Research suggest the near-term outlook for the Albuquerque economy is a mild recession. Nonfarm employment growth dipped 0.2 percent in the third quarter of 2008—the first overall decline in employment since the 2001-2002 recession. The unemployment rate increased in the third quarter to 4.5 percent from 3.9 percent in the previous quarter. The manufacturing and constructions sectors have been hit especially hard by the current economic climate suffering a combined loss of 2,567 jobs. The health care and government sectors have exhibited slight growth, adding 2,166 jobs in the third quarter. Personal income growth is forecast to fall from 4.0 percent in 2008 to 1.9 percent in 2009 with a rebound to 3.6 percent growth in 2010.

The FY 09 general fund budget of \$203,382,647 represents a 2.2 percent decrease from FY 08 budget levels, while the FY 10 budget is estimated to increase by a modest 2.7 percent to \$208,940,143, which returns budget levels to the FY 08 level while still maintaining service levels. Other significant changes for FY 09 include elimination of financial support for the Metropolitan Detention Center by the City of Albuquerque. Property taxes continue to be a stable and growing revenue source for County government and it is estimated to increase by 3.3% in FY 09 and 4% by FY 10. Gross receipts taxes have fluctuated in recent times and are expected to grow only 1% in FY 09 and rebound to 3% in FY 10.

This uncertain economic outlook calls for prudent financial measures in keeping with the County’s duty to be a good steward of the public funds with which we are entrusted.

Long-Term Financial Planning

The financial condition of the County is strong as reflected in the County’s bond ratings of AAA by Standard & Poor, Aa1 by Moody’s and AA+ by Fitch. The County has made an enormous effort to incorporate comprehensive financial planning in its long-range vision in order to remain solvent during the current economic downturn. In addition to the 3/12th reserve requirement required by the State of New Mexico of \$64,204,173, the County’s long-term financial plan includes extraordinary maintenance for aging infrastructure and adequate reserves for the County’s provision of public safety services and for response to emergencies and natural disasters.

Relevant Financial Policies

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

Major Initiatives

FY 09 begins a new chapter in Bernalillo County's continuing efforts to improve the effectiveness and efficiency of County government. This fiscal year signals the culmination of three years of planning, developing and implementing Phase I of the new Enterprise Resource Planning (ERP) software system. Bernalillo County officially began its use on July 7, 2008.

The ERP solution will dramatically change the way the County does business by consolidating four disparate general ledgers, and creating new systems for budgetary controls, accounts payable and receivable processes, grants management, funds and treasury management, cashiering, purchasing, fixed assets and inventory, accounting, and project and plant maintenance. Phase two of the project began in July 2008 with planning for an updated budget preparation system to be implemented by the end of FY 09.

The support of the Board during this process, including the allocation of funding and authorization for the necessary staffing to complete this task, has been instrumental in the success of this undertaking. The numerous staff involved in the planning, design, training and implementation are commended for their efforts.

In addition to the ERP implementation, over the past few years the County has focused on streamlining processes and integrating technology into various County business processes. For example, applicants for Bernalillo County employment have an easier time than ever by applying for positions utilizing the online application system maintained by the County's Human Resources Department. In fact, over 98 percent of the over 17,000 applications submitted annually to the County are received electronically—a number that has grown by 42% in the past year. Through this system applicants can apply, human resource staff can screen and hiring managers can review screened applications online.

Another example is the employee self-service online program which allows employees to review personal data such as contact information, leave balances, end of year tax forms and paystubs. Electronic integration of employee identification badges into the system enables seamless production or replacement of identification badges. Coupled with the recently developed online training calendar and upcoming online performance review process, the County has made it even easier for employees, prospective employees and managers to access and utilize important information.

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, 2007. This was the fourth 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.

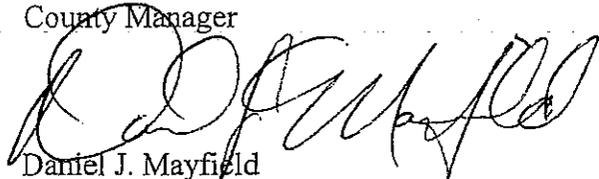
A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for this prestigious recognition.

The preparation of this report would not have been possible without the dedicated service of the entire Accounting Department staff of the Budget and Finance Division. We also would like to express our appreciation to County departments that assisted and contributed to the preparation of this report. The Board of County Commissioners is recognized and thanked for its stewardship in overseeing 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, 2007

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.



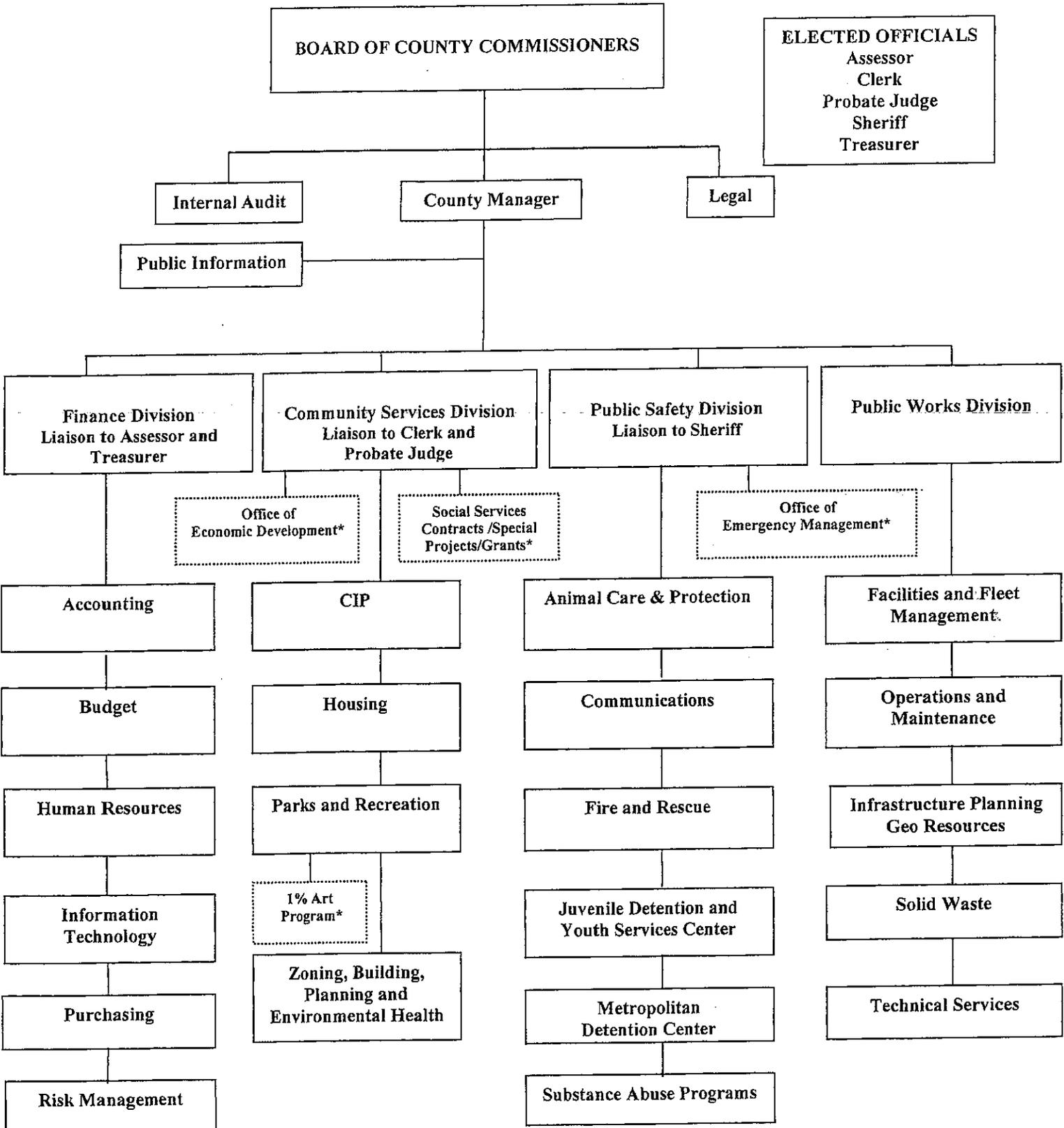
Oliver S. Cox

President

Jeffrey R. Emmer

Executive Director

BERNALILLO COUNTY ORGANIZATIONAL CHART



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

COUNTY OF BERNALILLO

PRINCIPAL OFFICIALS

June 30, 2008

COUNTY COMMISSIONERS

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

COUNTY ELECTED OFFICIALS

Darren P. White	County Sheriff
Patrick J. Padilla	County Treasurer
Margaret Toulouse	County Clerk
Karen L. Montoya	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
Tom Zdunek, Deputy County Manager for Public Works

COUNTY OF BERNALILLO, NEW MEXICO

CONTRIBUTORS

June 30, 2008

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Ruth Lott
Financial Projects Coordinator

Anthony Infantino, MBA
Financial Administrator

Nataliya Rubinchik, MSA
Financial Administrator

Sueko Solosky
Financial Services Administrator

Cindy Torres
Accounting Officer

Leticia Carreon
Accountant Senior

Jessie Fairbanks
Accountant Senior

Virginia C. Montoya
Accountant Senior

Victoria Herring
Administrative Officer

Public Information - Cover

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Graphic Design Specialist

Treasurer's Office

Fidel A. Bernal, CPA
Chief Deputy Treasurer

Emily Madrid
Accounting Manager



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Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, the aggregate remaining fund information and the budgetary comparison of the general fund of Bernalillo County, New Mexico (County), as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the County's nonmajor governmental, non-major enterprise funds, internal service fund and the fiduciary funds presented as supplementary information in the accompanying combining and individual fund financial statements and schedules and the respective budgetary comparison of each nonmajor fund as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business type activities, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of each nonmajor governmental fund, nonmajor enterprise funds, internal service fund and fiduciary fund of the County, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the budget comparisons referred to above present fairly, in all material respects the respective budgetary comparisons for the year then ended in conformity with the cash basis of accounting and more fully described in Note III A, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2008 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 4 through 28 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 conducted for the purpose of forming opinions on the basic financial statements and on the combining and individual fund financial statements, and the budgetary comparisons of the County. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the US Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The additional schedules listed as other supplementary information in the table of

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

contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

Moss Adams LLP

Albuquerque, New Mexico
December 6, 2008



COUNTY OF BERNALILLO NEW MEXICO
Management's Discussion and Analysis
June 30, 2008

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, 2008. We encourage readers to consider the information presented here in conjunction with additional information furnished in our letter of transmittal, which can be found on pages i-v of this report.

Financial Highlights

- The government-wide assets of the County exceed its liabilities as of June 30, 2008 by \$554,145,015, an increase of \$73,890,023 or a 15.4% increase. Of this amount, \$311,111,090 is invested in capital assets, net of related debt. Of the remaining balance, \$146,792,506 is restricted for specific purposes and \$96,241,419 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- As of June 30, 2008, the County's governmental activities and business type activities have net assets of \$549,196,736 and \$4,948,279 respectively.
- The general fund beginning balance increased by \$51,595 from \$146,704,783 to \$146,756,378 as a result of the reclassification of the Series 1996 Debt Service Fund (\$58) and the 1997 Revenue Bond Fund (\$51,537) into the general fund.
- The fund balance in the County's general fund increased from \$146,704,783 in FY07 to \$171,886,811 in FY08, an increase of \$25,182,028 or a 17.2% increase. Of this amount, \$64,204,173 or 37.4% of the general fund is for the DFA required reserve and \$32,337,943 or 18.8% is for subsequent years' expenditures.
- The County was able to maintain adequate reserves in the amount of \$64,204,173 as required by the State of New Mexico Department of Finance and Administration, Local Government Division – 3/12 of the General Fund Budget for FY09.
- During the year, the County sold \$21,500,000 of General Obligation Bonds (Series 2007, Series 2007A & Series 2008). This included \$9,400,000 for roads, \$3,500,000 for storm drains, \$2,200,000 for parks and recreation, \$4,300,000 for Sheriff's facilities improvements, \$1,100,000 for ADA facilities improvements and \$1,000,000 for library books. Also, the County issued \$11,000,000 of Gross Receipts Tax Revenue Refunding Bonds, Series 2008, with an average interest rate of 4%, to advance refund \$10,500,000 of the Series 2004 Gross Receipts Tax Revenue Bonds outstanding. In addition, the County partially defeased the Series 2002A General Obligation Bonds in the amount of \$5,645,000.
- The County has \$428,809,497 in available bonding capacity or 81.27% of allowable bonding capacity per the New Mexico State Constitution (see page 158).

- The County property valuations increased 11.2% from \$11.86 billion in FY07 to \$13.19 billion in FY08 (see page 151).
- The County maintained its AAA rating with Standard & Poor's Rating Service; Aa1 rating with Moody's Investors Service, Inc. and AA+ rating with Fitch Ratings for its General Obligation Bonds. In addition, the County maintained its AAA rating with Standard & Poor's Rating Service and AA rating with Fitch Ratings for its 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 supplementary information in addition to the basic financial statements themselves.

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

Both of the government-wide financial statements differentiate functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government, public works, public safety, health and welfare, culture and recreation and interest on long-term debt. The business-type activities of the County include Solid Waste, Bernalillo Housing Authority, Seybold Village Handicapped Project, Regional Juvenile Detention Center, and El Centro Familiar. The government-wide financial statements can be found on pages 29-30 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-four other individual governmental funds of which twenty are classified as Special Revenue funds, eleven are classified as Debt Service funds, and thirteen 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 35. 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 31-35 of this report.

Proprietary funds. The County maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for Solid Waste, Bernalillo County Housing Authority, Seybold Village Handicapped Project, Regional Juvenile Detention Center, and El Centro Familiar. An *Internal service fund* is used to account for operations that provide services to other departments or agencies of the County on a cost-reimbursement basis. The County's internal service fund is the Risk Management fund, which is used to account for its risk management activities. Because the services provided by the Risk Management fund predominantly benefit governmental rather than business-type functions, this fund is included within *governmental activities* in the government-wide financial statements. The basic proprietary fund financial statements can be found on pages 36-38 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 39 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 40-73 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 74-124 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 \$554,145,015 for the fiscal year ending June 30, 2008. By far the largest portion of the County's net assets (56 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 63% of net assets. The County uses these capital assets to provide services to the citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

County of Bernalillo Net Assets

	Governmental Activities		Business-type Activities		Total	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Assets:						
Current and other assets	\$391,073,628	\$343,370,899	\$3,083,259	\$ 3,585,866	\$394,156,887	\$346,956,765
Capital assets	537,084,721	514,707,039	5,534,006	4,919,507	542,618,727	519,626,546
Total assets	<u>928,158,349</u>	<u>858,077,938</u>	<u>8,617,265</u>	<u>8,505,373</u>	<u>936,775,614</u>	<u>866,583,311</u>
Liabilities:						
Long-term liabilities	261,412,153	267,122,552	2,835,693	3,001,123	264,247,846	270,123,675
Other liabilities	117,549,460	115,237,017	833,293	967,627	118,382,753	116,204,644
Total liabilities	<u>378,961,613</u>	<u>382,359,569</u>	<u>3,668,986</u>	<u>3,968,750</u>	<u>382,630,599</u>	<u>386,328,319</u>
Net Assets:						
Invested in capital assets, net of related Debt	308,271,760	299,526,749	2,839,330	3,196,311	311,111,090	302,723,060
Restricted	146,792,506	106,094,221	-	-	146,792,506	106,094,221
Unrestricted	94,132,470	70,097,399	2,108,949	1,340,312	96,241,419	71,437,711
Total net assets	<u>\$549,196,736</u>	<u>\$475,718,369</u>	<u>\$4,948,279</u>	<u>\$4,536,623</u>	<u>\$554,145,015</u>	<u>\$480,254,992</u>

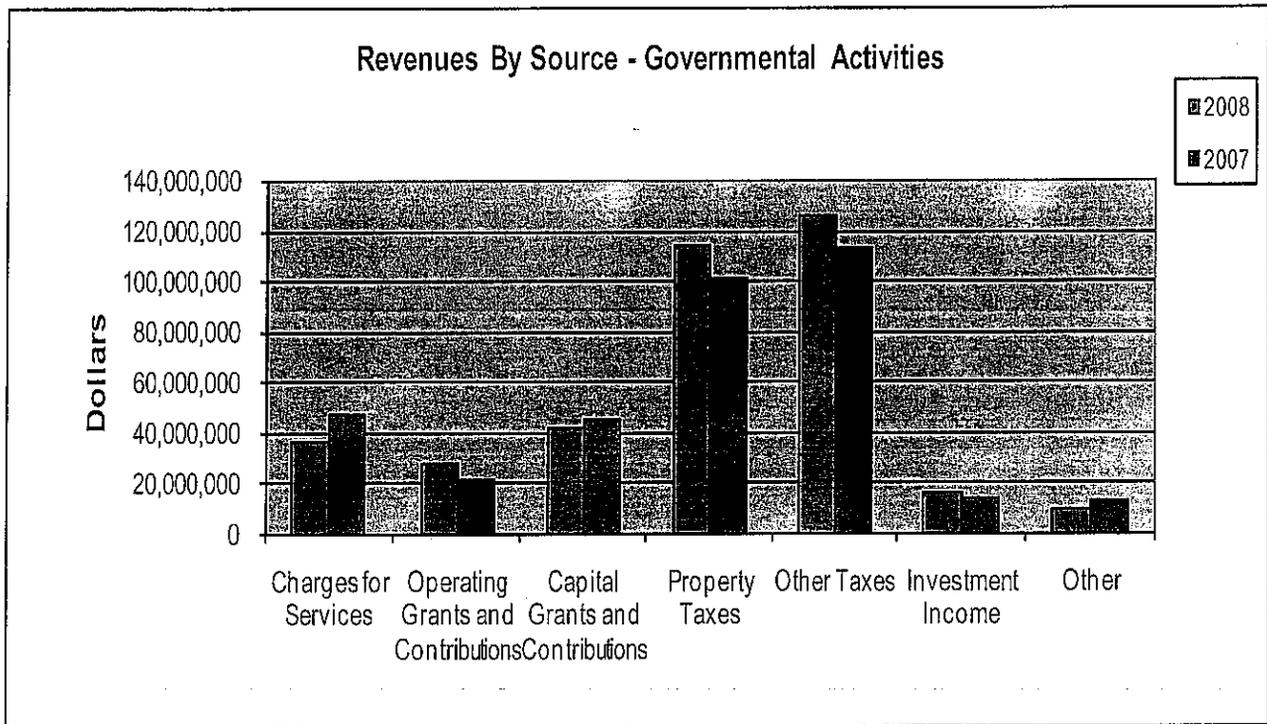
Restricted net assets in the amount of \$146,792,506 represent resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$96,241,419 may be used to meet the government's ongoing obligations to citizens and creditors.

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 \$73,478,367 in FY08 as compared to \$88,681,202 in FY07.

County of Bernalillo's Changes in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	\$36,526,325	\$47,052,175	\$5,982,619	\$5,151,503	\$42,508,944	\$52,203,678
Operating grants and contributions	28,140,881	21,737,089	498,482	582,992	28,639,363	22,320,081
Capital grants and contributions	41,992,908	45,766,629	433,981	482,594	42,426,889	46,249,223
General revenues:						
Property taxes	113,789,778	101,617,379	-	-	113,789,778	101,617,379
Other taxes	126,144,704	112,599,176	-	-	126,144,704	112,599,176
Investment income	16,046,244	13,833,232	83,879	103,533	16,130,123	13,936,765
Other	9,525,633	12,949,329	383,895	117,150	9,909,528	13,066,479
Total revenues	<u>372,166,473</u>	<u>355,555,009</u>	<u>7,382,856</u>	<u>6,437,772</u>	<u>379,549,329</u>	<u>361,992,781</u>
Expenses:						
General government	45,609,786	47,569,157	-	-	45,609,786	47,569,157
Public works	52,518,685	32,604,280	-	-	52,518,685	32,604,280
Public safety	143,867,733	129,957,959	-	-	143,867,733	129,957,959
Health and welfare	28,083,075	25,862,321	-	-	28,083,075	25,862,321
Culture and recreation	12,637,946	15,337,172	-	-	12,637,946	15,337,172
Interest on long-term debt	15,585,987	15,221,474	-	-	15,585,987	15,221,474
Solid Waste	-	-	4,910,418	4,483,095	4,910,418	4,483,095
Housing Authority	-	-	860,653	847,572	860,653	847,572
Seybold Village	-	-	235,027	172,947	235,027	172,947
Juvenile Detention Center	-	-	923,826	1,158,479	923,826	1,158,479
El Centro Familiar	-	-	426,170	354,557	426,170	354,557
Total expenses	<u>298,303,212</u>	<u>266,552,363</u>	<u>7,356,094</u>	<u>7,016,650</u>	<u>305,659,306</u>	<u>273,569,013</u>
Increase (decrease) in net assets before transfers	73,863,261	89,002,646	26,762	(578,878)	73,890,023	88,423,768
Transfers in (out)	(384,894)	(321,444)	384,894	321,444	-	-
Increase in net assets	<u>73,478,367</u>	<u>88,681,202</u>	<u>411,656</u>	<u>(257,434)</u>	<u>73,890,023</u>	<u>88,423,768</u>
Net assets -beginning	475,718,369	387,037,167	4,536,623	4,794,057	480,254,992	391,831,224
Net assets - ending	<u>\$549,196,736</u>	<u>\$475,718,369</u>	<u>\$4,948,279</u>	<u>\$4,536,623</u>	<u>\$554,145,015</u>	<u>\$480,254,992</u>

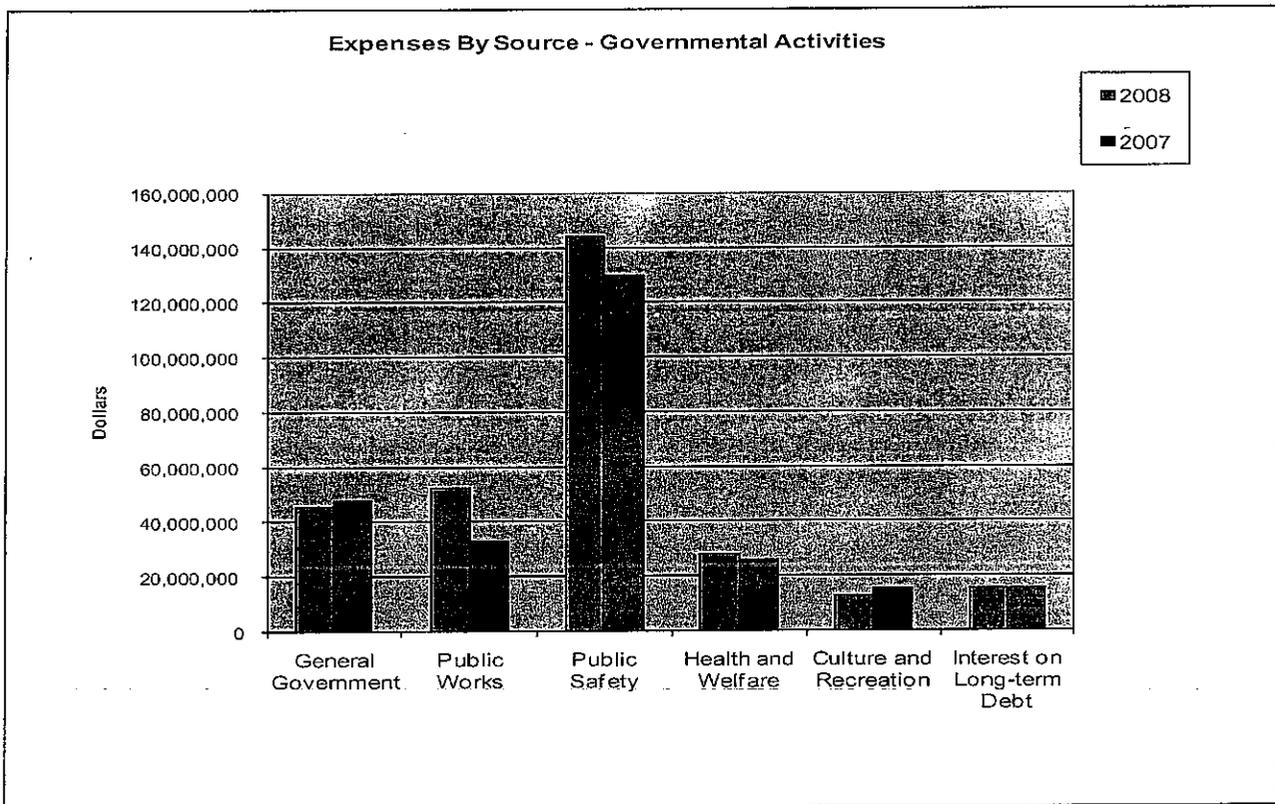


Governmental Activities revenues increased by \$16.7 million from \$355.5 million in FY07 to \$372.2 million in FY08, an increase of 4.7%. Key elements in the growth of governmental activities revenues are as follows:

- Program revenues charges for services decreased by \$10.5 million from \$47.0 million in FY07 to \$36.5 million in FY08, a 22.3% decrease. The decrease was attributed to a \$6.2 million decrease in fees collected from the City of Albuquerque to offset operational costs at the Metropolitan Detention Center (MDC) in FY08. In addition, fees collected for housing inmates at the Regional Correction Center decreased by \$9.9 million as a result of the U.S. Immigration and Customs Enforcement (ICE) no longer housing inmates at the facility.
- Program revenues operating grants and contributions increased by \$6.4 million from \$21.7 in FY07 to \$28.1 million in FY08, a 29.5% increase. A significant portion of the increase was attributed to an increase of \$3.5 million in funding received from the state for the County's DWI program from \$3.2 million in FY07 to \$6.7 million in FY08. In addition, there was an increase in funding from Housing and Urban Development (HUD) of \$1.7 million for the County's Section 8 Voucher program. There was also funding received in the amount of \$255 thousand for the County's summer lunch program, \$437 thousand received for the County's drug trafficking program, \$192 thousand received from the justice assistance grant (JAG) for drug control systems, \$116 thousand received for a state-wide traffic system, and other additional operating grants received in FY08 related to public safety.
- Program revenues capital grants and contributions decreased by \$3.8 million from \$45.8 million in FY07 to \$42.0 million in FY08, an 8.3% decrease. A significant portion of the decrease was attributed to a decrease in revenues for Storm Sewer and Road construction projects from \$12.6

million in FY07 to \$2.5 million in FY08 with the majority related to the Isleta Phase II road and storm sewer construction projects which were completed in FY07. In addition, there was an increase in revenue in FY08 of \$1.3 million related to the construction of the Metropolitan Assessment and Treatment Service (MATS) transitional housing and intake area facility, \$2.3 million for the purchase of a helicopter for the Sheriff's Department, \$755 thousand for alcohol testing equipment and other equipment for the Sheriff's Department, and \$475 thousand for the construction of the Rape Crisis Center Facility. There was also an increase in revenue in FY08 of \$782 thousand for the construction of the Fisher Smith Gymnasium, \$1.1 million for the construction of the Vista Grande Community Center Gymnasium, \$225 thousand for the construction of the Clinton P. Anderson Open Space Park, and \$275 thousand for the construction of the South Valley Health Center.

- General revenues property taxes increased \$12.2 million from \$101.6 million in FY07 to \$113.8 million in FY08, a 12.0% increase. The increase was attributed to an increase in the taxable valuation within the County of \$1.323 billion from \$11.868 billion to \$13.191 billion, an increase in the County's operational residential mill levy from 6.113 to 6.183, and an increase in the County's non-residential mill levy rate from 10.650 to 10.800 per \$1,000 of assessed taxable value. The increase in revenue was slightly offset by a decrease in the current property tax collection rate from 96.36% in FY07 to 95.86% in FY08.
- General revenues other taxes increased \$13.5 million from \$112.6 million in FY07 to \$126.1 million in FY08, a 12.0% increase. A significant portion of the increase was attributed to a gross receipts tax rate increase of 1/16% for the County's Health Care Fund which became effective on January 1, 2007. The tax increase generated approximately \$6.0 million in additional revenue as the tax increase was in effect for the full year in FY08. In addition, on January 1, 2007 the County enacted a second 1/16% gross receipts tax which was remitted to the State of New Mexico to fund the county-supported Medicaid Fund. In prior years, the tax was remitted to the state by the University of New Mexico Hospital on behalf of the County. This tax generated approximately \$7.0 million in additional revenue as it was in effect for a full year in FY08. There was also an increase in motor vehicle tax revenue to the County of \$500 thousand in FY08.
- General revenues investment income increased \$2.2 million from \$13.8 million in FY07 to \$16.0 million in FY08, a 15.9% increase. The increase was attributed to a better rate of return on short-term investments, the elimination of the fiscal agent bank pegged balance which allowed for additional funds to invest and an increase in additional revenue to invest as a result of increased property tax and gross receipts tax revenue in FY08. In addition, there was excellent investment management performed by the County Treasurer and an investment committee which oversees investment strategy monthly.
- Other revenues decreased \$3.4 million from \$12.9 million in FY07 to 9.5 million in FY08, a 26.3% decrease. The decrease was primarily attributed to a reduction in the amount of donations in infrastructure of \$2.1 million. In addition, the reduction was attributed to the allocation of unallocated revenue from FY07 and the FY06 to the appropriate fund and revenue line items in FY08.



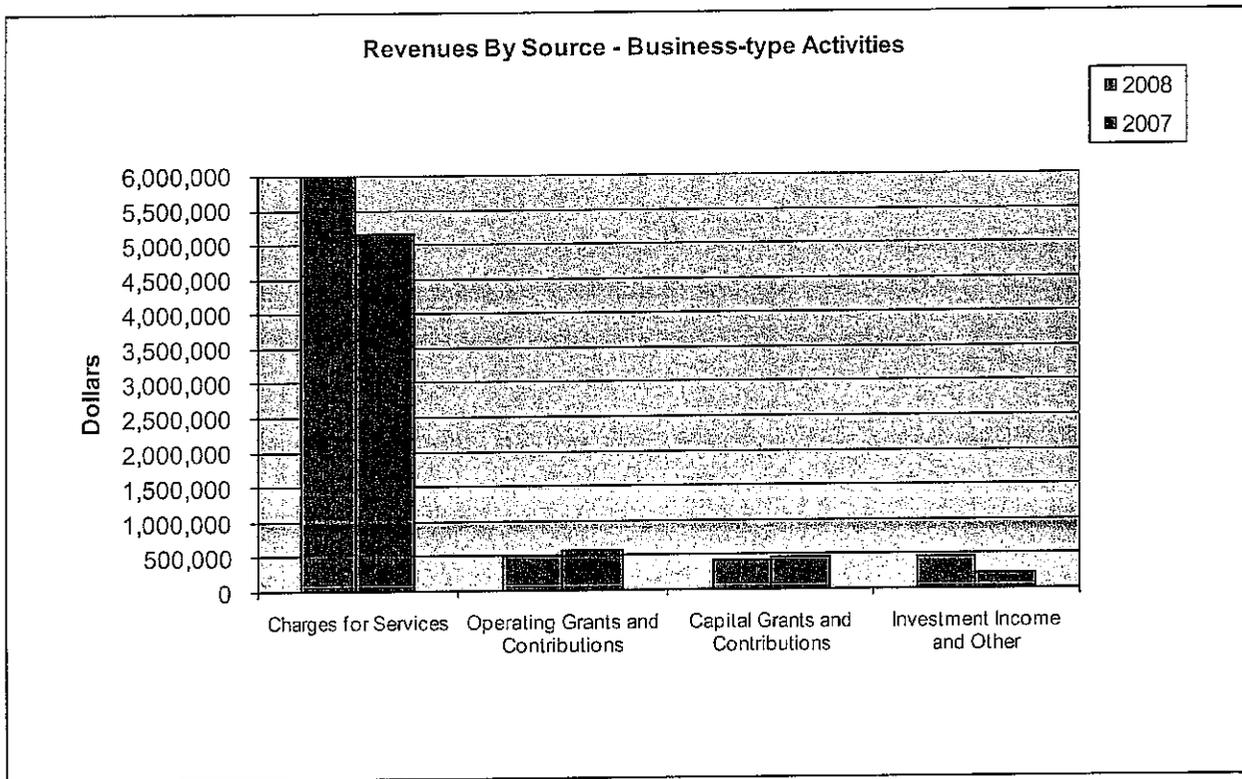
Governmental activities expenses increased by \$31.7 million from \$266.6 million in FY07 to \$298.3 million in FY08, an increase of 11.9%. Key elements in the change in governmental activities expenses, other than a 4% pay increase for non-represented employees and an average 5% pay increase for represented employees, are as follows:

- General government expenses decreased by \$2.0 million from \$47.6 million in FY07 to \$45.6 million in FY08, a 4.2% decrease. The decrease in general government expenses was primarily attributed to the reclassification of DWI Services Fund expenditures from the “general government” category to the “public safety” category in FY08.
- Public works expenses increased by \$19.9 million from \$32.6 million in FY07 to \$52.5 million in FY08, a 61.0% increase. The majority of the increase was attributed to the reclassification of expenses which were not capitalized as they were related to capital outlay for other entities. A significant portion of the increase was attributed to \$11.1 million in costs associated with the Valley Utilities Project and \$5.9 million for road construction projects. There was also an increase in costs of \$0.4 million for library construction, \$0.2 million for storm sewer construction, and \$0.3 million in impact fees for capital improvement. In addition, there was an increase in depreciation expense of \$1.2 million related to equipment, real estate and infrastructure.
- Public safety expenses increased by \$14.0 million from \$129.9 million in FY07 to \$143.9 million in FY08, a 10.8% increase. The majority of the increase was attributed to the administration and operation of the Metropolitan Detention Center (MDC). MDC salaries and fringe benefits increased \$5.5 million as a result of a pay increase in FY08 and the addition of needed personnel. Additional expenditure increases at the MDC included \$1.7 million in contractual services, \$1.8

million in carryover expenses and \$0.5 million in insurance costs. Another portion of the increase is attributed to \$2.3 million in expenditures by the Sheriff's Department to purchase a helicopter. In addition, there was an increase in salaries and fringe benefits for the Sheriff's Department personnel of approximately \$1.6 million as a result of a 4% pay increase. There was also an increase in depreciation expense of \$1.7 million related to equipment and real estate and expenses in the DWI Services Fund that were reclassified from the "general government" category in FY08.

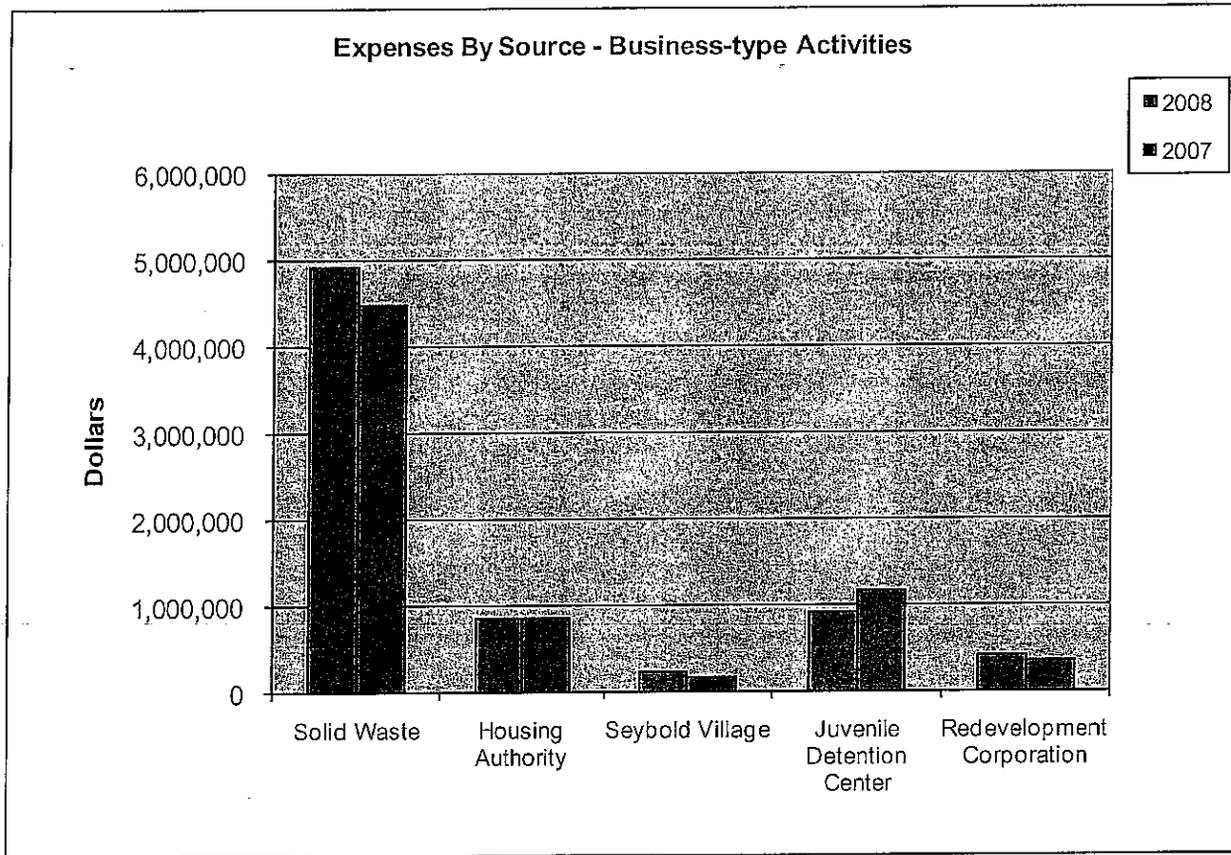
- Culture and recreation expenses decreased by \$2.7 million from \$15.3 million in FY07 to \$12.6 million in FY08, a 17.6% decrease. The decrease was attributed to the reclassification of expenditures from the "culture and recreation" category to capital outlay in FY08.

Business-type activities. Business-type activities net assets increased by \$411,656 during the current fiscal year. During the year, a budgeted cash transfer of \$384,894 was made from the County's Governmental Activities to the Solid Waste fund to cover a program deficit from the prior year. Also during the year, the Bernalillo County Housing Authority had more program revenue than program expenses resulting in an increase in net assets of \$447,232. The Solid Waste fund, the Seybold Village Handicapped Project, the Regional Juvenile Detention Center, and the El Centro Familiar incurred losses of \$184,322, \$91,268, \$64,695, and \$80,185 respectively before capital contributions and operating transfers in. These losses represent the degree to which ongoing program expenses have outstripped ongoing program revenues. Overall, the business-type activities experienced an \$803,857 operating loss (program revenues less expenses) before non-operating revenues of \$830,619.



Business-type activities revenue increased from \$6.438 million in FY07 to \$7.383 million in FY08, a 14.7% increase. Key elements in the increase of business-type activities revenue are as follows:

- Revenue program charges for services increased from \$5.1 million in FY07 to \$6.0 million in FY08, a 17.6% increase. The increase was primarily attributed to the fourth quarter FY07 solid waste billings which were mailed late to customers by Waste Management, our billing and collection agency. This resulted in more collections and distribution of fees to the County at the beginning of FY08. In addition, solid waste fee collections were more favorable in FY08 with over \$1.0 million more than in FY07. There was also an increase of approximately \$537 thousand in fees at the Housing Authority as a result of a new accounting process related to payroll which is now charged to the Housing Authority program and then distributed to the other housing programs with an offset to management fee overhead revenue in the Housing Authority fund. There was also less in charges for services at the Regional Juvenile Detention Center of approximately \$313 thousand as a result of a new joint powers agreement with Sandoval County in FY08 and additional in rental income from tenants of approximately \$60 thousand in the El Centro Familiar program.
- Revenue program operating grants and contributions decreased from \$582,992 in FY07 to \$498,482 in FY08, a decrease of 14.5%. The majority of the decrease was attributed to the reclassification of \$187 thousand in recycling revenue to the “other” category in FY08. In addition, there was a decrease of \$61 thousand in Housing and Urban Development (HUD) grant subsidies in the El Centro Familiar program in FY08. There also was an increase of \$124 thousand in the Housing Authority program due to the reclassification of county contributions from the “other” category in FY08.
- Revenue program capital grants and contributions decreased from \$482,594 in FY07 to \$433,981 in FY08, a decrease of 10.1%. The decrease was primarily attributed to a decrease in home rehabilitation grant revenue of \$60,755 in the Housing Authority program in FY08. In addition, there was slightly more capital grant revenue in the Seybold Village Handicapped Project from HUD in FY08.
- General revenues investment income decreased from \$102,533 in FY07 to \$83,879 in FY08, a decrease of 18.2%. The decrease was attributed to a decrease in the rate of return on investments in the Housing Authority, the El Centro Familiar, and the Seybold Village Handicapped Project as a result of the volatile market in FY08.
- Other revenues increased from \$117,150 in FY07 to \$383,895 in FY08. The increase was attributed to the reclassification of “other income” in the enterprise programs to the “other” revenue category in FY08 which was reflected in the “operating grants and contributions” category in FY07. The revenue consists of \$187 thousand of recycling revenue in the Solid Waste program and other income from the Housing Authority and the El Centro Familiar programs.



Business-type activities expenses increased from \$7.0 million in FY07 to \$7.3 million in FY08, a 4.3% increase. Key elements in the increase are as follows:

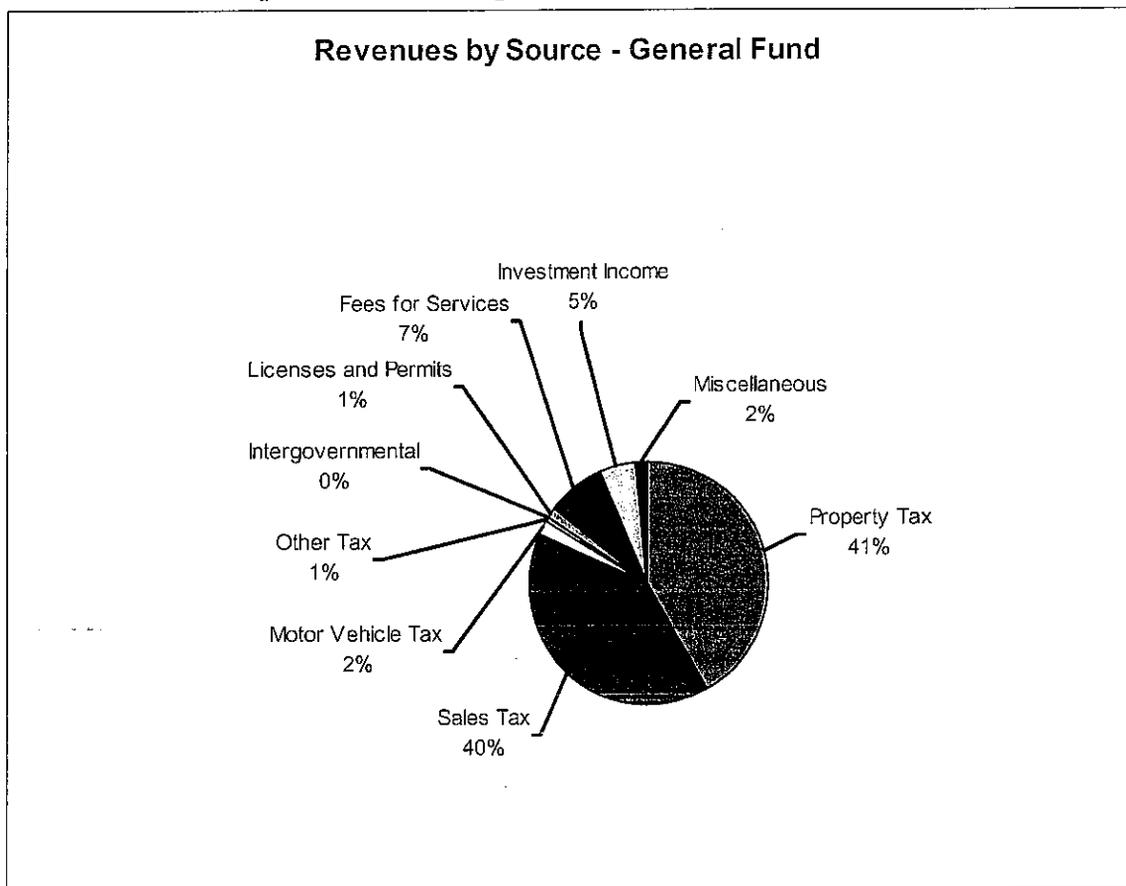
- Solid Waste expenses increased from \$4.5 million in FY07 to \$4.9 million in FY08, an 8.9% increase. A significant portion of the increase was attributed to the increase in fees paid to Waste Management to bill and collect for solid waste services provided by the County.
- Housing Authority expenses increased from \$847 thousand in FY07 to \$861 thousand in FY08, a 1.6% increase. A significant portion of the increase was due to an increase in interest expense on bonds payable and an overall increase in operating expenses.
- Seybold Village expenses increased from \$173 thousand in FY07 to \$235 thousand in FY08, a 35.8% increase. The increase is primarily attributed to an increase in other operating expenses including materials and supplies, telephone, water, electricity, gas, etc.
- Juvenile Detention Center expenses decreased from \$1.158 million in FY07 to \$924 thousand in FY08, a 20.2% decrease. The decrease is primarily attributed to a decrease in operating expenses as a result of the termination of the joint powers agreement (JPA) on June 26, 2007 between Bernalillo County, Sandoval County and Valencia County which was established on June 26, 1996. A new JPA between Bernalillo County and Sandoval County was approved by the County Commission on June 26, 2007 with an established budget of approximately \$957 thousand which resulted in lower operating expenses in FY08. See notes to the financial statements.

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 \$294,313,566, an increase of \$56.2 million. Approximately 58.8% of this total, \$173,144,613 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 \$64,204,173, 2) \$35,093,698 in encumbrances to liquidate contracts and purchase orders of the prior period, 3) \$19,360,764 to pay debt service, and 4) \$2,510,318 for a variety of other restricted purposes.

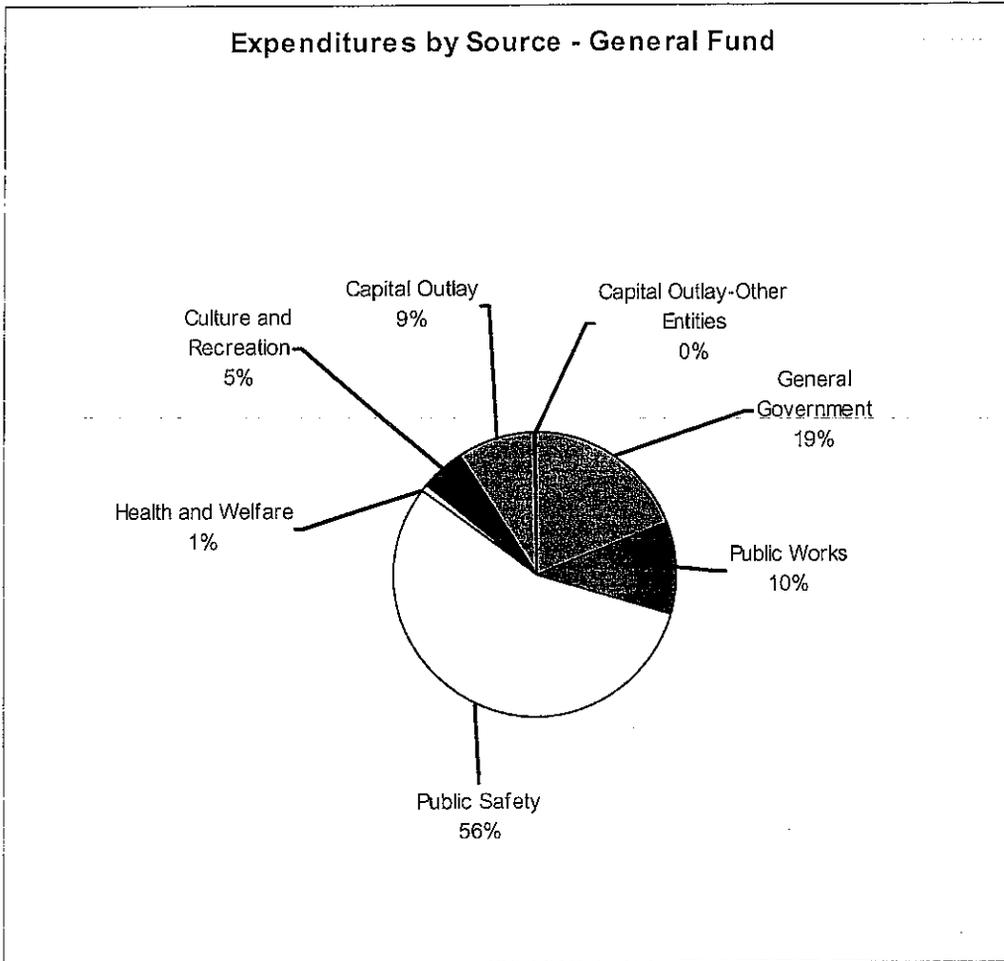
General Fund. The County's general fund balance increased \$25,182,028 during the current fiscal year. A small portion of this increase was attributed to the reclassification of the Series 1996 Debt Service Fund (\$58) and the 1997 Revenue Bond Fund (\$51,537) totaling \$51,595 into the general fund. Additional 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 \$5.7 million from \$234.4 million in FY07 to \$240.1 million in FY08, an increase of 2.4%. Key elements in the growth of General Fund revenues are as follows:

- Property tax revenue increased by \$12.1 million or 13.6% from \$88.8 million in FY07 to \$100.4 million in FY08, which accounts for the majority of the revenue increase in the general fund during the year. The increase was attributed to an increase in the taxable valuation within the County of \$1.323 billion from \$11.868 billion to \$13.191 billion, an increase in the County's operational residential mill levy from 6.113 to 6.183, and an increase in the non-residential mill levy rate from 10.650 to 10.800 per \$1,000 of assessed taxable value. The increase in revenue is slightly offset by a decrease in the current property tax collection rate from 96.36% in FY07 to 95.86% in FY08.
- Gross receipts tax revenue (GRT) decreased by \$4.3 million from \$100.1 million in FY07 to \$95.8 million in FY08, a 4.3% decrease. In FY07 the County enacted a tax rate increase of 1/16% from 5.6875% to 5.7500 for the County's Health Care Fund which was effective on January 1, 2007 and generated approximately \$5 million. The decrease was attributed to the fact that in FY07, the funds were receipted to the General Fund and in FY08 the funds, which totaled approximately \$10 million, were receipted to the Health Care Fund established in FY08 to account for this special GRT. The \$5 million decrease was slightly offset by a modest increase in General County GRT revenue in FY08.
- Fees for services decreased by \$1.9 million from \$21.1 million in FY07 to \$19.2 million in FY08, a 9.0% decrease. The decrease was attributed to a \$6.2 million decrease in fees collected from the City of Albuquerque in FY08 versus FY07 to offset operational costs for MDC operations. The decrease is offset by a \$3.9 million increase in fees collected at the MDC in the amounts of \$1.6 million for commissary sales, \$1.2 million for the state "feed and care of parole violators" program, \$678 thousand for the "state criminal alien assistance program", and \$500 thousand for the community custody reimbursement grant. In addition, there was an increase of design/review fees collected of \$600 thousand.
- Investment income increased \$1.5 million from \$10.0 million in FY07 to \$11.5 million in FY08, an increase of 15%. The increase was attributed to a better rate of return on short-term investments, the elimination of the fiscal agent bank pegged balance which allows for additional funds to invest and an increase in General Fund revenue to invest as a result of increased property tax revenue in FY08. In addition, there was excellent investment management performed by the County Treasurer and an investment committee which oversees investment strategy monthly.
- Miscellaneous revenue decreased \$2.4 million from \$6.1 million in FY07 to \$3.7 million in FY08, a decrease of 39.3%. The decrease was attributed to the allocation of unallocated revenue from FY07 and FY06 to the appropriate funds and revenue line items in FY08.

General Fund expenditures increased \$28.6 million from \$169.5 million in FY07 to \$198.2 million in FY08, a 16.9% increase. Key elements in the increase in General Fund expenditures, other than an increase in salary and related fringe benefit costs due to a 4% across the board salary increase for non-represented County employees, are as follows:



- General government expenditures decreased by \$2.6 million from \$40.4 million in FY07 to \$37.8 million in FY08, a 6.4% decrease. During the year, the County incurred significant costs to implement its new Enterprise Resource Planning (ERP) system. The costs of approximately \$11.4 million were initially accounted for in this category and subsequently reclassified to the “capital outlay” category. In addition, costs of \$1.9 million incurred for the South Valley Health Center project and \$1.7 million incurred for the purchase of County vehicles were subsequently reclassified from the “general government” category to the “capital outlay” category. These reclassifications properly reflect the costs in the correct category and account for the decrease in expenditures for this category in FY08.

- Public Works expenditures increased by \$0.8 million from \$19.9 million in FY07 to \$20.7 million in FY08, a 4.0% increase, which accounted for 2.8% of the increase in General Fund expenditures. During the year, costs of approximately \$1.2 million incurred for the Edith Phase II project were initially accounted for in this category and subsequently reclassified to the “capital outlay” category (capital outlay - \$636,000; capital outlay for others - \$564,000) to properly reflect the costs in the correct category. Also, costs of \$200,505 incurred for the purchase of public works vehicles were initially accounted for in this category and subsequently reclassified to the “capital outlay” category. In addition, there was an increase in expenditures of \$0.4 million for car, gas and oil in the vehicle maintenance program and new payroll expenditures of \$0.5 million for a new development and review program in this category.
- Public Safety expenditures increased by \$11.4 million from \$98.3 million in FY07 to \$109.7 million in FY08, a 11.6% increase, which accounted for 39.9% of the increase in General Fund expenditures. The majority of the increase was attributed to the administration and operation of the Metropolitan Detention Center (MDC). MDC salaries and fringe benefits increased \$5.5 million for the security staff, the administration staff, the community custody program (CCP) staff and the operations staff as a result of a pay increase in FY 08 and the addition of needed staff. Additional expenditure increases at the MDC included \$1.7 million in contractual services, \$1.8 million in carryover expenses and \$0.5 million in insurance costs. Another portion of the increase is attributed to \$2.3 million expended by the Sheriff’s Department to purchase a helicopter. In addition, there was an increase in salaries and fringe benefits of approximately \$1.6 million as a result of a 4% pay increase for the Sheriff’s Department personnel. Also during the year, costs of approximately \$1.7 million incurred for the purchase of public safety vehicles were initially accounted for in this category and subsequently reclassified to the “capital outlay” category to properly reflect the costs in the correct category.
- Capital outlay expenditures increased by \$18.3 million from \$0.0 in FY07 to \$18.3 million in FY08, which accounted for 64% of the increase in General Fund expenditures. The increase is attributed to the reclassification of costs from the “general government”, “public works”, “public safety” and “health and welfare” categories to the “capital outlay” category. The reclassifications relate to expenditures incurred for the new County ERP system of \$11.4 million, for the South Valley Health Center project of \$1.9 million, for the purchase of general government vehicles of \$1.7 million, for the Edith Phase II project of \$1.2 million, for the purchase of public works vehicles of \$200,505, for the purchase of public safety vehicles of \$1.7 million, and for the purchase of health and welfare vehicles of \$61,463.

TRAN Debt Service Fund. The TRAN Debt Service Fund is used to account for monies that will be used to pay short-term Tax Revenue Anticipation Notes (TRAN) issued by the County during the year. The notes are not general obligations of the County, but are payable solely out of the anticipated revenues that have been pledged for the payment thereof. The full faith and credit of the County is not pledged to the payment of the notes. TRAN proceeds allow the County to reduce fluctuations in cash flow due to the fact that certain revenues, especially property taxes, are not received evenly each month.

The TRAN Debt Service Fund decreased from \$1,302,446 in FY07 to \$858,501 in FY08, all of which is reserved for the payment of debt service. The fund balance decrease was attributed to less pledged revenues transferred to the fund versus the amount of debt service due for FY08.

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 2008, the County's Special Revenue funds reported combined ending fund balances of \$29,993,701, an increase of \$13,897,459. Of the fund balance, \$29,062 is reserved for advances to other funds, \$73,626 is reserved for inventory, \$10,038,269 is reserved for encumbrances, and the remaining fund balance of \$19,852,744 is unreserved undesignated. Key elements in the growth of the total special revenue fund balance are as follows:

- A significant portion of the fund balance increase was due to the addition of the Health Care GRT Fund in FY08, which was established to account for a 1/16% tax rate increase in the County's gross receipts tax rate for the County's health care program. In FY08, this fund generated \$10.4 million in revenues, capital outlay expenditures of \$2.8 million and other financing resources of \$2.5 million resulting in an ending fund balance of \$10.1 million.
- An additional portion of the increase was due to a \$1.5 million increase in the fund balance of the Valuation Fund from \$4.4 million in FY07 to \$5.9 million in FY08, a 34.1% increase. The increase was a result of appraisal fee collections of just over \$4.9 million and expenditures of \$3.4 million. Appraisal fee revenues increased by \$700 thousand from the prior year and can be attributed to increased property tax collections in FY08.
- Another portion of the increase was attributed to a \$2.0 million increase in the fund balance of the Section 8 Housing Voucher Fund from \$148 thousand in FY07 to \$2.2 million in FY08. The increase was a result of a \$2.0 million increase in Housing & Urban Development (HUD) contributions and no significant change in the housing assistance payments from FY07 to FY08 which totaled approximately \$10.8 million.

Debt Service funds. As of the end of fiscal year 2008, the County's Debt Service funds reported combined ending fund balances of \$18,502,263, a decrease of \$2,699,923. All of the fund balance is reserved to pay debt service. Key elements of the decrease in the total fund balance are as follows:

- The decrease in the debt service funds fund balance was attributed to a \$3.6 million decrease in the General Obligation Bonds Debt Service Fund from \$4.3 million in FY07 to \$694 thousand in FY08. This was attributed to the partial defeasance of the Series 2002A General Obligation Bond in the amount of \$5,645,000 in FY08.

Capital Projects funds. As of the end of fiscal year 2008, the County's Capital Project funds reported combined ending fund balances of \$73,072,290, an increase of \$20,274,742. During the year, as capital projects are completed, the cost of the projects are reclassified as capital assets and removed from the capital project fund. Of the fund balance, \$15,518,172 is reserved for encumbrances and the remaining

fund balance of \$57,554,118 is unreserved undesignated. Key elements of the increase in the total fund balance are as follows:

- The majority of the increase in the capital projects funds fund balance was attributed to the County's sale of \$21,500,000 of General Obligation Bonds (Series 2007, Series 2007A & Series 2008) in FY08. This included \$9,400,000 for roads – Road Construction Fund, \$3,500,000 for storm drains – Storm Sewer Construction Fund, \$2,200,000 for parks and recreation – Parks & Recreation Fund, \$4,300,000 for Sheriff's facilities improvements – Sheriff's Improvement Fund, \$1,100,000 for ADA facilities improvements – Facilities Fund, and \$1,000,000 for library books – Library Fund.
- An additional portion of the increase was attributed to a \$4.6 million increase in the Water/Wastewater Fund from \$16.7 million in FY07 to \$21.2 million in FY08, a 27.5% increase. The majority of the increase was in large part due to grant reimbursements received totaling \$17.3 million and capital outlay expenditures of \$13.7 million.

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

Budgetary Highlights Original Budget – Final Budget Comparison.

General Fund. General fund total original budgeted revenues decreased \$2.2 million or by 1% from \$210.8 million to \$208.6 million (final). General fund total original budgeted expenditures increased \$120 thousand or by less than 1% from \$248.5 million to \$248.6 million (final). Significant changes between the original budget and the final amended budget are summarized as follows:

- The fees for services original revenue budget decreased \$2.2 million from \$16.4 million to \$14.2 million. The decrease was attributed to less than expected funding provided by the City of Albuquerque for operations of the Metropolitan Detention Center (MDC) for FY08.
- The general county original expenditure budget decreased \$2.2 million from \$29.8 million to \$27.6 million. The decrease was primarily attributed to the reclassification of \$2.4 million of FY07 Senate Bill 88 gross receipt tax monies to public works for the East Mountain Sub-Station Road project (\$1.2 million) and for the Edith Phase II project (\$1.2 million). The Senate Bill 88 funds were earmarked for the phase-in of fire department staff, public safety capital needs, fleet replacement, public works infrastructure, and increase funding for the MDC.
- The zoning original expenditure budget increased \$1 million from \$2.7 million to \$3.7 million primarily due to the reclassification of budgeted funds from Health & Welfare for payroll purposes of the Education & Planning section, the Water Resources section and the Zoning Land Review/Enforcement section of the Zoning Department. In addition, the increase was attributed to the reclassification of \$319 thousand in budget to the contractual services line item.

- The other original expenditure budget increased by \$2.2 million from \$4.8 million to \$7.0 million due to the reclassification of budgeted funds for the continued implementation of the new county-wide Enterprise Resource Planning (ERP) financial reporting system which officially became operational on July 7, 2008. Phase two of the project began in July 2008 and will consist of an updated budget preparation system, which should be operational before the end of FY09.
- The public works original expenditure budget increased \$2.4 million from \$21.6 million to \$24.0 million. The increase in budgeted expenditures was attributed to the reclassification of \$2.4 million of FY07 Senate Bill 88 gross receipts tax monies from general county for the East Mountain Sub-Station Road project (\$1.2 million) and for the Edith Phase II project (\$1.2 million).
- The sheriff original expenditure budget increased \$1.1 million from \$31.7 million to \$32.6 million and was attributed to a budget reclassification from the FY08 Senate Bill 88 gross receipts tax monies to allow the Sheriff's department to purchase vehicles to replace or add to their fleet.
- The metropolitan detention center (MDC) original expenditure budget decreased \$2.2 million from \$69.4 to \$67.2 million. A significant portion of the decrease was attributed to the reclassification of \$1.7 million in budgeted funds to the "other" category and represents MDC's support of the new County ERP system for FY08. In addition, a budget reclassification of \$415 thousand to Public Works was performed to cover costs for a North Valley fuel station.

TRAN Debt Service Fund. TRAN Debt Service Fund total original budgeted revenues and total original budgeted expenditures did not change during the fiscal year.

Budgetary Highlights – Budget to Actual

General Fund. General Fund revenues exceeded budgetary estimates by \$28,705,696 or by 13.8%. General Fund expenditures were less than budgetary estimates by \$51,534,367 or by 20.7% 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 \$23,462,781. Individual significant differences between the General Fund final budget and actual amounts are summarized as follows:

- Property tax revenue had a positive variance of \$16,386,302. The budget projections estimated a 95% collection rate of current property taxes within the County as of June 30, 2008. The actual collection rate was 95.86%. The significant reason for the positive variance was that current property tax collections were \$14,078,492 greater than budget (17.6% of budget) which was reflective of the 11.2% increase in the assessed taxable property valuation from the 2007 assessed taxable valuation which was higher than expected. In addition, delinquent tax collections, interest on current and delinquent tax collections, and penalties on current and delinquent tax collections exceeded projections by \$2,747,323.
- Gross receipt tax (GRT) revenue had a positive variance of \$2,603,562. On January 1, 2007 a 1/16% gross receipt tax increase took effect for the County's Healthcare Gross Receipts Tax Program. In early FY08, \$1.9 million was receipted to the General Fund in this line item and later transferred to the Health Care GRT Fund established in FY08 to account for this revenue. The

transfer is reflected in the "transfer out" line item under other financing uses. Although the GRT could potentially be a volatile revenue source, the historical trend has been positive for the County. In FY08 the County had a stable year with GRT collections of just over \$704 thousand over budget after taking into account the adjustment stated above.

- Licenses and permits revenue had a negative variance of \$1,308,868. The variance was primarily attributed to a decrease of \$958,241 in zoning/building fees and \$606,263 in construction permits that is reflective of the weak construction sector in 2008 and the double-digit decline in the housing construction industry.
- Fees for services revenue had a positive variance of \$1,772,335. The increase was primarily attributed to higher than expected commissary sales of \$1,597,414, state department probation/parole program fees of \$873,426, and state criminal alien assistance program (SCAAP) fees of \$278,823 which were all related to MDC operations. Other increases were attributed to higher than expected public works design review fees of \$717,485 and County Clerk chargeback fees of \$366,387. This revenue was offset by lower than expected contributions of \$2,320,603 from the City of Albuquerque for operations of the MDC.
- Investment income revenue had a positive variance of \$8,006,171. The increase was in part attributed to a conservative budget estimate made two years ago by the County Treasurer as part of the biennial budget process. It can also be attributed to a better rate of return on short-term investments, the elimination of the fiscal agent bank pegged balance which allows for additional funds to invest and an increase in revenue to invest as a result of increased property tax revenue in FY08. In addition, there was excellent investment management performed by the County Treasurer and an investment committee which oversees investment strategy monthly.
- Finance and administration expenditures had a positive variance of \$2,067,521. A significant portion of the variance was attributed to lower property insurance premiums of \$708,625, less than expected insurance deductibles of \$339,326, less than expected expenditures for Law Enforcement Officer Liability claims in the amount of \$431,364 and lower than expected insurance fleet replacement costs of \$136,949. In addition, there were less than expected expenditures for ambient weather of \$150,388, data processing equipment and software of \$91,090 and safety renovations of \$38,605. 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 \$22,320,065. This variance was primarily attributed to General Fund salary savings of \$5,767,083 at the end of the fiscal year and \$5,270,461 of unused funding, which was closed to the line item "closed/defunct" in FY08 and originally budgeted in the General Fund for the County's healthcare tax program and then subsequently budgeted in another fund. There was also \$2,300,000 budgeted for economic development which did not materialize, \$1,494,655 budgeted for items earmarked to be paid for with the Senate Bill 88 gross receipt tax monies that did not occur, \$1,027,300 budgeted for capital expenditures that did not get expended, \$2,085,963 budgeted for election expenses that were not used, and \$890,000 budgeted for building and structures that did not materialize. In addition, there were \$543,520 less in telephone expenditures, \$892,313 less in capital expenditures, \$660,988 less in space contingency expenditures, \$860,583 less in rent expenditures, and \$291,556 less in expenditures

from the South Valley Health Center carryover. The remaining variance balance pertained to minor adjustments in various other operating categories some of which had a negative variance effect.

- Other expenditures had a positive variance of \$5,130,028. The majority of the variance was attributed to budgeted expenditures of \$4,679,554 for the new County ERP financial system that were carried over into FY09 to be used for Phase II of the project. In addition, there was lower costs associated with funding City of Albuquerque mandates in the amount of \$429,956. 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 \$1,645,580. A majority of the variance was attributed to \$1,776,148 for the purchase of new public safety vehicles and aircraft which did not materialize. In addition, there was a positive balance of \$250,000 for T-1 microwave radios which was not spent prior to year-end. The remaining variance balance pertained to minor adjustments in various other operating categories some of which had a negative variance effect.
- Metropolitan Detention Center (MDC) expenditures had a positive variance of \$12,939,574. A significant portion of this variance was attributed to \$6,610,178 of carryover budgeted funds which were not expended and less than expected costs for salaries and fringe benefits of \$2,455,400. There was also \$1,017,516 of law enforcement claims budgeted funds which were not expended, less than expected out of County costs of \$735,195, less than expected property insurance costs of \$312,211, budgeted funds of \$579,472 for other insurance which were not expended, \$254,803 budgeted for insurance deductibles which did not materialize, and \$235,881 of worker's compensation that did not occur. The remaining variance balance pertained to minor adjustments in various other operating categories some of which had a negative variance effect.
- Culture and recreation expenditures had a positive variance of \$1,673,509. The variance was partly attributed to \$484,200 in tennis court renovation costs which were not expended, \$164,414 in non-encumbered carryover costs which were not used and less cost associated with funding City of Albuquerque mandates in the amount of \$304,675. In addition, there were \$24,000 less in data processing equipment and software costs, \$24,048 less in building repairs, \$17,927 less in grounds maintenance and improvement expenditures, \$29,817 less in contractual services costs, \$24,972 less in miscellaneous charge backs, and \$112,593 less in repair and demolition expenditures. The remainder was attributed to less than expected costs in various operating items.

TRAN Debt Service Fund. There was no revenue to budget and expenditure to budget variations for this fund.

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, 2008 amounts to \$542,618,727 (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:

- Phase I of the County's implementation of a new Enterprise Resource Planning (ERP) software system was completed. The ERP solution consolidated four disparate general ledgers and created new systems for budgetary controls, accounts payable and receivable processes, grants management, funds and treasury management, cashiering, purchasing, fixed assets and inventory, accounting, and project and plant maintenance. The County officially began use of the system on July 7, 2008.
- Construction commenced on the South Valley Water Expansion Project Phase II transmission line. It will make available a distributed drinking water system to 1000 homes between Metzgar Road, Raymac Road, Coors Boulevard and the Rio Grande. The project is 87% complete, which includes the installation of 1,286 water services and the activation of approximately 157 fire hydrants.
- Construction on the main building of the South Valley Health Commons, which commenced in FY07, was completed in February 2008. The renovation and addition to the existing Psychiatric Services Rehabilitation (PSR) building was completed in June 2008. The new complex will provide facilities for First Choice Community Healthcare, NM Department of Health and its Women, Infants and Children Program, and UNMH's Family Practice and Psycho-Social Rehabilitation Programs.
- Construction commenced on the Metropolitan Assessment and Treatment Service (MATS) transitional housing facility and intake area. The intake area was completed in June 2008 and the housing facility was completed in September 2008.
- Phase I renovations to bring Hiland Theater into building code compliance and complete major structural improvements was completed in FY08. Phase II to improve the exterior façade of the building commenced in FY08 and is expected to be completed in early FY09. Phase III renovation of the theater west wing will commence in FY09.

- Improvements to Edith Boulevard continued in FY08. Improvements include reconstruction of Edith from Candelaria to Montano. The project will widen the existing two-lane roadway to a five-lane facility with curb, gutter, sidewalks, bike lanes and new storm drainage and is scheduled for completion in FY09.

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

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$126,161,702	\$123,977,888	\$ 639,444	\$ 435,352	\$126,801,146	\$124,413,240
Buildings	169,298,644	169,573,454	4,577,349	3,342,077	173,875,993	172,915,531
Machinery and equipment	12,399,882	8,687,064	317,213	1,127,281	12,717,095	9,814,345
Infrastructure	161,043,915	147,171,654	-	-	161,043,915	147,171,654
Leaschold improvements	2,401,189	2,529,724	-	-	2,401,189	2,529,724
Construction in progress	63,704,927	60,863,593	-	14,797	63,704,927	60,878,390
Art	2,074,462	1,903,662	-	-	2,074,462	1,903,662
Total	\$537,084,721	\$514,707,039	\$5,534,006	\$4,919,507	\$542,618,727	\$519,626,546

Additional information on the County's capital assets can be found in note IV-C. on pages 57-58 of this report.

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

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

General Obligation Bonds. At the end of the current fiscal year, the County had total general obligation debt outstanding of \$98,835,000. 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 2008, this tax is approximately \$0.888 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 August 1, 2027. The ratio of net general obligation bonded debt to taxable valuation and the amount of bonded debt per capita are useful indicators of the County's debt position. The State's Constitution provides for a legal debt limit of four percent (4.0%) of taxable valuation. The ratio for the County is less than one percent (0.75%) of the \$13.2 billion taxable value of property within Bernalillo County, as of June 30, 2008. The County may currently issue up to an additional \$428.8 million of general obligation bonds. The net general bonded debt per capita is \$152.39. The lowest per capita amount in the last ten fiscal years was \$112.73 in fiscal year ended June 30, 2002. The County's ratings on uninsured general obligation bonds as of June 30, 2008 were:

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

At the end of the current fiscal year, the County had total revenue bond debt outstanding of \$170,005,000. The County has seven outstanding revenue bonds: the 1996B series, the 1997 series, the 1998 refunding series, the 1999 series, the 2002 series, the 2005 partial refunding series, and the 2008 refunding series. These bonds are payable from net pledged gross receipt tax revenues. Although the bonds are general obligations of the County, the County intends to pay the bonds solely from the net pledged revenues. The net revenue bonded debt per capita is \$263.97. The lowest per capita amount in the last nine fiscal years was \$238.84 in fiscal year ended June 30, 1999. The pledged revenue coverage of gross receipts tax revenues to debt service requirements is 3.79. The lowest pledged revenue coverage in the last nine fiscal years was 2.19 in fiscal year 2002. These bonds have retirement dates ranging from April 1, 2009 through April 1, 2027. Standard and Poor's has rated the County's revenue bonds AAA.

General Obligation and Revenue Bonds Outstanding

	Governmental Activities		Business-type Activities	
	2008	2007	2008	2007
General obligation bonds	\$ 98,835,000	\$ 88,580,000	\$ -	\$ -
Revenue bonds	170,005,000	175,500,000	1,700,000	1,740,000
Total	\$268,840,000	\$264,080,000	\$1,700,000	\$1,740,000

As presented above, the County's total outstanding bond debt increased by \$4,720,000 during the current fiscal year. Additional information on the County's long-term debt can be found in note IV.F on pages 61-63 of this report and in the statistical section of this report.

Economic Factors and Next Year's Budgets and Rates

The County's Board of Commissioners and Manager considered many factors when setting the fiscal year 2009 budget. The national picture simply cannot be ignored-as a country we face uncertain economic times ahead. According to forecasts by the University of New Mexico's Bureau of Business and Economic Research, the outlook for the New Mexico economy is one of slow growth for the next four quarters, and then picking up slightly thereafter. Non-farm employment growth is expected to attain only 0.8 percent in 2008, rising to 1.3 percent in 2009, and near 1.5 percent annually thereafter. New Mexico personal income growth will reach 5.4 percent in 2008, and remain in the 4.5 – 5.5 percent range throughout 2009. The unemployment rate will remain near 4.0 percent throughout. The outlook for the Albuquerque MSA economy is very slow growth in 2008, followed by a drawn-out recovery in 2009, and back to some normalcy by 2010. The Albuquerque MSA employment growth has averaged only 0.5 percent during the last four quarters (2007:3 – 2008:2), and more of the same is expected for the remainder of 2008 and into 2009. Employment growth is expected to reach only 0.4 percent in 2008, followed by a 1.2 percent advance in 2009. Thereafter, growth will rise to near 2.0 percent and remain there through 2013. Albuquerque MSA personal income growth will remain near 5.0 percent annually and the unemployment rate will remain near 4.0 percent.

The major weakness of the Albuquerque MSA economy was concentrated in the construction and manufacturing sectors. Overall, the Albuquerque MSA economy added 1,500 net new jobs during the second quarter of 2008, but these two sectors combined to lose 2,667 jobs and the professional and business services sector lost another 233 jobs, for a total of 2,900 jobs lost. In the construction sector employment has declined since the first quarter of 2007, but the employment losses accelerated during the third quarter as news of the sub-prime mortgage crisis spread and lenders became more wary. Another contributing factor was the rapidly rising prices of construction materials as well as the completion of several large projects.

In the manufacturing sector, employment fell 5.4 percent in the second quarter. The major source of the employment drop was Intel, which lost 1,100 jobs as a result of the closing of Fab 11 in December 2007. Intel employment is now at approximately 3,500, down from 5,500 in the summer of 2006. Eclipse Aviation, troubled by production line problems, eliminated 650 jobs. The major contributors of new jobs were the government and educational, health services, and social assistance sectors. Local government employment increased 2.8 percent, which includes hundreds of jobs at the recently opened Isleta Pueblo hotel and convention center. The other sector adding more than a few hundred jobs was retail trade. Retail trade remains strong despite the fading economy. Given the weakness in construction and manufacturing, the economy will remain weak in the near term.

Strength in the economy over the next few years will be the educational and health services sector, where employment is expected to grow consistently near 3.0 percent each year through 2013. UNM is partnering with Legacy Hospital Partners, Inc, of Plano, Texas to build an acute care teaching hospital in Sandoval County. Presbyterian Healthcare Services is planning a major, full-service hospital in Rio Rancho. In addition, expansions are under way at the Lovelace Westside hospital, and at Concentra Health Services of Addison, Texas' three Albuquerque locations.

Other sources of strength in the coming years include the information, professional and business services, and financial activities sectors. In the information sector, the film industry will continue to thrive. Sony Imageworks is building a digital special effects studio in Albuquerque, and Hewlett-Packard plans to open a technical support center in Rio Rancho. Pangea Pictures Corp. of Los Angeles plans to build a visual effect and post-production studio in Albuquerque. In addition, Verizon will be adding a couple of hundred jobs fairly soon. In the financial services sector, new jobs will come at Fidelity Investments, currently building a facility in Mesa Del Sol.

Thus, the Albuquerque MSA economy will grow very slowly in 2008, recover slowly in 2009 and come back to a more normal state in 2010.

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, 2008

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 309,492,319	\$ 2,482,466	\$ 311,974,785
Accounts receivable, net	42,400,177	1,384,484	43,784,661
Accrued interest receivable	1,775,918	395	1,776,313
Note receivable	242,837	-	242,837
Due from grantor	15,577,130	-	15,577,130
Internal balances	784,086	(784,086)	-
Inventory	741,419	-	741,419
Prepaid assets	1,619,235	-	1,619,235
Deferred charges	1,126,228	-	1,126,228
Cash-restricted	16,681,279	-	16,681,279
Investment in joint venture	633,000	-	633,000
Capital assets not being depreciated:			
Land	126,161,702	639,444	126,801,146
Art	2,074,462	-	2,074,462
Construction in progress	63,704,927	-	63,704,927
Capital assets (net of accumulated depreciation):			
Building	169,298,644	4,577,349	173,875,993
Machinery and equipment	12,399,882	317,213	12,717,095
Infrastructure	161,043,915	-	161,043,915
Leasehold improvements	2,401,189	-	2,401,189
Total assets	928,158,349	8,617,265	936,775,614
LIABILITIES			
Accounts payable	16,660,850	208,288	16,869,138
Interest payable	4,165,724	5,839	4,171,563
Retainage payable	1,656,893	-	1,656,893
Tax anticipation note payable	55,000,000	-	55,000,000
Accrued payroll	3,764,242	60,676	3,824,918
Unearned revenue	9,376,404	456,559	9,832,963
Due to external parties	679,500	-	679,500
Deposits held in trust for others	-	34,951	34,951
Noncurrent liabilities:			
Due within one year	26,245,847	66,980	26,312,827
Due in more than one year	261,412,153	2,835,693	264,247,846
Total liabilities	378,961,613	3,668,986	382,630,599
NET ASSETS			
Invested in capital assets, net of related debt	308,271,760	2,839,330	311,111,090
Restricted for:			
Public safety	4,937,404	-	4,937,404
Culture and recreation	4,285	-	4,285
Health and welfare	16,595,886	-	16,595,886
Debt service	2,679,485	-	2,679,485
Capital projects	50,218,147	-	50,218,147
General government	8,153,126	-	8,153,126
Reserve requirement	64,204,173	-	64,204,173
Unrestricted	94,132,470	2,108,949	96,241,419
Total net assets	\$ 549,196,736	\$ 4,948,279	\$ 554,145,015

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, 2008**

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

General revenues:

Property taxes	113,789,778
Gross receipts taxes	120,264,324
Motor vehicle taxes	4,301,323
Cigarette taxes	6,077
Gas taxes	1,572,980
Investment income	16,046,244
Miscellaneous	9,525,633
Transfers	(384,894)
Total general revenue and transfers	265,121,465
Change in net assets	73,478,367
Net assets - beginning	475,718,369
Net assets - ending	\$ 549,196,736

113,789,778	-	113,789,778
120,264,324	-	120,264,324
4,301,323	-	4,301,323
6,077	-	6,077
1,572,980	-	1,572,980
16,046,244	83,879	16,130,123
9,525,633	383,895	9,909,528
(384,894)	384,894	-
265,121,465	852,668	265,974,133
73,478,367	411,656	73,890,023
475,718,369	4,536,623	480,254,992
\$ 549,196,736	\$ 4,948,279	\$ 554,145,015

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

COUNTY OF BERNALILLO, NEW MEXICO
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2008

	General	TRAN Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 176,571,851	\$25,858,501	\$ 105,459,800	\$ 307,890,152
Accounts receivable, net	32,772,276	-	9,627,901	42,400,177
Accrued interest receivable	1,260,869	-	515,049	1,775,918
Note receivable	242,837	-	-	242,837
Due from other funds	7,290,202	-	327,858	7,618,060
Due from grantor	-	-	15,577,130	15,577,130
Inventory	667,793	-	73,626	741,419
Advances to other funds	1,497,000	-	29,062	1,526,062
Cash - restricted	-	-	16,681,279	16,681,279
Total assets	<u>\$ 220,302,828</u>	<u>\$25,858,501</u>	<u>\$ 148,291,705</u>	<u>\$ 394,453,034</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 4,844,058	\$ -	\$ 11,587,889	\$ 16,431,947
Retainage payable	570,101	-	1,086,792	1,656,893
TRAN payable	30,000,000	25,000,000	-	55,000,000
Accrued payroll	3,573,322	-	190,920	3,764,242
Deferred revenue	9,109,363	-	4,909,302	14,018,665
Due to other funds	319,173	-	6,772,048	7,091,221
Due to external parties	-	-	679,500	679,500
Advances from other funds	-	-	1,497,000	1,497,000
Total liabilities	<u>48,416,017</u>	<u>25,000,000</u>	<u>26,723,451</u>	<u>100,139,468</u>
Fund balances:				
Reserved for:				
Notes receivable	242,837	-	-	242,837
Advances to other funds	1,497,000	-	29,062	1,526,062
Inventory	667,793	-	73,626	741,419
Debt service	-	858,501	18,502,263	19,360,764
Encumbrances	9,537,257	-	25,556,441	35,093,698
Reserve requirement	64,204,173	-	-	64,204,173
Unreserved, designated for				
Subsequent years'				
expenditures	32,337,943	-	-	32,337,943
Bond defeasance/enhancement	10,000,000	-	-	10,000,000
Capital projects	14,587,455	-	-	14,587,455
Grant funds	3,412,545	-	-	3,412,545
Building funds	15,000,000	-	-	15,000,000
Infrastructure replacement	10,000,000	-	-	10,000,000
Stabilization	10,399,808	-	-	10,399,808
Unreserved, undesignated for:				
Special revenue fund	-	-	19,852,744	19,852,744
Capital projects fund	-	-	57,554,118	57,554,118
Total fund balances	<u>171,886,811</u>	<u>858,501</u>	<u>121,568,254</u>	<u>294,313,566</u>
Total liabilities and fund balances	<u>\$ 220,302,828</u>	<u>\$25,858,501</u>	<u>\$ 148,291,705</u>	<u>\$ 394,453,034</u>

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

COUNTY OF BERNALILLO, NEW MEXICO
 RECONCILIATION OF THE BALANCE SHEET GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 JUNE 30, 2008

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

Total Fund Balance Governmental Funds (page 31)	\$ 294,313,566
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	537,084,721
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.	1,126,228
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.	(287,658,000)
Accrued Interest Payable	(4,165,724)
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.	6,261,496
Net assets governmental activities. (page 29)	<u>\$ 549,196,736</u>

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

Delaware County, New Mexico
Statement of Revenues and Expenditures - Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Year Ended June 30, 2008

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget Positive (Negative)
Revenues				
Taxes:				
Property	\$ 84,132,129	\$ 84,132,129	\$ 100,518,431	\$ 16,386,302
Gross receipts tax	94,794,894	94,794,894	97,398,456	2,603,562
Motor vehicle	3,700,000	3,700,000	4,337,473	637,473
Cigarette	3,700	3,700	4,911	1,211
Gas	1,524,794	1,524,794	1,696,623	171,829
Intergovernmental	100,000	100,000	153,261	53,261
Payments in lieu of taxes	-	-	269,130	269,130
Licenses and permits	4,900,150	4,900,150	3,591,282	(1,308,868)
Fees for services	16,431,174	14,251,174	15,023,509	1,772,335
Investment income	3,090,000	3,090,000	11,096,171	8,006,171
Miscellaneous income	2,111,454	2,111,454	2,224,744	113,290
Total revenues	210,788,295	208,608,295	237,313,991	28,705,696
Other financing sources				
Transfers in	-	11,080	-	(11,080)
Tran & Other Proceeds	67,775,000	-	-	-
Sale of capital assets	100,000	100,000	158,435	58,435
Total other financing sources	67,875,000	111,080	158,435	47,355
Total revenues and other financing sources	278,663,295	208,719,375	237,472,426	28,753,051
Prior year cash balance budgeted	-	55,134,647		
Total Budget	278,663,295	263,854,022		
Expenditures				
Current:				
General government:				
County commission	591,344	588,026	569,875	18,151
County manager	1,320,260	1,334,781	1,325,174	9,607
Public information	594,443	722,096	758,100	(44,004)
Information technology	6,795,503	5,910,523	5,460,174	450,349
Finance and administration	9,639,338	9,139,564	7,072,043	2,067,521
General county	29,788,157	27,611,208	5,291,143	22,320,065
Human resources	2,133,121	2,033,710	2,028,512	5,198
Zoning	2,766,783	3,731,711	3,498,304	233,407
Legal	1,587,290	1,388,276	1,003,034	385,242
County clerk	3,738,859	3,610,600	3,425,308	185,292
Assessor/reappraisal	3,025,664	2,802,081	2,754,545	47,536
Treasurer	2,030,049	1,902,788	1,921,497	(18,709)
Other	4,764,088	6,993,402	1,863,374	5,130,028
Total general government	68,774,899	67,768,766	36,979,083	30,789,663
Public works	21,577,573	24,016,718	20,613,150	3,403,568
Public safety:				
Fire	12,839,053	13,443,258	13,434,101	9,157
Sheriff	31,891,946	32,604,088	30,958,508	1,645,580
Animal care & regulation	1,069,329	1,105,027	965,725	139,302
Juvenile detention center	6,686,010	6,757,450	6,590,847	166,603
Metropolitan detention center	69,418,607	67,200,998	54,261,424	12,939,574
Communications department	2,719,243	2,956,772	3,078,534	(121,762)
Total public safety	124,424,188	124,067,593	109,289,139	14,778,454
Culture and recreation	12,030,082	11,646,288	9,972,759	1,673,509
Health & welfare	2,961,397	2,388,795	1,930,380	458,415
Capital Outlay:				
General government	15,043,874	15,043,874	15,043,874	-
Public works	200,505	200,505	200,505	-
Public safety:				
Health & welfare	1,760,216	1,760,216	1,760,216	-
Health & welfare	61,463	61,463	61,463	-
Construction in progress	636,000	636,000	636,000	-
Capital outlay - others	564,000	564,000	564,000	-
Total capital outlay	18,266,058	18,266,058	18,266,058	-
Debt service:				
Principal	430,738	430,738	-	430,738
Total Expenditures	248,464,935	248,584,936	197,050,569	51,534,367
Other financing uses				
Transfers out	-	15,269,086	16,959,076	(1,689,990)
Total expenditures and other financing uses	\$ 248,464,935	\$ 263,854,022	\$ 214,009,645	\$ 49,844,377
Excess of revenues and other financing sources over expenditures and other financing uses			\$ 23,462,781	

The Notes to Financial Statements are an integral part of these statements.

COUNTY OF BERNALILLO, NEW MEXICO
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2008

	Business-type Activities Enterprise Funds	Governmental Activities- Internal Service Funds
	<u>Total</u> <u>Nonmajor</u>	
ASSETS		
Current assets:		
Cash and investments	\$ 2,482,466	\$ 1,602,167
Accounts receivable, net	1,384,484	-
Accrued interest receivable	395	-
Due from other funds	458,335	228,185
Prepaid assets	-	1,619,235
Total current assets	<u>4,325,680</u>	<u>3,449,587</u>
Noncurrent assets:		
Capital assets:		
Land	639,444	-
Buildings	6,972,762	-
Equipment, machinery, and furniture	1,913,222	-
Less accumulated depreciation	<u>(3,991,422)</u>	<u>-</u>
Total noncurrent assets	<u>5,534,006</u>	<u>-</u>
Total assets	<u>9,859,686</u>	<u>3,449,587</u>
LIABILITIES		
Current liabilities:		
Accounts payable and other current liabilities	208,288	228,903
Interest payable	5,839	-
Compensated absences	10,399	-
Accrued payroll	60,676	-
Due to other funds	1,213,359	-
Unearned revenue	456,559	1,619,235
Current portion of note payable	11,581	-
Current portion of revenue bonds	<u>45,000</u>	<u>-</u>
Total current liabilities	<u>2,011,701</u>	<u>1,848,138</u>
Noncurrent liabilities:		
Compensated absences	197,599	-
Deposits held in trust for others	34,951	-
Advance from other funds	29,062	-
Note payable	983,094	-
Revenue bonds payable	<u>1,655,000</u>	<u>-</u>
Total noncurrent liabilities	<u>2,899,706</u>	<u>-</u>
Total liabilities	<u>4,911,407</u>	<u>1,848,138</u>
NET ASSETS		
Invested in capital assets, net of related debt	2,839,330	-
Unrestricted	<u>2,108,949</u>	<u>1,601,449</u>
Total net assets	<u>\$ 4,948,279</u>	<u>\$ 1,601,449</u>

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

COUNTY OF BERNALILLO, NEW MEXICO
 STATEMENT OF REVENUES, EXPENSES,
 AND CHANGES IN FUND NET ASSETS
 PROPRIETARY FUNDS
 For the Year Ended June 30, 2008

	Business-type Activities - <u>Enterprise Funds</u> Total <u>Nonmajor</u>	Governmental Activities- Internal <u>Service Funds</u>
Operating revenues:		
Administrative and service fees	\$ 5,770,318	\$ 5,605,661
Rental income:		
Tenants	212,301	-
Other income	383,895	-
Total operating revenues	<u>6,366,514</u>	<u>5,605,661</u>
Operating expenses:		
Salaries and wages	2,023,999	-
Contractual services	3,785,218	5,605,661
Materials and supplies	369,877	-
Other services and charges	534,123	-
Landfill expenses	33,443	-
Depreciation	423,711	-
Total operating expenses	<u>7,170,371</u>	<u>5,605,661</u>
Operating income (loss)	<u>(803,857)</u>	<u>-</u>
Non-operating revenues (expenses):		
Interest income	83,879	-
Interest expense	(185,723)	-
Grants	808,767	-
County contributions	123,696	-
Total nonoperating revenue	<u>830,619</u>	<u>-</u>
Income (loss) before contributions	26,762	-
Transfers in	<u>384,894</u>	<u>-</u>
Change in net assets	411,656	-
Total net assets - beginning	4,536,623	1,601,449
Total net assets - ending	<u>\$ 4,948,279</u>	<u>\$ 1,601,449</u>

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

COUNTY OF BERNALILLO, NEW MEXICO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2008

	Business-type Activities- Enterprise Funds Total Nonmajor	Governmental Activities- Internal Service Funds
Cash flows from operating activities:		
Receipts from administration and service fees	\$ 6,151,555	\$ 5,605,661
Receipts from rents	197,126	-
Receipts from other funds for goods and services	512,397	-
Payments to employees for services	(1,411,939)	-
Payments to vendors for goods and services	(5,298,616)	(5,604,943)
Payments to other funds for goods and services	(899,168)	-
Miscellaneous cash received	3,176	-
Miscellaneous cash paid	(418)	-
Net cash provided (used) by operating activities	<u>(745,887)</u>	<u>718</u>
Cash flows from noncapital financing activities:		
Operating grants/subsidies received	248,638	-
Contributions from other funds	165,001	-
Contributions to other funds	(104,299)	-
Transfers in from other funds	384,894	-
Net cash provided by noncapital financing activities	<u>694,234</u>	<u>-</u>
Cash flows from capital and related financing activities:		
Principal paid on bond maturities	(40,000)	-
Mortgage proceeds	226,000	-
Mortgage paid	(388,976)	-
Interest paid on bonds and mortgages	(179,929)	-
Disposal of capital assets	405,438	-
Acquisition of capital assets	(269,148)	-
Capital grants received	518,824	-
Net cash provided by capital and related financing activities	<u>272,209</u>	<u>-</u>
Cash flows from investing activities:		
Interest received on investments	83,661	-
Net increase in cash and cash equivalents	304,217	718
Cash and cash equivalents, beginning of year	<u>2,178,249</u>	<u>1,601,449</u>
Cash and cash equivalents, end of year	<u>\$ 2,482,466</u>	<u>\$ 1,602,167</u>
Reconciliation of operating loss to net cash flows used by operating activities:		
Operating income (loss)	\$ (803,857)	\$ -
Adjustments to reconcile operating income to net cash flows:		
Depreciation expense	423,711	-
(Increase) decrease in:		
Accounts receivable	(665,103)	-
Allowance for uncollectable accounts	528,178	-
Due from other funds	177,012	(15,779)
Prepaid expenses	-	57,732
Deposits held in trust	3,784	-
Increase (decrease) in:		
Deferred revenue	(20,476)	(57,732)
Accounts payable	(189,504)	16,497
Due to other funds	(243,636)	-
Tenants payable	1,285	-
Accrued compensated absences	42,719	-
Net cash flows provided (used) by operating activities	<u>\$ (745,887)</u>	<u>\$ 718</u>
Noncash investing, capital, and financing activities:		
Land and building	1,013,600	-
Machinery and equipment transfers	42,948	-

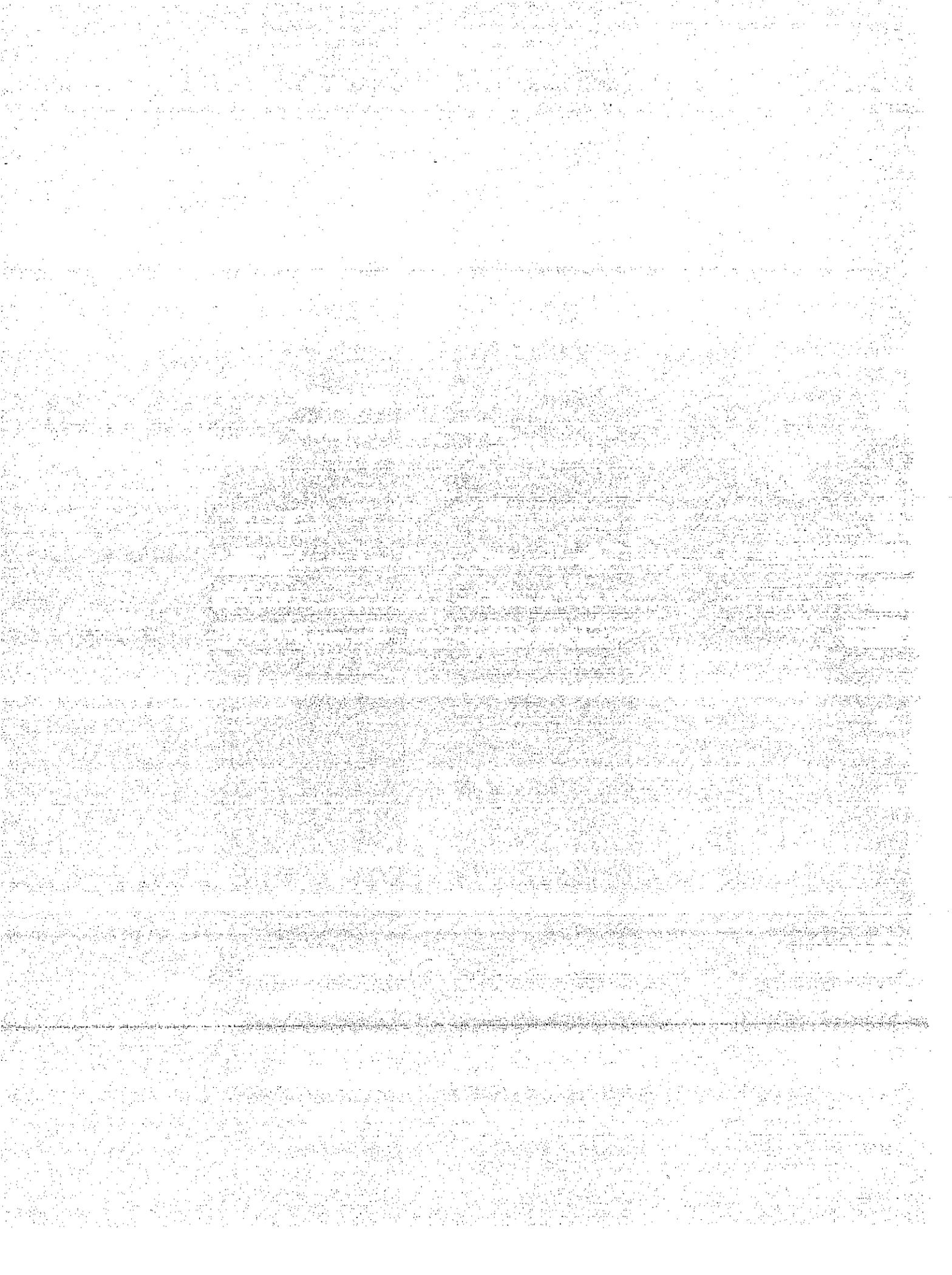
The notes to the financial statements are an integral part of this statement.

COUNTY OF BERNALILLO, NEW MEXICO
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2008

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 9,025,212
Receivables:	
Property taxes	27,516,888
Other	516,614
Due from primary government	<u>679,500</u>
Total assets	<u><u>\$ 37,738,214</u></u>
LIABILITIES	
Deposits held in trust for others	\$ 10,221,326
Future collectable taxes	<u>27,516,888</u>
Total liabilities	<u><u>\$ 37,738,214</u></u>

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

NOTES TO FINANCIAL STATEMENTS



COUNTY OF BERNALILLO, NEW MEXICO
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COUNTY OF BERNALILLO, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

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, 2008.

B. Government-wide and fund financial statements

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

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

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

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available*

COUNTY OF BERNALILLO, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2008

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.

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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 91% 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.

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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 GNMA's and PEFCOs, which are recorded at fair value using, quoted market prices for financial statement purposes. Interest income, realized gains and losses on investment transactions, and amortization of premiums/discounts on investment purchases are included for financial statement purposes as investment income and are allocated to participating funds based on the specific identification of the source of funds for a given investment.

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

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

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year that are expected to be paid back within the year are referred to as "due to/from other funds." Lending/borrowing arrangements not expected to be paid back within the year are referred to as "advances to/from other funds." Any residual

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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 7.3% of outstanding property taxes at June 30, 2008.

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

3. Inventories

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

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.

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

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

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

5. *Restricted assets*

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

6. *Compensated absences*

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

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

7. *Long-term obligations*

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

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

8. Net assets

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

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

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

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

9. Fund equity reservations and designations

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

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

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

Reserved for 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 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.

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

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

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

10. Cash flows

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

11. Bond premiums/issuance costs

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

12. Presentation

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

13. Use of estimates

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

II. Reconciliation of government-wide and fund financial statements

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

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

Bonds and bond anticipation notes payable	\$ (270,498,399)
Capital leases payable	(1,350,110)
Long-term note payable	(1,504,717)
Compensated absences	<u>(14,304,774)</u>
Net adjustment to reduce fund balance – total governmental funds	
To arrive at net assets – governmental activities	<u>\$ (287,658,000)</u>

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

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

Capital outlay	\$ 52,168,492
Capital outlay - reclassified	(4,714,123)
Depreciation expense	<u>(24,136,899)</u>
Net adjustment to decrease net changes in fund balances – total	
Governmental funds to arrive at changes in net assets of	
Governmental activities	<u>\$ 23,317,470</u>

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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	\$ (21,500,000)
Issuance of revenue bonds	(11,000,000)
Bond issuance cost	409,433
Discount	53,000
Refunding	319,400
Premium	(734,178)
Principal repayments:	
General obligation bonds	5,600,000
Revenue bonds	5,995,000
Long-term note	2,392,345
Debt Defeased:	
General obligation bonds	5,645,000
Gross receipts revenue bonds	10,500,000
Net adjustment to decrease net changes in fund balances –	
Total governmental funds to arrive at changes in net assets	
of governmental activities	<u>\$ (2,320,000)</u>

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

Compensated absences	\$ (2,329,570)
Accrued interest	72,393
Amortization of deferred charge on refunding	(441,152)
Amortization of bond discounts	(41,219)
Amortization of issuance cost	(419,581)
Net adjustment to decrease net changes in fund balances – total	
Governmental funds to arrive at changes in net assets of	
Governmental activities	<u>\$ (3,159,129)</u>

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

Debt Service:

Series 1996B Reserve
Series 1997 Reserve
Refunding Series 1998 Reserve
Refunding Series 2005 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

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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:

	<u>General Fund</u>
Net changes in fund balance - GAAP basis	\$ 25,130,433
(Increase) decrease in assets:	
Accounts receivable	22,781,266
Due to/from other funds	3,776,604
Accrued Interest	180,577
Inventory	91,597
Increase (decrease) in liabilities:	
Accounts payable	(28,855,024)
Deferred revenue	(672,946)
Accrued Payroll	1,030,274
Net changes in fund balance - Budget and Actual	<u>\$ 23,462,781</u>

B. Deficit fund equity

There is an unreserved/undesignated deficit fund balance in the Public Works Grants Fund and the Grants Fund of \$3,481,648 and \$3,515,598 respectively. The deficit fund balances are primarily attributed to large encumbrance balances at year-end. The County expects to bill the granting agency in the future to cover the deficits in the grant funds. There is a deficit net asset balance of \$260,623 in the Solid Waste Fund. The County expects that FY09 operating revenue will be sufficient to cover the deficit. In addition, there is a deficit net asset balance of \$8,497 in the Juvenile Detention Center Fund. The County expects that FY09 administrative and service fee revenue will be sufficient to cover the deficit.

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IV. Detailed notes on all funds

A. Cash and investments

As of June 30, 2008, the County had the following investments.

Investment Type	Fair Value	Weighted Maturity Average (Months)
Federal Farm Credit Agency	\$ 25,482,397	4.91
Federal Home Loan Bank	63,102,099	13.68
Federal Mortgage Acceptance Corp.	41,556,425	12.36
Federal National Mortgage Assoc.	38,684,935	13.82
Repurchase Agreements	16,681,279	13.41
Certificates of Deposits	100,100,000	4.20
Local Government Investment Pool	63,106	1.50
Savings Account	51,266	-
Total fair value	<u>\$ 285,721,507</u>	
Portfolio weighted average maturity		3.09

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

Credit Risk. The County's investments shall be in accordance with State Law, 6-10-10, and 6-10-10.1 NMSA 1978 in that credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments. The County invests in securities issued by the U.S. government or its agencies, money market funds consisting of U.S. government and/or U.S. government-sponsored agency securities, repurchase agreements, and New Mexico State Treasurer's Investment Pool.

As of June 30, 2008, the County's investments in U.S. Agencies with the Federal Farm Credit Agency, the Federal Home Loan Bank, the Federal Mortgage Acceptance Corporation, and the Federal National Mortgage Association were all rated Aaa by Moody's Investors Service and AAA by Standard & Poor's. The County's investments in Repurchase Agreements were rated Aaa by Moody's Investors Service and AAA by Standard & Poor's. The County's investment in the State Investment Pool was rated AAA by Standard & Poor's. The Pool is regulated by the State Board of Finance and had an unrealized loss of \$303,771 as of June 30, 2008.

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 35% of the County's investments are in Certificates of Deposit with the County's local banks with maturities ranging from 13 days to 1 year. The County's investments in U.S agencies total 8.9% with the Federal Farm Credit

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Agency, 22.1% with the Federal Home Loan Bank, 14.5% with the Federal Mortgage Acceptance Corporation, and 13.5% with the Federal National Mortgage Association and the remainder of 5.8% is invested in Repurchase Agreements. Of the total investments of \$285,721,507, 17.3 % is invested with Jefferies & Co., 10.9 % is invested with LF Rothschild, LLC, 10.8 % is invested with Mutual Securities, Inc., and 5.8 % is invested with Raymond James & Assoc., Inc.

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

As of June 30, 2008, \$7,450,000 of the County's investment in CD's was exposed to custodial credit risk. \$7,450,000 with New Mexico Bank & Trust was uninsured and uncollateralized. All other cash balances are not exposed to custodial credit risk. They are fully collateralized and the collateral is held in the County's name. The County's investments in U.S. Agencies carry the explicit guarantee of the U.S. Government. All are fully collateralized and the collateral is held in the County's name.

Additionally, as of June 30, 2008 those deposits along with the County's Federal Agency Securities were held by the safekeeping department of the Wells Fargo Trust. On March 24, 2008, KPMG LLP issued an unqualified opinion for the SAS 70 requirement of Wells Fargo Trust Operations.

A reconciliation of cash and investments for the County follows:

Bank accounts	\$	51,958,104
Petty cash on hand		1,665
Carrying amount of investments		285,721,507
Total cash and investments	\$	<u>337,681,276</u>

Statement of Net Assets

Primary Government

Cash and investments:	\$311,974,785
Cash-restricted	16,681,279

Statement of Fiduciary Net Assets

	9,025,212
Total cash, investment	<u>\$337,681,276</u>

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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, 2008.

Subsequent to the fiscal year end the financial markets have been increasingly volatile. The County is a long-term investor and diversifies its investments to minimize the impact of market fluctuations on its overall portfolio. At this point in time it is not reasonably possible to assess the ongoing market conditions, the effectiveness of efforts to bring stability to the financial markets, and the potential affects on the value of the County's long-term investments.

B. Receivables

	General	Non major Governmental Funds	Enterprise Funds	Agency Funds	Total
Property Taxes	\$ 7,164,909	\$ 942,840	\$ -	\$ 29,555,049	\$37,662,800
Gross Receipts Taxes	19,817,992	4,754,514	-	-	24,572,506
Gasoline Taxes	26,071	-	-	-	26,071
Motor Vehicle Tax	241,096	-	-	-	241,096
Cigarette Tax	335	168	-	-	503
Transportation Fees	427,377	-	-	-	427,377
Solid Waste Fees	-	-	3,711,130	-	3,711,130
Special Assessments	96,393	-	-	516,314	612,705
Intergovernmental	840,826	2,177	-	-	843,003
Due from other governments	4,176,749	3,994,555	954,899	-	9,126,203
Other	594,327	17,277	8,641	302	620,547
Gross Receivables	33,386,075	9,711,531	4,674,670	30,071,665	77,843,941
Less: allowance for Uncollectibles	(613,799)	(83,630)	(3,290,186)	(2,038,163)	(6,025,778)
Net total receivables	\$ 32,772,276	\$ 9,627,901	\$ 1,384,484	\$ 28,033,502	\$71,818,163

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 \$165,033 at June 30, 2008.

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C. Capital assets

Capital asset activity for the year was as follows:

	Balance			Balance
	June 30,2007	Increases	Decreases	June 30, 2008
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 123,977,888	\$ 2,183,814	\$ -	\$ 126,161,702
Construction in progress	60,863,593	44,073,031	(41,231,697)	63,704,927
Art	1,903,662	170,800	-	2,074,462
Total capital assets, not being				
Depreciated	186,745,143	46,427,645	(41,231,697)	191,941,091
Capital assets, being depreciated:				
Buildings	244,561,616	9,551,168	-	254,112,784
Machinery and equipment	54,225,641	9,403,439	(3,563,801)	60,065,279
Infrastructure	226,188,647	23,303,314	(1,330,107)	248,162,354
Leasehold improvements	3,213,396	-	-	3,213,396
Total capital assets being				
Depreciated	528,189,300	42,258,421	(4,893,908)	565,553,813
Less Accumulated depreciation for:				
Buildings	(74,988,162)	(9,825,978)	-	(84,814,140)
Machinery and equipment	(45,538,577)	(5,685,620)	3,558,800	(47,665,397)
Infrastructure	(79,016,993)	(8,496,766)	395,320	(87,118,439)
Leasehold improvements	(683,672)	(128,535)	-	(812,207)
Total accumulated depreciation	(200,227,404)	(24,136,899)	3,954,120	(220,410,183)
Total capital assets, being depreciated, net	327,961,896	18,121,522	(939,788)	345,143,630
Governmental activities capital assets, net	\$ 514,707,039	\$ 64,549,167	\$ (42,171,485)	\$ 537,084,721

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	Balance June 30, 2007	Increases	Decreases	Balance June 30, 2008
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 435,352	\$ 204,092	\$ -	\$ 639,444
Construction in progress	14,797	-	(14,797)	-
Total capital assets, not being depreciated	<u>450,149</u>	<u>204,092</u>	<u>(14,797)</u>	<u>639,444</u>
Capital assets, being depreciated:				
Buildings	6,163,254	1,196,408	(386,900)	6,972,762
Machinery and equipment	1,916,763	128,369	(131,910)	1,913,222
Total capital assets being depreciated	<u>8,080,017</u>	<u>1,324,777</u>	<u>(518,810)</u>	<u>8,885,984</u>
Less accumulated depreciation for:				
Buildings	(2,126,968)	(268,445)	-	(2,395,413)
Machinery and equipment	(1,483,691)	(155,266)	42,948	(1,596,009)
Total accumulated depreciation	<u>(3,610,659)</u>	<u>(423,711)</u>	<u>42,948</u>	<u>(3,991,422)</u>
Total capital assets, being depreciated, net	<u>4,469,358</u>	<u>901,066</u>	<u>(475,862)</u>	<u>4,894,562</u>
Business-type activities capital assets, net	<u>\$ 4,919,507</u>	<u>\$ 1,105,158</u>	<u>\$ (490,659)</u>	<u>\$ 5,534,006</u>

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

Governmental activities:	
General government	\$ 1,983,142
Public safety	11,076,178
Culture and recreation	966,280
Public works	9,254,503
Health and welfare	856,796
Total depreciation expense-governmental activities	<u>\$ 24,136,899</u>
Business-type activities:	
Solid waste	\$ 168,012
Housing Authority	106,181
Seybold Village	59,661
El Centro Familiar	89,857
Total depreciation expense-business-type activities	<u>\$ 423,711</u>

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D. Interfund receivables, payables, and transfers

The composition of interfund balances as of June 30, 2008, is as follows:

	Due from			Total
	General Fund	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	
Due to				
General fund	\$ -	\$ 6,745,712	\$ 544,490	\$ 7,290,202
Nonmajor fund	90,988	-	236,870	327,858
Enterprise funds	-	26,336	431,999	458,335
Internal service funds	228,185	-	-	228,185
Total	<u>\$ 319,173</u>	<u>\$ 6,772,048</u>	<u>\$ 1,213,359</u>	<u>\$ 8,304,580</u>

Advances. For the purpose of financing cost-reimbursement grants, the general fund advanced the grants fund \$1,397,000 and the public works grants fund \$100,000. The environmental fund financed the initial start-up of the solid waste fund through an advance of which \$29,062 is outstanding at June 30, 2008.

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, 2008 were as follows:

	Transfer In:			Total
	Nonmajor Governmental Funds	TRAN Debt Service	Nonmajor Enterprise Funds	
Transfer out:				
General fund	\$ 14,864,271	\$ 2,094,805	-	\$ 16,959,076
Nonmajor fund	913,187	-	384,894	1,298,081
Total	<u>\$ 15,777,458</u>	<u>\$ 2,094,805</u>	<u>\$ 384,894</u>	<u>\$ 18,257,157</u>

E. Leases

Capital Leases

The County is obligated to the State of New Mexico for the acquisition of voting machines. These lease agreements qualify as capital leases and are recorded at the present value of their future minimum payments. The County does not pay interest on the capital lease obligation.

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Assets under capital leases were deleted in 2008 due to a change in state statute which resulted in an impairment on the voting machines. The County was granted a one year moratorium on payments for the second year until it is decided how the outstanding loans will be addressed by the State of New Mexico. The following is a schedule of the future minimum lease payments under capital leases at June 30, 2008:

	Governmental Activities
2009	\$ -
2010	212,282
2011	212,282
2012	212,282
2013	212,282
2014-2015	500,982
Total minimum lease payments	<u>\$ 1,350,110</u>

Operating Leases

During the fiscal year ended June 30, 2008, the County leased equipment, and office space under operating leases. The County's expenditures on those leases for the fiscal year ended June 30, 2008, were \$1,559,371. The County's future minimum rental commitments, accounted for as operating leases at June 30, 2008, are as follows:

	Amount
2009	\$ 274,209
2010	279,149
2011	8,003
Total	<u>\$ 561,361</u>

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

During the year, the County, as lessor, leased various office spaces at a cost of approximately \$6.4 million and a carrying amount of \$2.7 million under operating leases. Rental revenue was \$1,704,104 and depreciation expense on those assets was \$244,499.

COUNTY OF BERNALILLO, NEW MEXICO
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F. Long-term debt

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2008, was as follows:

	Balance			Amounts	
	June 30, 2007	Additions	Deletions	Balance June 30, 2008	Due within One Year
Governmental Activities:					
Bonds:					
G.O. bonds	\$ 88,580,000	\$ 21,500,000	\$(11,245,000)	\$ 98,835,000	\$ 6,755,000
Revenue bonds	175,500,000	11,000,000	(16,495,000)	170,005,000	16,760,000
Deferred amounts:					
Bond premiums	4,096,863	734,178	(161,014)	4,670,027	-
Bond discounts	(460,276)	(53,000)	41,219	(472,057)	-
Refunding	(2,661,323)	(319,400)	441,152	(2,539,571)	-
Total bonds	265,055,264	32,861,778	(27,418,643)	270,498,399	11,595,000
Other liabilities:					
Capital leases	1,350,110	-	-	1,350,110	-
Long-term note	3,897,062	-	(2,392,345)	1,504,717	1,504,717
Compensated absences	11,975,204	9,806,050	(7,746,480)	14,304,774	1,226,130
Governmental activity					
Long-term liabilities	\$ 282,277,640	\$ 42,667,828	\$(37,287,468)	\$ 287,658,000	\$ 26,245,847

	Balance			Amounts	
	June 30, 2007	Additions	Deletions	Balance June 30, 2008	Due within One Year
Business-type Activities:					
Bonds payable:					
Revenue bonds	\$ 1,740,000	\$ -	\$(40,000)	\$ 1,700,000	\$ 45,000
Compensated absences	165,281	216,621	(173,904)	207,998	10,399
Note payable	1,157,696	226,000	(389,021)	994,675	11,581
Business-type activity					
Long-term liabilities	\$ 3,062,977	\$ 442,621	\$(602,925)	\$ 2,902,673	\$ 66,980

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

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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 2008 the County issued \$21,500,000 in general obligation bonds. The general obligation bonds outstanding as of June 30, 2008 are comprised of the following issues:

Issue	Amount	Interest Rate	Final Maturity
Series 1997	\$ 7,125,000	4.70%-4.75%	December 1, 2017
Series 1999	13,280,000	4.50%	August 1, 2019
Series 2000	925,000	5.10%	February 1, 2010
Series 2001	4,385,000	4.10%-4.80%	October 1, 2021
Series 2002	13,735,000	3.50%-4.70%	February 15, 2022
Series 2002A	605,000	3.25%	February 15, 2017
Series 2003	8,645,000	3.38%-4.65%	June 15, 2023
Series 2004	3,029,000	4.00%-4.40%	October 15, 2021
Series 2005	10,680,000	3.38%-4.00%	February 1, 2020
Series 2005A	5,261,000	4.00%-5.00%	February 1, 2025
Series 2006	9,665,000	4.00%-4.25%	February 1, 2027
Series 2007	10,400,000	5.00%	August 1, 2027
Series 2007A	8,400,000	4.00%-4.35%	August 1, 2027
Series 2008	2,700,000	3.25%-4.13%	June 1, 2011
Total	<u>\$ 98,835,000</u>		

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

Year Ending	Governmental Activities	
	Principal	Interest
June 30,		
2009	\$ 6,755,000	\$ 4,423,342
2010	6,625,000	3,940,669
2011	6,105,000	3,687,343
2012	4,440,000	3,445,763
2013	4,630,000	3,257,136
2014-2018	31,341,000	12,602,120
2019-2023	28,094,000	5,666,712
2024-2028	10,845,000	1,284,014
	<u>\$ 98,835,000</u>	<u>\$ 38,307,099</u>

The Gross Receipts Tax Revenue Bonds are limited obligations of the County, payable solely from gross receipts tax revenues. The gross receipts tax revenue bonds outstanding as of June 30, 2008 are comprised of the following issues:

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Issue	Amount	Interest Rate	Final Maturity
Series 1996B	\$ 55,875,000	5.00%-5.70%	April 1, 2027
Series 1997	10,800,000	5.00%-5.75%	October 1, 2017
Refunding Series 1998	45,390,000	5.00%-5.25%	April 1, 2027
Series 1999	2,500,000	5.00%	October 1, 2026
Series 2002	1,050,000	3.50%	November 15, 2011
Partial Refunding Series 2005	43,390,000	3.50%-5.25%	October 1, 2026
Series 2008 Refunding	11,000,000	4.00%	April 1, 2009
	<u>\$ 170,005,000</u>		

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

Year Ending	Governmental Activities	
	Principal	Interest
June 30,		
2009	\$ 16,760,000	\$ 8,740,950
2010	6,140,000	7,935,116
2011	6,385,000	7,633,285
2012	6,370,000	7,334,728
2013	6,280,000	7,036,166
2014-2018	37,450,000	29,861,238
2019-2023	44,480,000	19,362,579
2024-2028	46,140,000	6,125,940
	<u>\$ 170,005,000</u>	<u>\$ 94,030,002</u>

In-substance Defeasance and Advance Refunding. On June 30, 2008 the County partially defeased the Series 2002A general obligation bond (GO Bonds) in the amount of \$5,645,000 with proceeds from the debt service fund. The County partially defeased the Series 2002A by placing cash in a irrevocable trust to provide for all future debt service payments on the old debt. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. At June 30, 2008, \$5,645,000 of these bonds outstanding are considered paid.

On April 1, 2008 the County issued \$11,000,000 of gross receipts refunding tax revenue bonds with an average interest rate of 4.0% to advance refund \$10,500,000 of the series 2004 bonds with an average interest rate of 4.69%. The net proceeds was \$11,018,143 (including a premium of \$194,700 and bond cost \$176,557). Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments for the 2004 Series Bond. As a result, the 2004 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

**COUNTY OF BERNALILLO, NEW MEXICO
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complete the advance refunding is \$4,187,629. The advance refunding resulted in an economic gain of \$310,729. At June 30, 2008 \$10,500,000 of these bonds outstanding are considered paid.

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, 2008, \$44,735,000 of gross receipts tax revenue bonds and \$6,275,000 of general obligation bonds outstanding are considered defeased.

Long-Term Notes. In 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 Isleta Boulevard reconstruction project. The final principal and interest payments on this loan, with pledged federal revenues, for the year ended June 30, 2009 are \$1,504,717 and \$90,283 respectively.

Business-type activities long-term debt

The annual requirement to amortize the Multifamily Housing Refunding and Improvement Revenue Bonds with and fixed interest rate of 5.85%, final maturity of June 15, 2029, and is outstanding as of June 30, 2008 is as follows:

	<u>Principal</u>	<u>Interest</u>
2009	\$ 45,000	\$ 99,450
2010	45,000	96,817
2011	50,000	94,185
2012	50,000	91,260
2013	55,000	88,334
2014-2018	330,000	389,317
2019-2023	425,000	282,263
2024-2028	565,000	142,447
2029	135,000	7,898
Total	<u>\$ 1,700,000</u>	<u>\$ 1,291,971</u>

G. Short-term debt

Tax and Revenue Anticipation Notes

On December 13, 2007, and June 30, 2008 the County issued tax and revenue anticipation notes (TRANS) in the amount of \$25,000,000, and \$30,000,000 respectively. The County issues TRANS in advance of property tax collections, depositing the proceeds in its general fund.

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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, 2007	Additions	Deletions	Balance June 30, 2008
Governmental Activities:				
Bonds and notes payable:				
Tax anticipation notes	\$ 60,000,000	\$ 55,000,000	\$ (60,000,000)	\$ 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, 2008:

Improvement Bonds	Interest Rate	Date Issued	Date Series Matures	Amount of Original Issue	Bonds Outstanding June 30, 2008
Comanche Griegos BC-83-1A	7.25%	12/03	12/15/23	\$1,390,000	\$240,000
Comanche Griegos BC-83-1B	6.25%	12/03	12/15/23	\$2,085,000	\$1,680,000

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At June 30, 2008, the Second Street, East Mountain, Paradise Hills, South Valley, and Heatherland Hills special assessment bonds had been fully paid. The remaining potential assets were as follows:

Second Street BC-85-3	East Mountain BC-85-4	Paradise Hills BC-84-2	South Valley BC-84-1	Heatherland Hills BC-85-5
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Accounts receivable:

Billed, but uncollected	\$ 1,804	\$ 20,021	\$ 17,083	\$ 56,526	\$ 959
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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

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

Industrial Revenue Bonds

In fiscal year 2008, the County did not issue any new Industrial Revenue Bonds. As of June 30, 2008, there were ten series of Industrial Revenue Bonds outstanding with an original issuance cost of \$158,888,543. The remaining principal balance outstanding as of June 30, 2008 is not available.

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Multifamily Housing Revenue Bonds

From time to time, the County has issued Multifamily Housing Revenue Bonds to provide financial assistance to private sector entities for the acquisition, construction and rehabilitation of commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the County, the State of New Mexico, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2008, there were six series of project revenue bonds outstanding, with an aggregate principal amount payable of \$51,557,000.

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 FY08 is \$64,204,173. Another portion of the general fund balance is unreserved and designated for subsequent years' expenditures in the amount \$95,737,751 which includes \$32,337,943 designated for unencumbered carryover, \$14,587,455 designated for capital projects, \$15,000,000 designated for building funds, \$10,000,000 designated for bond defeasance/enhancement, \$10,000,000 designated for infrastructure replacement, \$3,412,545 designated for grant fund reserve, and \$10,399,808 designated for budget stabilization. The remainder of the general fund balance is designated for other reserved expenditures.

K. Financial data schedule reconciliation

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

<u>Net Assets</u>	<u>Amount</u>
Net Assets - Housing Choice Vouchers	\$ 2,153,273
Net Assets - Disaster Vouchers	5,911
Net Assets - Housing Choice Vouchers 14.871	<u>2,159,184</u>
Compensated Absences	42,520
Fund balance - Section 8 Housing - Vouchers	<u>\$ 2,201,704</u>

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

<u>Net Assets</u>	<u>Amount</u>
Net Assets - State/Local	\$ (32,586)
Net Assets - Business Activity	2,751,097
Net Assets – Housing Authority	<u>2,718,511</u>
Compensated Absences	(42,520)
Fund balance – Housing Authority	<u>\$ 2,675,991</u>

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 2008 and 2007 contributed a total of \$7,556,997 and \$7,531,141 respectively. The premium that each county pays depends upon the payroll total and the loss experience specific to that county. For fiscal years ended 2008 and 2007, the County contributed \$1,915,153 and \$1,915,153 respectively, to the Worker's Compensation Pool. The self-insured retention level for the pool during the period of coverage July 1, 2007 through June 30, 2008 was \$300,000 (that is the maximum amount of coverage for each insured event before obtaining reinsurance). The

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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 \$7,492,074 and \$7,237,437 for the years ending December 31, 2008, and 2007, respectively. The County paid premiums to the Multiline Pool in calendar years 2008 and 2007 of \$1,650,613 and \$1,692,937, respectively.

The self-insured retention level for this pool during the period of coverage January 1, 2007 through December 31, 2008 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, 2008, 2007, and 2006.

The New Mexico County Insurance Authority has published its own financial reports for the fiscal year ended June 30, 2008, 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, 2008, 2007, and 2006.

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. Insurance deductibles related to outstanding claims are \$10,000 per claim. Occasionally, the County or its elected officials are named as parties to suits that are not

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covered by any insurance policy and the County's Attorney's Office provides representation for such claims. At present there is only one claim that is not covered by insurance.

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, 2008, management estimates that no material liabilities will result from such audits.

County Medicaid 1/16 Gross Receipts Tax Equivalent. Under State Statute Section 27-10-4, NMSA 1978 Compilation, a county which does not enact an ordinance imposing a county health care gross receipts tax pursuant to State Statute Section 7-20E-18, NMSA 1978 Compilation is required to dedicate to the county-supported Medicaid fund "an amount equal to a gross receipts tax rate of 1/16 of one percent applied to the taxable gross receipts tax reported during the prior fiscal year by persons engaging in business in the county." To comply with the statute, the County imposed a 1/16 percent increase in gross receipts tax during the second half of FY07 and will continue to impose the tax in FY09 which will generate approximately \$10 million annually.

Other. At June 30, 2008, the County is committed to \$18,605,508 under construction contracts for capital assets.

C. Joint ventures

Regional Juvenile Detention Center. The Valencia County Regional Juvenile Detention Center (VCRJDC) was established by a joint powers agreement between Bernalillo, Sandoval, and Valencia counties on June 26, 1996. The County managed and operated the facility, which was the primary juvenile detention center for Sandoval and Valencia counties and served as the adjunct to the County's Juvenile Detention Center. Sandoval and Valencia counties contributed one hundred percent of the operating costs of the RJDC. The County received a seven percent administrative fee for its management services.

On June 26, 2007 this joint powers agreement was terminated with Administrative Resolution AR 45-2007. Valencia County pulled out of the agreement. Valencia County now houses their juveniles at the BCJDYSC through a Cost of Care Agreement with Bernalillo County.

A new joint powers agreement between Bernalillo and Sandoval County was approved at the same meeting. The RJDC was moved to a unit at the newly named Bernalillo County Juvenile Detention and Youth Services Center (BCJDYSC) on July 1, 2007. Sandoval County funds the unit with a FY08 budget of \$957,062. Sandoval County contributes 100 percent of the operation costs of the RJDC. Bernalillo and Sandoval counties share cost of care revenues on a 50/50 percent basis.

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

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

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

D. Post-Employment Benefits - Retiree Health Care Plan

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

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

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

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

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

The Bernalillo County's contributions to the RHCA for the years ended June 30, 2008, 2007 and 2006 were \$1,042,176, \$933,930 and \$713,212, respectively, which equal the required contributions for each year.

E. Pension Plan – Public Employees Retirement Association

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

Funding Policy. Plan members are required to contribute 9.15-16.65% of their gross salary. The County is required to contribute 9.15-21.25% depending upon the 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

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County's contributions to PERA for the years ending June 30, 2008, 2007, and 2006 were \$10,319,466, \$9,292,843, and \$7,088,026, 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, 2008.

Covered Division	<u>Employee</u>		<u>Employer</u>	
	Percent	Dollars	Percent	Dollars
General-management, blue collar and white collar	13.15%	\$5,174,638	9.15%	\$3,922,100
General-other	9.15	20,415	9.15	17,396
Sheriff	16.30	1,971,039	18.50	2,348,989
Fire	16.20	1,040,513	21.25	1,525,745
JDC	16.65	2,069,884	16.65	2,505,236

VI. Significant effects of subsequent events

On August 27, 2008 the County sold \$42,200,000 of gross receipts tax revenue bonds that were approved by the County Commission. The bonds mature on August 1, 2010, with an interest rate of 4.00%.

On November 4, 2008, the following general obligation bonds were approved by voters.

<u>Approved by Voters on</u>	<u>Purpose</u>	<u>Authorized</u>
November 4, 2008	Storm Drain	\$ 3,500,000
November 4, 2008	Road Construction and Repair	7,000,000
November 4, 2008	Public Safety	4,750,000
November 4, 2008	Parks and Recreation	2,500,000
November 4, 2008	Library	1,000,000
November 4, 2008	Facility Improvement	2,000,000
Total		<u>\$ 20,750,000</u>

VII. Reclassification of prior year fund balance

At the beginning of the year, the Series 1996 Debt Service Fund \$58 and the 1997 Revenue Bond Fund \$51,537 were closed into the General Fund for a total of \$51,595.

