

NEW ISSUE
Book Entry Only

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

In the opinion of Hughes Law, LLC, Bond Counsel, under existing regulations, rulings and judicial decisions and assuming continuous compliance with certain covenants set forth in the documents pertaining to the Bonds and certain requirements of the Internal Revenue Code of 1986, as amended, as described herein, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes. In the opinion of Bond Counsel, interest on the Bonds will not be treated as an item of tax preference in calculating the federal alternative minimum taxable income of individuals and corporations, however, the interest on the Bonds will be taken into account in determining the adjusted current earnings for the purpose of computing the alternative minimum tax on certain corporations (as defined for federal income tax purposes). Additionally, in the opinion of Bond Counsel, interest on the Bonds is exempt from taxation by the State of New Mexico. (See "TAX MATTERS" herein.)

\$14,010,000
BERNALILLO COUNTY, NEW MEXICO
General Obligation Refunding Bonds, Series 2015A

Dated: Date of Delivery

Due: August 15, as detailed herein

The Bonds will be issued as fully registered bonds, initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York, the securities depository for the Bonds, to which principal and interest payments on the Bonds will be made. Individual purchases will be made in book entry form only in denominations of \$5,000 or any integral multiple thereof. Purchasers of the Bonds will not receive physical delivery of bond certificates. (See "The Bonds – Book-Entry Only System"). Interest is payable semi-annually on August 15 and February 15, commencing August 15, 2015. Principal is payable annually as detailed herein. The Bonds are subject to redemption prior to maturity. (See "The Bonds – Prior Redemption").

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

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

The Bonds are offered when, as and if issued, subject to the approval of validity by Hughes Law, LLC, Albuquerque, New Mexico, Bond Counsel. Certain legal matters will also be passed on for the County by Modrall, Sperling, Roehl, Harris & Sisk, P.A., Disclosure Counsel to the County. RBC Capital Markets, LLC serves as Financial Advisor to the County. It is anticipated that the Bonds will be available for delivery on or about March 24, 2015 through the facilities of DTC in New York, New York.

MATURITY SCHEDULE

\$14,010,000

**General Obligation Refunding Bonds
Series 2015A**

<u>Maturity Date</u> <u>(August 15)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>Cusip No.</u>
2016	\$1,400,000	4.000%	0.350%	085275 K46
2017	1,450,000	4.000%	0.600%	085275 K53
2018	1,500,000	4.000%	0.880%	085275 K61
2019	1,580,000	4.000%	1.090%	085275 K79
2020	1,645,000	3.000%	1.340%	085275 K87
2021	975,000	4.000%	1.540%	085275 K95
2022	995,000	4.000%	1.780%	085275 L29
2023	1,030,000	2.000%	1.970%	085275 L37
2024	1,050,000	2.250%	2.250%	085275 L45
2025	1,070,000	2.125%	2.320%	085275 L52
2026	650,000	2.250%	2.470%	085275 L60
2027	665,000	2.375%	2.650%	085275 L78

BERNALILLO COUNTY, NEW MEXICO

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COUNTY COMMISSION

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

COUNTY OFFICIALS

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

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USE OF INFORMATION IN THIS OFFICIAL STATEMENT

This Official Statement is furnished to prospective purchasers of the Bernalillo County, New Mexico General Obligation Refunding Bonds, Series 2015A (the “Bonds”) in the aggregate principal amount of \$14,010,000, to be issued by Bernalillo County, New Mexico (the “County”). The offering of the Bonds is made only by way of this Official Statement which supersedes any other information or materials used in connection with the offer or sale of the Bonds. Additional information concerning the County, the Bonds, and other aspects of this offering may be obtained from the Deputy County Manager for Finance, One Civic Plaza, N.W., Suite 10111, Albuquerque, New Mexico 87102, Telephone (505) 468-7000.

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

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

All terms used in this Official Statement which are not defined herein shall have the meanings given such terms in a Resolution authorizing issuance of the Bonds adopted by the Board of County Commissioners (the “Board”) on January 13, 2015 (the “Bond Resolution”).

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

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

SUMMARY INFORMATION

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

PURPOSE: The Series 2015A Bonds will be issued to refund and defease the County's outstanding (i) General Obligation Refunding Bonds, Series 2005 (the "Series 2005 Bonds"), (ii) General Obligation Bonds Series 2005A (the "Series 2005A Bonds"), and (iii) General Obligation Bonds, Series 2006 (the "Series 2006 Bonds" and collectively with the Series 2005 Bonds and Series 2005A Bonds, the "Refunded Bonds") outstanding in the aggregate principal amount of \$14,236,000.

The County also intends to issue its General Obligation Bonds, Series 2015 (the "Series 2015 Bonds") in the par amount of \$17,281,000, on or about the time of issuance of the Bonds, for capital improvements to roads, storm sewers/wastewater systems, libraries, County buildings, parks and recreation and public safety.

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

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

DELIVERY: Delivery of the Bonds to the purchaser through the facilities of the Depository Trust Company is expected on or about March 24, 2015.

REDEMPTION: The Bonds maturing on and after August 15, 2024 are subject to redemption at the option of the County on August 15, 2023, or any date thereafter, at a price of 100% of the par amount of the bonds plus accrued interest to the call date.

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

PURPOSE AND PLAN OF FINANCING

Proceeds of the Bonds will be used to refund and defease the County's outstanding General Obligation Bonds, Series 2005, Series 2005A and Series 2006. 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:	\$14,010,000.00
Original Issue Premium:	<u>929,562.85</u>
TOTAL SOURCES OF FUNDS:	<u>\$14,939,562.85</u>
Refunding:	\$14,671,207.23
Costs of Issuance * :	150,000.00
Underwriter's Discount:	112,063.19
Interest and Sinking Fund:	<u>6,292.43</u>
TOTAL USES OF FUNDS:	<u>\$14,939,562.85</u>

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

SELECTED DEBT RATIOS

	<u>2014</u>
2014 Assessed Valuation	\$14,835,047,140
2014 Actual Valuation ⁽¹⁾	\$54,800,810,616
Total Bonded Debt Outstanding (including the Series 2015 Bonds and excluding the Refunded Bonds)	\$126,631,000
Less Estimated Debt Service Fund Balance on February 1, 2015 ⁽²⁾	<u>\$7,593,403</u>
NET DEBT	<u>\$119,037,597</u>
Direct & Overlapping G/O Debt	\$1,119,544,488
 <u>Net Debt as a Percentage of</u>	
Assessed Valuation	0.80%
Estimated Actual Valuation	0.22%
 <u>Direct & Overlapping Debt as Percentage of</u>	
Assessed Valuation	7.55%
Estimated Actual Valuation	2.04%
Estimated 2012 Population	673,460
County Net Debt Per Capita	\$176.69
Direct and Overlapping Debt Per Capita	\$1,662.38

(1) Actual valuation is computed by multiplying assessed valuation by three and adding the exemptions.

(2) The debt service cash balance as of February 1, 2015 was \$10,710,019. The amount properly attributable to principal reduction is 70.9%.

THE BONDS

AUTHORIZATION

The Bonds are issued pursuant to the Public Securities Act, Sections 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 of the Bonds will be used to refund and defease the Refunded Bonds outstanding in the aggregate principal amount of \$14,236,000. The Series 2005 Bonds are subject to optional prior redemption on or after February 1, 2015, and will be redeemed upon issuance of the Bonds. The Series 2005A Bonds and Series 2006 Bonds are subject to optional prior redemption on or after February 1, 2016. At the time of issuance of the Bonds, the County will deposit proceeds of the Series 2015A Bonds together with other funds of the County to an escrow fund held with BOKF, NA dba Bank of Albuquerque, pursuant to an Escrow Agreement by and between the County and Bank of Albuquerque, resulting in the defeasance of the Series 2005A Bonds and Series 2006 Bonds.

DESCRIPTION OF THE BONDS

The Bonds are dated as of the date of issuance and will bear interest from that date, payable on February 15 and August 15 in each year commencing August 15, 2015. The Bonds will bear interest at the rates per annum and mature in the amounts and at the times set forth on the inside cover page of this Official Statement. The principal of and interest on the Bonds is payable through the Depository Trust Company, New York, New York.

PAYMENT AND PRESENTATION OF BONDS FOR PAYMENT

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

maturity or redemption.

SECURITY FOR THE BONDS

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

REGISTRATION

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

BOOK-ENTRY ONLY SYSTEM

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

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

General

The Bonds will be issued in book entry form. DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, each in the aggregate principal amount of that maturity 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 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. 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.

Purchases of the 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 (the “Beneficial Owner”) in turn is 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 interest in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book entry system for the Bonds is discontinued.

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

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

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

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by Direct Participants in accordance with DTC's procedures. Under its usual procedures, DTC will mail 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).

Principal of and sinking fund and interest payments on the Bonds will be made to Cede & Co., or such other name as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts on each payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the date payable. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County, disbursement of such payments to Direct Participants shall be the responsibility of DTC or the Paying Agent, and disbursement of such payments to the Beneficial Owners shall be 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. Under such circumstances, in the event that a successor securities depository is not obtained, security certificates are required to be printed and delivered as described in the Indenture.

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

The County cannot and does not give any assurances that DTC will distribute to Participants, or that Participants or others will distribute to the Beneficial Owners, payments of principal of and interest and premium, if any, on the Bonds paid or any redemption or other notices or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. The County is not responsible or liable for the failure of DTC or any Direct Participant or Indirect Participant to make any payments or give any notice to a Beneficial Owner with respect to the Bonds or any error or delay relating thereto.

The foregoing description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal of and interest and other payments with respect to the Bonds to Direct Participants, Indirect Participants or Beneficial Owners,

confirmation and transfer of beneficial ownership interest in such Bonds and other related transactions by and between DTC, the Direct Participants, the Indirect Participants and the Beneficial Owners is based solely on information provided by DTC. Accordingly, no representations can be made concerning these matters and neither the Direct Participants, the Indirect Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters but should instead confirm the same with DTC or the Participants, as the case may be.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE BONDS, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE HOLDERS SHALL MEAN CEDE & CO., AS AFORESAID, AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE BONDS.

LIMITATIONS ON REMEDIES AVAILABLE TO OWNERS OF BONDS

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

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

PRIOR REDEMPTION

The Bonds maturing on and after August 15, 2024 are subject to redemption at the option of the County on August 15, 2023, or any date thereafter, at a price of 100% of the par amount of the bonds plus accrued interest to the call date.

NOTICE OF REDEMPTION

Notice of redemption shall be given by the Registrar by sending a copy of such notice by registered or certified first-class, postage prepaid mail at least thirty (30) days prior to the redemption date to the registered owners of the Bonds to be redeemed, at the address shown as of the close of business of the Registrar on the fifth day prior to the mailing of notice on the registration books kept by the Registrar. The County shall give the Registrar written instructions to give notice of redemption to the registered owners of the Bonds to be redeemed at least forty-five (45) days prior to such

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

DEBT AND OTHER OBLIGATIONS
(as of February 1, 2015)

BONDING CAPACITY

2014 Assessed Valuation	\$14,835,047,140
Legal Bonding Capacity (4% of assessed valuation)	593,401,886
Less total bonds to be outstanding ⁽¹⁾	<u>126,631,000</u>
Capacity in excess of present requirements	<u>\$466,770,886</u>

(1) Excludes the Refunded Bonds refunded with proceeds of the Series 2015A Bonds and includes the Series 2015 Bonds.

Source: Bernalillo County Finance Department

GENERAL OBLIGATION BONDS OUTSTANDING – (POST ISSUANCE OF THE BONDS AND THE SERIES 2015 BONDS)

<u>G.O. Bonds Series</u>	<u>Original Issue</u>	<u>Outstanding Principal</u>	<u>Final Maturity</u>
1997	\$11,170,000	\$2,540,000	December 1, 2017
1999	18,676,000	6,485,000	August 1, 2019
2007	10,400,000	9,360,000	August 1, 2027
2007A	8,400,000	7,605,000	August 1, 2027
2009	10,000,000	5,375,000	June 1, 2029
2009A	10,750,000	6,950,000	December 1, 2020
2010	15,105,000	10,235,000	February 1, 2022
2011	4,200,000	2,495,000	February 1, 2019
2012	6,535,000	5,450,000	June 15, 2023
2012A	14,400,000	14,400,000	June 15, 2032
2013	17,800,000	15,750,000	August 15, 2028
2014	8,700,000	5,700,000	August 15, 2029
2014A	2,995,000	2,995,000	August 15, 2021
2015	17,281,000	17,281,000	August 15, 2030
2015A	14,010,000	<u>14,010,000</u>	August 15, 2027
TOTAL		<u>\$126,631,000</u>	

Source: Bernalillo County Finance Department

TOTAL DEBT SERVICE REQUIREMENTS (POST ISSUANCE OF THE BONDS AND THE SERIES 2015 BONDS)

Calendar Year	Principal	Interest	Total
2015	\$10,770,000	\$4,208,920	\$14,978,920
2016	9,766,000	3,897,700	13,663,700
2017	10,110,000	3,531,808	13,641,808
2018	9,725,000	3,139,470	12,864,470
2019	11,485,000	2,768,295	14,253,295
2020	10,075,000	2,372,145	12,447,145
2021	9,310,000	2,050,245	11,360,245
2022	8,340,000	1,755,912	10,095,912
2023	6,920,000	1,478,902	8,398,902
2024	6,645,000	1,280,415	7,925,415
2025	6,870,000	1,071,077	7,941,077
2026	6,610,000	852,815	7,462,815
2027	6,890,000	632,335	7,522,335
2028	4,735,000	401,096	5,136,096
2029	2,835,000	259,046	3,094,046
2030	2,870,000	173,996	3,043,996
2031	1,320,000	86,278	1,406,278
2032	1,355,000	44,038	1,399,038
Total	\$126,631,000	\$30,004,493	\$156,635,493

Source: Bernalillo County Finance Department

DIRECT AND OVERLAPPING DEBT

	<u>G.O. Debt</u>	<u>Tax Year 2014 Assessed Valuation</u>	<u>% Applicable to County</u>	<u>Gross Overlapping</u>
City of Albuquerque	\$343,495,000	\$11,967,046,394	100.00%	\$343,495,000
Albuquerque Public Schools	452,180,000	15,095,456,570	98.27%	444,379,511
Albuquerque Metropolitan Arroyo Flood Control Authority	43,125,000	14,078,601,230	94.90%	40,926,036
Central New Mexico Community College	79,045,000	17,151,572,371	100.00%	79,045,000
Village of Los Ranchos	3,300,000	238,209,940	100.00%	3,300,00
Village of Tijeras	-0-	11,666,334	100.00%	-0-
Bernalillo County	126,631,000 ⁽¹⁾	14,835,047,140	100.00%	126,631,000
State of New Mexico	311,270,000	56,473,295,554	26.27%	<u>81,767,941</u>
Total Direct and Overlapping G.O. Debt				<u>\$1,119,544,488</u>

RATIOS

Direct and Overlapping G.O. Debt as Percent of 2014 Assessed Valuation	7.55%
Direct and Overlapping G.O. Debt as Percent of 2014 Actual Valuation	2.04%
Direct and Overlapping G.O. Debt Per Capita	\$1,662.38

(1) Excludes the Refunded Bonds refunded with proceeds of the Series 2015A Bonds and includes the Series 2015 Bonds.

Sources: Bernalillo County Assessor; New Mexico Department of Finance and Administration; University of New Mexico Bureau of Business and Economic Research. As of February 1, 2015.

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; and motor vehicles (other than mobile homes). 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 State 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 State 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 State 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 New Mexico Court of Appeals a notice of appeal within 45 days of the date the order was made.

Analysis of Assessed Valuation

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
ASSESSMENTS					
Value of Land	\$5,885,730,766	\$5,854,492,640	\$5,803,787,816	\$5,785,144,034	\$6,595,031,615
Improvements	11,425,556,170	11,151,138,799	10,970,511,846	11,036,157,316	10,875,757,543
Personal Property	423,500,136	410,601,849	417,126,111	417,979,575	437,754,207
Mobile Homes	46,846,269	47,934,051	48,123,614	49,710,924	51,714,831
Livestock	920,554,279	963,446	922,156	1,049,093	1,140,685
Assessor's Total Valuation	\$17,782,554,279	\$17,465,130,785	\$17,240,471,543	\$17,290,041,124	\$17,961,398,881
LESS EXEMPTIONS					
Head of Family	\$196,355,547	\$196,198,073	\$195,959,863	\$196,663,250	\$194,066,375
Veterans	110,700,553	112,999,256	114,374,342	116,254,964	116,650,452
Disabled Veterans Exemption	165,298,900	155,090,265	144,834,096	136,269,529	126,602,573
Other	2,959,534,732	2,959,199,809	2,889,504,474	2,884,496,615	3,626,823,313
Total Exemptions	\$3,431,889,732	\$3,423,487,403	\$3,345,672,775	\$3,333,684,358	\$4,064,142,713
Assessors Net Valuation	\$14,350,664,547	\$14,041,643,382	\$13,894,798,768	\$13,956,356,766	\$13,897,256,168
Central Assessed	484,382,593	462,616,155	498,624,419	496,404,009	487,472,638
Total Assessed Valuation	\$14,835,047,140	\$14,504,259,537	\$14,394,423,187	\$14,452,760,775	\$14,384,728,806
Residential	\$11,021,769,490	\$10,709,157,954	\$10,513,182,171	\$10,409,867,174	\$10,315,485,048
Non-Residential	3,813,277,650	3,795,101,583	3,881,241,016	4,042,893,601	4,069,243,758
Total	\$14,835,047,140	\$14,504,259,537	\$14,394,423,187	\$14,452,760,775	\$14,384,728,806

Source: New Mexico Department of Finance & Administration

REASSESSMENT

New Mexico has a statewide property reassessment program. The program's objective is to keep property values close to their market values so that there will be a high correlation between the value of a property and its share of the tax burden. The first reassessment under this present program was in 1986, and such reassessments will continue to occur biannually. In 2010, property values were adjusted to their 2008 market levels.

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

LIMITATION ON INCREASES IN VALUATION OF RESIDENTIAL REAL PROPERTY

A 1998 amendment to the State Constitution allows the State Legislature to enact legislation providing for the assessment of residential properties at levels different than the current estimated market value of a home on the basis of age of the owner, income, or home ownership. Section 7-36-21.2 NMSA 1978, as amended, limits increases in the value of residential property for taxation purposes beginning with the Tax Year 2001 ("Statutory Valuation Cap"). The section provides that, with respect to properties within a county assessing properties in the aggregate at or greater than 85% of their market value, a property's new valuation shall not exceed 103% of the previous year's valuation or 106.1% of the valuation two years prior to the Tax Year in which the property is being valued. This does not apply to residential properties in their first year of valuation, physical improvements made to the property or instances where the owner or the zoning of the property has changed in the year prior to the Tax Year for which the value of the property is being determined. The constitutionality of the Statutory Valuation Cap has been challenged in a number of venues. On March 28, 2012, the New Mexico Court of Appeals upheld the Statutory Valuation Cap and its application under Section 7-36-21.2 NMSA 1978. The New Mexico Supreme Court affirmed this decision on June 30, 2014. To the extent that court of legislative action is taken or a further Constitutional amendment is passed amending the valuation provisions, it could have a material impact on the valuation of residential property.

HISTORY OF ASSESSED VALUATION

<u>Tax Year</u>	<u>Bernalillo County</u>
2014	\$14,835,047,140
2013	14,504,259,537
2012	14,394,423,187
2011	14,452,760,775
2010	14,384,728,806
2009	14,401,614,829
2008	13,976,092,003
2007	13,191,112,431
2006	11,868,673,831
2005	11,260,432,703

Source: NM Department of Finance and Administration

MAJOR TAXPAYERS AS OF 2014

Largest Property Taxpayers for Tax Year 2014 (Fiscal Year 2015)⁽¹⁾

<u>Name of Taxpayer</u>	<u>Taxable Value 2014 Assessed</u>	<u>Percentage of Total County Assessed Valuation</u>
PNM Electric	\$175,028,144	1.18%
Qwest Communications	65,678,039	0.44%
Gas Company of New Mexico	40,961,206	0.28%
Comcast of NM Inc.	29,590,859	0.20%
Verizon Wireless (VAW), LLC	19,210,452	0.13%
Southwest Airlines	17,390,944	0.12%
Simon Property Group Ltd (Cottonwood Mall)	15,962,333	0.11%
AHS Regional Medical Center	12,051,009	0.08%
T-Mobile	11,662,172	0.08%
AT&T	<u>10,525,008</u>	<u>0.07%</u>
Top Ten Centrally and Locally Assessed Values	<u>\$398,060,166</u>	<u>2.68%</u>

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

Source: Bernalillo County Assessor's Office

TAX RATES

YIELD CONTROL

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

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

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 are within the 20-mill limit.

RESIDENTIAL AND NON-RESIDENTIAL PROPERTY

Property in New Mexico is sub-classified as either residential or non-residential based on its use. The calculation of revenue limitations for Yield Control, as discussed above, is performed separately for each property class. The result is that levies for operational purposes may be different for each property class. The levies shown in the table on the following page are shown for residential property.

TAX RATES IN BERNALILLO COUNTY

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
State of New Mexico					
Debt service	1.360	1.360	1.360	1.362	1.530
Bernalillo County					
Operating	7.254	7.320	7.208	6.866	6.665
Debt service	1.265	1.246	0.897	0.897	0.550
Open space	--	--	0.100	0.100	0.100
Judgment	0.012	0.013	0.013	0.013	0.014
Total direct rate	8.531	8.579	8.118	7.876	7.329
City of Albuquerque					
Operating	6.494	6.544	6.544	6.544	6.389
Debt Service	4.976	4.976	4.976	4.976	4.976
Albuquerque Public Schools					
Operating	0.276	0.278	0.274	0.264	0.256
Debt Service	10.255	10.178	10.189	10.189	10.191
Hospitals (UNM)	6.342	6.400	6.400	6.400	6.400
Central NM Community College	3.377	3.392	3.344	3.237	3.158
Albuquerque Flood Control					
Operating	0.177	0.179	0.176	0.170	0.165
Debt Service	0.675	0.675	0.675	0.675	0.675
Village of Tijeras					
Residential	\$30.996	\$31.055	\$30.536	\$30.180	\$27.716
Non-Residential	\$36.837	\$36.700	\$36.353	\$36.356	\$36.185
Village of Los Ranchos					
Residential	\$31.141	\$31.195	\$30.683	\$30.273	\$29.173
Non-Residential	\$35.612	\$35.475	\$35.128	\$35.076	\$35.093

Source: New Mexico Department of Finance and Administration

TAX COLLECTIONS

METHODS OF TAX COLLECTION

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

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

INTEREST ON DELINQUENT TAXES

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

PENALTY FOR DELINQUENT TAXES

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

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

REMEDIES AVAILABLE FOR NON-PAYMENT OF TAXES

Pursuant to Section 7-38-47, NMSA 1978, property taxes are the personal obligation of the person owning the property on the date on which the property was subject to valuation for property taxation purposes. Pursuant to Section 7-38-53, NMSA 1978, 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.

TAX COLLECTION HISTORY - BERNALILLO COUNTY

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected Within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2005	\$96,145,652	\$91,795,950	95.48%	\$4,014,213	\$95,810,163	99.65%
2006	93,906,198	90,013,460	95.85%	3,663,887	93,677,347	99.76%
2007	101,082,171	97,157,620	96.12%	3,438,376	100,595,996	99.52%
2008	112,113,596	107,467,225	95.86%	4,065,455	111,532,680	99.48%
2009	117,508,912	112,092,669	95.39%	4,835,753	116,928,422	99.51%
2010	124,708,278	117,443,009	94.17%	5,345,069	122,788,078	98.46%
2011	120,075,839	114,472,104	95.33%	4,720,969	119,193,073	99.26%
2012	126,686,407	121,576,353	95.97%	4,170,682	125,747,035	99.26%
2013	130,240,155	125,460,280	96.33%	2,760,000	128,220,712	98.45%
2014	137,364,369	132,586,971	96.52%	n/a	132,586,971	96.52%

Source: County Treasurer's Office

THE COUNTY

GENERAL

The economic and population hub of New Mexico, Bernalillo County is located in the north central region of the state at the conjunction of Interstate Highways 25 and 40. Its boundaries encompass the entire City of Albuquerque, which comprises 83% of the County's population. With 673,460 residents (2012 estimated), Bernalillo County ranks 92th in population of the nation's 3,143 counties. The County comprises nearly 32% of New Mexico's population total and 75% of the four county Albuquerque Metropolitan Statistical Area, and is home to the University of New Mexico, Kirtland Air Force Base and Sandia National Laboratories.

The County accounts for nearly half of all economic activity in New Mexico. Its success can be attributed to a diverse economic base consisting of government, services, trade, agriculture, tourism, manufacturing, and research and development. In the 2014 Forbes List of "Best Places for Business and Careers," Albuquerque placed 166th out of the 200 ranked metro areas in the country and was ranked 68th in the "Cost of Doing Business" category and 187th in the "Job Growth Expected" category.

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

COUNTY GOVERNMENT

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

THE GOVERNMENT BODY

Bernalillo County was established by the laws of 1876, under the provisions of the Act now referred to as Section 4-1-1 of the New Mexico State Statutes Annotated, 1978 Compilation.

Brief resumes of the County Commissioners, County Manager and Deputy County Manager for Finance are as follows:

BERNALILLO COUNTY COMMISSIONERS

Debbie O'Malley, Commissioner, District 1. Term expires December 2018; elected in November 2012 to fill the term of former commissioner Michelle Lujan Grisham who was elected to the U.S. House of Representatives in November 2012. An Albuquerque native, Ms. O'Malley brings more than 20 years of strong, effective public service to the County joining the County Commission after serving for nine years on the Albuquerque City Council, serving as President and Vice President and is currently Chair of the Middle Rio Grande Council of Governments.

Art De La Cruz, Vice Chair, Commissioner, District 2. Term expires December 2016; first elected November 2008; a native and life-long resident of Bernalillo County's South Valley, Mr. De La Cruz has worked in County and City government for over 35 years. As a 25-year County employee, he spent much of his career overseeing land and facilities acquisitions and enhancing the quality of life through expanded community services. Following his retirement, he taught business and management courses at Central New Mexico Community College and served as Deputy Director of the City of Albuquerque Solid Waste Department focusing on sustainability efforts. He graduated from the University of New Mexico and later received a Master of Arts in Management from the University of Phoenix.

Maggie Hart Stebbins, Chair, Commissioner District 3. Term expires December, 2016; first elected November 2010 to replace a vacancy in the seat. Ms. Hart Stebbins has a Bachelor of Arts degree from Harvard University where she was an All-American athlete and recipient of the Ratcliffe Alumni Association Award for athletic excellence and leadership. She came to the Commission with extensive experience in public service including work for the U.S. Congress, N.M. House of Representatives and the Middle Rio Grande Council of Governments where she focused on air quality, water conservation and regional transportation. She has served on numerous boards and commissions for governmental entities and not for profit organizations.

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

Wayne A. Johnson, Commissioner, District 5. Term expires December 2018; first elected 2010; A native New Mexican and graduate of the University of New Mexico, Mr. Johnson is president of Vista Media, a media business that produces a variety of media, including commercials, documentaries and web content. Mr. Johnson has been active in community organizations including the District 7 Coalition of Neighborhoods, serving as president and vice-president and the Bernalillo County Fire and Rescue Citizens Advisory Committee.

COUNTY MANAGER

Tom Zdunek, County Manager.

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

DEPUTY COUNTY MANAGER

Shirley Ragin, Deputy County Manager of Finance.

Ms. Ragin joined the County in 2012 as director of Budget and Business Improvement and held that position until appointment to Deputy County Manager for Finance on June 24, 2014. Prior to joining the County, Ms. Ragin worked in the private sector for Public Service Company of New Mexico for 32 years.

RETIREMENT PLAN

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

Actuarial information is shown below:

State of New Mexico Public Employees Retirement Fund Summary Information as of June 30, 2014

Membership ¹	92,732
Actuarial Information	
Actuarial Accrued Liability ²	\$17,744,186,900
Actuarial Value of Assets ³	\$14,428,500,519
Unfunded Actuarial Accrued Liability	\$3,315,686,381
Funded Ratio	81.31%

¹ Includes both state and municipal divisions.

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

³ The valuation of assets is based on an actuarial value of assets whereby gains and losses relative to a 7.75% annual return are smoothed in over a four-year period.

Source: Public Employees Retirement Association

In Fiscal Year 2013, PERA reported an Unfunded Actuarial Accrued Liability (“UAAL”) of \$4.6 billion, approximately \$1.6 billion less than the previous fiscal year. The decline in the UAAL

was the result of comprehensive pension reform legislation proposed by the PERA Board and enacted by the State Legislature during the 2013 legislative session.* Also as a result of the passage of pension reform legislation, PERA’s 30 year projected funded ratio increased from 29% to 108.8%. PERA saw a further \$300 million decline in the UAAL, and increase in the 30 year projected funded ratio to 133% at the end of Fiscal Year 2014. The improvement in Fiscal Year 2014 was due largely to excess investment returns. PERA’s Fiscal Year 2014 return was 17.03%, higher than the 7.75% return assumption.

Funding Policy. Plan members are required to contribute 10.65-18.15% 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 by state statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The County’s contributions to PERA for the years ending June 30, 2014, 2013, and 2012 were \$14,717,112, \$14,165,828 and \$14,013,271, respectively, which equal the amount of the required contributions for each year. In accordance with Chapter 10, Article 11, Section 5 NMSA 1978, the County has elected to make contributions of seventy-five percent of its employees’ member contributions under the General-management, blue collar, white collar, sheriff, fire and detention plans. The following table outlines the divisions the County participates in and the contributions for the year ending June 30, 2014.

<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	14.65%	\$7,941,158	9.15%	\$4,992,027
General-other	10.65%	19,141	9.15%	18,275
Sheriff	17.80%	2,949,380	18.50%	3,074,924
Fire	17.70%	2,036,159	21.25%	2,452,004
Detention	18.15%	3,757,153	16.65%	3,456,886
Retired employees			9.15%-21.25%	\$722,996

Source: Bernalillo County Fiscal Year 2014 Comprehensive Audited Financial Report

On June 25, 2012, the Governmental Accounting Standards Board approved Statement No. 68 which requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. Statement No. 68 requires cost-sharing employers, such as the County, to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. Statement No. 68 is effective for fiscal years beginning after June 15, 2014.

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

POST-EMPLOYMENT BENEFITS-RETIREE HEALTH CARE PLAN

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

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

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees who are members of an enhanced retirement plan (state police and adult correctional officer coverage plan 1; municipal police member coverage plans 3, 4 and 5; municipal fire member coverage plan 3, 4, and 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act, 10-12B-1 NMSA 1978), during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.50% of each participating employee's annual salary, and each participating employee was required to contribute 1.25% of their salary.

Also, employers joining the program after January 1, 1998 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The Bernalillo County's contributions to the RHCA for the years ended June 30, 2014, 2013 and 2012 were \$2,376,195, \$2,381,109 and \$2,072,085, respectively, which equal the required contributions for each year.

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

COUNTY INSURANCE COVERAGE

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

FISCAL YEAR 2014 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, 2014. The report of such accounting firm is attached as **"APPENDIX D – STATE OF NEW MEXICO COUNTY OF BERNALILLO COMPREHENSIVE ANNUAL FINANCIAL REPORT, FISCAL YEAR ENDED JUNE 30, 2014."**

The 2014 Audit included material weaknesses related to management of the County's investments.

In particular, the findings included violations and deficiencies in the County Treasurer’s handling of millions of dollars of securities purchases and management of investment liquidity. Approximately 92% of the investments included in the County’s portfolio had a weighted average maturity of 11.44 years and portfolio duration of 8.21 years. The effect of these long-term investments was to substantially reduce the County’s cash flow needed for operations and capital projects. To address the cash flow problems within the County and to restructure the County’s portfolio, the County sold long-term investments and experienced a \$17 million dollar loss. Additionally, the 2014 Audit concluded that the County Treasurer’s investment practices did not comport with the applicable bid processes.

The County Commission, acting as the County’s Board of Finance, adopted a new investment policy on April 1, 2014. The County Treasurer is in agreement with the new Investment Policy, which provides for tighter restrictions on investment durations and provides for maintenance of liquidity by matching County cash flow projects with its short-term cash balances. The County Commission also retained Public Trust Advisors, a third-party independent investment advisor, to assist the County in evaluating its investment portfolio and to recommend restructuring as advisable. The County’s Investment Policy is attached hereto as “**APPENDIX E.**”

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES OF THE COUNTY

BASIS OF PRESENTATION - FUND ACCOUNTING

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

GOVERNMENTAL FUND TYPES

The County reports the following major governmental funds:

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

The *Grants Fund* accounts for various federal, state and other grant funding resources to be used for specific purposes agreed to between the County and the funding sources as enumerated in the grant agreement/contract.

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

Additionally, the government reports the following fund types:

Internal service funds account for operations that provide services to other departments or agencies of the County on a cost-reimbursement basis. The County's internal service fund is the Risk Management fund, which is used to account for its risk management activities. Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

As a general rule, the effect of inter-fund activity has been eliminated from the government wide financial statements. Exceptions to this general rule are charges between the government's risk management and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and/or delivering goods in connection with proprietary fund's principal ongoing operations. Approximately 89% of the operating revenues of the County's five proprietary funds consist of user and administrative fees.

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

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

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

The County reports unearned revenue on its combined balance sheet. Unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the

County before it has legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods when both revenue recognition criteria methods are met or when the County has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

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

Proprietary funds. The County maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *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.

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.

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

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

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

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

Because of their spending measurement focus, expenditure recognition for governmental fund types is limited to exclude amounts represented by noncurrent liabilities. Because they do not affect net current assets, such long-term amounts are not recognized as governmental fund type expenditures or fund liabilities. They are instead reported as liabilities in the General Long-Term Debt Account Group.

BASIS OF ACCOUNTING

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures, generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is made.

**STATEMENT OF NET POSITION
TOTAL PRIMARY GOVERNMENT
Fiscal year ending June 30**

ASSETS:	2014	2013	2012	2011	2010
Cash and investments	\$233,969,604	\$263,885,673	\$304,489,680	\$309,894,317	\$348,113,455
Accounts receivable, net	41,790,552	43,758,219	40,633,452	42,403,366	47,803,069
Accrued interest receivable	263,744	1,227,779	1,588,648	2,811,270	2,133,539
Note receivable	2,355,163	172,630	185,959	201,381	211,529
Due from grantor	3,496,116	2,894,254	4,410,191	5,267,213	12,551,932
Inventory	754,982	1,429,997	846,888	733,269	620,263
Internal balances	1,096,444	0	0	0	0
Held for sale	0	756,203	135,400	373,000	228,000
Prepaid assets	2,253,504	2,214,020	2,052,385	1,931,757	1,716,060
Deferred charges	0	1,096,893	1,089,673	1,000,210	1,152,897
Cash-restricted	17,740,698	12,806,949	12,806,949	11,747,530	11,747,530
Investment in joint venture	633,000	633,000	633,000	633,000	633,000
Land	138,254,309	136,156,585	136,461,953	135,436,573	134,810,311
Art	2,739,938	2,552,405	2,534,675	2,434,675	2,425,940
Construction in progress	29,372,129	45,536,457	61,424,198	61,395,074	46,399,137
Building	187,113,818	192,876,094	183,031,712	178,695,276	183,095,510
Land improvements	17,724,577	14,427,206	8,014,911	4,779,432	815,110
Machinery and equipment	26,122,623	21,785,984	19,884,515	23,380,956	26,176,556
Infrastructure	170,724,328	169,540,945	162,945,084	168,053,907	171,954,336
Leasehold improvements	1,629,974	1,758,510	1,887,046	2,015,582	2,144,118
Total assets	\$878,035,503	\$915,419,803	\$945,056,319	\$953,187,788	\$994,732,292
DEFERRED OUTFLOWS OF RESOURCES:					
Deferred change on refunding	\$734,732	0	0	0	0
LIABILITIES:					
Accounts payable	\$23,066,972	\$ 19,891,632	\$ 23,988,422	\$ 24,983,251	\$ 25,176,170
Interest payable	2,873,516	2,985,774	3,005,823	3,291,899	3,856,093
Tax anticipation note payable	0	0	0	20,000,000	0
Accrued payroll	8,253,446	6,719,993	6,805,962	5,740,213	5,096,553
Unearned revenue	8,749,859	7,342,875	8,406,419	12,295,315	7,724,613
Due to grantor	0	0	135,400	377,338	228,000
Deposits held in trust for others	0	0	12,384	13,183	16,773
Non-current liabilities due within one year	22,829,088	19,790,902	17,047,899	20,873,824	64,081,697
Non-current liabilities due in more than one year	263,100,206	271,966,969	269,067,845	263,635,639	281,758,963
Total liabilities	\$328,873,087	\$328,698,145	\$328,470,154	\$351,210,662	\$387,938,862
NET ASSETS:					
Invested in capital assets, net of related debt	\$372,486,664	\$369,109,799	\$360,462,408	\$347,909,160	\$355,609,898
Restricted for:					
Public safety	3,006,178	1,944,890	1,312,612	6,758,177	7,643,172
Culture and recreation	0	0	0	5,647	5,647
Health and welfare	9,587,276	12,778,986	22,668,006	23,296,906	21,328,903
Debt service	9,895,993	7,006,304	6,299,769	5,395,015	7,178,595
Capital projects	18,998,797	26,034,420	26,812,547	22,870,215	27,172,905
General government	17,868,036	15,909,240	13,506,023	11,876,018	10,947,073
Reserve requirements	69,344,139	69,463,043	69,769,876	67,669,164	65,240,072
Unrestricted	48,710,065	84,474,976	115,754,924	116,196,824	111,667,165
Total net assets	\$549,897,148	\$586,721,658	\$616,586,165	\$601,977,126	\$606,793,430

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

STATEMENT OF ACTIVITIES
TOTAL PRIMARY GOVERNMENT
Fiscal year ending June 30

Governmental activities:	2014	2013	2012	2011	2010
General government	\$(54,492,472)	\$ (54,637,509)	\$ (46,858,647)	\$ (56,345,038)	\$ (36,970,205)
Public works	(47,956,744)	(37,197,272)	(31,521,347)	(31,705,573)	(24,159,067)
Public safety	(155,388,451)	(139,470,908)	(132,473,711)	(121,104,101)	(142,291,621)
Culture and recreation	(14,339,833)	(19,041,226)	(10,952,135)	(8,836,222)	(2,723,380)
Health and welfare	(32,003,841)	(32,687,559)	(31,873,607)	(28,633,759)	(22,107,331)
Interest on long-term debt	(10,613,790)	(10,876,254)	(10,989,496)	(12,420,667)	(14,530,276)
Total government activities	<u>\$(314,795,131)</u>	<u>\$(293,910,728)</u>	<u>\$(264,668,943)</u>	<u>\$(259,045,360)</u>	<u>\$(242,781,880)</u>
Business-type activities:					
Solid waste	\$584,670	\$ 291,399	\$85,797	\$ 201,896	\$ (23,167)
Housing Authority	(413,817)	(24,790)	(50,377)	50,895	(339,854)
Seybold Village Handicapped Project	(195,053)	(288,975)	(50,084)	(299,851)	(198,681)
Regional Juvenile Detention Center	149,647	36,499	157,331	(17,336)	(22,663)
El Centro Familiar	(170,046)	32,845	(23,576)	(95,979)	(94,247)
total business-type activities	<u>(44,599)</u>	<u>40,978</u>	<u>119,091</u>	<u>(160,375)</u>	<u>(678,612)</u>
Total primary government	<u>\$(44,599)</u>	<u>\$ 46,978</u>	<u>\$(264,549,852)</u>	<u>\$(259,205,735)</u>	<u>\$(243,460,492)</u>
General revenues:					
Property taxes	\$139,744,912	\$ 132,624,981	\$ 129,585,691	\$ 122,275,071	\$ 127,201,067
Gross receipts taxes	123,184,816	120,149,781	117,086,938	113,354,187	112,555,113
Motor vehicle taxes	3,775,013	3,702,824	3,778,892	3,694,000	3,788,238
Cigarette taxes	0	0	0	0	5,230
Gas taxes	1,678,264	1,809,719	1,639,775	1,719,921	1,808,628
Investment income	4,737,566	5,623,656	19,410,413	2,250,563	15,374,385
Net decrease in fair value of investments	(4,259,348)	(12,814,794)	0	0	0
Gain on sale of capital assets	0	0	0	0	53,072
Miscellaneous	10,219,010	19,592,905	7,490,016	11,089,840	14,989,850
Transfers	(12,719)	(841,899)	0	0	0
Capital contributions	0	0	167,166	5,849	8,346
Total general revenue and transfers	<u>279,067,514</u>	<u>269,847,173</u>	<u>279,158,891</u>	<u>254,389,431</u>	<u>275,783,929</u>
Change in net assets	<u>(35,727,617)</u>	<u>(24,063,555)</u>	<u>14,609,039</u>	<u>(4,816,304)</u>	<u>32,323,437</u>
Net assets – beginning	<u>586,721,658</u>	<u>610,785,213</u>	<u>601,977,126</u>	<u>606,793,430</u>	<u>574,469,993</u>
Prior period adjustment	<u>\$(1,096,893)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets – beginning as restated	<u>585,624,765</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net assets – ending	<u>\$549,897,148</u>	<u>\$ 586,721,658</u>	<u>\$616,586,165</u>	<u>\$601,977,126</u>	<u>\$606,793,430</u>

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

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

ASSETS:	2014	2013	2012	2011	2010
Cash and investments	\$140,396,899	\$172,786,465	\$204,785,213	\$184,354,233	\$174,801,536
Accounts receivable, net	32,494,060	34,264,326	29,415,373	30,574,766	33,362,204
Accrued interest receivable	81,224	955,674	1,296,908	2,524,617	1,574,202
Note receivable	2,355,163	172,630	185,959	201,381	211,529
Due from other funds	-	-	-	10,629	9,270,928
Inventory	747,617	746,250	828,050	710,067	602,532
Prepaid assets	-	-	-	-	39,245
Advances to other funds	1,497,000	1,497,000	1,497,000	1,497,000	1,497,000
Cash-restricted	-	-	1,059,419	-	-
Total assets	<u>\$177,571,963</u>	<u>\$210,422,345</u>	<u>\$239,067,922</u>	<u>\$219,872,693</u>	<u>\$221,359,176</u>
 LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable	\$13,197,072	\$ 11,935,783	\$13,929,635	\$14,947,028	\$9,817,741
Accrued payroll	7,872,267	6,410,033	6,401,802	5,395,809	4,730,296
Deferred revenue	61,023	10,358,054	11,084,882	12,055,525	12,321,384
Due to other funds	983,049	735,851	592,379	544,763	371,345
Total liabilities	<u>\$22,113,411</u>	<u>\$ 29,439,721</u>	<u>\$32,008,698</u>	<u>\$32,943,125</u>	<u>\$27,240,766</u>
 DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	<u>\$16,256,107</u>	-	-	-	-
Total deferred inflows of resources	<u>\$16,256,107</u>	-	-	-	-
Nonspendable	4,599,780	2,415,880	3,570,428	2,408,448	-
Reserved for:					
Notes receivable	-	-	-	-	211,529
Advances to other funds	-	-	-	-	1,497,000
Inventory	-	-	-	-	602,532
Prepaid items	-	-	-	-	39,245
Encumbrances	-	-	-	-	8,952,697
Reserve requirement	-	-	-	-	65,240,072
Unreserved, designated for:					
Subsequent years' expenditures	-	-	-	-	45,632,530
Bond defeasance/enhancement	-	-	-	-	9,000,000
Capital projects	-	-	-	-	14,532,977
Economic development	-	-	-	-	3,000,000
Grant funds	-	-	-	-	7,409,828
Building funds	-	-	-	-	8,000,000
Infrastructure replacement	-	-	-	-	13,000,000
Stabilization	-	-	-	-	15,000,000
Debt service cash flow	-	-	-	-	2,000,000
Restricted	69,603,058	69,493,554	71,053,870	68,801,270	-
Committed	36,349,629	43,293,845	56,961,090	1,189,430	-
Assigned	15,400,000	29,970,246	38,909,238	80,444,554	-
Unassigned	13,249,978	35,809,099	36,564,598	34,085,866	-
Total fund balances	<u>\$139,202,445</u>	<u>\$180,982,624</u>	<u>\$207,059,224</u>	<u>\$186,929,568</u>	<u>\$194,118,410</u>
Total liabilities and fund balances	<u>\$177,571,963</u>	<u>\$210,422,345</u>	<u>\$239,067,922</u>	<u>\$219,872,693</u>	<u>\$221,359,176</u>

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

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>
Revenues					
Taxes:					
Property	\$122,139,784	\$120,416,953	\$116,233,631	\$113,048,059	\$110,799,035
Sales	92,203,040	96,316,614	92,969,210	89,669,675	89,096,909
Motor vehicle	3,775,013	3,702,824	3,778,892	3,694,000	3,788,238
Gas & Cigarette	1,678,264	1,809,719	1,639,775	1,719,921	1,812,110
Intergovernmental	1,642,104	1,715,175	512,554	-	-
Licenses and permits	2,630,342	2,648,321	2,654,537	2,899,215	2,362,344
Fees for services	5,611,526	6,459,802	6,161,588	5,517,427	5,519,276
Investment income	3,556,181	4,406,434	18,195,206	926,989	12,382,262
Net decrease in fair value of investments	(4,259,348)	(12,814,794)	-	-	-
Miscellaneous	5,575,436	7,828,471	5,337,824	6,410,656	3,415,558
Total revenues	<u>\$234,552,342</u>	<u>\$232,489,519</u>	<u>\$247,483,217</u>	<u>\$223,885,942</u>	<u>\$229,175,732</u>
Expenditures					
Current:					
General government	\$55,234,399	\$54,659,667	\$47,300,336	\$ 57,328,331	\$ 48,814,827
Public works	30,630,883	28,620,426	26,848,810	26,297,229	23,091,514
Public safety	145,834,941	130,101,375	122,756,787	111,288,851	114,191,795
Health and welfare	5,020,854	2,859,663	8,588,261	9,025,245	3,157,282
Culture and recreation	12,527,553	10,777,214	9,360,398	9,372,783	8,810,416
Capital outlay	8,621,808	15,010,837	6,935,045	5,884,536	5,998,922
Intergovernmental – capital outlay	829,455	6,826,346	589,508	190,613	450,442
Total expenditures	<u>\$258,699,893</u>	<u>\$248,855,528</u>	<u>\$222,379,145</u>	<u>\$219,387,588</u>	<u>\$204,515,198</u>
Excess (deficiency) of revenues over expenditures	\$(24,147,551)	\$(16,366,009)	\$ 25,104,072	\$ 4,498,354	\$ 24,660,534
Other financing sources (uses)					
Transfers in	799	307,190		\$ 15,085	\$ 2,207,170
Transfers out	(17,960,387)	(10,403,267)	(10,621,105)	(12,969,742)	(8,479,541)
Sale of capital assets	326,960	385,486	274,534	157,720	72,092
Total other financing sources (uses)	<u>\$(17,632,628)</u>	<u>\$(9,710,591)</u>	<u>\$(10,346,571)</u>	<u>\$(12,796,937)</u>	<u>\$(6,200,279)</u>
Net changes in fund balances	\$(41,780,179)	\$(26,076,600)	\$ 14,757,501	\$ (8,298,583)	\$ 18,460,255
Fund balance – beginning	<u>180,982,624</u>	<u>207,059,224</u>	<u>\$186,929,568</u>	<u>\$194,118,410</u>	<u>\$175,658,155</u>
Restatement – changes in fund balance	-	-	5,372,155	1,109,741	-
Fund balance – beginning as restated	-	-	\$192,301,723	\$195,228,151	\$175,658,155
Fund balance – ending	<u>\$139,202,445</u>	<u>\$180,982,624</u>	<u>\$207,059,224</u>	<u>\$186,929,568</u>	<u>\$194,118,410</u>

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

LITIGATION

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

TRANSCRIPT AND CLOSING DOCUMENTS

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

VERIFICATION OF CERTAIN MATHEMATICAL COMPUTATIONS

The mathematical accuracy of (i) the computations of the adequacy of the principal amounts and the interest thereon of the Federal Securities and other funds to be deposited in the Escrow Fund, to provide for the payment, of the principal of, premium and interest on the Refunded Bonds when due or upon early redemption thereof, and (ii) the computations made supporting the conclusion that the yield on the Federal Securities held pursuant to the Escrow Agreement is less than the yield on the Bonds for federal income tax purposes, will be verified by certified public accountants. Such verification will be based, in part, upon information supplied to the certified public accountant and consultant by the Financial Advisor.

LEGAL MATTERS

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

THE FINANCIAL ADVISOR

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

UNDERTAKING TO PROVIDE ONGOING DISCLOSURE

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

The County did not timely file its financial information for the 2007, 2008, and 2009 fiscal years. The County has subsequently filed the 2007, 2008 and 2009 annual information in July 2012. Since that time, the County has filed its continuing disclosure requirements in a timely manner. In addition, the County has implemented procedures intended to ensure future compliance with its continuing disclosure obligations. A failure by the County to comply with the Undertaking will not constitute an Event of Default under the Bond Resolution (although Bondholders will have any available remedy at law or in equity). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price. The County believes it is in material compliance with its outstanding continuing disclosure obligations.

TAX MATTERS

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

The Internal Revenue Code of 1986, as amended (the "Code"), imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal tax purposes of interest on obligations, such as the Bonds. The County has covenanted in the Bond Ordinance

to comply with certain guidelines designed to assure that interest on the Bonds will not become includible in gross income. Failure to comply with these covenants may result in interest on the Bonds being included in gross income from the date of issue of the Bonds. The opinion of Bond Counsel assumes compliance with such covenants.

Bond Counsel has opined that interest on the Bonds is not a specific preference item for purposes of the alternative minimum tax provisions contained in the Code; however, the interest on the Bonds will be taken into account in determining the adjusted current earnings for the purpose of computing the alternative minimum tax on certain corporations (as defined for federal income tax purposes).

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

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

Prospective purchasers of the Bonds should be aware that ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with “excess net passive income,” foreign corporations subject to the branch profits tax, life insurance companies and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the Bonds. Bond Counsel does not express any opinion regarding such collateral tax consequences. Prospective purchasers of the Bonds should consult their tax advisors regarding collateral federal income tax consequences.

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

INVESTMENT PROCEDURES

INVESTMENTS

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

CURRENT INVESTMENTS

As of the date of this Official Statement, the County's investible funds were invested only in statutorily permitted investments. As discussed above under "Fiscal Year 2013 Audit Report," the County adopted on April 1, 2014 a new Investment Policy which is attached hereto as "APPENDIX E," and has restructured its investment portfolio. No funds of the County are invested in derivative securities, i.e., securities whose rate of return is determined by reference to some other instrument, index or commodity.

RATINGS

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

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

Fitch Rating has assigned a municipal bond rating of "AAA" to the Bonds.

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

COUNTY APPROVAL OF OFFICIAL STATEMENT

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

BERNALILLO COUNTY, NEW MEXICO

/s/ Maggie Hart Stebbins

Chair, Board of County Commissioners

APPENDIX A
FORM OF LEGAL OPINION

March __, 2015

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

\$14,010,000
BERNALILLO COUNTY, NEW MEXICO
GENERAL OBLIGATION REFUNDING BONDS
SERIES 2015A

Ladies and Gentlemen:

We have acted as bond counsel in connection with the issuance by the Board of County Commissioners of Bernalillo County, New Mexico (the "County") of its General Obligation Refunding Bonds, Series 2015A (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. Upon deposit of Bond proceeds pursuant to the Escrow Agreement, the Series 2005 Bonds, Series 2005A Bonds, and 2006 Bonds are defeased and no longer have the lien on *ad valorem* taxes of the County.
3. The interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, the interest on the Bonds will be taken into account in determining the adjusted current earnings for the purpose of computing the alternative minimum tax on certain corporations (as defined for federal income tax purposes). The opinions set forth

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

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

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

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

VERY TRULY YOURS,

APPENDIX B

UNDERTAKING TO PROVIDE ONGOING DISCLOSURE

\$14,010,000
BERNALILLO COUNTY, NEW MEXICO
General Obligation Refunding Bonds
Series 2015A

This instrument constitutes the written undertaking by the Bernalillo County, New Mexico (the “Issuer”) for the benefit of the holders of the above-captioned bonds (the “Bonds”) required by Section (b)(5)(i) of Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (17 C.F.R. Part 240, § 240. 15c2-12) (the “Rule”). Capitalized terms used in this undertaking and not otherwise defined in a Resolution adopted by the Board of County Commissioners on January 13, 2015 (the “Resolution”) shall have the meanings assigned such terms in subsection 3 hereof.

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

2.
 - a. The Issuer shall, while any Bonds are Outstanding, provide the Annual Financial Information on or before March 31 of each year (the “Report Date”), beginning in 2016 to EMMA. The Issuer may adjust the Report Date if the Issuer changes its fiscal year by providing written notice of the change of fiscal year and the new Report Date to EMMA; provided that the new Report Date shall be 270 days after the end of the new fiscal year and provided further that the period between the final Report Date relating to the former fiscal year and the initial Report Date relating to the new fiscal year shall not exceed one year in duration. It shall be sufficient if the Issuer provides to EMMA, the Annual Financial Information by specific reference to documents previously provided to EMMA or filed with the Securities and Exchange Commission and, if such a document is a final official statement within the meaning of the Rule, available from the Municipal Securities Rulemaking Board.

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

 - c. If an Event occurs while any Bonds are Outstanding, the Issuer shall provide an Event Notice in a timely manner not in excess of ten (10) business days after the occurrence of the event to EMMA. Each Event Notice shall be so captioned and shall prominently state the date, title and CUSIP numbers of the Bonds.

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

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

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

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

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

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

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

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issued (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
- (vii) Modifications to rights of security holders, if material;
- (viii) Bond calls, if material, or tender offers;
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the securities;

- (xi) Rating changes;
 - (xii) bankruptcy, insolvency, receivership or a similar event with respect to the County or an obligated person;
 - (xiii) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
 - (xiv) appointment of a successor or additional trustee, or a change of name of a trustee, if material.
- e. **“Event Notice”** means written or electronic notice of an Event.

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

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

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

APPENDIX C

AREA ECONOMIC INFORMATION

Population

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

POPULATION

<u>Year</u>	<u>Bernalillo County</u>	<u>Albuquerque MSA</u>	<u>State</u>
1960	262,199	292,500 ⁽¹⁾	951,023
1970	315,774	353,800 ⁽¹⁾	1,017,055
1980	419,700	485,500 ⁽¹⁾	1,303,143
1990	480,577	589,131	1,515,069
2000 ^{(2) (4)}	556,678	729,649	1,821,078
2005 ⁽³⁾	606,502	797,146	1,912,884
2010 ⁽⁴⁾	664,636	890,188	2,065,826
2011 ⁽³⁾	669,880	897,320	2,078,674
2012 ⁽³⁾	673,460	901,700	2,085,538

(1) Because Valencia County was split into two counties in 1981, official data is not available prior to that year for the Albuquerque MSA. Figures shown represent estimates by the University of New Mexico Bureau of Business and Economic Research.

(2) April of 2000 is the month and year of the Census. It is reported as the benchmark; all other years are as of July of the year. The Census in 2000 expanded the Albuquerque MSA to include Torrance County, population of 16,911.

(3) U.S. Dept. of Commerce, Bureau of the Census, Population Division.

(4) 2010 decennial census U.S. Dept. of Commerce, Bureau of the Census.

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

Age Distribution

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

Population by Age Group

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

Source: The Nielsen Company, 2014

Per Capita Personal Income

<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>
2012	n/a	\$35,079	\$42,693		
2011	\$36,233	34,133	41,560	106.15%	87.17%
2010	35,378	32,940	39,791	105.99%	88.91%
2009	35,273	32,200	38,637	109.48%	91.29%
2008	36,664	33,490	40,947	109.48%	89.54%

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

Employment

General

The following table, derived from information supplied by the New Mexico Department of Workforce Solutions, presents information on employment within the County, the State and the United States, for the periods indicated. The annual employment figures indicate average rates for the entire year and does not reflect monthly or seasonal trends.

CIVILIAN EMPLOYMENT/UNEMPLOYMENT RATES

Year	BERNALILLO COUNTY		STATE OF NEW MEXICO		UNITED STATES
	Labor Force	% Unemployed	Labor Force	% Unemployed	% Unemployed
2014 ¹	301,757	6.10%	934,239	6.20%	5.80%
2013	303,450	6.70%	933,013	6.70%	7.40%
2012	304,440	7.10%	935,890	6.90%	8.10%
2011	305,623	7.10%	930,413	6.60%	8.70%
2010	315,362	8.10%	957,591	8.10%	9.40%
2009	316,865	7.60%	958,849	7.90%	9.90%
2008	320,586	4.50%	966,241	4.50%	7.20%
2007	314,621	2.90%	946,498	3.10%	4.90%
2006	317,844	3.10%	949,126	3.30%	4.50%
2005	316,477	3.90%	947,696	4.40%	4.90%

¹As of December 2014.

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

MAJOR EMPLOYERS IN THE ALBUQUERQUE AREA⁽¹⁾
By Number of Employees – 2014

ORGANIZATION	EMPLOYEES	DESCRIPTION
University of New Mexico	15,360	Educational Institution
Albuquerque Public Schools	14,810	Public School District
Kirtland Air Force Base ⁽²⁾	10,125	Force Material Command
Sandia National Labs	9,852	Science-Based Technologies that Support National Security
Presbyterian Healthcare Services	7,310	Hospital/Medical Services Air
UNM Hospital	5,960	Hospital/Medical Services
City of Albuquerque	5,500	Government
State of New Mexico	4,950	Government
Lovelace	4,000	Hospital/Medical Services
Intel Corporation	2,800	Semiconductor Manufacturer

- (1) For a discussion regarding major employers and certain changes which may impact their number of employees, see "Major Industries" under this caption.
- (2) Kirtland's employment includes active duty military, guard reserve, civil service and contract employees. Sandia National Laboratories employees are located at Kirtland Air Force Base, but employment number is shown separately.

EFFECTIVE BUYING INCOME AND ESTIMATED MEDIAN HOUSEHOLD INCOME

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

Source: The Nielsen Company, 2014

APPENDIX D

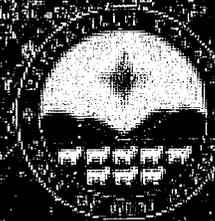
**STATE OF NEW MEXICO
COUNTY OF BERNALILLO
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FISCAL YEAR ENDED JUNE 30, 2014**

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2014

Bernalillo County

New Mexico



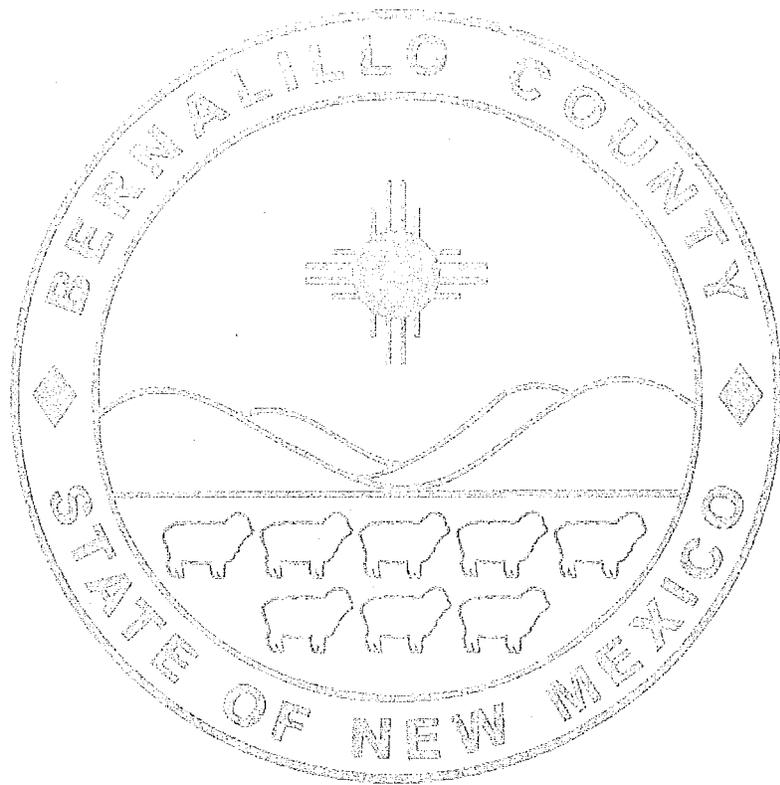
WE'RE MORE THAN YOU THINK

**STATE OF NEW MEXICO
COUNTY OF BERNALILLO**

**COMPREHENSIVE
ANNUAL
FINANCIAL
REPORT
Fiscal Year Ended June 30, 2014**

**COUNTY OF BERNALILLO GOVERNMENT
Board of County Commissioners
Tom Zdunek, County Manager
Shirley Ragin, Deputy County Manager for Finance**

**Prepared by:
The Accounting Department**



COUNTY OF BERNALILLO, NEW MEXICO

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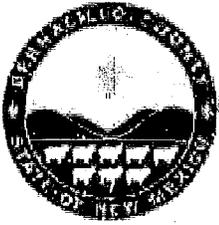
COUNTY OF BERNALILLO, NEW MEXICO

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County of Bernalillo
State of New Mexico

Accounting Department

415 Tijeras Ave. NW (Basement)

Albuquerque, New Mexico 87102

Office: (505) 468-1694 Fax: (505) 468-1411

www.bernalillo.gov/accounting/

November 14, 2014

COMMISSIONERS

Debbie O'Malley, Chair
District 1

Art De La Cruz, Vice Chair
District 2

Maggie Hart Stebbins, Member
District 3

Lonnie C. Talbert, Member
District 4

Wayne A. Johnson, Member
District 5

Board of County Commissioners

Debbie O'Malley, Chair

Art De La Cruz, Vice Chair

Maggie Hart Stebbins, Member

Wayne A. Johnson, Member

Lonnie C. Talbert, Member

One Civic Plaza, 10th Floor
Albuquerque, New Mexico 87102

Dear Commissioners:

COUNTY MANAGER

Tom Zdunek

Management hereby submits the Comprehensive Annual Financial Report (CAFR) of the County of Bernalillo (the County), New Mexico, for fiscal year ending June 30, 2014.

ELECTED OFFICIALS

Tanya R. Giddings
Assessor

Maggie Toulouse Oliver
Clerk

Willow Misty Parks
Probate Judge

Dan Houston
Sheriff

Manny Ortiz
Treasurer

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

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

Moss Adams LLP, Certified Public Accountants, has issued the highest possible opinion, an unmodified opinion, on the county's comprehensive annual financial report for the fiscal year ending June 30, 2014. The independent auditor's report is located at the front of the financial section of this report.

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

Profile of the County

Bernalillo County, which encompasses the entire City of Albuquerque, is located in the central region of the state and is the economic and population hub of New Mexico. With an estimated population of 674,221 in 2013, Bernalillo County is the 92nd most populous county of the nation's 3,143 counties. It comprises 32 percent of New Mexico's population and 75 percent of the Albuquerque Metropolitan Statistical Area (MSA) comprised of Bernalillo County and portions of Sandoval, Torrance and Valencia counties.

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

The county maintains extensive budgetary controls. The objective of these controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the Board. The county's legal level of budgetary control is at the fund level, except for the Emergency Medical Services and Fire Districts funds, whose legal level of budgetary authority is at the program or district level. Appropriations within a fund may be adjusted under the authority of Department Directors and the Budget Director as long as total fund appropriations remain the same. Adjustments to appropriations must be approved by the Board and New Mexico State Department of Finance and Administration (DFA), with the exception of adjustments less than \$300,000, which can be approved by the County Manager in accordance with administrative resolution 2012-17. The Local Government Division of DFA is the agency responsible for regulating the budgetary affairs of the county. Budget adjustments that do not require DFA approval are limited to transfers of budget between departments within a fund or transfers between line items within a department within a fund. State statutes prohibit the county from making expenditures in excess of the final approved budget at the fund level. The appropriated amounts reflected in the accompanying financial statements are at the function and activity level for the general fund and by object class for all other funds.

Local Economy

Bernalillo County, with the City of Albuquerque making up 83 percent of its population, serves as a hub for commerce and industry in the Southwest. It accounts for nearly half of all economic activity in New Mexico. Its success can be attributed to a diverse economic base consisting of government, services, trade, agriculture, tourism, manufacturing, and research and development. In the 2014 Forbes List of "Best Places for Business and Careers," Albuquerque placed 166th out of the 200 ranked metro areas in the country and was ranked 68th in the "Cost of Doing Business" category and 189th in the "Job Growth Expected" category.

Forecasts by the University of New Mexico's Bureau of Business and Economic Research suggest that the Albuquerque Metropolitan Statistical Area (MSA) will experience a slow increase in reported job numbers in 2014. For 2014, forecasts indicate that total employment will grow by 1.0 percent and the MSA is expected to add 3,669 jobs. The economy is expected to add 3,608 jobs (1.3 percent) in the private sector and 61 jobs in the government sector (0.1 percent). In the longer-term, the Albuquerque MSA economy is forecast to add a total of nearly 29,800 jobs (1.4 percent average annual growth) by 2019. Growth will be concentrated in the private sector (27,800 additional jobs, 1.6 percent average annual growth). The unemployment rate in June 2014 was 6.8 percent—higher than the national rate of 6.1 percent and 0.3 percent higher than the statewide rate of 6.5 percent. The unemployment rate for the Albuquerque MSA has remained unchanged at 6.8 percent in July 2014.

The FY15 general fund budgeted appropriations of \$244,974,555 represents a 3.3 percent increase over the FY14 budget. Property taxes are anticipated to make up 52.6 percent of general fund revenue in FY15 and are projected to increase by approximately 4.7 percent over the FY14 budget. Gross receipts taxes make up 39.2 percent of the general fund revenue. The FY15 budget for gross receipts taxes includes an increase of approximately 3.8 percent in tax revenues due to Bernalillo County exceeding tax revenue expectations in FY14. The general fund budget does not include the Payment In Lieu of Taxes (PILT), Regional Detention Center, and Community Services sub-funds where revenues and expenditures have been restricted by the Bernalillo County Commission and are not available for operating purposes.

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

Long-Term Financial Planning

The financial condition of the county is strong as reflected by the county's current bond ratings. The county's 2014 General Obligation Bonds were rated "AAA" by the nation's three top rating agencies: Standard & Poor's, Moody's, and Fitch Ratings. The county continues its effort to incorporate comprehensive financial planning in its long-range vision in order to remain solvent during the gradual economic recovery. In addition to the 3/12th reserve requirement, required by the State of New Mexico, of \$69,344,139, the county's long-term financial plan includes maintaining adequate reserves to accommodate the county's future cash flow needs and any unforeseen emergency contingency concerns in its minimum fund balance policy consisting of an unassigned amount of \$13,249,978. Industry best practices indicates that counties the size of Bernalillo County should maintain a reserve between 25 to 30% of their operating expenditures in the General Fund. The combination of both reserves equates to 32% of the fiscal year 2014 General Fund operating expenditures.

Relevant Financial Policies

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

to a more careful examination of resource allocation choices. FY14 represented the second year of the past biennial cycle and FY15 represents the first year of the current biennial cycle.

Major Initiatives

In September 2013, the county launched a Mobile Asset Management application which provides a comprehensive mobile solution that allows remote workers to access, transfer, complete and manage their assigned work orders and service requests. The application is fully integrated with the county's current enterprise resource planning financial system. It has the ability to track personnel, equipment and material resources at point of performance regardless of connectivity. It also increases productivity by eliminating a paper-based work order system with an electronic automated solution.

In April 2014, the county launched a new in house developed software for electronic timecards and leave requests. This system was developed by the Human Resources Information Systems (HRIS) team for Rules and Regulation and Blue and White collar employees and has expanded to include the Department of Substance Abuse Program in Public Safety. The system eliminates the need for paper timesheets and leave request forms. It is easy to use and allows employees, supervisors, timekeepers and directors the ability to view and track timesheets and leave requests. It contains the ability to track history and look for trends by pay periods or by employees. The data is current and up to date and contains the leave balances as well as the historical leave balances for each pay period. A workflow process is embedded into the system to allow for tracking approvals and rejections for leave requests. This eTimecard system streamlines the bi-weekly process for timecards used by county employees each pay period and interfaces with the emPath HR/Payroll system.

During FY14, the county along with an investment sub-committee developed a new Investment Policy to replace an existing policy. The seven-member committee was comprised of community volunteers with extensive knowledge and expertise in the subject matter. The Bernalillo County Board of Finance unanimously approved the new investment policy for the county on January 28, 2014. The new investment policy is more detailed than the old policy and establishes stricter parameters for how the county invests its savings and on-hand cash not needed for immediate expenses. Key elements in the investment policy include:

- Prioritizing safety, liquidity and return, in that order, to ensure that the principal investment is preserved.
- Maintaining proper liquidity by matching the county's cash flow projections with short-term cash balances and investments.
- Long-term securities cannot exceed a five year maturity date unless the Board of Finance and the Treasurer agree.
- Investment transactions and the investment portfolio will be available on BernCo View, the county's transparency portal.

Also in FY14, the county developed an Economic Development Financing Policy designed to set forth the parameters for issuing conduit bonds and monitoring the outstanding conduit bond portfolio. Conduit Financing is a financing arrangement involving a government using its name in an issuance of fixed income securities for an organization. Depending upon the project and its objectives, various financing arrangements include *Industrial Revenue Bonds (IRB)*; *Project Revenue Bonds (PRB)*; *Private Activity Bonds (PA)*; and *Housing Revenue Bonds (HRB)*. (Note: Bernalillo County is not responsible for paying the required cash flows to investors-- all cash flows come directly from the project). This *County Conduit Financing Policy & Procedures* provides

guidance to decision-makers regarding conduit financing and economic development incentives. Adherence to *Conduit Financing Policy & Procedures* works to ensure that Bernalillo County's credit quality is protected. This single source of information for elected officials, management, staff and the public serves to:

- Ensure high-quality economic development decisions.
- Impose order and consistency in the conduit financing process.
- Promote consistency and continuity in the decision-making process.
- Provide all disclosures required by law to promote transparency.
- Ensure conduit-financing decisions are viewed positively by Bernalillo County Commissioners, the investment community, and the property taxing agencies.

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, 2013. This was the tenth consecutive year that the county has received this prestigious award. In order to be awarded a Certificate of Achievement, the county must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

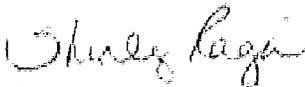
A Certificate of Achievement is valid for a period of one year. The county believes that its current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and is submitting it to the GFOA to determine its eligibility for this prestigious recognition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

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

Sincerely,



Tom Zdunek
Bernalillo County Manager



Shirley Ragin
Deputy County Manager for Finance



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

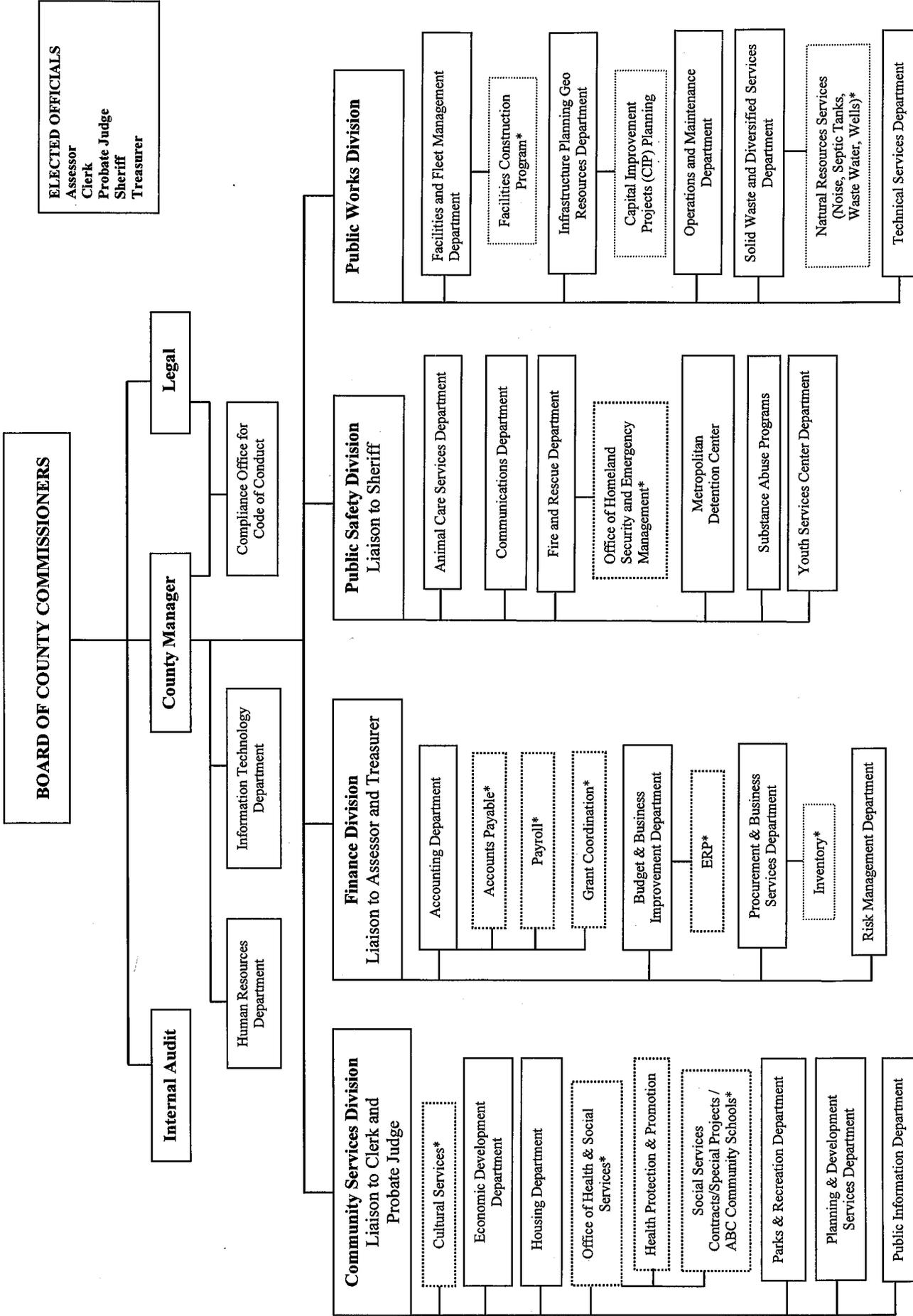
**County of Bernalillo
New Mexico**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

BERNALILLO COUNTY ORGANIZATIONAL CHART



* Organizational unit of county government reporting to assigned Deputy County Manager/Director
Last updated 5/2014

COUNTY OF BERNALILLO

PRINCIPAL OFFICIALS

June 30, 2014

COUNTY COMMISSIONERS

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

COUNTY ELECTED OFFICIALS

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

COUNTY MANAGER

Tom Zdunek

DEPUTY COUNTY MANAGERS

Shirley Ragin, Deputy County Manager for Finance
Vince Murphy, Deputy County Manager for Community Services
Tom Swisstack, Deputy County Manager for Public Safety
Jarvis Darnell Middleton, Deputy County Manager for Public Works

COUNTY OF BERNALILLO, NEW MEXICO
CONTRIBUTORS
June 30, 2014

Shirley Ragin
Deputy County Manager for Finance

Financial Reporting Personnel

Jeff P. Lovato, MBA
Accounting Director

Bonnie Ulibarri-Romero, CPA
Financial Projects Coordinator

Anthony Infantino, MBA
Financial Projects Coordinator

Trudy McGregor, CPA
Financial Administrator

Nataliya Rubinchik, MSA
Financial Administrator

John Watt
Financial Administrator

Ryan Travelstead
Financial Administrator

Sueko Solosky
Financial Services Administrator

Cindy Torres
Accounting Officer

Leticia Carreon
Accounting Officer

Virginia C. Montoya
Accounting Officer

Victoria Herring
Administrative Officer

Treasurer's Office

Isabelle Purcella
Chief Deputy Treasurer
Christopher J. Sanchez
Accounting Manager

Fixed Assets Section

Martin Gallegos
Fixed Asset Manager

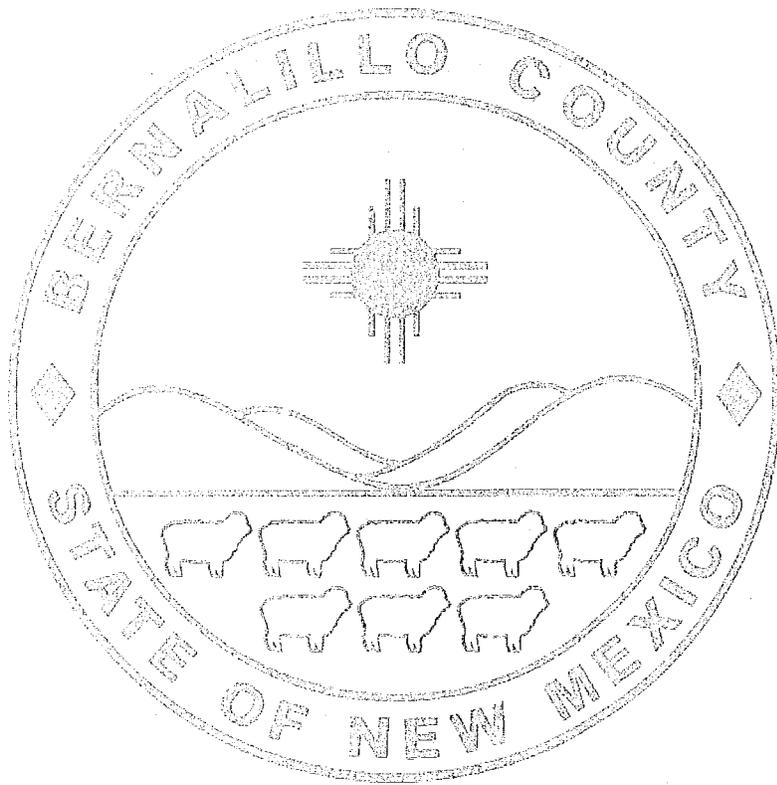
Budget and Business Improvement

Budget staff

Housing

Jackie Sanchez
Fiscal Housing Administrator

Cover photo by Randy Landavazo



REPORT OF INDEPENDENT AUDITORS

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund of Bernalillo County, New Mexico (County) as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise the County's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the County's nonmajor governmental, nonmajor enterprise, internal service fund, fiduciary funds and the budgetary comparisons for all nonmajor funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2014, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2014, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparisons for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental, nonmajor enterprise, internal service fund and fiduciary funds of the County as of June 30, 2014, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for all nonmajor funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

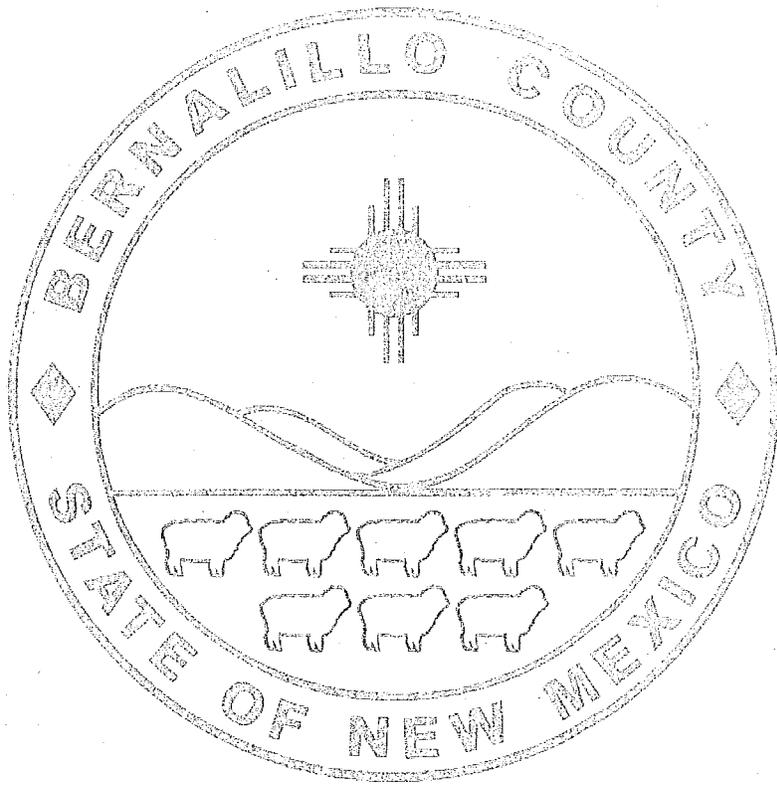
The introductory and statistical section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2014 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Mess Adams LLP

Albuquerque, New Mexico
November 14, 2014



COUNTY OF BERNALILLO NEW MEXICO
Management's Discussion and Analysis
June 30, 2014

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, 2014. We encourage readers to consider the information presented here in conjunction with additional information furnished in our letter of transmittal, which can be found on pages i-v of this report.

Financial Highlights

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

- The total government-wide assets of the County exceed its liabilities as of June 30, 2014 by \$557,271,283 (*net position*), a decrease of \$36,492,803 or a 6.2% decrease. The decrease included a prior period adjustment of \$1,096,983 to expense bond costs from prior years to comply with GASB 65. Of this amount, \$375,623,222 is net investment in capital assets. Of the remaining balance, \$128,700,419 is restricted for specific purposes and \$52,947,642 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- As of June 30, 2014, the County's governmental activities and business type activities have a net position of \$549,897,148 and \$7,374,135 respectively.
- Total net position of the County is comprised of the following:

Net Position by Category	June 30, 2014	% to Total	June 30, 2013	% to Total
Net investment in capital assets	\$ 375,623,222	67%	\$ 372,504,791	63%
Restricted net position	128,700,419	23%	133,136,883	22%
Unrestricted net position	52,947,642	10%	88,122,412	15%
Total net position	\$ 557,271,283	100%	\$ 593,764,086	100%

Individual Fund Financial Statements

- As of June 30, 2014, the County's governmental funds reported combined fund balances of \$244,380,696. This reflects a decrease of \$39,758,990 or a 14% decrease from the previous fiscal year and is primarily attributed to a planned draw down of fund balance in the General Fund and the Construction Fund of \$27.3 and \$7.1 respectively on expenditures approved by the Bernalillo County Commission for various county projects and other initiatives, the establishment of a debt service reserve fund for the 2005 GRT refunding bond of \$4.9 million and the recognition of a net realized investment loss of \$4.3 million.
- The fund balance in the County's General Fund decreased from \$180,982,624 in FY13 to \$139,202,445 in FY14, a decrease of \$41,780,179 or a 23.1% decrease. The decrease was primarily attributed to planned expenditures for various county projects such as information technology maintenance and upgrades, Clerk's election costs, economic development initiatives, social service programming, Metropolitan Detention Center (MDC) initiatives, and

other one-time projects. In addition, funds were transferred and used to establish a debt service reserve fund for the 2005 GRT refunding bond and the County's recognized net realized investment loss as stated in the first bullet above. Of the FY14 fund balance amount, \$69,344,139 or 49.8% of the general fund is for the State of New Mexico Department of Finance and Administration required reserve (*reported as part of the restricted fund balance; see note disclosure on page 71 for detail*), \$36,349,629 or 26.1% is committed for various county projects, and \$15,400,000 or 11.1% is assigned for subsequent years' expenditures.

- The County was able to maintain adequate reserves in the amount of \$69,344,139 (*reported as part of the restricted fund balance; see note disclosure on page 71 for detail*) as required by the State of New Mexico Department of Finance and Administration, Local Government Division – 3/12 of the General Fund Budget for FY15.
- At the end of the fiscal year, the nonspendable fund balance of the County's General Fund was \$4,599,780 for notes receivable, advances to other funds, and inventory (*see note disclosure on page 71 for detail*).
- At the end of the fiscal year, the unassigned fund balance of the County's General Fund was \$13,249,978 set aside for unforeseen emergency contingencies and cash flow needs. In the future, to comply with the County's minimum fund balance policy of 2/12 of the prior year General Fund operating expenditures the current plan is to continue with cost containment efforts over the next few years, look for other revenue sources, and/or amend the current policy to reflect industry best practices with the goal to exceed those levels over time.

Long-Term Debt

- During the year, the County sold \$8,700,000 of General Obligation Bonds, Series 2014, which included \$5,000,000 for roads, \$2,500,000 for storm drains, \$800,000 for libraries, and \$400,000 for facility improvements. In addition, the County issued \$2,995,000 of General Obligation Refunding Bonds, Series 2014A, with an average interest rate of 2.496% to advance refund \$3,029,000 of the County's outstanding General Obligation Bonds, Series 2004.
- The County has \$457,241,594 in available bonding capacity or 78.8% of allowable bonding capacity per the New Mexico State Constitution (*see page 162*).
- The County's 2014 General Obligation Bonds were rated "AAA" by both Fitch Ratings and Standard & Poor's and rated "Aaa" by Moody's Investors Service. In addition, both Fitch Ratings and Standard & Poor's affirmed its "AAA" rating and Moody's Investors Service affirmed its "Aaa" rating on the County's existing GO Bond debt with an outlook of stable.
- In addition to its "AAA" rating, Standard & Poor's rates Bernalillo County as "STRONG" on its financial management policies, liquidity, and budgetary flexibility. In addition, the rating agency recognized the County for the consistent maintenance of healthy general fund reserves. The County continues its effort to incorporate comprehensive financial planning in its long-range vision in order to remain solvent during the slow growing economy.

Miscellaneous

- The County property valuations increased 0.8% from \$14.39 billion in FY13 to \$14.50 billion in FY14 (*see page 153*).
- The County managed and expended \$17,009,825 in Federal Funds in FY14 (*see page 171*).

Overview of the Financial Statements

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

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

Both of the government-wide financial statements differentiate functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include general government, public works, public safety, culture and recreation, health and welfare and interest on long-term debt. The business-type activities of the County include Solid Waste, Bernalillo County Housing Authority, Seybold Village Handicapped Project, Regional Juvenile Detention Center, and El Centro Familiar. The government-wide financial statements can be found on pages 32-33 of this report.

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

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. For this purpose, the County considers revenues to be available if they are collected within 60 days of the current fiscal period. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower

than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the County's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

The County adopts an annual appropriated budget for its General fund. A budgetary comparison statement for the General fund is presented on pages 38-39. In addition, the County adopts an annual budget for other non-major funds. A budgetary statement is presented individually for all those funds that have an adopted budget.

The basic governmental fund financial statements can be found on pages 34-39 of this report.

Proprietary funds. The County maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The County uses enterprise funds to account for Solid Waste, Bernalillo County Housing Authority, Seybold Village Handicapped Project, Regional Juvenile Detention Center, and El Centro Familiar. An *Internal service fund* is used to account for operations that provide services to other departments or agencies of the County on a cost-reimbursement basis. The County's internal service fund is the Risk Management fund, which is used to account for its risk management activities. Because the services provided by the Risk Management fund predominantly benefit governmental rather than business-type functions, this fund is included within *governmental activities* in the government-wide financial statements. The basic proprietary fund financial statements can be found on pages 40-42 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary funds financial statements can be found on page 43 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements can be found on pages 44-79 of this report.

Other information. The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the Notes to the Financial Statements. Combining and individual fund statements and schedules can be found on pages 80-122 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The County's governmental-wide assets exceeded liabilities by \$557,271,283 for the fiscal year ending June 30, 2014. By far the largest portion of the County's net position (67.4 percent) reflects its investment in capital assets (e.g., infrastructure, land, buildings, machinery, and equipment) less any debt used to acquire those assets, which is still outstanding. In the prior year, the County's investment in capital assets was 62.7% of net position. The County uses these capital assets to provide services to the citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

County of Bernalillo Net Position

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Assets:						
Current and other assets	\$ 304,353,807	\$ 330,785,617	\$ 6,620,885	\$ 6,183,485	\$ 310,974,692	\$ 336,969,102
Capital assets	573,681,696	584,634,186	3,136,558	3,394,992	576,818,254	588,029,178
Total assets	878,035,503	915,419,803	9,757,443	9,578,477	887,792,946	924,998,280
Deferred outflow of resources:						
Deferred charge on refunding	734,732	-	-	-	734,732	-
Total deferred outflows of resources	734,732	-	-	-	734,732	-
Liabilities:						
Long-term liabilities	263,100,206	271,966,969	356,784	331,834	263,456,990	272,298,803
Other liabilities	65,772,881	56,731,176	2,026,524	2,204,215	67,799,405	58,935,391
Total liabilities	328,873,087	328,698,145	2,383,308	2,536,049	331,256,395	331,234,194
Net Position:						
Net investment in capital assets	372,486,664	369,109,799	3,136,558	3,394,992	375,623,222	372,504,791
Restricted	128,700,419	133,136,883	-	-	128,700,419	133,136,883
Unrestricted	48,710,065	84,474,976	4,237,577	3,647,436	52,947,642	88,122,412
Total net position	\$ 549,897,148	\$ 586,721,658	\$ 7,374,135	\$ 7,042,428	\$ 557,271,283	\$ 593,764,086

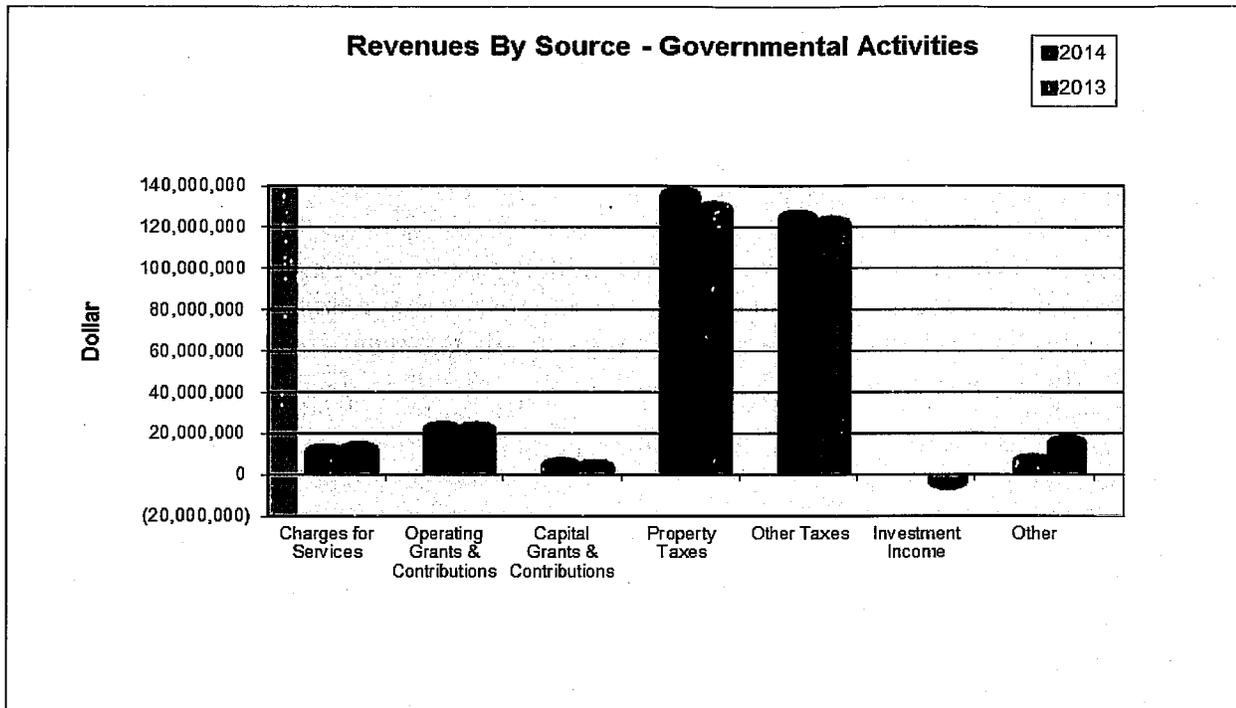
Restricted net position in the amount of \$128,700,419 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$52,947,642, may be used to meet the government's ongoing obligations to citizens and creditors.

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

Governmental activities. Governmental activities during the year decreased the County's net position by \$36,824,510 in FY14 compared to a decrease of \$24,063,555 in FY13.

County of Bernalillo's Changes in Net Position

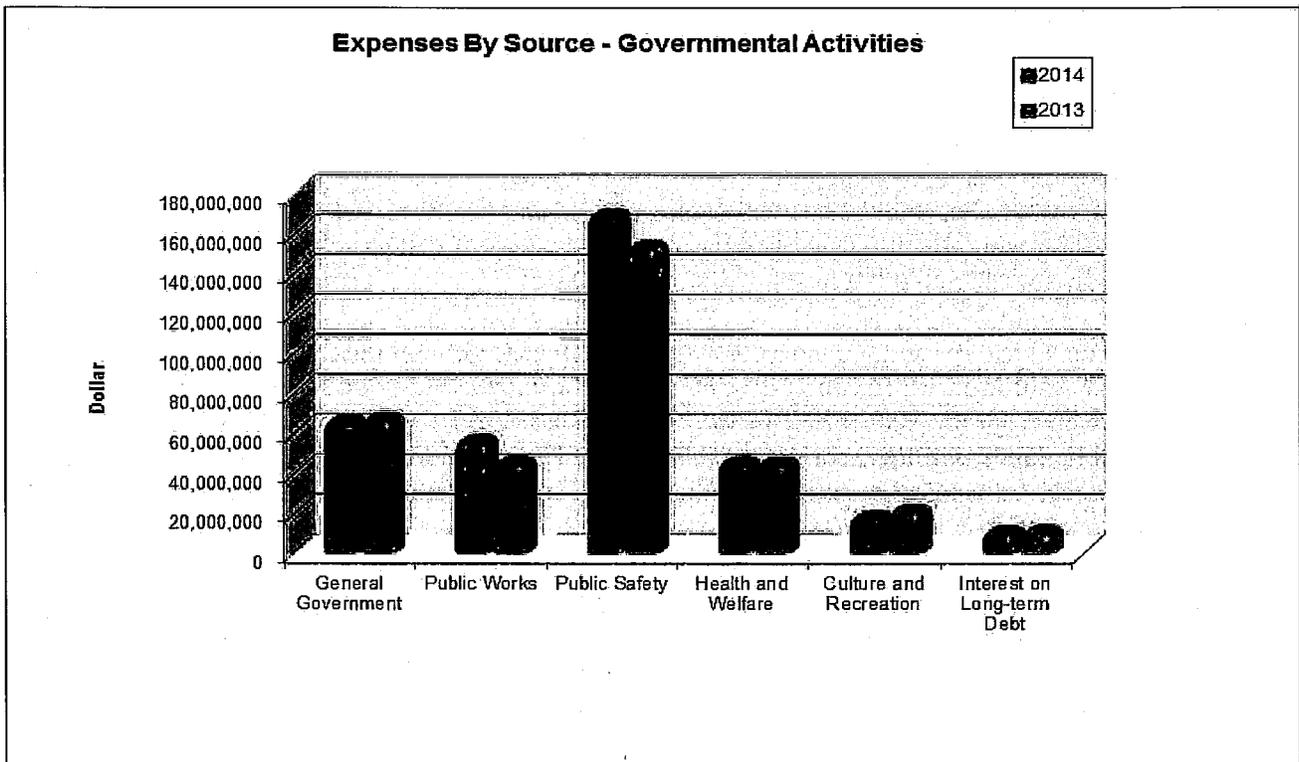
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Revenues:						
Program revenues:						
Charges for services	\$15,355,300	\$16,405,544	\$6,742,015	\$6,622,921	\$22,097,315	\$23,028,465
Operating grants and contributions	26,361,325	26,164,799	909,066	1,128,440	27,270,391	27,293,239
Capital grants and contributions	8,883,616	7,941,803	48,142	20,518	8,931,758	7,962,321
General revenues:						
Property taxes	139,744,912	132,624,981	-	-	139,744,912	132,624,981
Other taxes	128,638,093	125,662,324	-	-	128,638,093	125,662,324
Investment income (loss)	478,218	(7,191,138)	3,149	3,914	481,367	(7,187,224)
Other	10,219,010	19,592,905	360,438	348,685	10,579,448	19,941,590
Total revenues	<u>329,680,474</u>	<u>321,201,218</u>	<u>8,062,810</u>	<u>8,124,478</u>	<u>337,743,284</u>	<u>329,325,696</u>
Expenses:						
General government	66,086,137	67,393,999	-	-	66,086,137	67,393,999
Public works	56,040,669	45,883,104	-	-	56,040,669	45,883,104
Public safety	169,437,545	153,629,728	-	-	169,437,545	153,629,728
Health and welfare	44,982,475	45,278,882	-	-	44,982,475	45,278,882
Culture and recreation	18,234,756	21,360,907	-	-	18,234,756	21,360,907
Interest on long-term debt	10,613,790	10,876,254	-	-	10,613,790	10,876,254
Solid Waste	-	-	4,685,743	4,710,379	4,685,743	4,710,379
Housing Authority	-	-	1,314,007	1,306,043	1,314,007	1,306,043
Seybold Village	-	-	287,847	355,259	287,847	355,259
Juvenile Detention Center	-	-	915,406	1,017,035	915,406	1,017,035
El Centro Familiar	-	-	540,819	336,185	540,819	336,185
Total expenses	<u>365,395,372</u>	<u>344,422,874</u>	<u>7,743,822</u>	<u>7,724,901</u>	<u>373,139,194</u>	<u>352,147,775</u>
Increase (decrease) in net position before transfers	(35,714,898)	(23,221,656)	318,988	399,577	(35,395,910)	(22,822,079)
Transfers in (out)	(12,719)	(841,899)	12,719	841,899	-	-
Capital contributions	-	-	-	-	-	-
Increase (decrease) in net position	<u>(35,727,617)</u>	<u>(24,063,555)</u>	<u>331,707</u>	<u>1,241,476</u>	<u>(35,395,910)</u>	<u>(22,822,079)</u>
Net position – beginning	586,721,658	610,785,213	7,042,428	5,800,952	593,764,086	616,586,165
Prior period adjustment	(1,096,893)	-	-	-	(1,096,893)	-
Net position – beginning as restated	<u>585,624,765</u>	<u>610,785,213</u>	<u>7,042,428</u>	<u>5,800,952</u>	<u>592,667,193</u>	<u>616,586,165</u>
Net position – ending	<u>\$549,897,148</u>	<u>\$586,721,658</u>	<u>\$7,374,135</u>	<u>\$7,042,428</u>	<u>\$557,271,283</u>	<u>\$593,764,086</u>



Governmental Activities revenues increased by \$8.5 million from \$321.2 million in FY13 to \$329.7 million in FY14, an increase of 2.7%. Key elements in the increase of governmental activities revenues are as follows:

- Program revenues charges for services decreased \$1 million from \$16.4 million in FY13 to \$15.4 million in FY14, a 6.1% decrease. The decrease was attributed to decreases in collections of \$500 thousand in Clerk’s fee, \$289 thousand in Metropolitan Detention Center (MDC) commissary commission fees, and \$215 thousand in MDC feed and care of prisoner’s fees. The decrease was offset by slight increases in other areas within this category.
- Program revenues capital grants and contributions increased \$942 thousand from \$7.9 million in FY13 to \$8.9 million in FY14, an 11.9% increase. The increase was primarily attributed to \$1.1 million received from the state in FY14 to acquire 57 acres for the Trust for Public Lands. The Trust for Public lands will then convey the land to the US Fish and Wildlife Service. In addition, the County received \$225 thousand from the City of Albuquerque for the Paradise Hills Little League project.
- General revenues property taxes increased \$7.1 million from \$132.6 million in FY13 to \$139.7 million in FY14, a 5.3% increase. The increase was attributed to an increase in the County’s operational residential mill levy from 7.208 to 7.320 per \$1,000 of assessed taxable value and an increase in the County’s debt service residential and non-residential mill levy from 0.897 to 1.246 per \$1,000 of assessed taxable value. In addition, there was an increase in the assessed taxable valuation within the County of \$110 million from \$14.394 billion in FY13 to \$14.504 billion in FY14. Also, there was a slight increase in the current property tax collections rate from 96.33% in FY13 to 96.52% in FY14.

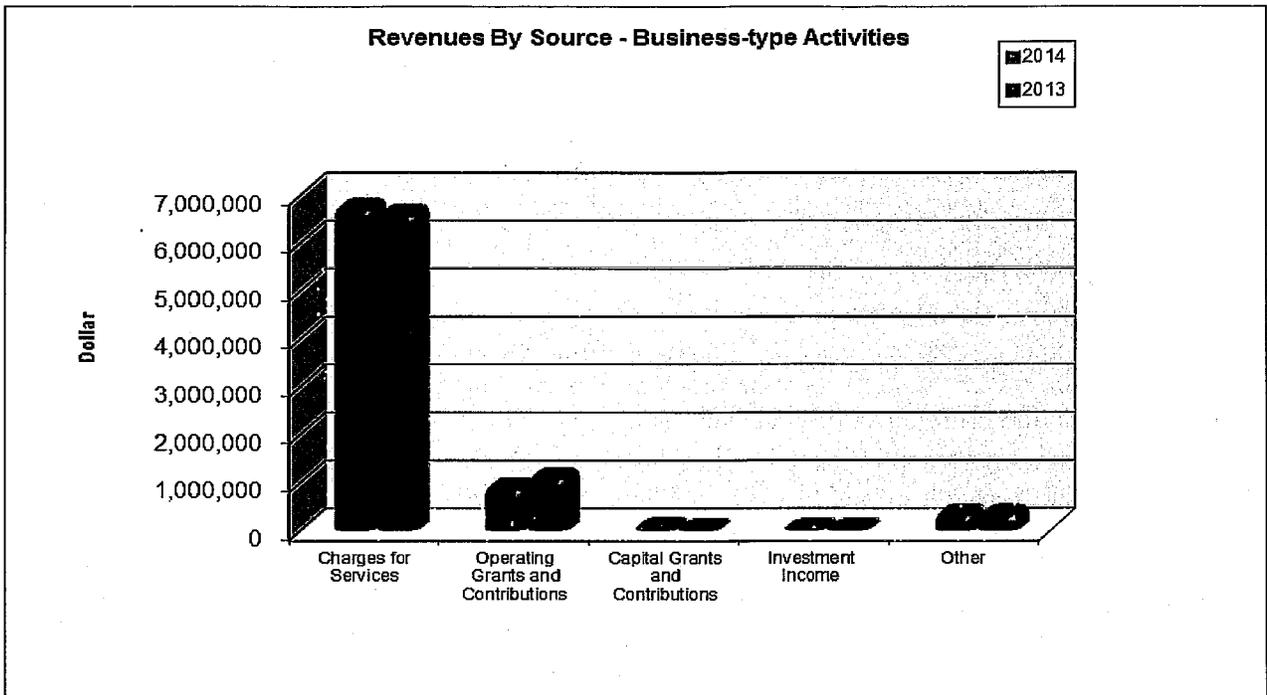
- General revenues other taxes increased \$2.9 million from \$125.7 million in FY13 to \$128.6 million in FY14, a 2.3% increase. The increase was primarily attributed to the recognition of FY14 gross receipts tax (*GRT*) earned revenue which was due to the County but was not collected and distributed, by the State of New Mexico, to the County during FY14. In prior years, the County has recognized this transaction as unearned revenue, but the nature of this transaction is earned revenue and will be recorded as revenue in future fiscal years.
- General revenues investment income increased \$7.7 million from a negative \$7.2 million in FY13 to \$478 thousand in FY14, a 106.9% increase. The increase was primarily attributed to earned interest income of \$4.7 million, which was offset by a realized investment loss of \$4.3 million for a net total investment income of \$478 in FY14. In FY13, the County recognized an unrealized investment income loss of \$12.8 million, which was offset by earned interest income of \$5.6 million for a total net income loss of \$7.2 million resulting in a net increase change in investment income of \$7.7 million in FY14.
- Other revenues decreased \$9.4 million from \$19.6 million in FY13 to \$10.2 million in FY14, a 48% decrease. The decrease was primarily attributed to a one-time \$9.7 million recognized in FY13 as miscellaneous revenue to capitalize, as a non-cash donation, the Public Safety Center (*land and building*) located at 501 Roma NW, which was transferred to the County from the State of New Mexico through passed legislation.



Governmental activities expenses increased by \$21 million from \$344.4 million in FY13 to \$365.4 million in FY14, an increase of 6.1%. Key elements of the increase in governmental activities expenses are as follows:

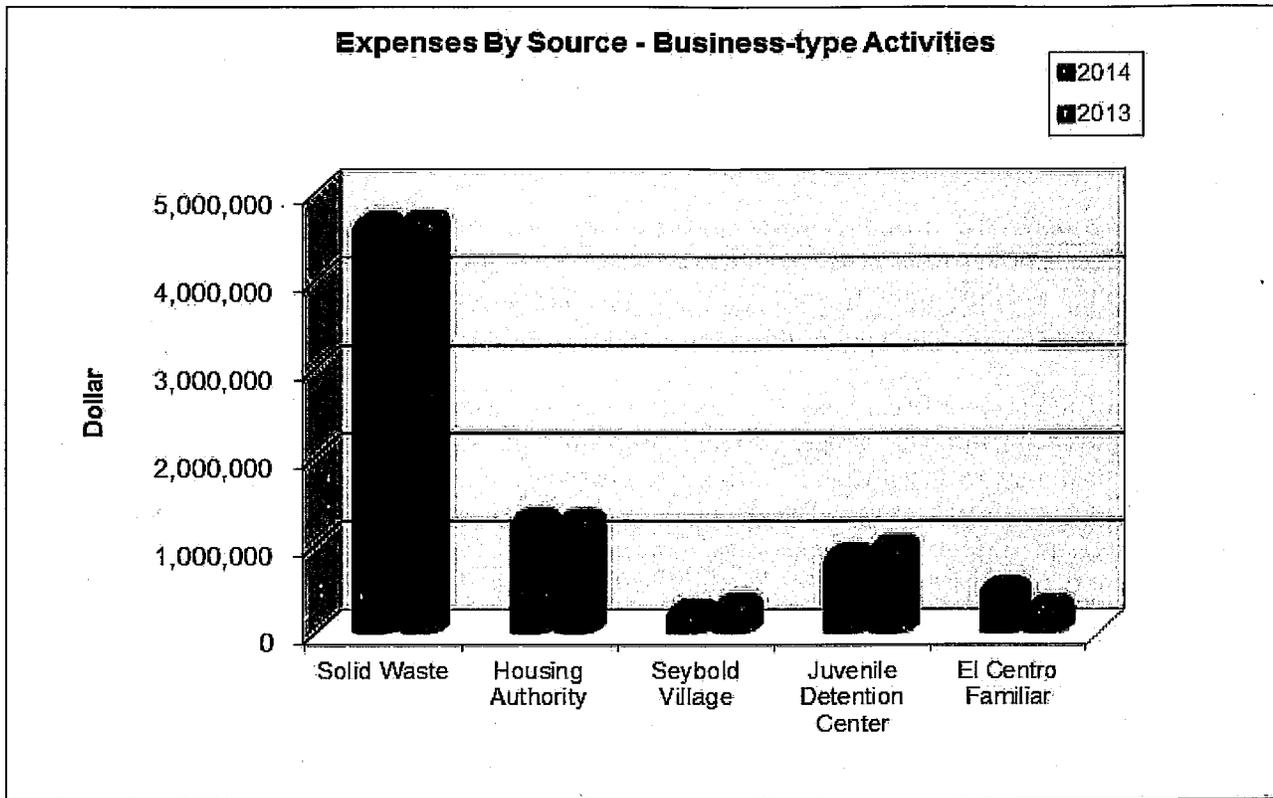
- General government expenses decreased by \$1.3 million from \$67.4 million in FY13 to \$66.1 million in FY14, a 1.9% decrease. The decrease was primarily attributed to a decrease in capital outlay for others expense of \$1.9 million in FY14. In addition, depreciation expense increased by \$554 thousand in FY14.
- Public works expenses increased by \$10.1 million from \$45.9 million in FY13 to \$56 million in FY14, a 22% increase. A portion of the increase was attributed to the reclassification of capital outlay expenses of \$4 million to this category as non-capital expense in FY14. In addition, capital outlay for others expense increased by \$2 million in FY14. Also, there was an increase in operating expenses of \$3.3 million in areas such as the Public Works Information Technology program, the Road Traffic Engineering Maintenance program, the Vehicle Maintenance program, and various other public works programs; and, there was also an increase in expenses related to various projects such as the Black Mesa project, the South Valley Flood Reduction project, the South Valley Drinking Water Phase VI project, and various other projects at public works. Depreciation expense also increased by \$700 thousand in FY14.
- Public safety expenses increased by \$15.8 million from \$153.6 million in FY13 to \$169.4 million in FY14, a 10.3% increase. The increase was primarily attributed to an increase in operating expenses of \$11.6 million related to the Metropolitan Detention Center (MDC) Population Initiative Program which in FY14 transported inmates out of the County to other inmate institutions in an effort to control the MDC inmate population and expenses related to the electronic monitoring of MDC inmates. In addition, operating expenses increased for the Sheriff's Field Services Program by \$1 million, for the MDC facility of \$1.7 million, for the MDC Transport Unit Program of \$616 thousand, and for the MDC Community Custody Program (CCP) of \$500 thousand.
- Culture and recreation expenses decreased by \$3.2 million from \$21.4 million in FY13 to \$18.2 million in FY14, a 14.9% decrease. The decrease was attributed to a decrease of \$5.3 million in expenses for capital outlay for others. In addition, there was an increase in expenses of \$1.7 million for various operating costs and for various projects such as multiple community center renovations and the Open Space Land Management project.

Business-type activities. Business-type activities net position increased by \$331,707 during the current fiscal year. During the year, the Solid Waste fund and the Regional Juvenile Detention Center fund had more total program revenues than total program expenses resulting in income before contributions and transfers in of \$770,394 and \$149,647 respectively. The Bernalillo County Housing Authority fund, the Seybold Village fund, and the El Centro Familiar fund had less total program revenues than total program expenses resulting in a loss before contributions and transfers in of \$285,572, \$194,385, and \$169,238 respectively. Overall, the business-type activities experienced a \$689,069 operating loss (program revenues less expenses) before non-operating revenues of \$959,915, capital grant subsidies of \$48,142, and transfers in of \$12,719.



Business-type activities revenue decreased from \$8.124 million in FY13 to \$8.063 million in FY14, a 0.75% decrease. Key elements in the decrease of business-type activities revenue are as follows:

- Revenue program charges for services increased from \$6.6 million in FY13 to \$6.7 million in FY14, a 1.5% increase. The increase was attributed to \$269 thousand more in administrative fees collected for solid waste services and \$12 thousand more in administrative fees collected at the Bernalillo County Housing Authority in FY14.
- Revenue program operating grants and contributions decreased from \$1.1 million in FY13 to \$909 thousand in FY14, a 17.4% decrease. The decrease was primarily attributed to \$228 thousand less in other government grant subsidies received from Housing and Urban Development (*HUD*) for rehabilitation of homes at the Bernalillo County Housing Authority due to the scope of work performed and the reduction of homes to rehabilitate in FY14.
- Revenue program capital grants and contributions increased from \$21 thousand in FY13 to \$48 thousand in FY14, a 128.8% increase. The increase was attributed to more in capital grant subsidies received from HUD for the Seybold Village Handicapped Project due to the increase in improvements needed.
- Other revenues increased from \$349 thousand in FY13 to \$360 thousand in FY14, a 3.2% increase. The increase was primarily attributed to more in miscellaneous revenue recognized in the Bernalillo County Housing Authority fund in FY14.



Business-type activities expenses increased from \$7.725 million in FY13 to \$7.744 million in FY14, a 0.25% increase. Key elements of the increase are as follows:

- Solid Waste expenses decreased from \$4.710 million in FY13 to \$4.686 million in FY14, a 0.51% decrease. The decrease was attributed to a decrease in contractual services of \$143 thousand and a in material and supplies of \$19 thousand. The decrease was offset by an increase in salaries and wages of \$135 thousand.
- Housing Authority expenses increased from \$1.306 million in FY13 to \$1.314 million in FY14, a 0.61% increase. The increase was primarily attributed to an increase in salaries and wages of \$253 thousand and in material and supplies of \$7 thousand. The increase was offset by a decrease in contractual services of \$198 thousand and in other charges and services of \$56 thousand.
- Seybold Village expenses decreased from \$355 thousand in FY13 to \$288 thousand in FY14, an 18.9% decrease. The decrease was primarily attributed to a decrease in contractual services of \$86 thousand and in other services and charges of \$9 thousand. This was offset by an increase in depreciation expense of \$11 thousand, in salaries and wages of \$7 thousand, and in materials and supplies of \$9 thousand.
- Juvenile Detention Center expenses decreased from \$1.017 million in FY13 to \$915 thousand in FY14, a 10% decrease. The decrease was primarily attributed to a decrease in salaries and wages of \$33 thousand, in materials and supplies of \$76 thousand, and in other services and charges of \$3 thousand. This was offset by an increase in contractual services of \$9 thousand.

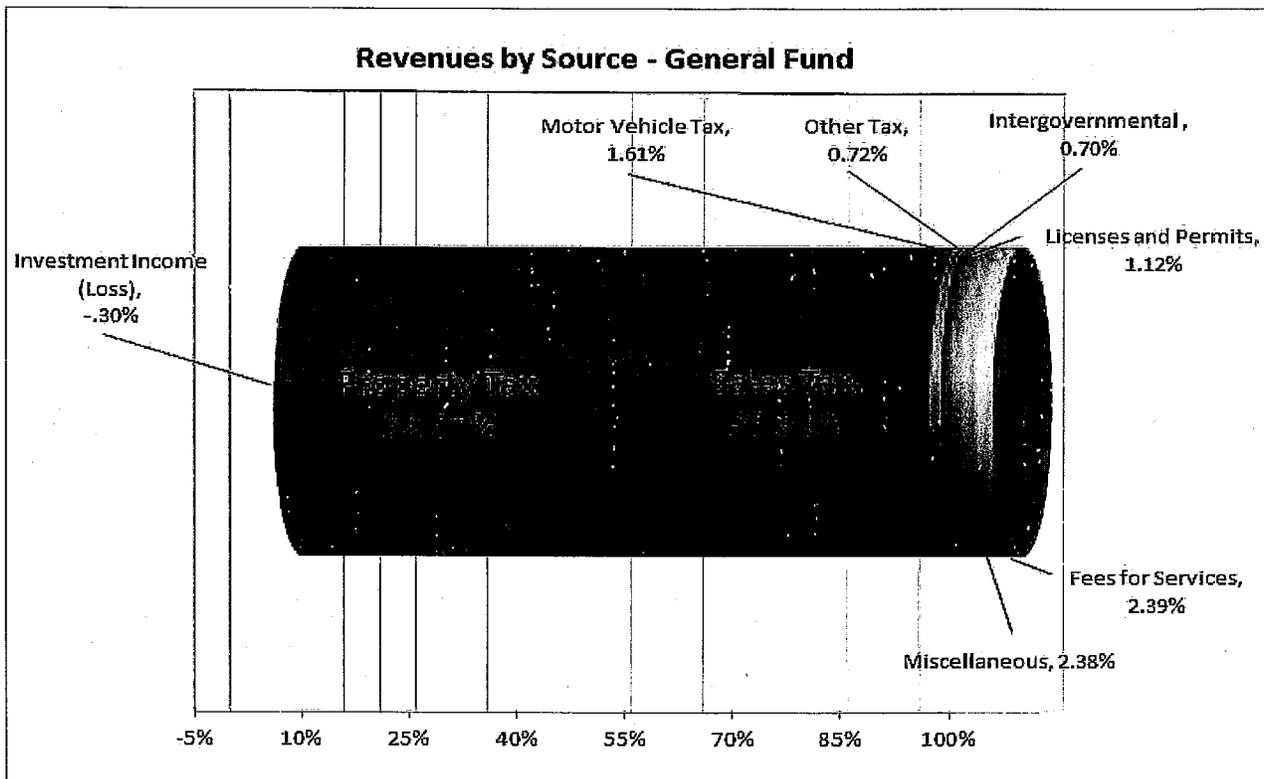
- El Centro Familiar expenses increased from \$336 thousand in FY13 to \$541 thousand in FY14, a 61% increase. The increase was primarily attributed to an increase in contractual services of \$168 thousand and in other services and charges of \$35 thousand.

Financial Analysis of the County's Funds

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

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$244,380,696, a decrease of \$39.7 million. Approximately 17.7% of this total, \$43,321,997, constitutes assigned (\$30,072,019) and unassigned (\$13,249,978), which is available for spending at the County's discretion. The remainder of fund balance is made up of non-spendable in form (*i.e., inventory, advances, and notes receivable*) amounts of \$23,752,843, restricted amounts of \$140,956,227, and committed amounts of \$36,349,629 which are detailed in the notes to the financial statements.

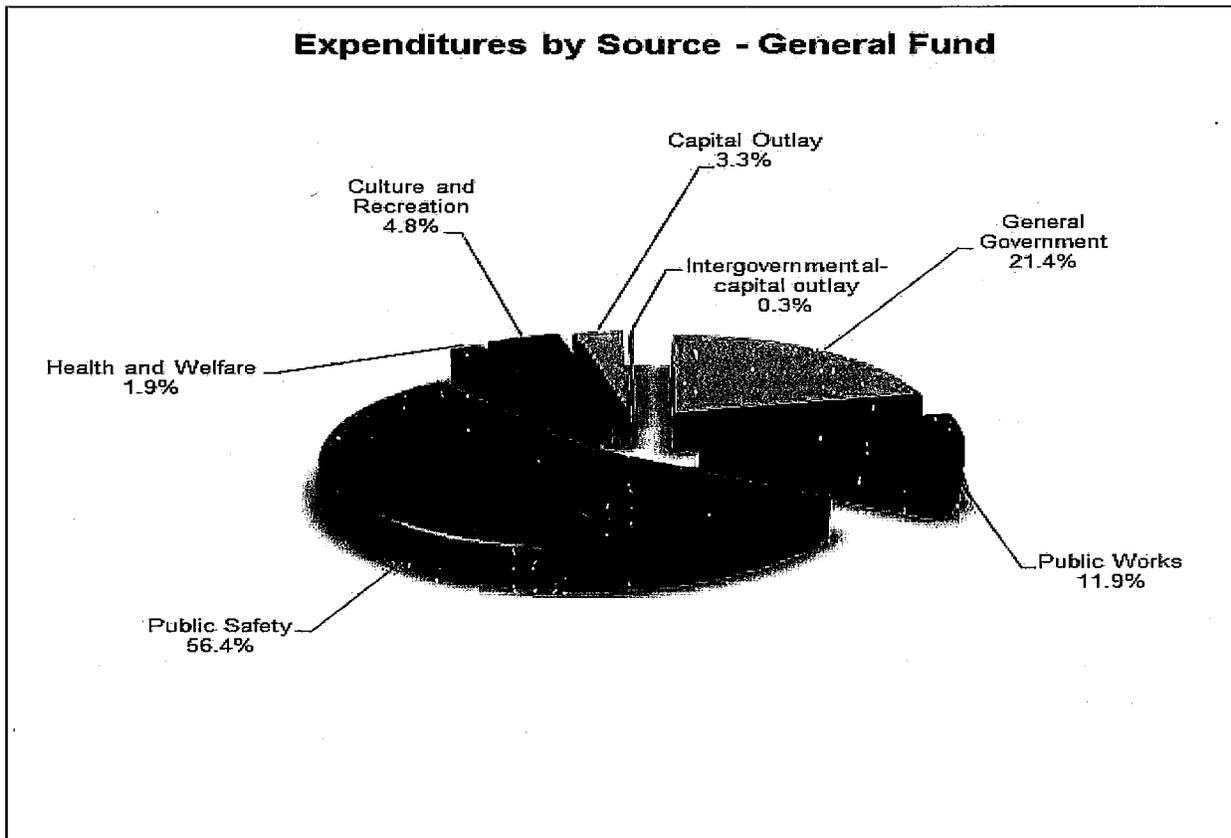
General Fund. The County's general fund balance decreased \$41,780,179 during the current fiscal year. Key factors in this decrease were based on planned expenditures approved by the County Commission for various county projects such as information technology maintenance and upgrades, Clerk's election costs, economic development initiatives, social service programming, Metro Air costs, MDC initiatives, and other one-time projects. In addition, funds were transferred and used to establish a debt service reserve fund for the 2005 GRT refunding bond and the recognition of a net realized investment lost in FY14.



General Fund revenues increased by \$2.1 million from \$232.5 million in FY13 to \$234.6 million in FY14, an increase of 0.9%. Key elements in the increase of General Fund revenues are as follows:

- Property tax revenue increased by \$1.7 million from \$120.4 million in FY13 to \$122.1 million in FY14, a 1.4% increase. The increase was attributed to an increase in the County's operational residential mill levy from 7.208 to 7.320 per \$1,000 of assessed taxable value. In addition, there was an increase in the assessed taxable valuation within the County of \$110 million from \$14.394 billion in FY13 to \$14.504 billion in FY14. Also, there was a slight increase in the current property tax collections rate from 96.33% in FY13 to 96.52% in FY14.
- Gross receipts tax revenue (*GRT*) decreased by \$4.1 million from \$96.3 million in FY13 to \$92.2 million in FY14, a 4.3% decrease. The decrease was primarily attributed to the recognition of gross receipts tax as revenue in FY13 for the County's FY12 and FY13 *GRT* equalization distribution from the State of New Mexico of \$3 million and \$3.2 million respectively and the recognition of the FY14 equalization distribution of \$3.2 million as a deferred inflow of resources (*a liability*) in FY14 to satisfy the implementation of GASB 63. In future years, if the equalization distribution is received after the 60 day availability period (*after August of the succeeding fiscal year*), it will continue to be recorded as a deferred inflow of resources per GASB 63.
- Fees for services revenue decreased by \$848 thousand from \$6.5 million in FY13 to \$5.6 million in FY14, a decrease of 13.1%. The decrease was attributed to a decrease in the recognition of fees collected for the MDC Feed and Care of Prisoners program of \$215 thousand, for the Commissary Commissions program of \$289 thousand, and for Clerk's fees of \$470 thousand.
- Investment income revenue increased by \$7.7 million from a negative \$8.4 million in FY13 to a negative \$703 thousand in FY14, an increase of 91.7%. The increase was primarily attributed to earned interest income of \$3.6 million, which was offset by a net investment loss of \$4.3 million for a net total investment income loss of \$703 thousand in FY14. In FY13, the County recognized an unrealized investment income loss of \$12.8 million, which was offset by earned interest income of \$4.4 million for a total net income loss of \$8.4 million resulting in a net increase change in investment income of \$7.7 million in FY14.
- Miscellaneous income revenue decreased by \$2.2 million from \$7.8 million in FY13 to \$5.6 million in FY14, a 28.2% decrease. The decrease was primarily attributed to the recognition of revenue in FY13 of \$1.5 million for cash received from the City of Albuquerque for the return of a portion of health insurance premium payments made by the County which exceeded the cost of claims and administration for the fiscal years 2007 through 2013. In addition, in FY13, the County received a reimbursement of \$1.2 million from a \$3 million settlement payment made in FY12 following a judgment in a class action suit brought against the Sheriff's Office involving the narcotics fund.

General Fund expenditures increased \$9.8 million from \$248.9 million in FY13 to \$258.7 million in FY14, an increase of 3.9%. Key elements in the increase in General Fund expenditures are as follows:



- General government expenditures increased by \$575 thousand from \$54.7 million in FY13 to \$55.2 million in FY14, a 1.1% increase. The increase was primarily attributed to expenditures for maintenance and upgrades for the Annex Building located at 415 Tijeras NW, for roof and HVAC upgrades at the Juvenile Detention center, and for various other county-wide maintenance initiatives.
- Public works expenditures increased by \$2 million from \$28.6 million in FY13 to \$30.6 million in FY14, a 7.0% increase. The increase was primarily attributed to an increase in operating expenditures for the Public Works Information Technology program, the Road Traffic Engineering Maintenance program, the Vehicle Maintenance program, and various other public works programs. In addition, there was an increase in operating expenditures related to various projects such as the Black Mesa project, the South Valley Flood Reduction project, the South Valley Drinking Water Phase VI project, and various other projects managed by public works.
- Public safety expenditures increased by \$15.7 million from \$130.1 million in FY13 to \$145.8 million in FY14, a 12.1% increase. The increase was primarily attributed to an increase in operating expenditures of \$11.6 million related to the MDC Population Initiative program which included in FY14 the transportation of inmates out of the County to other inmate institutions in an effort to control the MDC inmate population (*at a cost of \$7.8 million*) and for expenditures related to the electronic monitoring of MDC inmates (*at a cost of \$1.1 million*). Also, operating expenditures increased for the Sheriff's Field Services program by \$1 million,

for the MDC facility of \$1.7 million, for the MDC Transport Unit program of \$616 thousand, and for the MDC Community Custody program of \$500 thousand.

- Health and welfare expenditures increased by \$2.1 million from \$2.9 million in FY13 to \$5 million in FY14, a 72.4% increase. The increase was primarily attributed to expenditures recorded in the General Fund in FY14 for medical health care services provided to inmates at the MDC and other MDC expenditures which were recorded in the Health Care GRT Fund in FY13.
- Culture and recreation expenditures increased by \$1.7 million from \$10.8 million in FY13 to \$12.5 million in FY14, a 15.7% increase. The increase was primarily attributed to increases in operating expenditures for maintenance or renovation projects at various County community centers.
- Capital outlay expenditures decreased by \$6.4 million from \$15 million in FY13 to \$8.6 million in FY14, a 42.7% decrease. The decrease was primarily attributed to the final classification of project expenditures at project completion as non-capital expense. These non-capital expenses totaled \$5 million.
- Intergovernmental-capital outlay expenditures decreased by \$6 million from \$6.8 million in FY13 to \$829 thousand in FY14, an 88.2% decrease. The decrease was primarily attributed to FY13 one-time expenditures of \$5 million for the Middle Rio Grande Urban Wildlife Refuge project and \$1.6 million for the Mid-Region Council of Governments (*MRCOG*) bond redemption.

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

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

Grants Fund revenues decreased by \$492 thousand from \$18.9 million in FY13 to \$18.4 million in FY14, a decrease of 2.6%. Key elements in the decrease of the Grants Fund revenues are as follows:

- Intergovernmental federal revenues decreased by \$1.8 million from \$5.1 million in FY13 to \$3.3 million in FY14, a 35.3% decrease. The decrease was primarily attributed to a decrease in intergovernmental federal grant revenue reimbursements of \$1.4 million in FY14 for the Eubank Road project which was completed and reimbursed in FY13.
- Intergovernmental state revenues decreased by \$1.4 million from \$12.3 million in FY13 to \$10.9 million in FY14, an 11.4% decrease. The decrease was primarily attributed to a decrease in intergovernmental state grant revenue reimbursements in FY14 for the Cordero Mesa Trans Line and Pump Station project.

- Intergovernmental other revenues increase by \$3.1 million from \$874 thousand in FY13 to \$3.9 million in FY14, a 354.7% increase. The increase was primarily attributed to intergovernmental other grant revenue reimbursements of \$1.8 million from Western Albuquerque Land Holdings for the Cordero Mesa Trans Line and Pump Station project, \$429 thousand from AMAFCA and \$467 thousand from the Albuquerque Bernalillo County Water Utility Authority for the Vista Del Rio Drainage project, and \$291 thousand from AMAFCA for the Goff Road Widening project.
- Miscellaneous revenue decreased by \$310 thousand from \$535 thousand in FY13 to \$225 thousand in FY14, a 57.9% decrease. The decrease was primarily attributed to a decrease in non-governmental grant revenue reimbursements in FY14 for the University of New Mexico Milagro grant for women substance abuse treatment and the Annie Casey private foundation grant for juvenile detention alternatives.

Grants Fund expenditures decreased by \$492 thousand from \$18.9 million in FY13 to \$18.4 million in FY14, a decrease of 2.6%. Key elements in the decrease of the Grants Fund expenditures are as follows:

- General government expenditures decreased by \$364 thousand from \$436 thousand in FY13 to \$72 thousand in FY14, an 83.5% decrease. The decrease was attributed to grant expenditures incurred by the Clerk's Office for the APS/CNM school board election held during FY13.
- Public safety expenditures decreased by \$529 thousand from \$9.1 million in FY13 to \$8.6 million in FY14, a 5.8% decrease. The decrease was primarily attributed to a decrease in grant expenditures of \$380 thousand for the Homeland Security Emergency Management grants and \$133 thousand for the Sheriff's miscellaneous grants.
- Health and welfare expenditures decreased by \$323 thousand from \$654 thousand in FY13 to \$331 thousand in FY14, a 49.4% decrease. The decrease was attributed to a decrease in grant expenditures of \$395 thousand for the CDC Neighborhood County Health grant.
- Capital outlay expenditures increased by \$737 thousand from \$3.9 million in FY13 to \$4.7 million in FY14, an 18.9% increase. The increase was primarily attributed to an increase in grant expenditures of \$695 thousand for the Paradise Hills Little League project.

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

The Construction Fund balance decreased by \$7.1 million from \$44.8 million in FY13 to \$37.7 million in FY14, a 15.8% decrease. The decrease was primarily attributed to a \$9.1 million decrease in bond proceeds as, during the fiscal year, the County issued \$8.7 million in General Obligation Bonds, Series 2014 and in FY13 the County issued \$17.8 million in General Obligation Bonds, Series 2013. In addition, expenditures increased in FY14 by \$3.6 million.

Construction Fund revenues decreased by \$51 thousand from \$359 thousand in FY13 to \$308 thousand in FY14, a 14.2% decrease, which was primarily due to the decrease in earned interest income of \$38 thousand.

Construction Fund expenditures increased by \$3.6 million from \$12.7 million in FY13 to \$16.3 million in FY14, a 28.3% increase. Key elements in the increase in Construction Fund expenditures are as follows:

- General government expenditures decreased by \$618 thousand from \$1.2 million in FY13 to \$598 thousand in FY14, a 51.5% decrease. The decrease was attributed a decrease in expenditures for library books of \$279, for County traffic signs of \$199, and for thermo road striping of \$145 thousand.
- Public works expenditures increased by \$1.3 million from \$928 thousand in FY13 to \$2.2 million in FY14, a 140.1% increase. The increase was primarily attributed to expenditures for the Black Mesa project of \$756 thousand, for the South Valley Flood Reduction project of \$313 thousand, and for the South Valley Drinking Water Phase VI project of \$551 thousand.
- Intergovernmental-capital outlay expenditures increased by \$2.6 million from \$329 thousand in FY13 to \$2.9 million in FY14, a 790.3 % increase. The increase was primarily attributed to an increase in expenditures for the Rio Bravo/Del Rio Water/Sewer project of \$1.3 million, for the South Valley Drinking Water Phase VI project of \$827 thousand, and for the South Valley Drinking Water Phase VII project of \$241 thousand.

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 2014, the County's Special Revenue funds reported combined ending fund balances of \$30,461,490, a decrease of \$171,626. Of the fund balance, \$7,365 is non-spendable in form and the remainder of \$30,454,125 is restricted for specific purposes. Key elements in the decline of the total special revenue fund balance are as follows:

- The decrease was primarily attributed to a decrease of \$2.9 million in the fund balance of the Health Care GRT fund from \$9 million in FY13 to \$6.1 million in FY14, a 32.2% decrease. In FY14, this fund generated \$10.3 million in revenues, expenditures of \$12.3 million, and other financial uses of \$894 thousand.
- The decrease was also attributed to a \$664 thousand decrease in the fund balance of the Environmental Health fund from \$2.6 million in FY13 to \$1.9 million in FY14, a 25.5% decrease. In FY14, this fund generated \$2.6 million in revenues, expenditures of \$1.4 million, and other financing sources of \$1.9 million.
- The decrease was offset by an increase of \$1.7 million in the fund balance of the Valuation fund from \$15.2 million in FY13 to \$16.9 million in FY14, an 11.2% increase. In FY14, this fund generated \$5.7 million in revenues, expenditures of \$3.7 million, and other financing uses of \$313 thousand.

- The decrease was offset by an increase of \$367 thousand in the Housing-Voucher fund from \$916 thousand in FY13 to \$1.3 million in FY14, a 40.1% increase. In FY14, this fund generated \$13.1 million in revenues and expenditures of \$12.8 million.
- The decrease was offset by an increase of \$469 thousand in the Department of Substance Abuse fund from \$715 thousand in FY13 to \$1.2 million in FY14, a 65.5%. In FY14, this fund generated \$921 thousand in revenues and expenditures of \$452 thousand.
- The decrease was also offset by an increase in the Sheriff's Investigative fund, the Law Enforcement Protection fund, and the Clerk's Recording and Filing fund of \$286,187, \$309,209, and \$240,369 respectively.

Debt Service funds. As of the end of fiscal year 2014, the County's Debt Service funds reported combined ending fund balances of \$29,041,691, an increase of \$9,228,438. Of the fund balance, \$19,145,698 is non-spendable in form and the remainder of the fund balance of \$9,895,993 is restricted to pay debt service. Key elements of the increase in the total fund balance are as follows:

- The increase was attributed to an increase of \$4.6 million in the General Obligation Bond Debt Service fund from \$4.9 million in FY13 to \$9.5 million in FY14, a 93.9% increase. In FY14, this fund generated \$17.8 million in revenues, debt service expenditures of \$13.4 million, and other financing sources of \$208 thousand.
- The increase was also attributed to the establishment of the Refunding Series 2005 Debt Service Reserve fund for \$4.9 million.

Capital Projects funds. As of the end of fiscal year 2014, the County's Capital Project funds reported combined ending fund balances of \$7,977,306, an increase of \$103,587. During the year, as capital projects are completed, the costs of the projects are reclassified as capital assets and removed from the capital project funds. The fund balance of \$7,977,306 is restricted for capital projects. Key elements of the decrease in the total fund balance are as follows:

- The increase was attributed to an increase of \$67 thousand in the Open Space fund from \$2.789 million in FY13 to \$2.856 million in FY14, a 2.4% increase. In FY14, the fund generated \$38.9 thousand in revenue, expenditures of \$1.864 million, and other financing sources of \$1.893 million.
- The increase was also attributed to an increase of \$36 thousand in the Impact Fee fund from \$5.085 million in FY13 to \$5.121 million in FY14, a 0.7% increase. In FY14, the fund generated \$538.6 thousand in revenue and expenditures of \$502.3 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 remained unchanged with the total final budgeted revenues of \$239.6 million (*final*). General fund total original budgeted expenditures

increased \$38.8 million or by 15% from \$259.4 million to \$298.2 million (*final*). Significant changes between the original budget and the final amended budget are summarized as follows:

- The general government county commission original expenditure budget increased \$522 thousand from \$686 thousand to \$1.2 million. The increase was to establish an additional operating budget to be shared by each of the five commission districts.
- The general government legal original expenditure budget increased \$609 thousand from \$2.8 million to \$3.4 million. The increase was to establish additional budget for increased contractual services costs related to the Legal Department's operations.
- The general government information technology original expenditure budget increased \$618 thousand from \$9 million to \$9.6 million. The increase was to establish addition budget for increased operations costs.
- The general government general county original expenditure budget increased \$7.1 million from \$7.4 million to \$14.5 million. The increase was primarily attributed to remaining encumbered purchase order budget swept into the general county line item as part of the FY13 purchase order close out process in FY14. In addition, line item transfers of excess budget from other categories were made into this category and additional expenditure budget was established to be used to fund various county projects during the year.
- The general government planning and geo resources original expenditure budget increased \$619 thousand from \$1.9 million to \$2.5 million. The majority of the increase was to establish budget for the Transit and Para-Transit contract with the City of Albuquerque.
- The general government clerk original expenditure budget increased \$1.4 million from \$3.9 million to \$5.3 million. The increase was primarily to establish budget for the June 2014 primary election.
- The public safety metropolitan detention center (MDC) original expenditure budget increased \$20.3 million from \$52.8 million to \$73.1 million. The increase was primarily to establish \$13.9 million for the out of county initiative to transfer inmates to other inmate institutions to help control the inmate population at the MDC. In addition, additional budget was established to cover increased operating costs for other MDC initiatives.
- The public safety communications department original expenditure budget decreased \$1.3 million from \$5 million to \$3.7 million. The decrease was attributed to a decrease in budget for contingency expenditures.
- The public safety Sheriff original expenditure budget increased \$2.4 million from \$34.7 million to \$37.1 million. The increase was attributed to additional expenditure budget established for salary increases and overtime, metro air operations, and forensic lab services.
- The health and welfare MDC expenditure budget decreased \$4.5 million from \$6.1 million to \$1.6 million. The decrease was primarily attributed to a line item transfer from this category to the public safety MDC category to be used for the out of county inmate initiative.

- The health and welfare social services expenditure budget increased \$863 thousand from \$2.3 million to \$3.2 million. The increase was attributed to expenditure budget established for the Albuquerque Youth Symphony program, for the Breast Cancer Resource Center program, for the Community Outreach for the Deaf program, for the Boy Scouts of America program, for the Silver Horizons Social Services program, for the Adoption Exchange Social Service program, and for various other social service programs.
- The culture and recreation parks and recreation expenditure budget increased \$1.5 million from \$8.8 million to \$10.3 million. The majority of the budget increase was established to primarily fund maintenance and renovations at various community centers.
- The capital outlay original expenditure budget increased \$7.6 million from \$12.1 million to \$19.7 million. The increase was primarily attributed to \$3.2 million established for the Rio Grande Pool reconstruction project, \$1.9 million for heavy equipment replacements, \$1.6 million for Sheriff's fleet replacements, and \$988 thousand for fire and apparatus replacements.

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

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

Budgetary Highlights – Budget to Actual

General Fund. General Fund revenues were less than budgetary estimates by \$11,434,900 or by 5%. General Fund expenditures were less than budgetary estimates by \$42,351,974 or by 14.2%. During the year the County incurred a deficiency of revenues and other financing sources over expenditures and other financing uses in the amount of \$45,307,891. Individual significant differences between the General Fund final budget and actual amounts are summarized as follows:

- Property tax revenue had a negative variance of \$831,670. The significant reason for the negative variance was that current property tax collections were \$2,814,156 less than budget (*2.4% of budget*) and delinquent tax collections, interest on current and delinquent tax collections, and penalties on current and delinquent tax collections exceeded projections by \$1,982,488.
- Gross receipt tax (*GRT*) revenue had a positive variance of \$3,982,525. The positive variance was primarily attributed to the recognition of the FY13 equalization distribution of \$3.2 million as actual revenue in FY14. The yearly equalization distribution was not included in the budget estimates. The FY14 equalization distribution of \$3.2 million was recognized as a deferred inflow of resources (*liability*) in FY14 and will be recognized as actual revenue in FY15.
- Intergovernmental – other revenue had a positive variance of \$1,001,627. The positive variance was attributed to more revenue that was truly intergovernmental properly recognized in this category than in prior years (*examples include revenue from the State of New Mexico for the Turquoise Lodge initiative, interdepartmental revenues, City of Albuquerque custodial*

reimbursements, and APS funding for the Rio Grande Pool reconstruction). The budget in this category was under estimated in FY14.

- Licenses and permits revenue had a negative variance of \$1,220,696. The negative variance was primarily due to less than expected collections in franchise permit fees of \$561,255, in permit barricading fees of \$312,689, and in permit construction fees of \$470,094. This was offset by more than expected collections in building and zoning permit fees of \$139,048 and paving permit fees of \$9,820.
- Fees for services had a negative variance of \$1,293,260. The negative variance was primarily due to less than expected revenue for the MDC feed and care of prisoners program of \$839,881 and the collection of Clerk's fees of \$519,847.
- Investment income revenue had a negative variance of \$15,696,875. The negative variance was primarily attributed to the recognition of a realized investment loss, in this category, of \$17,082,183. This was offset by more than expected interest income revenue of \$1,430,560.
- Miscellaneous revenue had a positive variance of \$2,824,691. The positive variance was primarily attributed to the recognition of \$1,522,590 in this category for one-time revenue received from the City of Albuquerque in August 2013 for the return of a portion of health insurance premium payments made which exceeded the cost of claims and administration for the fiscal years 2007 through 2013. In addition, more than expected revenue was received in insurance rebates of \$513,635, in rental revenue of \$245,977, in corrections fees revenue of \$127,839, in lease purchase revenue of \$110,395, in payment in lieu of taxes revenue of \$66,324, and in auction revenue of \$56,134.
- General government accounting expenditures had a positive variance of \$1,217,378. The positive variance was primarily attributed to lower than expected expenditures from the contingency line item of \$340,855 and less than expected expenditures of \$806,284 for contractual services.
- General government information technology expenditures had a positive variance of \$1,060,732. The positive variance was primarily attributed to lower than expected expenditures for contractual services of \$935,817 and regular full time salary savings of \$162,815.
- General government general county expenditures had a positive variance of \$9,358,185. The positive variance was primarily attributed to lower than expected expenditures for vehicle maintenance repair of \$7,235,191 and less than expected expenditures for salary contingency of \$3,837,410.
- General government clerk expenditures had a positive variance of \$1,557,362. The positive variance was primarily attributed to lower than expected expenditures for contractual services of \$1,890,910. This was offset by more than expected expenditures of \$309,243 for public information costs.
- Public works fleet-facilities management had a positive variance of \$2,126,278. The positive variance was primarily attributed to lower than expected expenditures for the vehicle maintenance program of \$1,163,385, for the vehicle gas and oil program of \$298,258, for the building maintenance program of \$192,381, and for the custodial service program of \$96,438.

- Public works operations and maintenance had a positive variance of \$1,099,664. The positive variance was primarily attributed to lower than expected expenditures for the traffic engineering section maintenance program of \$248,628 and lower than expected expenditures for the road traffic engineering program of \$844,938.
- Public works technical services had a positive variance of \$1,185,414. The positive variance was primarily attributed to lower than expected expenditures for the construction section program of \$548,153 and lower than expected expenditures for the engineering section of \$650,011.
- Public safety accounting expenditures had a positive variance of \$3,460,524. The positive variance was primarily attributed to lower than expected expenditures for maintenance of the Regional Detention Center facility of \$3,387,012.
- Public safety fire and rescue had a negative variance of \$1,351,945. The negative variance was primarily attributed to more than expected expenditures for unscheduled overtime of \$976,771 and for full time regular salary of \$246,449.
- Public Safety metropolitan detention center (*MDC*) expenditures had a positive variance of \$4,432,512. A significant portion of the positive variance was attributed to lower than expected expenditures of \$3,152,502 for various operating expenditures in the MDC Executive line item and less than expected expenditures of \$1,128,765 for various operating expenditures in the MDC food service laundry commissary line item.
- Public Safety sheriff expenditures had a negative variance of \$2,195,388. The negative variance was primarily attributed to more than expected expenditures for overtime.
- Health and welfare metropolitan detention center expenditures had a positive variance of \$1,437,835. The positive variance was attributed to less than expected expenditures for professional services related to health care services for MDC inmates recognized in the general fund.
- Capital outlay expenditures had a positive variance of \$11,551,400. The variance was primarily attributed to budgeted expenditures county-wide which have not materialized or were less than expected during the year. These included positive variances for the following projects: \$2.9 million for the Rio Grande Pool Reconstruction project, \$1.6 million for MDC cameras, \$1.4 million for various community centers' renovations, \$657 thousand for the SRM Upgrade project, \$787 thousand for the Juvenile Justice Improvements Children's Court project, \$762 thousand for upgrades and renovations at the Mid-Region Counsel of Governments building, \$724 thousand for the HVAC upgrades at the Juvenile Justice Center, \$526 thousand for the North Valley Little League project, \$335 thousand for the Conduit Fiber Installation, \$269 thousand for the Union Square project, \$222 thousand for the Heavy Equipment Replacement project, and \$203 thousand for the Courthouse General Maintenance project.

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

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

Capital Asset and Debt Administration

Capital assets. The County's investment in capital assets for its governmental and business type activities as of June 30, 2014 amounts to \$576,818,254 (*net of accumulated depreciation*). This investment in capital assets includes land, buildings, improvements, machinery and equipment, construction in progress, and infrastructure. Each year the Board of County Commissioners updates the Capital Improvements Program (*CIP*) in order to plan both long and short range financing for the County's capital projects. The CIP process provides for the development and submittal of requests for the annual and six-year requests for the Capital Improvements Program. A wide range of public facilities and equipment is considered in the CIP. There are statutory requirements that provide for design, construction, major repair, reconstruction or replacement of facilities such as buildings, jails, courthouses, roadways, bridges, parks, and some heavy equipment. The County can use several types of funding for the CIP that includes General Obligation Bonds, Revenue Bonds, Special Assessment District Bonds, Federal and State grants, and appropriations.

Citizen involvement is solicited to determine and prioritize the needs of the County by holding public meetings. The Board of County Commissioners holds periodic advertised meetings at various locations within each commission district to solicit public input and discuss the public's requests. Capital improvement projects selected by the Board and adopted in the CIP that are to be funded by general obligation bonds are placed on the ballot in the next general election. The general obligation bond schedule is based on a two-year cycle and issuance is currently limited to \$27,500,000 dollars by the Board of County Commissioners. Other Capital improvement projects are included in the State of New Mexico Infrastructure Program for funding consideration. Major capital asset events during the current fiscal year included the following:

- The county installed video detection cameras and the program software for the adaptive signal control system at seven major intersections along Alameda Boulevard between Loretta Drive and 2nd Street. An adaptive signal control system is a designated set of traffic signals that effectively communicate with each other to improve overall traffic flow along a respective corridor. The traffic signals adapt to the traffic flow, reducing the frequency of red lights when traffic volume is high. The video detection cameras will collect real-time traffic flow information. That information is used to optimize the signal timing based on real-time traffic conditions throughout the day. The project cost was \$200 thousand.
- As part of the Bosque Trail Phase I Improvements, Bernalillo County rehabilitated approximately five miles of the Bosque Trail from Bridge Boulevard south to the South Diversion Channel. Originally, the trail segment was constructed by Bernalillo County Public Works in 1998. The project has eliminated pavement cracks and pavement heaving throughout the trail corridor by replacement of the pavement with a stronger pavement section. The project included some pavement overlay, added benches, some minor realignment of the trail to avoid erosion problems, and improvement of gate access locations. Monitoring stations for counting of bicyclists and pedestrians were also included.
- Construction was completed on roads in the East Mountain area of the County, consisting of Aspen Loop, Fir Loop, Mulberry Loop, Mulberry Court, Turquoise Trail, Eagle Trail, Shade Tree Lane,

Shady Oak Circle, Los Alamitos Drive, Alley Road, Lovato Road, Scott Road, Martinez Road, Pine Ridge Road, and Woodlands Drive. The project cost was \$2.5 million.

- Construction was completed on the Vista del Rio Project which consisted of drainage improvements intended to improve storm water drainage for the Vista del Rio Neighborhood, an area of approximately 150 acres of established residential and semi-rural development located within the unincorporated of Bernalillo County. It included road and storm drain improvements to Bonito Road, Bonito Place, and Bonito Circle. The project cost was \$1.5 million.
- Construction was completed on the Rio Bravo Del Rio Water and Sanitary project. The project construction consisted of water and sanitary sewer infrastructure for the residences on Sunstar Loop off of Rio Bravo Boulevard and around surrounding areas. The project will serve roughly 40 lots. The project cost was \$2.7 million.
- Construction was completed on the East Mountain Recycling Facility project. It consisted of construction of a metal building and foundation for the new recycling station at the existing East Mountain transfer station. The project cost was \$200 thousand.
- Construction was completed on the South Valley Multipurpose Addition project. The addition added a 2,694 square foot multipurpose gym to the existing 17,700 square foot South Valley Multipurpose Community Center. The project cost was \$837 thousand.
- The acquisition and installation of upgraded information technology infrastructure took place at the Metropolitan Detention Center and at the City/County Building, One Civic Plaza NW. The project cost was \$1.1 million.
- The Sheriff's Office purchased 45 vehicles and the Fire and Rescue Department purchased 2 ambulances and 2 fire engines for a total cost of \$2.8 million.
- Construction on the Southwest Flood Reduction Project-Phase 2B commenced. The project includes drain upgrades within the Isleta, Armijo, and Los Padillas drains for purposes of flood reduction in the southwest valley. The County intends to upsize a total of ten culverts within the drains at road and lateral crossings. The larger culverts will alleviate major hydraulic choke points that impede the flow of water within the drains. The project cost is expected to be \$1.75 million.
- Construction on the Cordero Mesa Park Otto Pump Station commenced. The project will construct a water pump station with an ultimate capacity of 18,000 GPM to be located at the Otto reservoir site. The pump station will pump water from Otto reservoir to the Cordero Mesa reservoir. The project cost is expected to be \$4.3 million.
- Construction on the Safe Routes to School Project commenced. Construction will include curb and gutters and sidewalks on Citation Street (Valdora Avenue to the Community Health Center), Byron Avenue (Citation Street to Lucia Street), and McEwen Court (Community Health Center to Isleta Boulevard). The project will construct a HAWK signal and crosswalk on Isleta Boulevard near McEwen Court. The project cost is expected to be \$575 thousand.
- Construction of the South Valley Drinking Water Project, Phase 7A commenced. Construction will include a water distribution system for residents on Isleta Boulevard and Coors Boulevard from Los Padillas Road to Malpais Road and Malpais Road from Isleta Boulevard to Coors Boulevard.

Improvements will include waterlines, fire protection, and roadway improvements. The project cost is expected to be \$1.3 million.

- Construction on the Bosque Trail Phase 1-A Improvements-Woodward Trail Connection project commenced. Construction will include an asphalt trail connection between the Bosque Trail and the Woodward/ Second Street intersection and a bridge over the Barr Main Canal. The project cost is expected to be \$125 thousand.
- Construction continued on fire stations 41 and 46 during FY14. Both fire stations are scheduled to receive certificates of occupancy in the first quarter of FY15. Project costs thru June 30, 2014 are \$2.2 million and \$2.4 million respectively.

County of Bernalillo's Capital Assets

(net of accumulated depreciation)

	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land	\$138,254,309	\$136,156,585	\$ 435,352	\$ 435,352	\$138,689,661	\$136,591,937
Buildings	187,113,818	192,876,094	2,446,934	2,658,521	189,560,752	195,534,615
Machinery and equipment	26,122,623	21,785,984	83,758	114,002	26,206,381	21,899,986
Land improvements	17,724,577	14,427,206	134,673	151,276	17,859,250	14,578,482
Infrastructure	170,724,328	169,540,945	-	-	170,724,328	169,540,945
Leasehold improvements	1,629,974	1,758,510	-	-	1,629,974	1,758,510
Construction in progress	29,372,129	45,536,457	35,841	35,841	29,407,970	45,572,298
Art	2,739,938	2,552,405	-	-	2,739,938	2,552,405
Total	\$573,681,696	\$584,634,186	\$3,136,558	\$3,394,992	\$576,818,254	\$588,029,178

Additional information on the County's capital assets can be found in note IV-C. on pages 62-63 of this report.

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

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

General Obligation Bonds. At the end of the current fiscal year, the County had total general obligation debt outstanding of \$120,186,000. 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 2014, this tax is approximately \$1.246 per \$1,000 of assessed taxable value in ad valorem taxes to support general obligation bonds, which constitute direct and general obligations of the County. These bonds have retirement dates ranging from December 1, 2017 through June 15, 2032. The ratio of net general obligation bonded debt to taxable valuation and the amount of bonded debt per capita are useful indicators of the County's debt position. The State's Constitution provides for a legal debt limit of four percent (4.0%) of taxable valuation. The ratio for the County is less than one percent (0.8%) of the \$14.5 billion taxable value of property within Bernalillo County, as of June 30, 2014. The County may currently issue up to an additional \$457.2 million of general obligation bonds. The net general bonded debt per capita is \$168.23. The lowest per capita amount in the last ten fiscal years was \$128.77 in fiscal year ended June 30, 2006. The County's ratings on uninsured general obligation bonds as of June 30, 2014 were:

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

Revenue Bonds. At the end of the current fiscal year, the County had total revenue bond debt outstanding of \$127,665,000. The County has six outstanding revenue bonds: the 1996B series, the 1997 series, the 1998 refunding series, the 2005 partial refunding series, the 2010A series, and the 2010B refunding series. These bonds are payable from net pledged gross receipt tax revenues. Although the bonds are general obligations of the County, the County intends to pay the bonds solely from the net pledged revenues. The net revenue bonded debt per capita is \$193.16. The lowest per capita amount in the last ten fiscal years was \$193.16 in fiscal year ended June 30, 2014. The pledged revenue coverage of gross receipts tax revenues to debt service requirements is 2.73. The lowest pledged revenue coverage in the last ten fiscal years was 1.43 in fiscal year 2011. These bonds have retirement dates ranging from October 1, 2017 through June 15, 2029. The County's ratings on gross receipt tax revenue bonds as of June 30, 2014 were:

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

General Obligation and Revenue Bonds Outstanding

	Governmental Activities	
	2014	2013
General obligation bonds	\$ 120,186,000	\$ 120,525,000
Revenue bonds	127,665,000	135,670,000
Total	<u>\$ 247,851,000</u>	<u>\$ 256,195,000</u>

As presented above, the County's total outstanding bond debt decreased by \$8,344,000 during the current fiscal year. Additional information on the County's long-term debt can be found in note IV-F on pages 65-68 of this report and in the statistical section of this report.

Economic Factors and Next Year's Budgets and Rates

The County's Board of Commissioners and Manager considered many factors when setting the fiscal year 2015 budget. The County's operating budgeted appropriations were increased approximately 3.3% from FY14 levels based on these factors. According to forecasts by the University of New Mexico's Bureau of Business and Economic Research, the outlook for the New Mexico economy is that because the recovery has been difficult there are indications that the economy may be entering negative territory. The New Mexico economy lost jobs in the fourth quarter of 2013 which is the first certain losses since 2011. The job loss was the result not only of the cuts in public sector employment, but a broad slowdown in private sector hiring. It is expected that positive job growth will occur in the near and long-term. For the period 2014 through 2019, it is anticipated that job growth will average 1.2% and personal income growth will average 4.5% per year. Most new jobs will be in the private sector and there will be a small increase in local and state government payrolls. Personal income is expected to pick up after 2014 and expand at a rate of 4.0% in 2015 and continue to increase to 4.8% in 2016 and 5.4% in 2017 and then slow down to 5.2% in 2018 and 4.8% in 2019. The New Mexico unemployment rate has declined from a March 2014 rate of 7.0 % to a rate of 6.7 % in August 2014.

The outlook for the Albuquerque MSA (*Metropolitan Statistical Area*) economy is slow growth. Total employment in the Albuquerque MSA is forecast to accelerate slowly in 2014 as the MSA is expected to add 3,229 jobs or 0.9%. The private sector is expected to add 3,306 jobs while the government sector is forecast to contract for the year and lose 77 jobs. The labor force is forecast to grow by 1.3% in 2015, 1.2% in 2016, 1.2% in 2017, 1.1% in 2018 and 0.9% in 2019. Personal income is expected to improve as employment improves. From 2014 to 2019, forecasted rates of growth are 2.9%, 4.3%, 5.1%, 5.6%, 5.3% and 4.9%, respectively. The unemployment rate has declined from a September 2013 rate of 7.1% to a rate of 6.8% in August 2014 and is expected to gradually fall to 6.7% by the end of 2014. The unemployment rate is forecast to be 6.2% in 2015, 6.0% in 2016, 5.9% in 2017, 5.8% in 2018 and 5.7% in 2019.

In the longer term, from 2014 to 2019, the Albuquerque MSA economy is forecast to add 27,249 jobs. The accommodation and food services are expected to add 1,148 jobs. Growth is expected to be in the private sector; however the government sector is forecast to add a sizeable number of jobs, though at a slow rate. The healthcare & social assistance sector is expected to add the greatest number of jobs over the six year period. The construction sector is forecast finally to begin to add jobs consistently; however, this sector is only expected to hit 77% of the pre-recession peak reached in 2006. The professional & technical services sector is also expected to add jobs as the federal government budget situation improves. The accommodation and food services sector is expected to continue to add addition jobs but at slower rates of growth than have been seen in the recent past. The administrative and waste services sector is also forecast to perform strongly over the period as employers turn to temporary workers to fill staffing holes and as call centers continue to open and expand in the MSA. The retail trade sector is forecast to add jobs as consumers accelerate the rate of their spending in the economy. The transportation, warehousing and utilities sector is also expected to add a significant number of jobs as the MSA benefits from the transportation and warehousing gains elsewhere in the state. Total housing permits in the City of Albuquerque are expected to increase during this forecast period. Total permits are expected to number 1,984 in 2015, 2,237 in 2016, 2,355 in 2017, 2,270 in

2018 and 2,293 in 2019. It is important to note, however, that even at the peak reached in 2019, total permits are now only expected to hit about 40% of the peak reached in 2003.

In summary, the Albuquerque MSA economy will grow slowly in 2014 and will continue to grow each year through 2019. As the employment picture improves in the MSA, the personal income picture is likewise expected to improve.

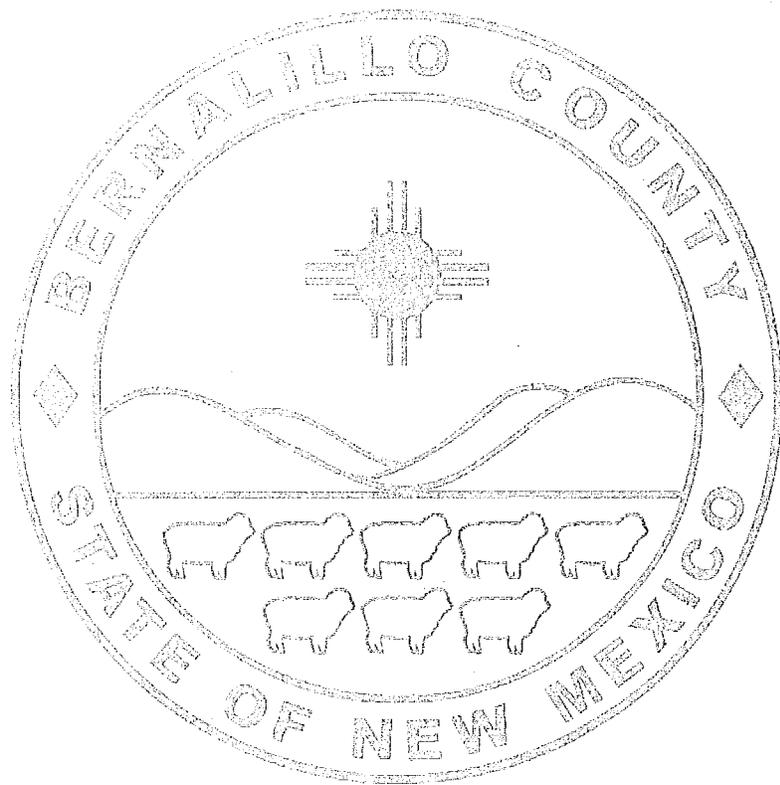
Request for Information

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

COUNTY OF BERNALILLO, NEW MEXICO
STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 233,969,604	\$ 6,008,622	\$ 239,978,226
Accounts receivable, net	41,790,552	1,708,675	43,499,227
Accrued interest receivable	263,744	32	263,776
Note receivable	2,355,163	-	2,355,163
Due from grantor	3,496,116	-	3,496,116
Internal balances	1,096,444	(1,096,444)	-
Inventory	754,982	-	754,982
Prepaid assets	2,253,504	-	2,253,504
Cash-restricted	17,740,698	-	17,740,698
Investment in joint venture	633,000	-	633,000
Capital assets not being depreciated:			
Land	138,254,309	435,352	138,689,661
Art	2,739,938	-	2,739,938
Construction in progress	29,372,129	35,841	29,407,970
Capital assets (net of accumulated depreciation):			
Building	187,113,818	2,446,934	189,560,752
Land improvements	17,724,577	134,673	17,859,250
Machinery and equipment	26,122,623	83,758	26,206,381
Infrastructure	170,724,328	-	170,724,328
Leasehold improvements	1,629,974	-	1,629,974
Total assets	<u>878,035,503</u>	<u>9,757,443</u>	<u>887,792,946</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	734,732	-	734,732
Total deferred outflows of resources	<u>734,732</u>	<u>-</u>	<u>734,732</u>
LIABILITIES			
Accounts payable	23,066,972	690,096	23,757,068
Interest payable	2,873,516	-	2,873,516
Accrued payroll	8,253,446	81,569	8,335,015
Unearned revenue	8,749,859	1,205,661	9,955,520
Deposits held in trust for others	-	13,912	13,912
Noncurrent liabilities:			
Due within one year	22,829,088	35,286	22,864,374
Due in more than one year	263,100,206	356,784	263,456,990
Total liabilities	<u>328,873,087</u>	<u>2,383,308</u>	<u>331,256,395</u>
NET POSITION			
Net investment in capital assets	372,486,664	3,136,558	375,623,222
Restricted for:			
Public safety	3,006,178	-	3,006,178
Health and welfare	9,587,276	-	9,587,276
Debt service	9,895,993	-	9,895,993
Capital projects	18,998,797	-	18,998,797
General government	17,868,036	-	17,868,036
Reserve requirement	69,344,139	-	69,344,139
Unrestricted	48,710,065	4,237,577	52,947,642
Total net position	<u>\$ 549,897,148</u>	<u>\$ 7,374,135</u>	<u>\$ 557,271,283</u>

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



**BERNALILLO COUNTY, NEW MEXICO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government:								
Governmental activities:								
General government	\$ 66,086,137	\$ 10,404,178	\$ 1,144,639	\$ 44,848	\$ (54,492,472)	\$	\$ (54,492,472)	
Public works	56,040,669	1,492,995	31,422	6,559,508	(47,956,744)		(47,956,744)	
Public safety	169,437,545	2,265,574	11,622,028	161,492	(155,388,451)		(155,388,451)	
Culture and recreation	18,234,756	1,021,091	806,644	2,067,188	(14,339,833)		(14,339,833)	
Health and welfare	44,982,475	171,462	12,756,592	50,580	(32,003,841)		(32,003,841)	
Interest on long-term debt	10,613,790	-	-	-	(10,613,790)		(10,613,790)	
Total governmental activities	365,395,372	15,355,300	26,361,325	8,883,616	(314,795,131)		(314,795,131)	
Business-type activities:								
Solid waste	4,685,743	5,094,413	176,000	-	-	\$ 584,670	584,670	
Housing Authority	1,314,007	348,482	551,708	-	-	(413,817)	(413,817)	
Seybold Village Handicapped Project	287,847	44,652	-	48,142	-	(195,053)	(195,053)	
Regional Juvenile Detention Center	915,406	1,065,053	-	-	-	149,647	149,647	
El Centro Familiar	540,819	189,415	181,358	-	-	(170,046)	(170,046)	
Total business-type activities	7,743,822	6,742,015	909,066	48,142	-	(44,599)	(44,599)	
Total primary government	373,139,194	22,097,315	27,270,391	8,931,758	(314,795,131)		(314,839,730)	
General revenues:								
Property taxes					139,744,912	-	139,744,912	
Gross receipts taxes					123,184,816	-	123,184,816	
Motor vehicle taxes					3,775,013	-	3,775,013	
Gas taxes					1,678,264	-	1,678,264	
Investment income:								
Interest income					4,737,566	3,149	4,740,715	
Investment loss					(4,259,348)	-	(4,259,348)	
Miscellaneous					10,219,010	360,438	10,579,448	
Transfers					(12,719)	12,719	-	
Total general revenue and transfers					279,067,514	376,306	279,443,820	
Change in net position					(35,727,617)	331,707	(35,395,910)	
Net position - beginning					586,721,658	7,042,428	593,764,086	
Prior period adjustment					(1,096,893)	-	(1,096,893)	
Net position - beginning as restated					585,624,765	7,042,428	592,667,193	
Net position - ending					\$ 549,897,148	\$ 7,374,135	\$ 557,271,283	

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

**COUNTY OF BERNALILLO, NEW MEXICO
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014**

	<u>General</u>	<u>Grants Fund</u>	<u>Construction Fund</u>	<u>Total Nonmajor Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and investments	\$ 140,396,899	\$ 6,204,248	\$ 37,589,810	\$ 47,939,616	\$ 232,130,573
Accounts receivable, net	32,494,060	-	3,525,000	5,771,492	41,790,552
Accrued interest receivable	81,224	-	5,096	177,424	263,744
Note receivable	2,355,163	-	-	-	2,355,163
Due from other funds	-	-	-	219	219
Due from grantor	-	3,496,116	-	-	3,496,116
Inventory	747,617	-	-	7,365	754,982
Advances to other funds	1,497,000	-	-	1,405,000	2,902,000
Cash - restricted	-	-	-	17,740,698	17,740,698
Total assets	<u>\$ 177,571,963</u>	<u>\$ 9,700,364</u>	<u>\$ 41,119,906</u>	<u>\$ 73,041,814</u>	<u>\$ 301,434,047</u>
LIABILITIES					
Accounts payable	\$ 13,197,072	\$ 1,622,956	\$ 3,422,142	\$ 3,604,171	\$ 21,846,341
Accrued payroll	7,872,267	206,963	-	174,216	8,253,446
Unearned revenue	61,023	6,373,445	-	61,887	6,496,355
Due to other funds	983,049	-	-	308,775	1,291,824
Advances from other funds	-	1,497,000	-	-	1,497,000
Total liabilities	<u>22,113,411</u>	<u>9,700,364</u>	<u>3,422,142</u>	<u>4,149,049</u>	<u>39,384,966</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue	16,256,107	-	-	1,412,278	17,668,385
Total deferred inflows of resources	<u>16,256,107</u>	<u>-</u>	<u>-</u>	<u>1,412,278</u>	<u>17,668,385</u>
Nonspendable	4,599,780	-	-	19,153,063	23,752,843
Restricted	69,603,058	-	23,025,745	48,327,424	140,956,227
Committed	36,349,629	-	-	-	36,349,629
Assigned	15,400,000	-	14,672,019	-	30,072,019
Unassigned	13,249,978	-	-	-	13,249,978
Total fund balances	<u>139,202,445</u>	<u>-</u>	<u>37,697,764</u>	<u>67,480,487</u>	<u>244,380,696</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 177,571,963</u>	<u>\$ 9,700,364</u>	<u>\$ 41,119,906</u>	<u>\$ 73,041,814</u>	<u>\$ 301,434,047</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 POSITION
 JUNE 30, 2014**

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

Total fund balance governmental funds (page 34)	\$ 244,380,696
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	573,681,696
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.	734,732
Internal service funds are used by management to charge the cost of insurance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net position.	17,668,385
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	1,601,449
Accrued Interest Payable	(285,929,294)
Net position governmental activities. (page 32)	(2,873,516)
	<u>\$ 549,897,148</u>

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

COUNTY OF BERNALILLO, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2014

	General	Grants Fund	Construction Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES					
Taxes:					
Property	\$ 122,139,784	\$ -	\$ -	\$ 17,794,779	\$ 139,934,563
Sales	92,203,040	-	-	24,769,652	116,972,692
Motor vehicle	3,775,013	-	-	-	3,775,013
Gas	1,678,264	-	-	-	1,678,264
Intergovernmental:					
Federal	328,484	3,267,561	-	13,100,814	16,696,859
State	46,993	10,950,239	-	1,569,123	12,566,355
Other	1,266,627	3,953,133	-	761,967	5,981,727
Licenses and permits	2,630,342	-	-	-	2,630,342
Fees for services	5,611,526	-	-	7,113,432	12,724,958
Investment income:					
Interest income	3,556,181	-	308,116	873,269	4,737,566
Investment loss	(4,259,348)	-	-	-	(4,259,348)
Miscellaneous	5,575,436	225,358	-	954,167	6,754,961
Total revenues	234,552,342	18,396,291	308,116	66,937,203	320,193,952
EXPENDITURES					
Current:					
General government	55,234,399	72,275	598,110	4,100,927	60,005,711
Public works	30,630,883	387,496	2,226,746	422,170	33,667,295
Public safety	145,834,941	8,568,272	100,855	2,355,623	156,859,691
Health and welfare	5,020,854	330,793	114,903	37,317,792	42,784,342
Culture and recreation	12,527,553	729,214	199,907	398,417	13,855,091
Capital outlay	8,621,808	4,666,643	10,027,225	2,650,296	25,965,972
Intergovernmental - capital outlay	829,455	3,641,598	2,879,579	303,495	7,654,127
Debt service:					
Principal	-	-	-	17,010,000	17,010,000
Interest	-	-	-	11,311,737	11,311,737
Bond issuance cost	-	-	111,857	69,062	180,919
Total expenditures	258,699,893	18,396,291	16,259,182	75,939,519	369,294,885
Excess (deficiency) of revenues over expenditures	(24,147,551)	-	(15,951,066)	(9,002,316)	(49,100,933)
Other financing sources (uses)					
Transfers in	799	-	-	21,229,338	21,230,137
Transfers out	(17,960,387)	-	(149,734)	(3,132,735)	(21,242,856)
Refunding bonds issued	-	-	-	2,995,000	2,995,000
Bonds issued	-	-	8,700,000	-	8,700,000
Premium	-	-	261,590	155,277	416,867
Payment to escrow agent	-	-	-	(3,091,682)	(3,091,682)
Sale of capital assets	326,960	-	-	7,517	334,477
Total other financing sources (uses)	(17,632,628)	-	8,811,856	18,162,715	9,341,943
Net changes in fund balances	(41,780,179)	-	(7,139,210)	9,160,399	(39,758,990)
Fund balance - beginning	180,982,624	-	44,836,974	58,320,088	284,139,686
Fund balance - ending	<u>\$ 139,202,445</u>	<u>\$ -</u>	<u>\$ 37,697,764</u>	<u>\$ 67,480,487</u>	<u>\$ 244,380,696</u>

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

**COUNTY OF BERNALILLO, NEW MEXICO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014**

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

Net changes in fund balances total governmental funds (page 36) \$ (39,758,990)

Governmental funds report capital outlay as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. (10,869,173)

The net effect of sale of capital assets is to increase net position. In the statement of activities, only the gain on the sale of capital assets is reported. However, in the governmental funds, the proceeds from the sale increases financial resources. Thus, the change in net position differs from the change in fund balance by the cost of capital assets sold. (83,317)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 8,308,296

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items. 7,989,815

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (1,314,248)

Change in net position of governmental activities (page 33) \$ (35,727,617)

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

COUNTY OF BERNALILLO, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES - BUDGET AND ACTUAL (Cash Budgetary Basis)
GENERAL FUND
For the Year Ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
REVENUES				
Taxes:				
Property	\$ 122,994,981	\$ 122,994,981	\$ 122,163,311	\$ (831,670)
Sales	92,478,431	92,478,431	96,460,956	3,982,525
Motor vehicle	3,871,762	3,871,762	3,760,713	(111,049)
Gas	1,779,000	1,779,000	1,693,330	(85,670)
Intergovernmental - federal	380,000	380,000	328,484	(51,516)
Intergovernmental - state	-	-	46,993	46,993
Intergovernmental - other	265,000	265,000	1,266,627	1,001,627
Licenses and permits	3,851,038	3,851,038	2,630,342	(1,220,696)
Fees for services	6,854,933	6,854,933	5,561,673	(1,293,260)
Investment income	2,900,000	2,900,000	(12,796,875)	(15,696,875)
Miscellaneous	4,273,335	4,273,335	7,098,026	2,824,691
Total revenues	<u>239,648,480</u>	<u>239,648,480</u>	<u>228,213,580</u>	<u>(11,434,900)</u>
Other Financing Sources:				
Transfer in	799	799	799	-
Sale of assets	150,000	150,000	326,960	176,960
Total other financing sources	<u>150,799</u>	<u>150,799</u>	<u>327,759</u>	<u>176,960</u>
Total revenues and other financing sources	<u>239,799,279</u>	<u>239,799,279</u>	<u>228,541,339</u>	<u>(11,257,940)</u>
Prior year cash balance budgeted				
Total budget	<u>30,307,379</u>	<u>76,999,643</u>		
	<u>270,106,658</u>	<u>316,798,922</u>		
EXPENDITURES				
Current:				
General government:				
County commission	686,185	1,208,313	942,738	265,575
County manager	1,203,507	1,175,715	1,155,745	19,970
Deputy county manager for finance	442,032	564,307	620,690	(56,383)
Legal	2,830,578	3,439,330	2,794,788	644,542
Public information	637,235	680,356	700,484	(20,128)
Assessor	2,747,487	2,800,368	2,351,480	448,888
Treasurer	2,709,799	2,773,650	2,431,423	342,227
Accounting	4,633,874	4,859,682	3,642,304	1,217,378
Risk management	4,271,545	4,192,400	4,008,406	183,994
Budget and business improvement	4,501,738	4,003,615	3,711,568	292,047
Human resources	4,670,372	4,829,357	3,870,752	958,605
Information technology	8,994,823	9,613,130	8,552,398	1,060,732
Purchasing	1,410,327	1,521,765	1,426,803	94,962
General county	7,399,190	14,488,814	5,130,629	9,358,185
Solid waste	1,276,703	1,732,417	1,265,596	466,821
Planning and geo resources	1,883,768	2,502,862	2,218,817	284,045
Social services	1,495,648	1,503,148	1,126,039	377,109
Economic development	1,960,304	2,448,160	1,950,875	497,285
Zoning, building and environmental health	4,398,649	4,176,840	3,735,011	441,829
Clerk	3,903,563	5,285,954	3,728,592	1,557,362
Probate	278,441	278,376	219,176	59,200
Capital improvements	551,684	913	913	-
Total general government	<u>62,887,452</u>	<u>74,079,472</u>	<u>55,585,227</u>	<u>18,494,245</u>

COUNTY OF BERNALILLO, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES - BUDGET AND ACTUAL (Cash Budgetary Basis)
GENERAL FUND
For the Year Ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	Positive (Negative)
Public works:				
Solid waste	3,544,558	3,299,050	2,427,155	871,895
Division support	820,438	867,669	815,841	51,828
Fleet-facilities management	20,000,514	19,571,392	17,445,114	2,126,278
Operations and maintenance	4,725,993	5,254,786	4,155,122	1,099,664
Technical services	3,097,162	3,056,648	1,871,234	1,185,414
Planning and geo resources	2,526,523	2,392,373	2,280,187	112,186
Communications Department	123,334	123,334	123,334	-
Capital Improvements	-	299,448	869,007	(569,559)
Parks and recreation	331,548	331,420	297,200	34,220
Total public works	35,170,070	35,196,120	30,284,194	4,911,926
Public safety:				
Deputy county manager for public safety	421,821	501,025	540,160	(39,135)
Accounting	3,420,877	3,544,740	84,216	3,460,524
Information technology	780,581	319,258	254,082	65,176
General county	410,000	380,000	18,174	361,826
Fire and rescue	20,749,185	21,279,042	22,630,987	(1,351,945)
Office of emergency management	456,198	335,017	235,491	99,526
Metropolitan detention center	52,814,439	73,146,912	68,714,400	4,432,512
Animal care	2,678,599	2,263,870	1,822,469	441,401
Communications department	5,037,783	3,697,135	3,271,862	425,273
Sheriff	34,750,441	37,140,009	39,335,397	(2,195,388)
Youth services center	7,387,460	8,048,289	8,002,994	45,295
Total public safety	128,907,384	150,655,297	144,910,232	5,745,065
Health and welfare:				
Accounting	61,256	71,256	39,229	32,027
Solid waste	370,120	215,000	215,000	-
Metropolitan detention center	6,082,505	1,632,428	194,593	1,437,835
Social services	2,319,373	3,183,194	2,557,497	625,697
Zoning, building and environmental health	380,672	368,001	332,197	35,804
Parks and recreation	15,000	15,000	15,000	-
Housing	468,101	519,720	379,252	140,468
Total health and welfare	9,697,027	6,004,599	3,732,768	2,271,831
Culture and recreation:				
Deputy county manager for community services	874,514	899,201	907,753	(8,552)
Accounting	101,196	106,196	89,192	17,004
Social services	84,945	598,091	400,168	197,923
Economic development	746,108	706,799	491,146	215,653
Parks and recreation	8,848,492	10,262,801	10,477,867	(215,066)
Total culture and recreation	10,655,255	12,573,088	12,366,126	206,962
Capital outlay	12,072,151	19,732,241	8,180,841	11,551,400
Intergovernmental capital outlay	-	-	829,455	(829,455)
Total expenditures	259,389,339	298,240,817	255,888,843	42,351,974
Other financing uses				
Transfers out	10,717,319	18,558,105	17,960,387	597,718
Total expenditures and other financing uses	\$ 270,106,658	\$ 316,798,922	\$ 273,849,230	\$ 42,949,692
Deficiency of revenues and other financing sources over expenditures and other financing uses			\$ (45,307,891)	

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

COUNTY OF BERNALILLO, NEW MEXICO
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2014

	Business-type Activities	Governmental
	Enterprise Funds	Activities-
	Total	Internal
	Nonmajor	Service Funds
ASSETS		
Current assets:		
Cash and investments	\$ 6,008,622	\$ 1,839,031
Accounts receivable, net	1,708,675	-
Accrued interest receivable	32	-
Due from other funds	466,283	983,049
Prepaid assets	-	2,253,504
	<u>8,183,612</u>	<u>5,075,584</u>
Total current assets		
Noncurrent assets:		
Capital assets:		
Land	435,352	-
Land improvements	166,027	-
Buildings	6,520,210	-
Construction in progress	35,841	-
Equipment, machinery, and furniture	1,454,469	-
Less accumulated depreciation	(5,475,341)	-
Total noncurrent assets	<u>3,136,558</u>	<u>-</u>
Total assets	<u>11,320,170</u>	<u>5,075,584</u>
LIABILITIES		
Current liabilities:		
Accounts payable and other current liabilities	690,096	1,220,631
Compensated absences	35,286	-
Accrued payroll	81,569	-
Due to other funds	157,727	-
Unearned revenue	1,205,661	2,253,504
	<u>2,170,339</u>	<u>3,474,135</u>
Total current liabilities		
Noncurrent liabilities:		
Compensated absences	356,784	-
Deposits held in trust for others	13,912	-
Advance from other funds	1,405,000	-
Total noncurrent liabilities	<u>1,775,696</u>	<u>-</u>
Total liabilities	<u>3,946,035</u>	<u>3,474,135</u>
NET POSITION		
Net investment in capital assets	3,136,558	-
Unrestricted	4,237,577	1,601,449
Total net position	<u>\$ 7,374,135</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 POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2014

	Business-type Activities	Governmental
	Enterprise Funds	Activities-
	Total	Internal
	Nonmajor	Service Funds
Operating revenues:		
Administrative and service fees	\$ 6,507,948	\$ 8,631,669
Rental income:		
Tenants	234,067	-
Other income	312,738	-
Total operating revenues	<u>7,054,753</u>	<u>8,631,669</u>
Operating expenses:		
Salaries and wages	2,003,477	-
Contractual services	4,705,250	8,631,669
Materials and supplies	212,058	-
Other services and charges	508,173	-
Miscellaneous expense	56,430	-
Depreciation	258,434	-
Total operating expenses	<u>7,743,822</u>	<u>8,631,669</u>
Operating income (loss)	<u>(689,069)</u>	<u>-</u>
Non-operating revenues:		
Interest income	3,149	-
Gain on sale of capital assets	47,700	-
Grants - subsidies	357,358	-
Other government grant subsidies	551,708	-
Total nonoperating revenue	<u>959,915</u>	<u>-</u>
Income (loss) before contributions and transfers	270,846	-
Capital - grant subsidies	48,142	-
Transfers in	<u>12,719</u>	<u>-</u>
Change in net position	331,707	-
Total net position - beginning	7,042,428	1,601,449
Total net position - ending	<u>\$ 7,374,135</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, 2014

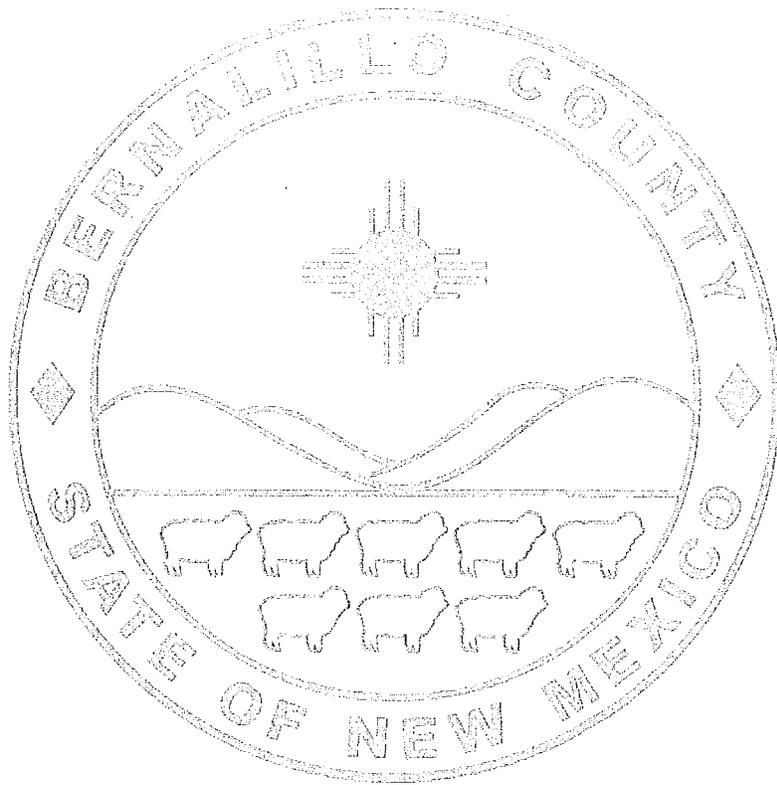
	Business-type Activities	Governmental
	Enterprise Funds	Activities-
	Total	Internal
	Nonmajor	Service Funds
Cash flows from operating activities:		
Receipts from administration and service fees	\$ 6,663,587	\$ 8,396,239
Receipts from rents	235,020	-
Receipts from other funds for goods and services	184,675	-
Payments to employees for services	(1,600,685)	-
Payments to vendors for goods and services	(5,858,916)	(8,183,117)
Payments to other funds for goods and services	(600,830)	-
Miscellaneous cash received	174,203	-
Net cash provided (used) by operating activities	(802,946)	213,122
Cash flows from noncapital financing activities:		
Operating grants/subsidies received	909,066	-
Contributions to other funds	(65,000)	-
Transfers in from other funds	12,719	-
Net cash provided by noncapital financing activities	856,785	-
Cash flows from capital and related financing activities:		
Proceeds from sale of capital assets	47,700	-
Capital grants received	48,142	-
Net cash provided (used) by capital and related financing activities	95,842	-
Cash flows from investing activities:		
Interest received on investments	3,151	-
Net increase in cash and cash equivalents	152,832	213,122
Cash and cash equivalents, beginning of year	5,855,790	1,625,909
Cash and cash equivalents, end of year	\$ 6,008,622	\$ 1,839,031
Reconciliation of operating loss to net cash flows provided (used) by operating activities:		
Operating income (loss)	\$ (689,069)	\$ -
Adjustments to reconcile operating income to net cash provided(used) by operating activities:		
Depreciation expense	258,435	-
Change in assts and liabilities:		
Accounts receivable	145,230	-
Allowance for uncollectable accounts	(96,246)	-
Due from other funds	(415,127)	(247,198)
Prepaid expenses	-	(129,483)
Unearned revenue	(30,416)	129,483
Accounts payable	(149,234)	460,320
Due to other funds	146,573	-
Tenants payable	(510)	-
Accrued compensated absences	27,418	-
Net cash flows provided (used) by operating activities	\$ (802,946)	\$ 213,122

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, 2014

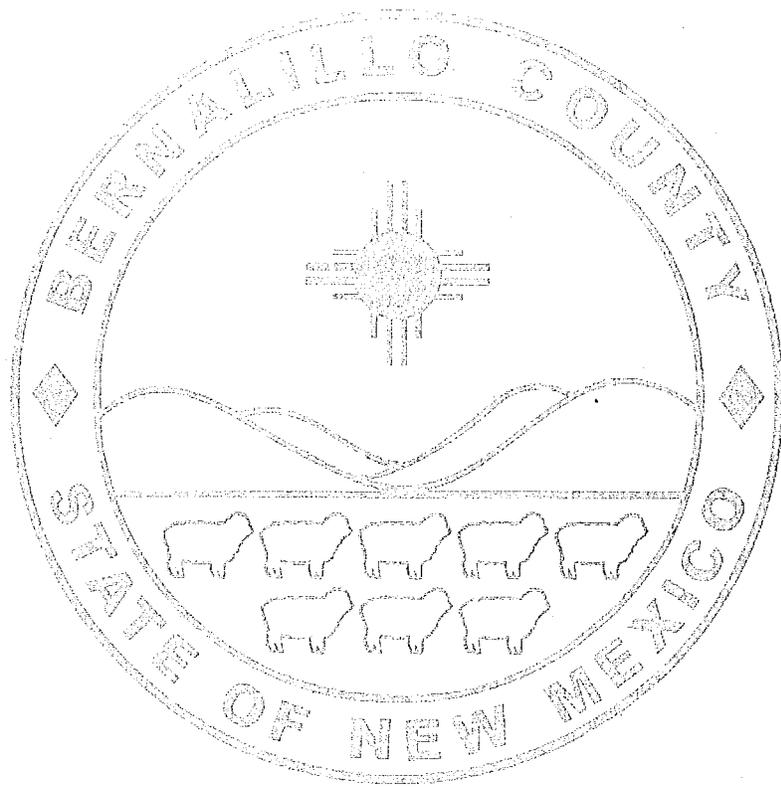
	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 19,199,177
Receivables, net:	
Property taxes	35,107,462
Gross receipts tax	3,680,320
Other	<u>1,108,957</u>
Total assets	<u>\$ 59,095,916</u>
LIABILITIES	
Deposits held in trust for others	\$ 19,199,177
Other	1,108,957
Future collectable taxes	<u>38,787,782</u>
Total liabilities	<u>\$ 59,095,916</u>

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



COUNTY OF BERNALILLO, NEW MEXICO
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**COUNTY OF BERNALILLO, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

I. Summary of significant accounting policies

The financial statements of the County of Bernalillo (County) have been prepared in conformity with generally accepted accounting principles as applied to governmental entities. The significant governmental accounting policies are described below.

A. Reporting entity

The County was established by the laws of the Territory of New Mexico of 1876, under the provisions of the act now referred to as Section 4-1-1 of the New Mexico Statutes Annotated, 1978 Compilation. The County operates under the commission-manager form of government and provides the following services as authorized in the grant of powers: public safety (sheriff, fire, emergency medical, etc.), highways and streets, sanitation, health and social services, low rent housing assistance, culture-recreation, public improvements, planning and zoning, and general administration services.

The County's basic financial statements include all activities and accounts of the County's "financial reporting entity."

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body, and either it is able to impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens, on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, activities, or level of services performed or provided by the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization. There are no agencies, organizations or activities meeting any of the above criteria that are excluded from the County's reporting entity.

**COUNTY OF BERNALILLO, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

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, 2014.

B. Government-wide and fund financial statements

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

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

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

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Under GASB 33, the County defines "available" to 60 days after the fiscal year end. Business-type activities are financed in

COUNTY OF BERNALILLO, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014

whole or in part by fees charged to external parties. Expenditures, generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is made.

Non-exchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, gross receipts taxes, motor vehicle taxes, cigarette taxes, gasoline taxes, licenses, grants, entitlements, donations and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Derived gross receipts tax revenue is recognized when the underlying exchange transaction takes place. A small portion of the gross receipts tax revenue is derived from an estimate of delinquent taxes not yet collected and available. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the County.

The County reports the following major governmental funds:

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

The *Grants fund* accounts for various federal, state and other grant funding resources to be used for specific purposes agreed to between the County and the funding sources as enumerated in the grant agreement/contract.

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

Additionally, the government reports the following fund types:

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

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

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

**COUNTY OF BERNALILLO, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and/or delivering goods in connection with proprietary fund's principal ongoing operations. Approximately 92% of the operating revenues of the County's five proprietary funds consist of user and administrative fees.

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

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

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

The County reports unearned revenue on its combined balance sheet. Unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the County before it has legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods when both revenue recognition criteria methods are met or when the County has a legal claim to the resources, the liability for deferred inflows of resources is removed from the combined balance sheet and revenue is recognized.

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

**COUNTY OF BERNALILLO, NEW MEXICO
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2014**

D. Assets, liabilities, and net position or equity

1. Deposits and investments

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

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

2. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year that are expected to be paid back within the year are referred to as "due to/from other funds." Lending/borrowing arrangements not expected to be paid back within the year are referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All property tax receivables are shown net of an allowance for uncollectables. The property tax receivable allowance is equal to .07% of outstanding property taxes at June 30, 2014.

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

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days after the respective tax billing date, at which time the applicable property is subject to lien, and penalties and interest are assessed.

3. Inventories

The inventories in the general fund consist of warehouse items, supplies, fuel, vehicle parts, and fluids. Inventories in the fire district fund consist of office and janitorial supplies and some general miscellaneous items. Inventories are recorded using the average cost method. The costs of inventories in governmental fund types are recorded as expenditures when purchased; therefore, the inventory amount is not available for appropriation.

4. Capital assets

Capital assets, which include property, plant, equipment, software, and infrastructure assets (e.g., roads, bridges, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The County defines capital assets as assets with an initial, individual cost of more than \$1,000 and estimated useful life in excess of one year and after July 1, 2005 an individual cost of \$5,000. Purchased or constructed assets are recorded at historical cost or estimated cost. Donated capital assets are recorded as estimated fair market value at the date of the donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

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

<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.

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6. *Compensated absences*

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

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

7. *Deferred outflows/inflows of resources*

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts 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 expensed as incurred.

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

8. *Net position*

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

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

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

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

9. Fund balance classification

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

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form; for example inventories, prepaid amounts, long-term amount of loans and notes receivable or (b) legally or contractually required to be maintained intact; for example debt service reserves.

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

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

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

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

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

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

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

Capital outlay	\$ 25,965,972
Capital outlay – expenses classified as noncapital	(3,359,231)
Donated assets	927,066
Depreciation expense	<u>(34,402,980)</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net position in governmental activities	<u>\$ (10,869,173)</u>

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

Sale of assets	\$ (334,477)
Loss on Disposal	(52,374)
Gain on sale of assets	<u>303,534</u>
Net adjustment to decrease total governmental funds to arrive at changes in net position in governmental activities	<u>\$ (83,317)</u>

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

Property taxes receivable – current year	\$ 9,170,438
Property taxes receivable – prior year	(9,360,089)
Sales tax – current year	6,212,124
Miscellaneous revenue – current year	<u>2,285,823</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net position in governmental activities	<u>\$ 8,308,296</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 position. The details of this difference are as follows:

Debt issued or incurred:	
Issuance of general obligation bonds	\$ (11,695,000)
Premium	(416,867)
Principal repayments:	
General obligation bonds	9,005,000
Revenue bonds	8,005,000
Payment to escrow agent:	
Series 2004	3,029,000
Deferred charge refunding	62,682
Net adjustment to decrease net changes in fund balances –	
Total governmental funds to arrive at changes in net position	\$ 7,989,815
of governmental activities	<u>7,989,815</u>

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

Compensated absences	\$ (1,869,015)
Accrued interest	112,258
Amortization of premium	585,689
Amortization of deferred charge on refunding	(89,624)
Amortization of bond discounts	(53,556)
Net adjustment to decrease net changes in fund balances – total	
governmental funds to arrive at changes in net position in	<u>(1,314,248)</u>
governmental activities	<u>\$ (1,314,248)</u>

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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:	All Capital Projects Funds
Grants	Proprietary Funds:
Housing – Vouchers	Bernalillo County Housing Authority
Sheriff's Investigative Fund	Seybold Village Handicapped Project
Debt Service:	El Centro Familiar
Series 1996B Reserve	
Series 1997 Reserve	
Refunding Series 1998 Reserve	
Refunding Series 2005 Reserve	

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

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

Transfers of appropriations within a fund may be made with cognizant Deputy County Manager or elected official approval. Increases or decreases in the budget of a fund or transfers of appropriations between funds must be presented to the County Commission for approval by resolution and must subsequently have DFA approval. Amendments made to the original budget are included in the budgetary comparison statements of this report, which reflect actual to budget.

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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. Over expenditures of budget are disclosed pursuant to Section 2.2.2.10(N)(1) NMAC for Fire District #3 and Fire Administration which were over budget by \$423 and \$836 respectively. All outstanding encumbrances must be rebudgeted in the next year's budget. During the year, several supplementary appropriations were necessary.

Budgetary compliance – GAAP financial statements

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

	<u>General Fund</u>
Net change in fund balance – GAAP basis	\$ (41,780,179)
(Increase) decrease in assets:	
Accounts receivable	5,754,946
Accrued interest	729,077
Fair market value of investments	(12,822,785)
Increase (decrease) in liabilities:	
Accounts payable	1,795,615
Accrued payroll	1,015,435
Net changes in fund balance – Cash basis	<u>\$ (45,307,891)</u>

B. Deficit fund equity

There is an unrestricted deficit balance of \$671,707 in the El Centro Familiar Fund. The County expects that the pay down in the “advance from other funds” and a FY15 subsidy from the general fund will be sufficient to cover the deficit.

IV. Detailed notes on all funds

A. Cash and investments

As of June 30, 2014, the County had the following investments.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Maturity Average (Months)</u>	<u>Percent of Total</u>
US Treasury	\$ 75,103,550	21.98	85.5%
Repurchase Agreements	11,747,530	138.49	13.4%
Certificate of Deposits	993,144	1.37	1.1%
Total fair value	<u>\$ 87,844,224</u>		<u>100%</u>
Portfolio weighted average maturity		37.33	

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Interest Rate Risk. Interest rate risk is the risk that an investment's value will change due to a change in market interest rates which can adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. Bernalillo County manages exposure to interest rate risk by complying with the new Investment Policy dated April 1, 2014 that sets diversification limits specified in the current policy by staggering term of investments. The county also times cash flows to maturities by laddering the portfolio so that a portion of the portfolio is maturing or coming close to maturity evenly over time, to provide the cash flow and liquidity needed for operations. The County's investment policy does limit investment maturities as a way of managing its exposure to fair value losses arising from increasing interest rates. Information about the sensitivity of the fair values of the county's investments to market interest rate fluctuations is provided by the table above that shows the distribution of the county's investments by weighted average maturity as of June 30, 2014.

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 agency. As of June 30, 2014 the county's investment in US Treasury bonds were rated AAA by Moody's Investment Services. The county's portfolio is largely credit risk adverse due to the types of bonds held, US Treasuries. In addition, in an effort to address liquidity requirements, higher balances are maintained in demand deposit account which also limits the county's exposure to credit risk.

Bernalillo County has hired an outside contractor to advise and invest on behalf of the county. The County Treasurer and the Investment Officer shall perform their investment duties in a manner consistent with the county's investment policy and the standards applicable to their respective positions. The County Treasurer shall perform his or her duties following a prudent person standard. The Investment Officer shall perform his or her duties in the manner of a prudent person in light of the purposes, terms, distribution requirement and other circumstances then prevailing as to the assets entrusted to them. The County Treasurer and Investment Officer shall act in accordance with New Mexico Statutes, written policy and procedures, which shall be adopted by the County Treasurer with the advice and consent of the Bernalillo County Board of Finance.

Concentration of Credit Risk. The county's investment policy dated April 1, 2014 places limits on the amount the county may invest in any one issuer. The table above shows Bernalillo County's investment holdings by issuer and the percentage each issuer makes up of the total investments held by the county as of June 30, 2014.

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

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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.

As of June 30, 2014, the county has exceeded the state's collateralization requirement of 50% on deposits and the collateral is held in the county's name. However, \$27,373,765 of the county's deposits at Wells Fargo Bank was uninsured. All other balances are not exposed to any custodial risk.

GASB Statement No. 40 requires that the following disclosure be made in respects to custodial credit risks relating to deposits and investments: \$993,144 of Bernalillo County's deposits with financial institutions were held in collateralized accounts. All certificate of deposit accounts met or exceeded the state collateralization requirements.

Additionally, as of June 30, 2014 those deposits along with the county's investments were held by the safekeeping department of the Wells Fargo Trust. On September 30, 2013, KPMG LLP issued an unqualified opinion for the SSAE16 requirement of Wells Fargo Trust Operations.

A reconciliation of cash and investments for the County follows:

Bank accounts	\$	189,072,267
Petty cash on hand		1,610
Carrying amount of investments		87,844,224
Total cash and investments	\$	<u>276,918,101</u>

Statement of Net Position

Primary Government		
Cash and investments	\$	239,978,226
Cash-restricted		17,740,698
Statement of Fiduciary Assets and Liabilities		19,199,177
Total cash, investment	\$	<u>276,918,101</u>

The County is required to obtain from each bank that is a depository for public funds pledged collateral in an aggregate amount equal to one half of the public money in each account (section 6-10-17 NMSA 1978). Some deposits are collateralized at higher levels based on the State of New Mexico Treasurer's office risk assessment as required by 2.60.4.9 NMAC. The pledged collateral is stated at market value as of June 30, 2014.

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Investment income. The County reported investment income of \$478,218, which consists of the following components:

	General Fund	Construction Fund	Non major Governmental Funds	Total Government Funds
Realized investment:				
Income	\$ 4,330,560	\$ 370,345	\$ 900,624	\$ 5,601,529
Loss	(17,119,921)	-	-	(17,119,921)
Unrealized:				
Discount	4,236	-	-	4,236
Premium	(11,750)	-	-	(11,750)
Interest accrual:				
Current year	52,873	5,096	177,425	235,394
Prior year-reversed	(781,950)	(67,325)	(204,780)	(1,054,055)
Gain mark to market valuation:				
Current year	7,991	-	-	7,991
Prior year-reversed	12,814,794	-	-	12,814,794
Net investment income				
Gain (loss)	\$ (703,167)	\$ 308,116	\$ 873,269	\$ 478,218

B. Receivables

	General Fund	Construction Fund	Non major Governmental Funds	Total Government Funds
Property taxes	\$ 10,101,262	\$ -	\$ 1,268,295	\$ 11,369,557
Gross Receipts Taxes	17,993,652	-	4,520,765	22,514,417
Gasoline Taxes	270,314	-	-	270,314
Motor Vehicle Tax	216,781	-	-	216,781
Transportation Fees	105,228	-	-	105,228
Special Assessments	81,860	-	-	81,860
Intergovernmental	426,428	-	-	426,428
Due from other governments	4,030,973	3,525,000	74,194	7,630,167
Other	294,452	-	-	294,452
Gross Receivables	33,520,950	3,525,000	5,863,254	42,909,204
Less: Allowance for Uncollectibles	(1,026,890)	-	(91,762)	(1,118,652)
Net total receivables	\$ 32,494,060	\$ 3,525,000	\$ 5,771,492	\$ 41,790,552

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	Enterprise Funds	Agency Funds
Property Taxes	\$ -	\$ 38,054,727
Gross receipts tax	-	3,680,320
Solid Waste Fees	4,200,606	-
Special Assessments	-	57,709
Due from other governments	234,231	-
Other	16	1,051,248
Gross Receivables	4,434,853	42,844,004
Less: Allowance for uncollectibles	(2,726,178)	(2,947,265)
Net Total Receivables	<u>\$ 1,708,675</u>	<u>\$ 39,896,739</u>

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

Note receivable

On December 13, 2013 the County and the MRCOG signed a lease purchase agreement for leasing and conveying 809 Copper Avenue to MRCOG. The agreement calls for monthly principal and interest payments of \$12,236 over a period of 17 years with interest at .65%. The balance of this agreement was \$2,285,823 at June 30, 2014. The second note balance for \$69,340 with a third party is due in 30 years, with an interest rate of 6.5%. The total note receivable for June 30, 2014 is \$2,355,163.

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C. Capital assets

Capital asset activity for the year was as follows:

	Balance June 30, 2013	Increases	Decreases	Balance June 30, 2014
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 136,156,585	\$ 2,097,724	\$ -	\$ 138,254,309
Construction in progress	45,536,457	21,459,560	(37,623,888)	29,372,129
Art	2,552,405	187,533	-	2,739,938
Total capital assets, not being Depreciated	<u>184,245,447</u>	<u>23,744,817</u>	<u>(37,623,888)</u>	<u>170,366,376</u>
Capital assets, being depreciated:				
Buildings	335,469,547	7,725,474	-	343,195,021
Land improvements	16,665,112	5,058,567	-	21,723,679
Machinery and equipment	83,787,935	12,611,591	(3,127,352)	93,272,174
Infrastructure	306,079,657	12,017,246	-	318,096,903
Leasehold improvements	3,213,396	-	-	3,213,396
Total capital assets being Depreciated	<u>745,215,647</u>	<u>37,412,878</u>	<u>(3,127,352)</u>	<u>779,501,173</u>
Less Accumulated depreciation for:				
Buildings	(142,593,453)	(13,487,750)	-	(156,081,203)
Land improvements	(2,237,906)	(1,761,196)	-	(3,999,102)
Machinery and equipment	(62,001,951)	(8,191,635)	3,044,035	(67,149,551)
Infrastructure	(136,538,712)	(10,833,863)	-	(147,372,575)
Leasehold improvements	(1,454,886)	(128,536)	-	(1,583,422)
Total accumulated depreciation	<u>(344,826,908)</u>	<u>(34,402,980)</u>	<u>3,044,035</u>	<u>(376,185,853)</u>
Total capital assets, being depreciated, net	<u>400,388,739</u>	<u>3,009,898</u>	<u>(83,317)</u>	<u>403,315,320</u>
Governmental activities capital assets, net	<u>\$ 584,634,186</u>	<u>\$ 26,754,715</u>	<u>\$ (37,707,205)</u>	<u>\$ 573,681,696</u>

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	June 30, 2013	Increases	Decreases	Transfers	June 30, 2014
Business-type activities					
Capital assets, not being depreciated:					
Land	\$ 435,352	\$ -	\$ -	\$ -	\$ 435,352
Construction in progress	35,841	-	-	-	35,841
Total capital assets, not being depreciated	471,193	-	-	-	471,193
Capital assets, being depreciated:					
Land improvements	166,027	-	-	-	166,027
Buildings	6,520,210	-	-	-	6,520,210
Machinery and equipment	1,645,779	-	(191,310)	-	1,454,469
Total capital assets being depreciated	8,332,016	-	(191,310)	-	8,140,706
Less accumulated depreciation for:					
Land improvements	(14,751)	(16,603)	-	-	(31,354)
Buildings	(3,861,689)	(211,138)	-	(449)	(4,073,276)
Machinery and equipment	(1,531,777)	(30,693)	191,310	449	(1,370,711)
Total accumulated depreciation	(5,408,217)	(258,434)	191,310	-	(5,475,341)
Total capital assets, being depreciated, net	2,923,799	(258,434)	-	-	2,665,365
Business-type activities capital assets, net	\$ 3,394,992	\$ (258,434)	\$ -	\$ -	\$ 3,136,558

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

Governmental activities:	
General government	\$ 5,676,693
Public safety	11,227,830
Culture and recreation	3,479,109
Public works	11,941,476
Health and welfare	2,077,872
Total depreciation expense-governmental activities	\$ 34,402,980
Business-type activities:	
Solid waste	\$ 34,587
Housing Authority	58,335
Seybold Village	60,217
El Centro Familiar	105,295
Total depreciation expense-business-type activities	\$ 258,434

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D. Interfund receivables, payables, and transfers

The composition of interfund balances as of June 30, 2014, is as follows:

	Due To:			
	General Fund	Nonmajor Governmental Funds	Enterprise Funds	Total
Due From:				
Internal Service	\$ 983,049	\$ -	\$ -	\$ 983,049
Total Nonmajor governmental funds	-	219	-	219
Enterprise Funds	-	308,556	157,727	466,283
Total	<u>\$ 983,049</u>	<u>\$ 308,775</u>	<u>\$ 157,727</u>	<u>\$ 1,449,551</u>

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

Advances. For the purpose of financing cost-reimbursement grants, the general fund advanced the grants fund \$1,497,000 which is outstanding at June 30, 2014. The 2010B Debt Service Fund advanced the Housing Authority \$1,650,000 in FY10 which has an outstanding balance of \$1,405,000 at June 30, 2014.

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, 2014 were as follows:

	Transfer out:			
	General Fund	Construction Fund	Nonmajor Governmental Funds	Total
Transfer in:				
General Fund	\$ -	\$ -	\$ 799	\$ 799
Nonmajor funds	17,947,668	149,734	3,131,936	21,229,338
Enterprise	12,719	-	-	12,719
Total	<u>\$ 17,960,387</u>	<u>\$ 149,734</u>	<u>\$ 3,132,735</u>	<u>\$ 21,242,856</u>

**COUNTY OF BERNALILLO, NEW MEXICO
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E. Leases

Operating Leases

During the fiscal year ended June 30, 2014, the County leased equipment, and office space under operating leases. The County's expenditures on those leases for the fiscal year ended June 30, 2014, were \$985,780. The County shares building expense on One Civic Plaza (City/County Building) on a year-to-year basis. A joint City/County annual operating budget for the building is established one month prior to the commencement of the fiscal year. The County's future minimum rental commitments is \$38,732 for the year ended 2015.

During the year, the County, as lessor, leased various office spaces at a cost of approximately \$2.73 million and a carrying amount of \$1.2 million under operating leases. Rental revenue was \$600,716 and depreciation expense on those assets was \$109,377.

F. Long-term debt

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2014, was as follows:

	Balance			Balance	Amounts
	June 30, 2013	Additions	Deletions	June 30, 2014	Due within
					One Year
Governmental Activities:					
Bonds:					
G.O. bonds	\$ 120,525,000	\$ 11,695,000	\$ (12,034,000)	\$ 120,186,000	\$ 12,150,000
Revenue bonds	135,670,000	-	(8,005,000)	127,665,000	7,730,000
Deferred amounts:					
Bond premiums	5,916,866	416,867	(585,689)	5,748,044	-
Bond discounts	(490,955)	-	53,556	(437,399)	-
Total bonds	261,620,911	12,111,876	(20,571,133)	253,161,645	19,880,000
Other liabilities:					
Compensated absences	30,898,634	15,908,124	(14,039,109)	32,767,649	2,949,088
Governmental activity					
Long-term liabilities	\$ 292,519,545	\$ 28,019,991	\$ (34,610,242)	\$ 285,929,294	\$ 22,829,088

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	Balance		Balance		Amounts
	June 30, 2013	Additions	Deletions	June 30, 2014	Due within
					One Year
Business-type Activities:					
Compensated absences	\$ 364,653	157,416	(129,999)	392,070	\$ 35,286

Compensated absences for governmental activities are generally liquidated by the general fund. General Obligation (GO) Bonds are direct obligations of the County for which its full faith and credit are pledged and are payable from taxes levied on property located within the County. The County issues GO bonds to provide funds for the acquisition and construction of major capital facilities, and purchase of library books. Debt related to non-capital library books is \$6,144,642 and debt related to unspent proceeds is \$26,676,273. The GO bonds outstanding as of June 30, 2014 are comprised of the following issues:

Issue	Amount	Interest Rate	Final Maturity
Series 1997	\$ 3,270,000	4.75%	December 1, 2017
Series 1999	7,605,000	4.50%	August 1, 2019
Series 2005	4,105,000	3.75%-4.00%	February 1, 2020
Series 2005A	4,151,000	4.25%-4.50%	February 1, 2025
Series 2006	7,345,000	4.00%-4.25%	February 1, 2027
Series 2007	9,890,000	5.00%	August 1, 2027
Series 2007A	8,010,000	4.00%-4.35%	August 1, 2027
Series 2009	5,375,000	4.00%-4.50%	June 1, 2019
Series 2009A	7,600,000	2.00%-3.60%	December 1, 2020
Partial Refunding Series 2010	11,510,000	3.00%-4.00%	February 1, 2022
Series 2011	3,080,000	3.00%-3.00%	February 1, 2019
Advance Refunding 2012	5,450,000	2.00%-4.00%	June 15, 2023
Series 2012A	14,400,000	3.00%-4.00%	June 15, 2032
Series 2013	16,700,000	2.50%-4.00%	August 15, 2028
Series 2014	8,700,000	2.10%-4.00%	August 15, 2029
Advance Refunding 2014A	2,995,000	2.00%-4.00%	August 15, 2021
Total	<u>\$ 120,186,000</u>		

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

Year Ending	Governmental Activities	
	Principal	Interest
June 30,		
2015	\$ 12,150,000	\$ 4,188,063
2016	14,160,000	3,815,700
2017	9,080,000	3,387,343
2018	9,446,000	3,040,449
2019	9,110,000	2,687,251
2020-2024	37,745,000	8,386,440
2025-2029	24,450,000	2,717,134
2030-2032	4,045,000	258,186
	<u>\$ 120,186,000</u>	<u>\$ 28,480,566</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, 2014 are comprised of the following issues:

Issue	Amount	Interest Rate	Final Maturity
Series 1996B	\$ 43,230,000	5.00%-5.70%	April 1, 2027
Series 1997	4,800,000	5.75%	October 1, 2017
Refunding Series 1998	36,085,000	5.125%-5.25%	April 1, 2027
Partial Refunding Series 2005	37,010,000	4.50%-5.25%	October 1, 2026
Series 2010A	5,135,000	3.00%-4.00%	June 15, 2019
Refunding Series 2010B	1,405,000	2.50%-4.5%	June 15, 2029
	<u>\$ 127,665,000</u>		

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

Year Ending	Governmental Activities	
	Principal	Interest
2015	\$ 7,730,000	\$ 6,594,960
2016	8,635,000	6,198,816
2017	9,165,000	5,762,773
2018	9,515,000	5,308,079
2019	9,295,000	4,834,865
2020-2024	46,780,000	17,205,732
2025-2029	36,545,000	3,821,059
	<u>\$ 127,665,000</u>	<u>\$ 49,726,284</u>

Advance Refunding. On May 28, 2014 the County issued \$2,995,000 of general obligation bonds with an average rate of 2.496% to advance refund \$3,029,000 of the series 2004 bonds with an average interest rate of 4.13%. The net proceeds of \$3,081,215 (including a premium of

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\$155,277 and \$69,062 in underwriting discounts and issuance costs) were placed in escrow and will be called for redemption on October 15, 2014. As a result the bonds are considered defeased and the liability for those bonds have been removed from the government-wide statements of net position. The difference between the cash flows required to service the old debt and the cash flow to service the new debts and complete the advance refunding is \$399,408. The Advance refunding resulted in an economic gain of \$360,166.

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, 2014, \$5,339,000 of general obligation bonds outstanding is considered defeased.

G. Special assessment bonds

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

The activities relating to the collection of special assessments and the payments on special assessment bonds are included in the agency fund accounts.

The following is a summary of Special Assessment Bonds payable as of June 30, 2014:

Improvement Bonds	Interest Rate	Date Issued	Date Series Matures	Amount of Original Issue	Bonds Outstanding June 30, 2014
Comanche Griegos BC-83-1B	6.25%	12/03	12/15/23	\$2,085,000	\$1,050,000

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At June 30, 2014, the Second Street, East Mountain, Paradise Hills, South Valley, and Heatherland Hills special assessment bonds had been fully paid. The remaining potential assets were as follows:

	Second Street BC-85-3	East Mountain BC-85-4	Paradise Hills BC-84-2	South Valley BC-84-1	Heatherland Hills BC-85-5
Accounts receivable:					
Billed, but uncollected	\$ 1,804	\$ 10,120	\$ 13,502	\$ 55,475	\$ 959

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

1. Bonds or assignable certificates were issued to finance the improvement; and
2. The funds obtained by the bonds or assignable certificates were spent for the improvement; and
3. The assessments were levied and collected for the payment of the bonds or assignable certificates; and
4. Either the bondholders or assignable certificate holders are barred by the statute of limitations or a court judgment or decree from collecting the indebtedness; or
5. The bonded indebtedness or assignable certificates have been paid.

H. Conduit debt

The County has acted from time to time as the issuer of conduit bonds, the proceeds of which have been immediately loaned to a private borrower. The County will require a complete analysis by an independent consultant at the expense of any and all applicants. The County signed its rights with respect to such bonds to various trustees that monitor amounts due and payable by the borrower pursuant to a lease, loan or other agreement. Neither the County, the State of New Mexico, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

Industrial Revenue Bonds

In fiscal year 2014, the County did not issue any new Industrial Revenue Bonds. As of June 30, 2014, there were eighteen series of Industrial Revenue Bonds outstanding with an original issue amount of \$211,021,000. The remaining principal balance outstanding as of June 30, 2014 is \$125,235,450.

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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, 2014, there were seven series of project revenue bonds with an original issue amount of \$34,425,000. The remaining outstanding principal balance as of June 30, 2014 is \$31,972,230.

New Mexico Non-profit Corporation Project Revenue Bond

In fiscal year 2014, the County has one project revenue bond; the YMCA of Central New Mexico Project with an issue amount of \$4,385,449. The remaining principal balance as of June 30, 2014 is \$3,872,106.

I. Fund balance requirements

The New Mexico Department of Finance and Administration (DFA) requires that 3/12 of the FY14 budgeted expenditures in the general fund be restricted as subsequent-year expenditures to maintain an adequate cash flow until the next significant property tax collection. The DFA required reserve balance for FY14 is \$69,344,139. In addition, \$13,249,978 is classified as unassigned in the general fund, to be used for cash flow and emergency contingencies, which did not comply with the County's minimum fund balance policy of 2/12 of the prior year operating expenditures. In the future, to comply with the minimum fund balance policy, the County plans to continue cost containment efforts over the next few years, look for other revenue sources, and/or amend the current policy to reflect industry best practices with the goal to exceed those levels over time.

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J. Fund balance purpose

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

	General	Construction Fund	Other Funds	Total Funds
Nonspendable				
Notes receivable	\$ 2,355,163	\$ -	\$ -	\$ 2,355,163
Advances to other funds	1,497,000	-	1,405,000	2,902,000
Inventory	747,617	-	7,365	754,982
Debt service - restricted	-	-	17,740,698	17,740,698
Total Nonspendable	4,599,780	-	19,153,063	23,752,843
Restricted				
Reserve requirement	69,344,139	-	-	69,344,139
Grant match funds	258,919	-	-	258,919
Debt service	-	-	9,895,993	9,895,993
Road bonds	-	8,800,043	-	8,800,043
Public Safety:				
Bonds	-	1,993,911	-	1,993,911
Fire protection	-	-	478,920	478,920
Sheriffs	-	-	856,966	856,966
DSAP	-	-	1,183,431	1,183,431
Law enforcement	-	-	479,496	479,496
Healthcare	-	-	6,395,588	6,395,588
Environmental services	-	-	1,908,006	1,908,006
Infrastructure	-	5,984,192	5,120,918	11,105,110
Open space	-	-	2,856,388	2,856,388
Valuation	-	-	16,920,214	16,920,214
Housing services	-	-	1,283,682	1,283,682
Library	-	1,177,640	-	1,177,640
Parks bonds	-	1,533,565	-	1,533,565
Clerks - recording	-	-	947,049	947,049
Other purposes	-	3,536,394	773	3,537,167
Total Restricted	69,603,058	23,025,745	48,327,424	140,956,227
Committed				
General county contingency	1,200,000	-	-	1,200,000
General salaries- term, vacant, current	3,096,840	-	-	3,096,840
Healthcare reserve - self insurance	2,000,000	-	-	2,000,000
MDC salaries - term, temporary staffing	4,752,539	-	-	4,752,539
MDC - electronic monitoring	1,682,500	-	-	1,682,500
MDC - out of county housing	3,300,000	-	-	3,300,000
MDC - legal	2,831,842	-	-	2,831,842
MDC - miscellaneous	2,027,477	-	-	2,027,477
Public safety - various	99,801	-	-	99,801
Regional detention center	3,544,740	-	-	3,544,740
Helicopter - metro air	650,000	-	-	650,000
Fleet replacement - general, sheriff	700,000	-	-	700,000
Public safety - overtime	1,591,300	-	-	1,591,300
Community services	70,860	-	-	70,860
Social services	2,153,923	-	-	2,153,923
Information technology	1,003,871	-	-	1,003,871
Infrastructure/buildings	4,425,324	-	-	4,425,324
PILT	760,304	-	-	760,304
Various projects	458,308	-	-	458,308
Total Committed	36,349,629	-	-	36,349,629
Assigned				
Subsequent years expenditures	15,400,000	-	-	15,400,000
Road	-	2,269,132	-	2,269,132
Storm drain	-	3,636,185	-	3,636,185
Water, wastewater projects	-	6,258,231	-	6,258,231
Trails	-	634,976	-	634,976
Arts	-	476,974	-	476,974
Other purposes	-	1,396,521	-	1,396,521
Total Assigned	15,400,000	14,672,019	-	30,072,019
Unassigned				
Minimum fund balance policy	13,249,978	-	-	13,249,978
	\$ 139,202,445	\$ 37,697,764	\$ 67,480,487	\$ 244,380,696

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K. Net position restricted by enabling legislation

The government-wide statement of net position reports \$128,700,419 of restricted net position, of which \$8,000,259 is restricted by enabling legislation.

L. Financial data schedule reconciliation

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

<u>Net Position</u>	<u>Amount</u>
Net Position - Housing Choice Vouchers 14.871	\$ 1,165,673
Compensated Absences	117,789
Interfund clearings	220
Fund balance - Section 8 Housing - Vouchers	<u>\$ 1,283,682</u>

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

<u>Net Position</u>	<u>Amount</u>
Net Position – Central Office	\$ 2,980,898
Net Position – Home Rehabilitation	162,011
Net Position – Housing Authority	<u>3,142,909</u>
Compensated Absences	(117,789)
Interfund clearings	(220)
Fund balance – Housing Authority	<u>\$ 3,024,900</u>

Department of Substance Abuse Financial Data Schedule

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

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V. Other information

A. Risk management

The County is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. The County joined with other county governments to form a Workers' Compensation Pool in July 1987 and joined a Multi-line Pool in January 1989 and the Law Enforcement Pool in 1995. These public entity risk pools operate as a common risk management and insurance program for workers' compensation, property and casualty, and law enforcement liability coverage. The County pays an annual premium to the pools for general insurance coverage. The Bernalillo County Risk Management Director is a voting member on the Workers' Compensation Pool Board of Directors and the Deputy County Manager for Finance is a voting member on the Multi-line and Law Enforcement Pool Board of Directors.

The pools are authorized by joint powers agreements entered into by each county as a separate and independent governmental and legal entity pursuant to the provisions of NMSA 1978 Sections 11-1-1 et seq. The agreements for formation of the pools provide that the pools be self-sustaining through member premiums and reinsure through commercial companies for claims in excess of \$750,000 (workers' compensation), \$500,000 (multi-line), and \$500,000 (law enforcement), for each insured event. The insurance pools are funded entirely by member premiums and are administered by the New Mexico County Insurance Authority.

The Workers' Compensation Pool provides workers' compensation coverage for every County employee. There are 31 counties in this pool, which for the fiscal years that ended June 30, 2014, 2013, and 2012 contributed a total of \$8,493,022, \$8,353,121, and \$7,829,935 respectively. The premium that each county pays depends upon the total value of the county payroll total, the NCCI employment classifications, and the loss experience specific to that county. Bernalillo County has a self-insurance retention/high-deductible plan of \$400,000 (maximum amount paid for each insured event before using insurance) and \$1,750,000 annual aggregate limit, thus dramatically reducing Bernalillo County's annual pool contribution. For the fiscal years that ended June 30, 2014, 2013, and 2012, the County contributed \$750,437, \$698,081, and \$664,839 respectively. In addition to premiums, Bernalillo County maintains a reserve fund for each fiscal year to service open claims that are less than the self-insured retention limit. The self-insured retention of this pool is \$750,000. The pool has two layers of reinsurance coverage for losses above that amount.

The Multi-line Pool provides property and casualty coverage for 28 counties. The coverage includes buildings and contents, automobile physical damage and liability, general liability, personal injury, employee benefits liability, public officials' errors and omissions, crime, fuel storage tanks, and boiler and machine coverage. Premiums for the Multi-line Pool are paid for the calendar year. For calendar years 2014, 2013, and 2012, participating counties contributed a total of \$8,562,363, \$7,283,018, and \$7,214,238 respectively. For calendar years 2014, 2013, and 2012, Bernalillo County contributed \$1,622,385, \$1,612,612, and

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\$1,671,288, respectively. For each calendar year, a reserve fund is kept to pay deductibles for open multi-line claims.

The self-insured retention level for this pool is \$150,000 for property and \$1,000,000 for liability per occurrence (that is the maximum amount of coverage for each insured event before obtaining reinsurance). The pool has two layers of reinsurance coverage for losses above that amount.

The Law Enforcement Pool provides coverage for law enforcement activities and liabilities, which includes the Sheriff's Department, the Metropolitan Detention Center, and the Youth Services Center. Currently, the pool provides coverage for 28 members. For calendar years 2014, 2013, and 2012, participating counties contributed a total of \$10,254,545, \$9,344,652, and \$9,136,377 respectively. For calendar years 2014, 2013, and 2012 Bernalillo County contributed \$2,806,616, \$2,623,006, and \$2,384,550 respectively. For each calendar year, a reserve fund is kept to pay deductibles for law enforcement liability claims. The self-insured retention of this pool is \$750,000. The pool has two layers of reinsurance coverage for losses above that amount.

The pooling agreements require the pools to be self-sustaining. The Pool Boards require the retention of one year's budget in surplus prior to considering an equity distribution to the participating counties. The pools retain the risk of loss to be shared proportionately by pool participants. Bernalillo County does not retain the sole risk of losses incurred. For the fiscal years that ended June 30, 2014, 2013, and 2012 there were no payments in excess of the annual premium contributions for self-sustainment of the insurance pools.

The New Mexico County Insurance Authority has published its own financial report for the fiscal year ended June 30, 2014, which can be obtained from the New Mexico Association of Counties, 444 Galisteo St., Santa Fe, New Mexico 87501. (<http://www.nmcounties.org/>)

Bernalillo County carries commercial insurance for all other risks of loss not covered by pool insurance such as medical professional liability, law enforcement aviation operations, accident and sickness for sheriff reserve officers, cyber-liability, and a volunteer accident policy. These insurance policies are sourced through a broker working on a flat annual fee, not commissions.

B. Construction and other significant commitments

Construction commitments. At June 30, 2014 the County is committed to \$22,897,573 under construction contracts for capital assets.

Litigation. The County is a defendant in a number of lawsuits, the significant majority of which are covered under the County's insurance policy through the New Mexico Association of Counties. The outcome of these lawsuits are not presently determinable and the County is not able to make an estimate for possible losses at this time. Insurance deductibles related to outstanding claims are \$10,000 per claim. Occasionally, the County or its elected officials

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are named as parties to suits that are not covered by any insurance policy and the County's Attorney's Office provides representation for such claims. At present there are three pending claims that are not covered by insurance. One case seeks certification as a class action in federal court and alleges that the County discriminates against women in its hiring and promotion practices. The total amount of potential liability cannot be determined at this time because it depends in large part on whether the court rules in favor of certification; a ruling is expected in the next few months. There are approximately 250 putative plaintiffs.

The other case involves a wage and hour claim brought by the union on behalf of 145 employees at the Youth Services Center (formerly the Juvenile Detention Center) which is a 24 hour/7 days a week operation. It is alleged that at shift changes, the off-duty officer is delayed beyond the time he or she stops getting paid because the oncoming officer is required to engage in certain activities before relieving the off-duty officer—sometimes by as much 30-40 minutes. The Fair Labor Standards Act provides a two-year statute of limitations on this type of cause of action, which can be extended to three years if the court finds that the employer knew or should have known of the alleged unfair practice. Each employee's claim will depend on a variety of factors, including length of service, number of shifts during which delay occurred, etc. If plaintiffs are successful in proving their claims, the potential liability to the County may be significant.

The third case is one brought by three of the largest utility companies providing service in Bernalillo County—Public Service Company of New Mexico ("PNM" which provides electricity), New Mexico Gas Co. (natural gas) and CenturyLink (cable and internet). The plaintiffs are challenging the validity and constitutionality of the County's right-of-way ordinance which was enacted in January of 2014, and which requires that any user of the County's rights-of-way for utility lines or other infrastructure must enter into a franchise agreement and pay a franchise fee to the County. If the County's ordinance is struck down, then the County would forego anticipated annual revenues of approximately 5 to 6 million dollars. However, that revenue is not currently being realized by the County so an adverse outcome in the litigation would not result in loss of revenue.

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, 2014, 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

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during the second half of FY07 and will continue to impose the tax in FY15 which will generate approximately \$10 million annually. The gross receipts are distributed to the State of New Mexico, Human Services Department.

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

General fund	\$ 2,471,566
Grants fund	3,009,211
Construction fund	7,627,853
Nonmajor governmental	320,293
Total	<u>\$ 13,428,923</u>

C. Joint ventures

Regional Juvenile Detention Center. Through a Joint Powers Agreement established between Bernalillo County and Sandoval County on June 26, 2007, Bernalillo County operates the Regional Juvenile Detention Facility (RJDC) located at the Bernalillo County Youth Services Center. Sandoval County contributes 100 percent of the operation costs of the RJDC. For FY14, Sandoval County paid \$1,062,223 million to Bernalillo County for the operation of the RJDC. Sandoval County receives 70% and Bernalillo County receives 30% of all cost of care revenues generated from housing juveniles in the RJDC from other counties and pueblos. The total cost of care revenues billed in FY14 was \$438,081 and \$433,441 of this amount has been received to date which includes \$1,341 for medical costs. Bernalillo County receives 100% of all medical costs billed under these cost of care agreements.

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

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

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

**COUNTY OF BERNALILLO, NEW MEXICO
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D. Post-Employment Benefits - Retiree Health Care Plan

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

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

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

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

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

**COUNTY OF BERNALILLO, NEW MEXICO
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The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees who are members of an enhanced retirement plan (state police and adult correctional officer coverage plan 1; municipal police member coverage plans 3, 4 and 5; municipal fire member coverage plan 3, 4, and 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary, and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2014, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Bernalillo County's contributions to the RHCA for the years ended June 30, 2014, 2013 and 2012 were \$2,376,195, \$2,381,109 and \$2,072,085, 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 10.65-18.15% of their gross salary. The County is required to contribute 9.15-21.25% depending upon the plan of the gross covered salary. The contribution requirements of plan members and the County are established state statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The County's contributions to PERA for the years ending June 30, 2014, 2013, and 2012 were \$14,717,112, 14,165,828 and \$14,013,271, respectively, which equal the amount of the required contributions for each fiscal year. In accordance with Chapter 10, Article 11, Section 5 NMSA 1978, the County has elected to make contributions of up to sixty-nine percent of its employees' member contributions under the General-management, blue collar, white collar, sheriff, fire and detention plans. The

**COUNTY OF BERNALILLO, NEW MEXICO
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Covered Division	Employee		Employer	
	Percent	Dollars	Percent	Dollars
General-management, blue collar and white collar	14.65%	\$7,941,158	9.15%	\$4,992,027
General-other	10.65	19,141	9.15	18,275
Sheriff	17.80	2,949,380	18.50	3,074,924
Fire	17.70	2,036,159	21.25	2,452,004
Detention	18.15	3,757,153	16.65	3,456,886
	Employee/Employer combined			
	Percent	Dollars		
Retired employees	9.15-21.25%	722,996		

F. Prior period adjustment to net position

Bonds costs from prior years totaling \$1,096,893 were expensed and recorded as a prior period adjustment to comply with GASB 65. GASB 65 was implemented in FY14 and the expense was recorded in the current year and was not applied to prior years because the costs were not significant.

G. Subsequent events

On November 4, 2014, the following general obligation bonds were approved by voters.

Approved by Voters on	Purpose	Authorized
November 4, 2014	Road Bonds	\$ 9,070,000
November 4, 2014	Storm Drain	4,500,000
November 4, 2014	Facility Improvement	1,200,000
November 4, 2014	Public Safety	4,541,000
November 4, 2014	Parks and Recreation	6,460,000
November 4, 2014	Library	1,800,000
Total		<u>\$ 27,571,000</u>

Healthcare self-insurance

The county has decided that effective July 1, 2014 the county's employee health insurance plan will be self-funded. The funds collected and distributed will be accounted for in an internal service fund in FY15.

H. Subsequent Pronouncements

In June 2012, GASB Statement No. 68 - Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27, is effective for financial reporting periods beginning after June 15, 2014. The County has adopted this standard effective July 1, 2014. It is anticipated that a liability for pension participation will be included in the FY15 financial statements.

APPENDIX E

**BERNALILLO COUNTY INVESTMENT POLICY
(ADOPTED APRIL 1, 2014)**

Bernalillo County



Investment Policy

March 2014

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

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I. Statement of Purpose/Statutory Authority/Objectives:

A. Purpose of Investment Policy.

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

B. Statutory Authority.

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

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

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

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

C. Objectives.

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

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

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

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

D. Scope.

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

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

II. Definitions:

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

III. Standards of Care:

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

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

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

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

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

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

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

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

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

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

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

C. Ethics and Conflict of Interest.

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

1. Standards of Conduct.

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

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

2. Conflict of Interest.

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

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

D. Prudence.

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

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

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

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

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

IV. Identification of Funds:

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

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

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

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

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

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

V. Controls:

A. Custody.

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

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

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

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

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

C. Authorized Broker-Dealers.

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

- Broker-Dealer refers to firm and individual employees of these firms that have direct contact with the County Treasurer's office.
- The Broker-Dealer must be a registered dealer pursuant to the Uniform Securities Act of New Mexico¹ and,
- The Broker-Dealer must be registered with the financial industry regulatory authority (FINRA); and,
- The Broker-Dealer must have a minimum of five (5) years of current and continuous employment history involving fixed income securities; and,
- All assigned individuals who have direct contact with securities trading between the County Treasurer's office and the firm must have a FINRA Series 7 license, or equivalent certification.

D. Authorized Financial Institutions and Other Investment Counterparties.

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

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

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

E. Competitive Transactions.

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

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

F. Internal Controls.

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

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

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

1. Members.

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

2. Duties.

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

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

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

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

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

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

H. External Controls.

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

- As prescribed by the Audit Act², the County Auditor or designated independent auditor will review the investment activities of the County Treasurer's office annually to determine the compliance of those activities with this policy and State statutes.
- The market value of all funds held by the custodian will be calculated monthly and provided to the County Treasurer and Investment Officer.

² Audit Act NMSA 1978 §§12-6-1 to-14

VI. Fiscal Agent Bank Balances.

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

VII. Eligible Investments:

A. Eligible Investments.

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

1. Bonds or negotiable securities of the United States, the state or a county, municipality or school district that has a taxable valuation of real property for the last preceding year of at least fifty million dollars (\$50,000,000) and that has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within five years last preceding; or,
2. Securities that are issued and backed by the full faith and credit of the United States government or issued by its agencies or instrumentalities; or,
3. Shares of a diversified investment company registered pursuant to the federal Investment Company Act of 1940 that invests in fixed-income securities or debt instruments that are listed in a nationally recognized, broad-market, fixed-income-securities market index; provided that the investment company or manager has total assets under management of at least one hundred million dollars (\$100,000,000) and provided that the County Board of Finance may allow reasonable administrative and investment expenses to be paid directly from the income or assets of these investments; or,
4. Individual, common or collective trust funds of banks or trust companies that invest in fixed-income securities or debt instruments that are listed in a nationally recognized, broad-market, fixed-income-securities market index; provided that the investment company or manager has total assets under management of at least one hundred million dollars (\$100,000,000) and provided that the County Board of Finance may allow reasonable administrative and investment expenses to be paid directly from the income or assets of these investments; or,
5. Shares of pooled investment funds managed by the state investment officer, as provided in Subsection E of Section 6-8-7 NMSA 1978; provided that the County Board of Finance may allow reasonable administrative and investment expenses to be paid directly from the income or assets of these investments; or,
6. In contracts with banks, savings and loan associations or credit unions for the present purchase and resale at a specified time in the future of specific securities at specified prices at a price differential representing the interest income to be earned by the investor. The contract shall be fully secured by obligations of the United States or other securities backed by the United States having a market value of at least one hundred two percent (102%) of the contract. The collateral required for investment in the contracts provided for in this subsection shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with the investment; or,

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

8. State of New Mexico Local Government Investment Pool.

B. Repurchase Agreements.

Repurchase Agreements are subject to additional restrictions:

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

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

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

VIII. Investment Parameters:

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

All restrictions are based on a settlement date basis.

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

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

A. Diversification.

The following diversification limits shall apply to each portfolio:

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

B. Maturity Restrictions.

1. Maturity limits for the long term component:

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

2. Maturity limits for the liquidity component:

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

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

C. Portfolio Duration.

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

D. Credit Quality.

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

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

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

IX. Reporting:

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

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

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

A. Specific Reporting Requirements.

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

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

B. Performance Standards.

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

C. Quarterly Reporting.

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

D. Annual Reporting.

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

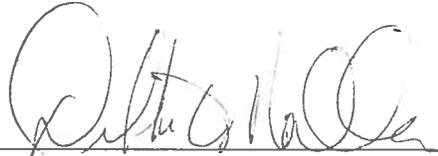
X. Approval:

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

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

APPROVED:

BERNALILLO COUNTY BOARD OF FINANCE

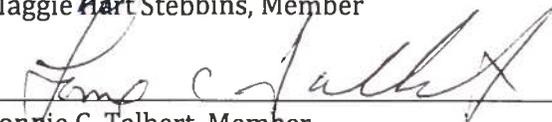


Debbie O'Malley, Chair

Art De La Cruz, Vice Chair



Maggie Hart Stebbins, Member



Lonnie C. Talbert, Member



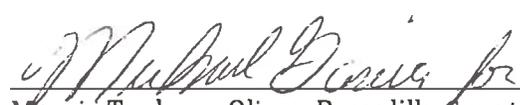
Wayne A. Johnson, Member



Manny Ortiz, Bernalillo County Treasurer

APPROVED: 

Randy M. Autio, Bernalillo County Attorney

ATTEST:


Maggie Toulouse Oliver, Bernalillo County Clerk

