

# County of Bernalillo

## State of New Mexico

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December 17, 2009

### Board of County Commissioners

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One Civic Plaza, 10<sup>th</sup> Floor  
Albuquerque, New Mexico 87102

Dear Commissioners:

County management hereby submits the Comprehensive Annual Financial Report (CAFR) of the County of Bernalillo (the County), New Mexico, for fiscal year ending June 30, 2009.

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. Federal law also requires that a single audit be performed for federal grant funds in conformance with the provisions of the Single Audit Act of 1984 and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." All information related to the single audit, including the schedule of expenditures of federal awards, findings and recommendations, and the independent auditors' reports on the internal control structure and compliance with applicable laws and regulations are included in the Single Audit Section.

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

Moss Adams LLC, Certified Public Accountants, have issued an unqualified opinion on the County's comprehensive annual financial report for the fiscal year ending June 30, 2009. The

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

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

## **PROFILE OF THE COUNTY**

Bernalillo County is located in the central region of the state and is the economic and population hub of New Mexico. Its boundaries encompass the entire City of Albuquerque. With an estimated population of 635,139 in 2008, Bernalillo County is the 95<sup>th</sup> most populous county of the nation's 3,141 counties. It comprises 32 percent of New Mexico's population and 77 percent of the Albuquerque Metropolitan Statistical Area (MSA) comprised of Bernalillo County and portions of Sandoval, Torrance and Valencia Counties.

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

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

### **Local Economy**

Bernalillo County, with the City of Albuquerque (2008 population estimate of 521,999) making up 82 percent of its population, has emerged as a hub for commerce and industry in the Southwest. It accounts for nearly half of all economic activity in New Mexico. In the 2009

Forbes List of “Best Places for Business and Careers,” Albuquerque placed 11<sup>th</sup> out of the 200 ranked metro areas in the country, moving up two spots from 13<sup>th</sup> last year. Albuquerque was ranked 34<sup>th</sup> in the “Cost of Doing Business” category (no change from prior list) and 63<sup>rd</sup> in the “Job Growth” category (down from 47<sup>th</sup> on last year’s list).

Forecasts by the University of New Mexico’s Bureau of Business and Economic Research suggest the near-term outlook for the Albuquerque economy is a continuation of the nationwide recession for at least the next three quarters. Nonfarm employment growth dipped 3.2 percent in the second quarter of 2009—the third straight quarter of increasing job losses in the Albuquerque MSA. Between the second quarter of 2008 and the second quarter of 2009 the Albuquerque area economy lost a net of nearly 13,000 jobs with job losses expected to continue for the next two quarters. The unemployment rate increased in the second quarter to 6.8 percent—slightly lower than the state rate of 7 percent and the national rate of 9.4 percent in July 2009. The construction, retail trade, manufacturing and leisure/hospitality sectors have been hit especially hard by the current economic climate suffering a combined loss of over 12,000 jobs in the second quarter of 2009. The health care and government sectors have exhibited slight growth, adding 3,433 jobs in the second quarter. Modest growth of 1.9 percent in personal income growth is forecast for 2009 and projected to increase by 3.2 percent in 2010 when the recovery is expected to gain traction in the local economy.

FY 10 general fund budgeted expenditures of \$208,940,143 represent a 2.7 percent increase from FY 09 levels. Property taxes continue to be a stable and growing revenue source for County government and it is estimated to increase by 7% from FY 09 to FY 10. Gross receipts taxes have fluctuated in recent times and are expected to remain flat until the economic recovery takes hold which is expected in 2010.

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

### **Long-Term Financial Planning**

The financial condition of the County is strong as reflected in the County’s bond ratings of AAA by Standard & Poor’s, Aa1 by Moody’s and AA+ by Fitch. The County has made an enormous effort to incorporate comprehensive financial planning in its long-range vision in order to remain solvent during the current economic downturn. In addition to the 3/12<sup>th</sup> reserve requirement required by the State of New Mexico of \$66,297,457, the County’s long-term financial plan includes extraordinary maintenance for aging infrastructure and adequate reserves for the County’s provision of public safety services and for response to emergencies and natural disasters.

### **Relevant Financial Policies**

Bernalillo County recently began its second biennial budget. Through the biennial budget process, approval is granted by the Board of County Commissioners for an appropriation of two fiscal years at once, with funding being available to departments one year at a time. Departments were provided a base budget and salary projections for each of the two years. Departments have the opportunity to evaluate their budgets prior to commencement of the second year. Any necessary changes will be presented to the Board of County Commissioners as adjustments to the

base budget. The biennial budget process has encouraged a long-term view of financial planning and shifted the emphasis from the process itself to a more careful examination of resource allocation choices. FY 10 represents the second year of the current biennial budget cycle.

## **Major Initiatives**

FY 09 began a new chapter in Bernalillo County's continuing efforts to improve the effectiveness and efficiency of County government as we implemented a comprehensive Enterprise Resource Planning (ERP) system. Bernalillo County officially began its use on July 7, 2008, and is pleased it was able to go live on the new system without disrupting business operations. While the system is fully operational, FY 10 initiatives include adding additional functionality to the system as staff becomes more familiar with its capabilities and an expansion of custom reporting to address specific user department needs.

In January 2009 the County's Information Technology department initiated a process for creating a business continuity and recovery plan for the County's computer systems. A contractor has been engaged to develop a business impact analysis plan and provide disaster recovery planning to sustain critical business functions.

To reduce recidivism and better equip inmates to secure jobs upon their release, the County's Metropolitan Detention Center (MDC) has created a charter high school. This first of its kind initiative is part of the County's continuing effort to provide needed community supports for inmates and hopes eventually to reduce episodes of re-incarceration by providing the opportunity for inmates to earn a high school diploma (not a GED). The high school is for adult students only and is housed at both the main MDC facility and at a satellite location in downtown Albuquerque that allows both incarcerated students as well as those on community custody or parole the opportunity to pursue their high school education.

The Bernalillo County Treasurer recently implemented an innovative program whereby taxpayers can make monthly installment payments of their property taxes to ease this tax burden and even out household cash flows for taxpayers. This program especially benefits older residents whose mortgages have been paid off and who would otherwise be required to make two semi-annual payments. Additionally, the Treasurer has made it easier for prospective homebuyers to gauge the property taxes on the property they are considering purchasing by posting a property tax calculator on the County's web site.

The Human Resources Department continues to enhance its services and in FY 10 will roll out online performance review systems that allow supervisors to make notes about employee activity or training and incorporate that information in the annual performance review. Employee evaluations will then go through an electronic workflow process for approvals with the goal of making this annual activity a paperless one.

## **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, 2008. This was the fifth consecutive year that the County has achieved this prestigious award. In order to be awarded a Certificate of Achievement, the County must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

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

Sincerely,

  
Thaddeus Lucero  
County Manager

  
Daniel J. Mayfield  
Deputy County Manager for Budget and Finance