

# County of Bernalillo

## State of New Mexico



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November 12, 2010

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, 2010.

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 LLP, Certified Public Accountants, have issued the highest possible opinion, an unqualified opinion, on the County's comprehensive annual financial report for the fiscal year

ending June 30, 2010. 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, 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 642,527 in 2009, Bernalillo County is the 94<sup>th</sup> most populous county of the nation's 3,141 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 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 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 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 (2009 population estimate of 528,497) making up 82 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. In the 2010 Forbes List of “Best Places for Business and Careers,” Albuquerque placed 41<sup>st</sup> out of the 200 ranked metro areas in the country and was ranked 35<sup>th</sup> in the “Cost of Doing Business” category and 7<sup>th</sup> in the “Job Growth Expected” category.

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 is expected to decline 1.4 percent for the year but is projected to increase by 0.8 percent in 2011 and 1.8 percent in 2012. The unemployment rate in June 2010 was 8.6 percent—slightly lower than the national rate of 9.5 percent but still higher than the statewide rate of 8.2 percent. Forecasts indicate the unemployment rate will hover around 8 percent in the Albuquerque MSA through 2013 before declining to 7 percent by 2015.

FY 11 general fund budgeted appropriations of \$205,032,988 represent a 1.9 percent decrease from FY 10 levels. Property taxes are anticipated to make up 50 percent of general fund revenue in FY 11 and 12. Gross receipts taxes have declined 10 percent over the past two years as the local economy has been impacted by the recession. FY 11 gross receipts tax levels are expected to remain flat with modest growth of 1 percent budgeted for FY 12.

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 bond ratings. The County’s 2010 General Obligation Bonds were rated “AAA” by both Fitch Ratings and Standard & Poor’s and rated “Aaa” by Moody’s Investors Service. The County continues its 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 \$65,240,072, the County’s long-term financial plan includes maintaining adequate reserves in the event of unforeseen contingencies.

### **Relevant Financial Policies**

Bernalillo County recently began its third 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 11 represents the first year of the current biennial budget cycle.

## **Major Initiatives**

Although the recession has caused a decrease in revenue, the County has continued efforts to improve its service delivery and make government more efficient and easier for citizens to access.

The County recently went paperless in its distribution of payroll checks. Employees now log on to the Human Resource Department's web portal to access pay stubs as well as update employee data. This process has increased the County's efficiency in this area by eliminating staff time spent distributing checks and unnecessary trips by offsite timekeepers.

In another move to enhance efficiency, the County is transitioning to a paperless system for generating legislative documents. The new system, MinuteTraq, allows legislative documents to be created, routed and approved online without the need for printing or in-person routing.

With passage of a recent state law allowing local governments to accept credit or electronic payment of tax bills, along with allowing the recovery of processing charges, the County has made it easier for citizens to pay their tax obligations. Where only cash or checks used to be accepted, the County is increasing its ability to allow taxpayers to pay online, by e-check, or with a debit or credit card. In FY 2010, over \$12 million in electronic payments were accepted, with that number expected to rise in FY 11 and 12. The County Clerk recently installed software that allows title companies the ability to electronically record titles and make payments online.

The Bernalillo County website ([www.bernco.gov](http://www.bernco.gov)) is undergoing a total redesign, scheduled to go live by December 2010, which will make it easier for users to utilize the site and provide greater information about the County's programs and services.

The County recently began renovating the previously-vacant former district courthouse building and has relocated several County departments to the building. These moves ultimately will save taxpayer resources as rent and operating costs of the previous department locations are eliminated.

Using Federal stimulus funds, the County has retrofitted several of its buildings with more energy efficient HVAC systems. In addition, the County has installed low-flow plumbing fixtures in the majority of County facilities and is replacing lighting systems with more energy efficient fluorescent lighting. Also, when a vehicle in the fleet need replacement, the County, where feasible, is replacing vehicles with smaller, more fuel efficient choices. These investments will save utility costs over the long term and provide more value for taxpayers.

## **Awards and Acknowledgements**

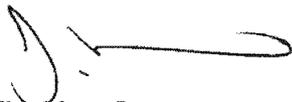
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its comprehensive annual financial report for the fiscal year ended June 30, 2009. This was the sixth consecutive year that the 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 are submitting it to the GFOA to determine its eligibility for this prestigious recognition again this year.

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

Sincerely,



Thaddeus Lucero  
County Manager



Daniel J. Mayfield  
Deputy County Manager for Finance