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

BERNALILLO COUNTY

STATE OF NEW MEXICO

I. Summary of significant accounting policies

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

A. Reporting entity

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

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

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

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

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

Some organizations are included as component units because of their fiscal dependency on the primary government if they are unable to adopt a budget, levy taxes or set rates or charges, or issue bonded debt without approval by the primary government.

There are no component units during the fiscal year ended June 30, 2009.

B. Government-wide and fund financial statements

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

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

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

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

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and/or delivering goods in connection with proprietary fund's principal ongoing operations. Approximately 86% of the operating revenues of the County's five proprietary funds consist of user and administrative fees.

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

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

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

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

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

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

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

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

2. Receivables and payables

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

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

All property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable allowance is equal to 6.8% of outstanding property taxes at June 30, 2009.

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

December 10 and May 10. Taxes on real property are a lien from January 1 of the year for which the taxes are imposed. Collections and remittance of County property taxes are accounted for in the County Treasurer Agency Funds. The billings are considered past due 60 days after the respective tax billing date, at which time the applicable property is subject to lien, and penalties and interest are assessed.

3. Inventories

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

4. Capital assets

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

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

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

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

Assets	Years
Infrastructure	10-80
Buildings and other improvements	15-40
Machinery and equipment	5-10

5. Restricted assets

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

6. Compensated absences

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

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

7. Long-term obligations

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

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

8. Net assets

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

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

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

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

9. Fund equity reservations and designations

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

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

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

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

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

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

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

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

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

10. Cash flows

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

11. Bond premiums/issuance costs

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

12. Presentation

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

13. Use of estimates

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

II. Reconciliation of government-wide and fund financial statements

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

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

Bonds and bond anticipation notes payable	$ (310,879,159)
Compensated absences	(25,235,366)
Net adjustment to reduce fund balance – total governmental funds To arrive at net assets – governmental activities	$ (336,114,525)

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

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

Capital outlay	$ 35,466,502
Capital outlay – Internal labor Included in operating expenses	668,670
Donated assets	1,744,435
Depreciation expense	(24,038,954)
Net adjustment to decrease net changes in fund balances – total Governmental funds to arrive at changes in net assets of Governmental activities	$ 13,840,653

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

Debt issued or incurred:	
Issuance of general obligation bonds	$ (10,000,000)
Issuance of revenue bonds	(52,200,000)
Bond issuance cost	422,706
Premium	(660,254)
Principal repayments:	
General obligation bonds	6,755,000
Revenue bonds	16,760,000
Long-term note	1,504,717
Capital leases	1,350,110
Net adjustment to decrease net changes in fund balances – Total governmental funds to arrive at changes in net assets of governmental activities	$ (36,067,721)

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	$ (10,930,592)
Accrued interest	282,876
Amortization of deferred charge on refunding	(1,503,472)
Amortization of bond discounts	(26,027)
Amortization of issuance cost	(321,925)
Net adjustment to decrease net changes in fund balances – total Governmental funds to arrive at changes in net assets of Governmental activities	$ (12,499,141)

III. Stewardship, compliance and accountability

A. Budgetary information

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

Special Revenue:
- Grants
- Section 8 Housing – Vouchers
- Sheriff's Investigative Fund

Debt Service:
- Series 1996B Reserve
- Series 1997 Reserve
- Refunding Series 1998 Reserve
- Refunding Series 2005 Reserve

All Capital Projects Funds

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

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

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

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

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

Budgetary compliance – non GAAP financial statements

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

	General Fund
Net changes in fund balance - GAAP basis	$ 3,771,344
(Increase) decrease in assets:	
Accounts receivable	6,393,856
Due to/from other funds	(1,704,069)
Accrued Interest	(856,792)
Increase (decrease) in liabilities:	
Accounts payable	4,422,149
Deferred revenue	(1,718,408)
Accrued Payroll	668,837
Net changes in fund balance - Budget and Actual	$ 10,976,917

B. Deficit fund equity

There is an unreserved/undesignated deficit fund balance in the Grants Fund of $7,630,279. The deficit fund balance is primarily attributed to a large encumbrance balance at year-end. The County expects to bill the granting agency in the future to cover the deficit in the grants fund. There is a deficit net asset balance of $619,305 in the Solid Waste Fund. The County expects that FY10 operating revenue in addition to a 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, 2009, the County had the following investments.

Investment Type		Fair Value	Weighted Maturity Average (Months)
Federal Farm Credit Agency	$	40,000,000	13.08
Federal Home Loan Bank		15,000,000	6.61
Federal Mortgage Acceptance Corp.		38,544,000	18.87
Federal National Mortgage Assoc.		76,370,000	36.78
Repurchase Agreements		16,681,279	8.94
Certificates of Deposits		22,650,000	0.72
Municipal Bonds		2,500,000	0.60
Total fair value	$	211,745,279	
Portfolio weighted average maturity			1.59

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

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

As of June 30, 2009, the County's investments in U.S. Agencies with the Federal Farm Credit Agency, the Federal Home Loan Bank, the Federal Mortgage Acceptance Corporation, and the Federal National Mortgage Association were all rated Aaa by Moody's Investors Service and AAA by Standard & Poor's. The County's investments in Repurchase Agreements were rated between A1 and Aa1 by Moody's Investors Service and between AA- to AAA by Standard & Poor's.

Concentration of Credit Risk. The County's investment policy places no limit on the amount the County may invest in any one issuer. More than 5% of the County's investments are in Certificates of Deposit with the County's local banks with maturities ranging from 23 days to 1 year. The County's investments in U.S agencies total 18.9% with the Federal Farm Credit Agency, 7.0% with the Federal Home Loan Bank, 18.2% with the Federal Mortgage Acceptance Corporation, and 36.1% with the Federal National Mortgage Association and the remainder of 7.9% is invested in Repurchase Agreements. Of the total investments of $211,745,279, 21.1 % is invested with Jefferies & Co., 7.1 % is invested with LF Rothschild, LLC, 6.6% is invested with Multi-Bank Securities, 9.3% is invested with Mutual Securities, Inc., 7.1% is invested with Piper Jaffray &Co., 8.4% is invested with Raymond James & Assoc., Inc., and 18.3% is invested with USB Financial.

Custodial Credit Risk. Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investments or collateral securities that are in the possession of another party. GASB Statement No. 40 requires that the following disclosure be made in respect to custodial credit risks relating to deposits and investments: $22,650,000 of Bernalillo County's deposits with financial institutions were held in collateralized accounts. All Customer Deposit Accounts met or exceeded the state collateralized requirements.

As of June 30, 2009, $17,970,607 of the County's deposits was exposed to custodial risk. $17,970,607 with Wells Fargo Bank was uninsured. All other cash balances are not exposed to custodial risk. They are fully collateralized and the collateral is held in the County's name. The County's investments in U.S. Agencies carry the explicit guarantee of the U.S. Government. All are fully collateralized and the collateral is held in the County's name.

Additionally, as of June 30, 2009 those deposits along with the County's Federal Agency Securities were held by the safekeeping department of the Wells Fargo Trust. On October 20, 2008, KPMG LLP issued an unqualified opinion for the SAS 70 requirement of Wells Fargo Trust Operations.

A reconciliation of cash and investments for the County follows:

Bank accounts	$	194,400,135
Petty cash on hand		1,415
Carrying amount of investments		211,745,279
Total cash and investments	$	406,146,829

Statement of Net Assets

Primary Government		
Cash and investments:	$	377,297,389
Cash-restricted		16,681,279
Statement of Fiduciary Net Assets		12,168,161
Total cash, investment	$	406,146,829

The County is required to obtain from each bank that is a depository for public funds pledged collateral in an aggregate amount equal to one half of the public money in each account (section 6-10-17 NMSA 1978). The pledged collateral is stated at market value as of June 30, 2009.

B. Receivables

Receivables	General Fund	Construction Fund	Non major Governmental Funds	Total Government Funds
Property taxes	$ 8,924,516	$ -	$ 1,022,987	$ 9,947,503
Gross Receipts Taxes	16,751,996	-	4,291,582	21,043,578
Gasoline Taxes	318,767	-	-	318,767
Motor Vehicle Tax	132,008	-	-	132,008
Cigarette Tax	767	-	385	1,152
Transportation Fees	228,889	-	-	228,889
Special Assessments	84,996	-	-	84,996
Intergovernmental	1,353,885	-	-	1,353,885
Due from other governments	2,669,359	949,259	5,873,606	9,492,224
Other	350,769		160,910	511,679
Gross Receivables	30,815,952	949,259	11,349,470	43,114,681
Less: Allowance for Uncollectibles	(719,793)	-	(81,769)	(801,562)
Net Total Receivables	$ 30,096,159	$ 949,259	$ 11,267,701	$ 42,313,119

	Enterprise Funds	Agency Funds
Property Taxes	$ -	$ 34,013,592
Solid Waste Fees	4,570,994	-
Special Assessments	-	134,521
Due from other governments	368,751	-
Other	77,632	322
Gross Receivables	5,017,377	34,148,435
Less: Allowance for uncollectibles	(4,086,510)	(2,217,137)
Net Total Receivables	$ 930,867	$ 31,931,298

Note receivable

On April 27, 2004 the County Commission approved a $200,000 loan to the Mid-Region Council of Governments (MRCOG) for renovations at the office building at 809 Copper Avenue NW that is owned by the County and leased to MRCOG under a lease purchase agreement. The money will be repaid over 15 years with interest at 3.9% and principle payments of $1,470. The balance of this note was $153,627 at June 30, 2009. The second note balance for $67,764 with the Duran family is due in 30 years, with an interest rate of 6%. The total note receivable for June 30, 2009 is $221,391.

C. Capital assets

Capital asset activity for the year was as follows:

	Balance June 30, 2008	Increases	Decreases	Balance June 30, 2009
Governmental activities				
Capital assets, not being depreciated:				
Land	$ 126,161,702	$ 2,148,035	(216,127)	$ 128,093,610
Construction in progress	63,704,927	29,929,403	(68,653,353)	24,980,977
Art	2,074,462	106,325	-	2,180,787
Total capital assets, not being Depreciated	191,941,091	32,183,763	(68,869,480)	155,255,374
Capital assets, being depreciated:				
Buildings	254,112,784	27,631,967	-	281,744,751
Land improvements	-	618,165	-	618,165
Machinery and equipment	60,065,279	18,583,244	(5,434,172)	73,214,351
Infrastructure	248,162,354	27,515,821	-	275,678,175
Leasehold improvements	3,213,396	-	-	3,213,396
Total capital assets being Depreciated	565,553,813	74,349,197	(5,434,172)	634,468,838

Less Accumulated depreciation for:				
Buildings	(84,814,140)	(10,262,408)	-	(95,076,548)
Land improvements	-	(11,610)	-	(11,610)
Machinery and equipment	(47,665,397)	(4,716,734)	5,373,097	(47,009,034)
Infrastructure	(87,118,439)	(8,919,667)	-	(96,038,106)
Leasehold improvements	(812,207)	(128,535)	-	(940,742)
Total accumulated depreciation	(220,410,183)	(24,038,954)	5,373,097	(239,076,040)
Total capital assets, being depreciated, net	345,143,630	50,310,243	(61,075)	395,392,798
Governmental activities capital assets, net	$ 537,084,721	$82,494,006	$ (68,930,555)	$ 550,648,172

	Balance June 30, 2008	Increases	Decreases	Balance June 30, 2009
Business-type activities				
Capital assets, not being depreciated:				
Land	$ 639,444	$ -	$ (76,411)	$ 563,033
Total capital assets, not being depreciated	639,444	-	(76,411)	563,033
Capital assets, being depreciated:				
Buildings	6,972,762	-	(253,288)	6,719,474
Machinery and equipment	1,913,222	-	-	1,913,222
Total capital assets being depreciated	8,885,984	-	(253,288)	8,632,696
Less accumulated depreciation for:				
Buildings	(2,395,413)	(429,935)	46,848	(2,778,500)
Machinery and equipment	(1,596,009)	(139,163)	-	(1,735,172)
Total accumulated depreciation	(3,991,422)	(569,098)	46,848	(4,513,672)
Total capital assets, being depreciated, net	4,894,562	(569,098)	(206,440)	4,119,024
Business-type activities capital assets, net	$ 5,534,006	$ (569,098)	$ (282,851)	$ 4,682,057

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

Governmental activities:	
General government	$ 2,272,879
Public safety	10,166,070
Culture and recreation	879,595
Public works	9,786,338
Health and welfare	934,072
Total depreciation expense-governmental activities	$ 24,038,954
Business-type activities:	
Solid waste	$ 158,655
Housing Authority	103,184
Seybold Village	208,417
El Centro Familiar	98,842
Total depreciation expense-business-type activities	$ 569,098

D. Interfund receivables, payables, and transfers

The composition of interfund balances as of June 30, 2009, is as follows:

	Due from				
Due to	General Fund	Grants	Nonmajor Governmental Funds	Nonmajor Enterprise Funds	Total
General fund	$ -	6,569,793	$ -	$ 1,737,215	$ 8,307,008
Nonmajor fund	-	-	-	216,751	216,751
Enterprise funds	-	-	1,386,977	333,382	1,720,359
Internal service funds	740,165	-	-	-	740,165
Total	$ 740,165	6,569,793	$ 1,386,977	$ 2,287,348	$ 10,984,283

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, 2009.

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, 2009 were as follows:

	Transfer out			
Transfer in:	General Fund	Grants	Nonmajor Governmental Funds	Total
General fund	$ -	427,132	$ 1,656,113	$ 2,083,245
Tran	1,777,417	-	-	1,777,417
Nonmajor fund	16,274,368	-	2,657,076	18,931,444
Total	$ 18,051,785	427,132	$ 4,313,189	$ 22,792,106

E. Leases

Operating Leases

During the fiscal year ended June 30, 2009, the County leased equipment, and office space under operating leases. The County's expenditures on those leases for the fiscal year ended June 30, 2009, were $1,301,577. The County's future minimum rental commitments, accounted for as operating leases at June 30, 2009, are as follows:

	Amount
2010	$ 183,561
2011	85,404
2012	76,808
Total	$ 345,773

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

During the year, the County, as lessor, leased various office spaces at a cost of approximately $6.4 million and a carrying amount of $2.7 million under operating leases. Rental revenue was $1,879,599 and depreciation expense on those assets was $244,514.

F. Long-term debt

Changes in long-term liabilities

Long-term liability activity for the year ended June 30, 2009, was as follows:

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009	Amounts Due within One Year
Governmental Activities:					
Bonds:					
G.O. bonds	$ 98,835,000	$ 10,000,000	$ (6,755,000)	$ 102,080,000	$ 7,415,000
Revenue bonds	170,005,000	52,200,000	(16,760,000)	205,445,000	16,140,000
Deferred amounts:					
Bond premiums	4,670,027	660,254	(493,080)	4,837,201	-
Bond discounts	(472,057)	-	26,028	(446,029)	-
Refunding	(2,539,571)	-	1,503,472	(1,036,099)	-
Total bonds	270,498,399	62,860,254	(22,478,580)	310,880,073	23,555,000
Other liabilities:					
Capital leases	1,350,110	-	(1,350,110)	-	-
Long-term note	1,504,717	-	(1,504,717)	-	-
Compensated absences	14,304,774	23,995,503	(13,064,911)	25,235,366	2,282,449
Governmental activity Long-term liabilities	$ 287,658,000	$ 86,855,757	$ (38,398,318)	$ 336,115,439	$ 25,837,449

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009	Amounts Due within One Year
Business-type Activities:					
Bonds payable:					
Revenue bonds	$ 1,700,000	$ -	$ (45,000)	$ 1,655,000	$ 45,000
Compensated absences	207,998	396,774	(219,751)	385,021	34,650
Note payable	994,675	-	(326,522)	668,153	7,783
Business-type activity Long-term liabilities	$ 2,902,673	$ 396,774	$ (591,273)	$ 2,708,174	$ 87,433

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 $6,042,915 and debt related to unspent proceeds is $110,747. During fiscal year 2009 the County issued $10,000,000 in GO bonds. The GO bonds outstanding as of June 30, 2009 are comprised of the following issues:

Issue	Amount	Interest Rate	Final Maturity
Series 1997	$ 6,545,000	4.75%	December 1, 2017
Series 1999	12,445,000	4.50%	August 1, 2019
Series 2000	475,000	5.10%	February 1, 2010
Series 2001	4,160,000	4.10%-4.80%	October 1, 2021
Series 2002	12,995,000	3.60%-4.70%	February 15, 2022
Series 2003	8,215,000	4.00%-4.65%	June 15, 2023
Series 2004	3,029,000	4.00%-4.40%	October 15, 2021
Series 2005	9,140,000	3.38%-4.00%	February 1, 2020
Series 2005A	5,261,000	4.00%-5.00%	February 1, 2025
Series 2006	9,315,000	4.00%-4.25%	February 1, 2027
Series 2007	10,400,000	5.00%	August 1, 2027
Series 2007A	8,400,000	4.00%-4.35%	August 1, 2027
Series 2008	1,700,000	3.25%	June 1, 2011
Series 2009	10,000,000	2.50%-4.5%	June 1, 2019
Total	$ 102,080,000		

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

	Governmental Activities	
Year Ending June 30,	Principal	Interest
2010	$ 7,415,000	$ 4,272,732
2011	7,095,000	4,002,343
2012	5,175,000	3,735,762
2013	5,520,000	3,528,386
2014	6,635,000	3,290,382
2015-2019	37,151,000	11,942,907
2020-2024	24,284,000	4,458,741
2025-2028	8,805,000	803,564
	$ 102,080,000	$ 36,034,817

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, 2009 are comprised of the following issues:

Issue	Amount	Interest Rate	Final Maturity
Series 1996B	$ 53,875,000	5.00%-5.70%	April 1, 2027
Series 1997	9,800,000	5.25%-5.75%	October 1, 2017
Refunding Series 1998	44,025,000	5.00%-5.25%	April 1, 2027
Series 1999	1,400,000	5.00%	October 1, 2010
Series 2002	805,000	3.50%	November 15, 2011
Partial Refunding Series 2005	43,340,000	3.50%-5.25%	October 1, 2026
Series 2008A	42,200,000	4.00%	August 1, 2010
Refunding Series 2009	10,000,000	2.00%	June 15, 2010
	$ 205,445,000		

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

	Governmental Activities	
Year Ending	Principal	Interest
June 30, 2010	$ 16,140,000	$ 9,822,560
2011	48,585,000	8,477,285
2012	6,370,000	7,334,728
2013	6,280,000	7,036,166
2014	6,945,000	6,710,335
2015-2019	38,865,000	27,904,805
2020-2024	46,385,000	17,014,020
2025-2029	35,875,000	3,720,596
	$ 205,445,000	$ 88,020,495

At June 30, 2009, the following general obligation bonds were authorized and unissued.

Approved by Voters on	Purpose	Authorized
November 4, 2008	Storm Drain	$ 3,500,000
November 4, 2008	Public Safety	4,750,000
November 4, 2008	Parks and Recreation	2,500,000
Total		$ 10,750,000

Prior Refunding. In prior years, the County defeased certain general obligation and gross receipts tax revenue bonds by placing cash in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the County's financial statements. At June 30, 2009, $44,735,000 of gross receipts tax revenue bonds and $6,275,000 of general obligation bonds outstanding are considered defeased.

Business-type activities long-term debt

The annual requirement to amortize the Multifamily Housing Refunding and Improvement Revenue Bonds with a fixed interest rate of 5.85%, final maturity of June 15, 2029, and is outstanding as of June 30, 2009 is as follows:

	Principal	Interest
2010	$ 45,000	$ 96,817
2011	50,000	94,185
2012	50,000	91,260
2013	55,000	88,334
2014	60,000	85,118
2015-2019	345,000	370,012
2020-2024	450,000	257,400
2025-2029	600,000	109,395
Total	$ 1,655,000	$ 1,192,521

G. Short-term debt

Tax and Revenue Anticipation Notes

On December 15, 2008, and June 30, 2009 the County issued tax and revenue anticipation notes (TRANs) in the amount of $25,000,000, and $30,000,000 respectively. The County issues

TRANs in advance of property tax collections, depositing the proceeds in its general fund. These notes are used to finance current expenditures pending receipt of tax payments in May and November.

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

	Balance June 30, 2008	Additions	Deletions	Balance June 30, 2009
Governmental Activities:				
Bonds and notes payable:				
Tax anticipation notes	$ 55,000,000	$ 55,000,000	$ (55,000,000)	$ 55,000,000

H. Special assessment bonds

The County, acting as the agent for the property owners, issued Special Assessment District Improvement Bonds to finance street and road improvements. The bonds are payable from and secured by a pledge of district special assessments. For redemption purposes, the bonds are numbered consecutively. All or any part of the bonds are subject to redemption in numerical order at the option of the County on any interest payment date prior to maturity, at a price equal to the principal amount thereof plus accrued interest to the redemption. The bonds bear interest from their issue date and are paid semiannually thereafter until paid. The bonds are not a debt of the County, and the County did not pledge its full faith and credit for payment of the bonds. The 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, 2009:

Improvement Bonds	Interest Rate	Date Issued	Date Series Matures	Amount of Original Issue	Bonds Outstanding June 30, 2009
Comanche Griegos BC-83-1A	7.25%	12/03	12/15/23	$1,390,000	$240,000
Comanche Griegos BC-83-1B	6.25%	12/03	12/15/23	$2,085,000	$1,575,000

At June 30, 2009, the Second Street, East Mountain, Paradise Hills, South Valley, and Heatherland Hills special assessment bonds had been fully paid. The remaining potential assets were as follows:

	Second Street BC-85-3	East Mountain BC-85-4	Paradise Hills BC-84-2	South Valley BC-84-1	Heatherland Hills BC-85-5
Accounts receivable:					
Billed, but uncollected	$ 1,804	$ 10,885	$ 15,073	$ 56,275	$ 959

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

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

I. Conduit debt

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

<u>Industrial Revenue Bonds</u>

In fiscal year 2009, the County did not issue any new Industrial Revenue Bonds. As of June 30, 2009, there were ten series of Industrial Revenue Bonds outstanding with an original issuance cost of $158,888,543. The remaining principal balance outstanding as of June 30, 2009 is not available.

Multifamily Housing Revenue Bonds

From time to time, the County has issued Multifamily Housing Revenue Bonds to provide financial assistance to private sector entities for the acquisition, construction and rehabilitation of commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the County, the State of New Mexico, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of June 30, 2009, there were six series of project revenue bonds outstanding, with an aggregate principal amount payable of $50,520,814.

J. Fund balance reservations

The New Mexico Department of Finance and Administration (DFA) requires that 3/12 of budgeted expenditures in the general fund be reserved as subsequent-year expenditures to maintain an adequate cash flow until the next significant property tax collection. The DFA required reserve balance for FY09 is $66,297,457. Another portion of the general fund balance is unreserved and designated for subsequent years' expenditures in the amount $99,205,532 which includes $42,978,698 designated for unencumbered carryover, $8,827,809 designated for capital projects, $8,827,810 designated for building funds, $9,000,000 designated for bond defeasance/enhancement, $10,000,000 designated for infrastructure replacement, $7,226,833 designated for grant fund reserve, and $12,344,382 designated for budget stabilization. The remainder of the general fund balance is designated for other reserved expenditures.

K. Financial data schedule reconciliation

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

Net Assets	**Amount**
Net Assets - Housing Choice Vouchers	$ 2,420,119
Net Assets - Housing Choice Vouchers 14.871	2,420,119
Compensated Absences	151,703
Fund balance - Section 8 Housing - Vouchers	$ 2,571,822

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

Net Assets		Amount
Net Assets – Central Office	$	2,790,893
Net Assets – Home Rehabilitation		(1,695)
Net Assets – Housing Authority		2,789,198
Compensated Absences		(151,703)
Rounding for Depreciation Expense		1
Fund balance – Housing Authority	$	2,637,496

V. Other information

A. Risk management

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

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

The Workers' Compensation Pool provides workers' compensation coverage for every County employee. There are 28 counties in this pool, which for fiscal years ended 2009 and 2008 contributed a total of $7,556,997 and $7,556,997 respectively. The premium that each county pays depends upon the payroll total and the loss experience specific to that county. For fiscal years ended 2009 and 2008, the County contributed $883,282 and $1,915,153 respectively, to the Worker's Compensation Pool. The self-insured retention level for the pool during the period of coverage July 1, 2008 through June 30, 2009 was $300,000 (that is the maximum amount of coverage for each insured event before obtaining reinsurance). The pool has reinsurance coverage for losses above that amount from County Reinsurance Limited.

The Multiline Pool provides property and casualty coverage for 24 counties. The coverage includes buildings and contents, automobile physical damage, general liability, personal injury (including civil rights), host and liquor liability, automobile liability, public officials errors and omissions, money and securities, commercial blanket bond (employee fidelity), and depositors' forgery. The total premiums for this pool were $7,865,658 and $7,492,074 for the years ending December 31, 2009, and 2008, respectively. The County paid premiums to the Multiline Pool in calendar years 2009 and 2008 of $1,574,410 and $1,650,613, respectively.

The self-insured retention level for this pool during the period of coverage January 1, 2008 through December 31, 2009 is $150,000 for property and $250,000 for liability per occurrence (that is the maximum amount of coverage for each insured event before obtaining reinsurance). The pool has reinsurance coverage for losses above that amount from County Reinsurance Limited, to a policy limit of $2,000,000. Additionally, the pool has purchased another excess liability policy in the amount of $3,000,000.

The pooling agreements require the pools to be self-sustaining; it is not possible to estimate the range of contingent losses to be borne by the County. The Pool Boards retain a $3,000,000 equity prior to evaluating any refunds to the participating counties based upon losses expensed and losses incurred. The pools retain the risk of loss to be shared proportionately by pool participants. The County does not retain the sole risk of losses incurred by the County. There were no payments in excess of insurance coverage for the years ended June 30, 2009, 2008, and 2007.

The New Mexico County Insurance Authority has published its own financial reports for the fiscal year ended June 30, 2008, which can be obtained from the New Mexico Association of Counties, 613 Old Santa Fe Trail, Santa Fe, New Mexico, 87501.

The County carries commercial insurance for all other risks of loss, including law enforcement liability, emergency medical, foreign jurisdiction and excess liability, boiler and machinery, and sheriff reserve and rescue personnel. There were no payments in excess of insurance coverage for the years ended June 30, 2009, 2008, and 2007.

B. Contingencies

Litigation. The County is a defendant in various lawsuits. The outcome of these lawsuits are not presently determinable and the County is not able to make an estimate for possible losses at this time. Insurance deductibles related to outstanding claims are $10,000 per claim. Occasionally, the County or its elected officials are named as parties to suits that are not covered by any insurance policy and the County's Attorney's Office provides representation for such claims. At present there are only two claims that are not covered by insurance. Both of the uninsured claims are based on alleged violations of the Fair Labor Standards Act. The potential liability may be as great as one million dollars.

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, 2009, management estimates that no material liabilities will result from such audits.

County Medicaid 1/16 Gross Receipts Tax Equivalent. Under State Statute Section 27-10-4, NMSA 1978 Compilation, a county which does not enact an ordinance imposing a county health care gross receipts tax pursuant to State Statute Section 7-20E-18, NMSA 1978 Compilation is required to dedicate to the county-supported Medicaid fund "an amount equal to a gross receipts tax rate of 1/16 of one percent applied to the taxable gross receipts tax reported during the prior fiscal year by persons engaging in business in the county." To comply with the statue, the County imposed a 1/16 percent increase in gross receipts tax during the second half of FY07 and will continue to impose the tax in FY10 which will generate approximately $10 million annually.

Other. At June 30, 2009, the County is committed to $18,692,960 under construction contracts for capital assets.

C. Joint ventures

Regional Juvenile Detention Center. Through a Joint Powers Agreement established between Bernalillo County and Sandoval County on June 26, 2007, Bernalillo County operates the Regional Juvenile Detention Facility (RJDC) located at the Bernalillo County Juvenile Detention and Youth Services Center. Sandoval County contributes 100 percent of the operation costs of the RJDC. For FY09, Sandoval County paid $1,062,223 million to Bernalillo County for the operation of the regional facility. Sandoval County and Bernalillo County each receive 50% of all cost of care revenues generated from housing juveniles in the regional facility from other counties and pueblos. The total cost of care revenues received in FY09 was $381,316.

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

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

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

D. Post-Employment Benefits - Retiree Health Care Plan

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

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

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

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

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

The Bernalillo County's contributions to the RHCA for the years ended June 30, 2009, 2008 and 2007 were \$1,137,097, \$1,042,176, and \$933,930, respectively, which equal the required contributions for each year.

E. Pension Plan – Public Employees Retirement Association

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

Funding Policy. Plan members are required to contribute 9.15-16.65% of their gross salary. The County is required to contribute 9.15-21.25% depending upon the division of the gross covered salary. The contribution requirements of plan members and the County are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. County contributions are currently required for PERA retirees that return to work. The total contribution is made by the County so retired employees no longer contribute to PERA. The County's contributions to PERA for the years ending June 30, 2009, 2008, and 2007 were \$11,149,705, \$10,319,466 and \$9,292,843, respectively, equal to the amount of the required contributions for each year. In accordance with Chapter 10, Article 11, Section 5 NMSA 1978, the County has elected to make contributions of seventy-five percent of its employees' member contributions under the General-management, blue collar, white collar, sheriff, fire and detention plans. The following table outlines the divisions the County participates in and the contributions for the year ending June 30, 2009.

	Employee		Employer	
Covered Division	**Percent**	**Dollars**	**Percent**	**Dollars**
General-management, blue collar and white collar	13.15%	$6,217,500	9.15%	$4,326,253
General-other	9.15	16,211	9.15	16,212
Sheriff	16.30	2,154,916	18.50	2,445,764
Fire	16.20	1,279,840	21.25	1,678,801
Detention	16.65	2,682,670	16.65	2,682,675

VI. Significant effects of subsequent events

On December 8, 2009 the County sold $10,750,000 of general obligation bonds that were approved by voters on November 4, 2008. The bonds mature in serial amounts from December 1, 2010 through December 1, 2020. Interest rate coupons range from 2 percent through 3 percent.

On August 5, 2009 the County sold $9,000,000 of gross receipts tax revenue bonds, taxable series 2009A. The bonds mature in serial amounts on August 1, 2010 through August 1, 2011 with a current coupon rate of 3%.