ADDENDUM DATED AUGUST 28, 2008
TO OFFICIAL STATEMENT DATED AUGUST 5, 2008

$30,000,000
SANTA FE COUNTY, NEW MEXICO
County Gross Receipts Tax Revenue Bonds
Series 2008

All of the information in the Official Statement dated August 5, 2008 (the "Official Statement") is accurate as of the date of this Addendum dated August 28, 2008 (the "Addendum"), except as follows: The information appearing on page 42 of the Official Statement under the heading "Compliance with Prior Undertakings" has been superseded by the following:

Compliance with Prior Undertakings

The County has previously entered into continuing disclosure agreements in accordance with SEC Rule 15c2-12. The County believes that it is in material compliance with the requirements of outstanding continuing disclosure agreements entered into in connection with general obligation bonds issued by the County. The County recently discovered that, since 2000 it had not filed annual information required by continuing disclosure agreements entered into in connection with two series of revenue bonds issued by the County in 1997. The County has notified the MSRB of its failure to file the required information and, as of the date of this Addendum, the County believes that it is currently in material compliance with the requirements of outstanding continuing disclosure agreements entered into in connection with outstanding County revenue bonds. The County is implementing procedures intended to assure compliance with its continuing disclosure agreements.

This Addendum is to be read in conjunction with the Official Statement and is subject to the same limitations and qualifications as set forth therein. Capitalized terms not otherwise defined herein are as defined in the Official Statement.

OFFICIAL STATEMENT DATED AUGUST 5, 2008

NEW ISSUE – BOOK-ENTRY ONLY | **Ratings: Moody's - Aa2**
S&P - AA+

In the opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A., Bond Counsel, under existing laws, regulations, rulings and judicial decisions, and assuming compliance with certain covenants described in "TAX EXEMPTION" herein, interest on the Bonds (a) is excludable from gross income of the recipients thereof for federal income tax purposes, (b) is not a specific preference item for purposes of the federal alternative minimum tax for individuals and corporations and (c) is exempt from all taxation by the State of New Mexico or any political subdivision of the State. For a more complete description of such opinion of Bond Counsel and a description of certain provisions of the Internal Revenue Code of 1986, as amended, which may affect the federal tax treatment of interest on the Bonds for certain owners of the Bonds, see "TAX EXEMPTION" herein.

$30,000,000
SANTA FE COUNTY, NEW MEXICO
County Gross Receipts Tax Revenue Bonds
Series 2008

Dated: Date of Delivery | Due: June 1, as shown on inside cover

The Santa Fe County, New Mexico County Gross Receipts Tax Revenue Bonds, Series 2008 (the "Bonds") are being issued by Santa Fe County, New Mexico (the "County") to provide funds for: 1) construction of and improvements to the County courthouse and other public facilities in the County; and 2) paying all costs pertaining to the issuance of the Bonds. See "PURPOSE AND PLAN OF FINANCING" herein. The Bonds are being issued pursuant to the general laws of the State, including Sections 4-62-1 to 4-62-10 NMSA 1978, as amended (the "Act"), and enactments of the Governing Body relating to the issuance of the Bonds, including the Bond Ordinance (as defined herein). Interest on the Bonds is payable on June 1 and December 1 of each year commencing December 1, 2008 as more fully described herein.

The Bonds are issuable only as fully registered bonds in denominations of $5,000 each or any integral multiple thereof. The Bonds will bear interest from the delivery date. The Paying Agent and Registrar is the Santa Fe County Treasurer, Santa Fe, New Mexico.

SEE MATURITY SCHEDULE SET FORTH ON THE INSIDE COVER OF THIS OFFICIAL STATEMENT.

The Bonds will be issued pursuant to a book-entry only system and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC") in New York, New York. Purchasers of the Bonds (the "Beneficial Owners") will not receive physical delivery of bond certificates representing their beneficial ownership interests. So long as DTC or its nominee is the owner of the Bonds, disbursement of payments of principal and interest to DTC is the responsibility of the Paying Agent, disbursement of such payments to DTC Participants (as defined herein) is the responsibility of DTC and disbursement of such payments to Beneficial Owners is the responsibility of DTC Participants, as more fully described herein. See "DESCRIPTION OF THE BONDS - Book-Entry Only System" herein.

THE BONDS ARE SUBJECT TO OPTIONAL REDEMPTION PRIOR TO MATURITY AS MORE FULLY DESCRIBED HEREIN. SEE "DESCRIPTION OF THE BONDS - Redemption of Bonds" HEREIN.

The Bonds are offered when, as and if issued and received by the Underwriters, subject to the approval of validity by Modrall, Sperling, Roehl, Harris & Sisk, P.A., Albuquerque, New Mexico, Bond Counsel. Modrall, Sperling, Roehl, Harris & Sisk, P.A., has also acted as special counsel to the County in connection with the preparation of this Official Statement and the sale of the Bonds to the Underwriters. It is anticipated that the Bonds will be available for delivery on or about September 10, 2008 through the facilities of DTC in New York, New York.

WACHOVIA SECURITIES

George K. Baum & Company
INVESTMENT BANKERS SINCE 1928

Wachovia Securities | **George K. Baum & Company**

Dated: August 5, 2008

The Bonds will bear interest from the date of delivery at the rates described below, payable semiannually on June 1 and December 1 of each year until maturity, commencing December 1, 2008, and will mature on June 1 in each year of the years set forth below:

MATURITY SCHEDULE

$30,000,000
SANTA FE COUNTY, NEW MEXICO
County Gross Receipts Tax Revenue Bonds
Series 2008

Maturity (June 1)	Principal Amount	Interest Rate	Yield	CUSIP Numbers
2009	$ 1,365,000	5.000%	1.800%	80189RBH7
2010	1,275,000	5.000%	2.360%	80189RBJ3
2011	140,000	3.500%	2.810%	80189RBK0
2012	170,000	3.500%	3.030%	80189RBL8
2013	255,000	3.500%	3.220%	80189RBM6
2014	275,000	3.500%	3.400%	80189RBN4
2015	445,000	4.000%	3.540%	80189RBP9
2016	515,000	4.000%	3.710%	80189RBQ7
2017	590,000	4.000%	3.870%	80189RBR5
2018	665,000	4.000%	3.980%	80189RBS3
2019	750,000	4.000%	4.150%	80189RBT1
2020	835,000	4.125%	4.310%	80189RBU8
2021	930,000	4.250%	4.440%	80189RBV6
2022	1,025,000	5.000%	4.510%	80189RBW4
2023	1,135,000	5.000%	4.570%	80189RBX2
2024	1,265,000	5.000%	4.640%	80189RBY0
2025	1,400,000	5.000%	4.710%	80189RBZ7
2026	1,535,000	5.000%	4.770%	80189RCA1
2028*	3,525,000	4.750%	4.870%	80189RCB9
2033*	11,905,000	5.000%	5.000%	80189RCC7

* Term Bonds subject to mandatory sinking fund redemption.

The Bonds will be secured by an irrevocable and first lien (but not necessarily an exclusive first lien) on the Pledged Revenues (as hereinafter defined). "Pledged Revenues" means the revenues derived from the first one-eighth of one percent County Gross Receipts Tax enacted pursuant to County Ordinance No. 1983-7, as amended by Ordinance No. 1991-4, the third one-eighth of one percent County Gross Receipts Tax enacted pursuant to County Ordinance No. 1987-6, as amended by the ordinance authorizing the issuance and sale of the Bonds, and the one-sixteenth of one percent County Gross Receipts Tax enacted pursuant to County Ordinance No. 2005-7, each of which County Gross Receipts Tax is imposed on persons engaging in business in the County pursuant to Section 7-20E-9 NMSA 1978, and which revenues are remitted to the County monthly by the New Mexico Department of Taxation and Revenue pursuant to Section 7-1-6.13 NMSA 1978, and which remittances currently equal five-sixteenths of one percent (0.3125%) of the taxable gross receipts reported by persons engaging in business in the County; and which include the distribution to the County made pursuant to Section 7-1-6.46 NMSA 1978, which revenues are reduced pursuant to the deductions under Sections 7-9-92 and 7-9-93, NMSA 1978; provided that additional amounts of such gross receipts tax revenues or other equivalent funds remitted to the County under applicable laws of the State shall be included as revenues pledged pursuant to the Bond Ordinance; and provided further that the County intends that Section 4-62-6(C) NMSA 1978 applies expressly to the amount of revenues pledged pursuant to the Bond Ordinance.

The registered owners of the Bonds may not look to any general or other fund for the payment of the principal of, or interest on such obligations except for the Pledged Revenues. The Bonds do not constitute an indebtedness of the County within the meaning of any constitutional or statutory provision or limitation, nor will they be considered or held to be general obligations of the County. Neither the full faith and credit of the County nor the ad valorem taxing power or general resources of the County, the State of New Mexico, or any political subdivision thereof are pledged to the payment of the Bonds.

SANTA FE COUNTY, NEW MEXICO
102 Grant Avenue
Santa Fe, New Mexico 87501
(505) 986-6200

BOARD OF COUNTY COMMISSIONERS
Paul Campos, Chair
Virginia Vigil, Vice-Chair
Mike D. Anaya, Commissioner
Harry B. Montoya, Commissioner
Jack Sullivan, Commissioner

COUNTY ADMINISTRATION
Roman Abeyta, County Manager
Teresa Martinez, Finance Director
Victor A. Montoya, Treasurer
Valerie Espinoza, County Clerk
Stephen C. Ross, County Attorney

BOND COUNSEL
Modrall, Sperling, Roehl, Harris & Sisk, P.A.
500 Fourth Street N.W., Suite 1000
P.O. Box 2168 (87103-2168)
Albuquerque, New Mexico 87102
(505) 848-1800

REGISTRAR AND PAYING AGENT
The County Treasurer will serve as Registrar and Paying Agent

UNDERWRITERS
Wachovia Securities
George K. Baum & Company

FINANCIAL ADVISOR TO THE COUNTY
RBC Capital Markets

No dealer, salesman or other person has been authorized by Santa Fe County, New Mexico (the "County") or the Underwriters to give any information or to make any statements or representations, other than those contained in this Official Statement, and, if given or made, such other information, statements or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy any of the Bonds in any jurisdiction in which such offer or solicitation is not authorized, or in which any person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. The information set forth or included in this Official Statement has been provided by the County and from other sources believed by the County to be reliable. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale hereunder shall create any implication that there has been no change in the financial condition or operations of the County described herein since the date hereof. This Official Statement contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions or that they will be realized.

The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

The Bonds have not been registered under the Securities Act of 1933, in reliance upon exemptions contained in such Act. The registration of the Bonds in accordance with applicable provisions of the securities law of the states in which the Bonds have registered and the exemption from registration in other states cannot be regarded as a recommendation thereof. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity, nor any agency or department thereof, has passed upon the merits of the Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

This Official Statement is "deemed final" by the County for purposes of Rule 15c2-12 of the Municipal Securities Rulemaking Board. The County has covenanted to provide such annual financial statements and other information in the manner as may be required by regulations of the Securities and Exchange Commission or other regulatory body.

This Official Statement contains statements that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimate," "project," "intend," "expect" and similar expressions are intended to identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. A number of such risks and uncertainties are described under the heading "SPECIAL FACTORS RELATING TO THE BONDS."

THE PRICES AT WHICH THE BONDS ARE OFFERED TO THE PUBLIC BY THE UNDERWRITERS (AND THE YIELDS RESULTING THEREFROM) MAY VARY FROM THE INITIAL PUBLIC OFFERING PRICES OR YIELDS APPEARING ON THE INSIDE COVER PAGE HEREOF. IN ADDITION, THE UNDERWRITERS MAY ALLOW CONCESSIONS OR DISCOUNTS FROM SUCH INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITERS MAY EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICE OF THE BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE COUNTY AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE SECURITIES HAVE NOT BEEN RECOMMENDED BY ANY FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

Copies of the ordinance authorizing the issuance and sale of the Bonds are available upon request at the office of the County Clerk, 102 Grant Avenue, Santa Fe, New Mexico 87501; (505) 986-6200.

SANTA FE COUNTY, NEW MEXICO
COUNTY GROSS RECEIPTS TAX REVENUE BONDS
SERIES 2008

SUMMARY OF INFORMATION

The following is a summary of certain provisions discussed in this Official Statement. THIS SUMMARY DOES NOT PURPORT TO BE COMPREHENSIVE OR DEFINITIVE AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE COMPLETE OFFICIAL STATEMENT. This summary is only a brief statement and a full review of the entire Official Statement should be made by potential investors.

Issuer:	Santa Fe County, New Mexico (the "County") is a political subdivision of the State of New Mexico (the "State"), organized and existing under the Constitution and the general laws of the State. The County operates under a Manager-Commission form of government and is located in northern New Mexico. The County has a land area of approximately 1,909 square miles and an estimated population of 147,000. See "THE COUNTY".
Dated:	Date of Delivery.
Principal Payment:	The Bonds are registered bonds maturing on June 1 of the years set forth on the inside cover page of this Official Statement.
Interest Payment:	Interest will be payable semiannually on June 1 and December 1, commencing December 1, 2008.
Purpose:	The proceeds of the Bonds will provide funds for 1) construction of and improvements to the county courthouse and other public facilities in the County and 2) paying all costs pertaining to the issuance of the Bonds. See "PURPOSE AND PLAN OF FINANCING" herein.
Authorization:	The Bonds are being issued pursuant to the general laws of the State, including Section 4-62-1 to 4-62-10 NMSA 1978, as amended (the "Act"), and enactments of the Board of County Commissioners relating to the issuance of the Bonds, including the Bond Ordinance.
Security:	The Bonds are special limited obligations, payable solely from, and secured by, an irrevocable and first lien (but not necessarily an exclusive first lien) upon the Pledged Revenues, as herein defined. See "SECURITY FOR THE BONDS" herein.
Special Obligations:	THE PRINCIPAL OF AND INTEREST ON THE BONDS WILL BE PAYABLE SOLELY FROM PLEDGED REVENUES, AND WILL NOT BE PAYABLE FROM ANY FUNDS OF THE COUNTY EXCEPT THE DESIGNATED SPECIAL FUNDS PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS WILL NOT CONSTITUTE AN INDEBTEDNESS NOR A DEBT OF THE COUNTY WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY PROVISION OR LIMITATION NOR WILL THEY BE CONSIDERED OR HELD TO BE GENERAL OBLIGATIONS OF THE COUNTY. NEITHER THE FULL FAITH AND

CREDIT NOR THE GENERAL TAXING POWER OF THE COUNTY IS PLEDGED FOR THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BONDS, AND NO OWNER HAS THE RIGHT TO COMPEL THE EXERCISE OF THE TAXING POWER OF THE COUNTY OR THE FORFEITURE OF ANY OF ITS PROPERTY IN CONNECTION WITH ANY DEFAULT UNDER THE BOND ORDINANCE.

Reserve Fund: No deposit to the Reserve Fund will be made from the proceeds of the Bonds. No deposit shall be required in the Reserve Fund so long as the Pledged Revenues in each Fiscal Year equal or exceed 200% of the maximum annual principal and interest coming due in any subsequent Fiscal Year on all outstanding Parity Bonds. If the Pledged Revenues in any Fiscal Year are insufficient to meet the test set forth in the preceding sentence, the County shall acquire a Reserve Fund Insurance Policy in an amount equal to the Minimum Reserve or shall begin making substantially equal monthly deposits in the Reserve Fund from the first legally available Pledged Revenues so that after 24 months an amount equal to the Minimum Reserve will be held in the Reserve Fund.

In the event that, following the date of issuance of a Reserve Fund Insurance Policy, the provider of that policy is downgraded below either of the two highest rating categories highest Rating Categories of Moody's and S&P to the extent that each rating agency provides such a rating and is then rating the Bonds, within sixty (60) days after the County has received notice of such downgrade, the policy shall be replaced with a Reserve Fund Insurance Policy meeting the requirements set forth in the definition thereof in Section 1 of the Bond Ordinance; or alternatively, the County shall make deposits of Pledged Revenues in the Reserve Fund until the Minimum Reserve is held in the Reserve Fund, as provided in the immediately preceding paragraph.

Minimum Reserve: The Minimum Reserve shall be an amount equal to the least of (i) ten percent of the principal amount of the outstanding Bonds, (ii) the maximum annual debt service on the outstanding Bonds, or (iii) 125% of the average annual debt service on the outstanding Bonds. The Minimum Reserve shall be recalculated every year on or about June 1.

Optional Redemption: The Bonds maturing on and after June 1, 2019 are subject to prior redemption at par at the option of the County, in one or more units of principal of $5,000 on and after June 1, 2018, in whole or in part at any time. If the Bonds are optionally redeemed in part, the Bonds to be so redeemed shall be selected by lot by the Registrar in such manner as the Registrar shall consider appropriate and fair. The redemption price will be the principal amount of each $5,000 unit so redeemed, accrued interest thereon to the redemption date.

Additional Bonds: In addition to the Bonds, additional bonds may hereafter be issued and secured by and paid from the Pledged Revenues on parity with the Bonds. The County will not issue additional bonds payable from the Pledged Revenues with a lien on the Pledged Revenues prior and superior to the lien of the Bonds thereon. Nothing contained in the Bond Ordinance will be construed in such a manner as to prevent the issuance by the County of additional bonds payable from the Pledged Revenues with a lien thereon subordinate and junior to the lien of the

	Bonds thereon, nor to prevent the issuance of Bonds or other obligations refunding all or part of the Bonds as permitted by the Bond Ordinance. See "ADDITIONAL OBLIGATIONS" herein.
Outstanding Parity Obligations:	None
Outstanding Subordinate and Junior Subordinate Obligations:	Santa Fe County, New Mexico Gross Receipts Tax Revenue Bonds, Subordinate Series 1997A (Subordinate) Santa Fe County, New Mexico Correctional System Revenue Bonds, Series 1997 (Junior Subordinate)
Secondary Market Disclosure:	The County will enter into an undertaking (the "Undertaking") for the holders of the Bonds to send certain financial information and operating data to certain information repositories annually and to provide notice to the Municipal Securities Rulemaking Board of certain events, pursuant to the requirements of Section (b)(5)(i) of Securities and Exchange Commission Rule 15c2-12 (17 C.F.R. Part 240, § 240.15c2-12). See "CONTINUING DISCLOSURE" herein.
Delivery:	The delivery of the Bonds to the Underwriters is expected on or about September 10, 2008.
Paying Agent/Registrar:	Santa Fe County Treasurer, Santa Fe, New Mexico

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OFFICIAL STATEMENT
$30,000,000
SANTA FE COUNTY, NEW MEXICO
County Gross Receipts Tax Revenue Bonds
Series 2008

INTRODUCTION

This Official Statement, which includes the cover pages and the appendices hereto, sets forth certain information in connection with the offering of $30,000,000* aggregate principal amount of the Santa Fe County, New Mexico County Gross Receipts Tax Revenue Bonds, Series 2008 (the "Bonds") to be issued by Santa Fe County, New Mexico, pursuant to Ordinance No. 2008-11 adopted on July 29, 2008, as supplemented and amended from time to time (the "Bond Ordinance").

The Bonds are payable solely from the Pledged Revenues (as hereinafter defined). The Bonds will be secured by an irrevocable and first lien (but not necessarily an exclusive first lien) on the Pledged Revenues. "Pledged Revenues" means the revenues derived from the first one-eighth of one percent County Gross Receipts Tax enacted pursuant to County Ordinance No. 1983-7, as amended by Ordinance No. 1991-4, the third one-eighth of one percent County Gross Receipts Tax enacted pursuant to County Ordinance No. 1987-6, as amended by the Bond Ordinance, and the one-sixteenth of one percent County Gross Receipts Tax enacted pursuant to County Ordinance No. 2005-7, each of which County Gross Receipts Tax is imposed on persons engaging in business in the County pursuant to Section 7-20E-9 NMSA 1978, and which revenues are remitted to the County monthly by the New Mexico Department of Taxation and Revenue pursuant to Section 7-1-6.13 NMSA 1978, and which remittances currently equal five-sixteenths of one percent (0.3125%) of the taxable gross receipts reported by persons engaging in business in the County; and which include the distribution to the County made pursuant to Section 7-1-6.46 NMSA 1978, which revenues are reduced pursuant to the deductions under Sections 7-9-92 and 7-9-93, NMSA 1978; provided that additional amounts of such gross receipts tax revenues or other equivalent funds remitted to the County under applicable laws of the State shall be included as revenues pledged pursuant to the Bond Ordinance; and provided further that the County intends that Section 4-62-6(C) NMSA 1978 applies expressly to the amount of revenues pledged pursuant to the Bond Ordinance.

The Bonds are being issued to provide funds for the Project. See "THE PROJECT" herein.

Pursuant to the Bond Ordinance, the County has covenanted not to repeal or amend any law, ordinance, or resolution in a manner that impairs any of the outstanding Bonds.

Additional bonds may hereafter be issued and secured by the Pledged Revenues having a lien on the Pledged Revenues on parity with, or subordinate and junior to, the lien on the Pledged Revenues securing the Bonds. Additional Obligations may not be issued with a lien superior to the lien on the Pledged Revenues securing the Bonds. See "ADDITIONAL OBLIGATIONS – Parity Obligations" herein.

The descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each document. All capitalized terms used in this Official Statement and not otherwise defined herein have the same meanings as in the Bond Ordinance.

THE PROJECT

The Bonds are being issued for the purpose of providing funds for (1) construction of and improvements to the county courthouse and other public facilities in the County; and (2) paying all costs pertaining to the issuance of the Bonds. See "PURPOSE AND PLAN OF FINANCING" herein.

SPECIAL FACTORS RELATING TO THE BONDS

Each prospective investor is encouraged to read this Official Statement in its entirety and to give particular attention to the factors described below, which, among other factors discussed herein, could affect the payment of debt service on the Bonds and could affect the market price of the Bonds to an extent that cannot be determined at this time.

Gross Receipts Tax Collections are Subject to Fluctuation

Gross receipts tax collections are subject to the fluctuations in spending which determine the amount of gross receipts taxes collected. This causes gross receipts tax revenues to increase along with the increasing prices brought about by inflation, but also causes collections to be vulnerable to adverse economic conditions and reduced spending. The County's economic base and the future collections of Pledged Revenues are directly affected by economic activities in the County. The County's retail sales are affected by general economic circumstances.

The Pledged Revenues are based on the gross receipts generated by businesses operating in the County. Various circumstances and developments, most of which are beyond the control of the County, may have an adverse effect on the future level of Pledged Revenues. Such circumstances may include, among others, adverse changes in national and local economic and financial conditions generally, reductions in the rates of employment and economic growth in the County, the State and the region, a decrease in rates of population growth and rates of residential and commercial development in the County, the State and the region and various other factors.

Bankruptcy and Foreclosure

The ability and willingness of an owner or operator of property to pay gross receipts taxes may be adversely affected by the filing of a bankruptcy proceeding by the owner. The ability to collect delinquent gross receipts taxes using foreclosure and sale for non-payment of taxes may be forestalled or delayed by bankruptcy, reorganization, insolvency or other similar proceedings affecting the owner of a taxed property. The Federal bankruptcy laws provide for an automatic stay of foreclosure and sale proceedings, thereby delaying such proceedings, perhaps for an extended period. Delays in the exercise of remedies could result in gross receipts tax collections that may be insufficient to pay debt service on bonds when due.

Limited Obligations

The Bonds constitute a lien only on the Pledged Revenues. Therefore, the security for the punctual payment of the principal of and interest on the Bonds is dependent on the County's receipt of the Pledged Revenues in amounts sufficient to meet the debt service requirements of the Bonds. See "SECURITY FOR THE BONDS" and "PLEDGED REVENUES" herein. The Bonds and the interest thereon do not constitute a debt or indebtedness of the County within the meaning of any provision or limitation of the Constitution or laws of the State and do not give rise to a pecuniary liability of the County or a charge against its general credit or taxing power. The Bonds are not obligations of the State, and the owners of the Bonds may not look to the State for payment of the principal of or interest on the Bonds.

Additional Parity Obligations

The County may issue additional Parity Obligations without Bondholder consent, upon meeting coverage or other financial tests. See "ADDITIONAL OBLIGATIONS – Parity Obligations" herein. Parity Obligations would have a lien on the Pledged Revenues on parity with the lien of the Bonds. As a result, if Pledged Revenues are insufficient to pay debt service on the Bonds and the Parity Obligations in any year, debt service will be paid on a proportionate basis.

Secondary Market

Although the Underwriters expect to maintain a secondary market in the Bonds, at this time no guarantee can be made that a secondary market for the Bonds will be maintained by the Underwriters or others. Owners of the Bonds should be prepared to hold their Bonds to maturity or prior redemption.

State Legislation

The State Legislature of the State of New Mexico (the "Legislature") may amend the laws relating to the levy, calculation and/or the distribution of, or otherwise impacting, gross receipts taxes, including the Pledged Revenues. In some cases, the Legislature has made amendments which negatively impacted the amount of gross receipts tax revenues received by local governments. For example, in 1991, the Legislature adopted legislation reducing the amount of State gross receipts taxes distributed to municipalities from 1.35% to 1.225% and eliminated municipal water and sewer services from the State gross receipts tax base.

In 1998, the Legislature adopted legislation providing deductions from gross receipts for receipts from the sale of prescription drugs and for receipts from medical and other health services provided by medical doctors and osteopaths to Medicare beneficiaries. Those receipts were historically subject to gross receipts taxation.

In 2004, the Legislature enacted legislation creating a deduction from gross receipts tax for receipts from retail sales of food (not including restaurant sales and certain sales of prepared foods) as defined for federal food stamp program purposes, effective January 1, 2005. Retailers are required to report receipts from sales of such groceries and then claim the deduction. The statute provides for payments to be made from the State general fund to reimburse local governments for revenues lost as a result of the new deduction. Those distributions, as related to County Gross Receipts Tax, are included within the Pledged Revenues.

In addition, in 2004 the Legislature created a deduction from gross receipts tax for receipts of licensed medical care providers from Medicare Part C and managed health plans that by contract do not reimburse providers for gross receipts tax, effective January 1, 2005. This legislation includes provision for payments from the State general fund to reimburse local governments for revenues lost as a result of this deduction. Those distributions are included within the Pledged Revenues.

According to the New Mexico Taxation and Revenue Department, the initial distributions, including the reimbursements, in March 2005 showed a decrease in revenues for some municipalities, in some cases between 11 percent and 21 percent. The Taxation and Revenue Department believes this decrease is due to incorrect reporting from food retailers who completed a modified tax form. The problem was corrected in the April 2005 distributions.

In 2004, the Legislature also repealed the credit of one-half of one percent against the gross receipts tax imposed by the State that had previously been allowed to taxpayers within municipalities which levy a municipal gross receipts tax of at least one-half of one percent.

Other amendments to State laws affecting taxed activities and distribution of gross receipts tax revenues could be proposed in the future by the Legislature. There is no assurance that any future amendments will not adversely affect activities now subject to the gross receipts tax or distribution of gross receipts tax revenues to the County. Notwithstanding the foregoing, the provisions of State law authorizing the issuance of revenue bonds (including gross receipts tax or sales tax revenue bonds such as the Bonds) include a provision stating that any law which authorizes the pledge of revenues to the payment of revenue bonds, or which affects the pledged revenues "shall not be repealed or amended or otherwise directly or indirectly modified in such a manner as to impair adversely any such outstanding revenue bonds." The County makes a similar covenant in the Bond Ordinance, subject to provisions permitting amendment with consent of owners of a requisite percentage of Bonds.

DESCRIPTION OF THE BONDS

General

The Bonds are being issued in the aggregate principal amount of $30,000,000 in order to provide funds for the Project. See "PURPOSE AND PLAN OF FINANCING" herein.

The Bonds will be dated the date of delivery. The Bonds will bear interest from their dated date at the rates, and will mature in the amounts and on the dates, as set forth on the inside cover page of this Official Statement. Interest on the Bonds will be payable semi-annually on June 1 and December 1 of each year, commencing December 1, 2008. The Bonds will bear interest from the most recent interest payment date to which interest has been fully paid or duly provided for or, if no interest has been paid, from the date of issuance. The Bonds will be issued as fully registered bonds without coupons in denominations of $5,000 or any integral multiple thereof.

Payment-Regular Record Date

The principal of any Bond shall be payable to the registered owner thereof as shown on the registration books kept by the County Treasurer (the "Registrar") for the Bonds, upon maturity or prior redemption thereof and upon presentation and surrender at the office of the County Treasurer (the "Paying Agent"). If any Bond shall not be paid upon such presentation and surrender at or after maturity or on a designated prior redemption date on which the County may have exercised its right to prior redeem any Bond, it shall continue to draw interest at the rate borne by the Bond until the principal thereof is paid in full. Payment of interest on any Bond will be made by check or draft mailed by the Paying Agent, on or before each interest payment date (or, if such interest payment date is not a business day, on or before the next succeeding business day), to the registered owner thereof as of the fifteenth (15th) day of the calendar month (whether or not a business day) preceding each regularly scheduled interest payment date on the Bonds (the "Regular Record Date") at the address as it last appears on the registration books with respect to the Bonds on the Regular Record Date (or by such other arrangements as may be mutually agreed to by the Paying Agent and any registered owner on such Regular Record Date) notwithstanding any transfer or exchange thereof subsequent to such Regular Record Date and prior to such interest payment date. Any interest not so timely paid or duly provided for will cease to be payable as described above and will be payable to the person in whose name any Bond is registered at the close of business on a special record date to be fixed by the Registrar (the "Special Record Date") whenever moneys become available for payment of any such defaulted interest. Notice of the Special Record Date will be given not less than ten (10) days prior thereto, by first-class mail, to the registered owners of the Bonds.

All payments of principal and interest on the Bonds will be made in lawful money of the United States of America. The County and the Registrar may treat the registered owner of a Bond as the absolute owner thereof for all purposes except as otherwise provided in the Bond Ordinance with respect to the Regular Record Date and the Special Record Date for the payment of interest. Payment of or on account of either principal or redemption price or interest on any Bond will be made only to or upon the written order of the registered owner thereof or his legal representative. All such payments will be valid and effectual to discharge the liability upon the Bond to the extent of the sum or sums so paid.

Optional Redemption of Bonds

The Bonds maturing on or after June 1, 2019 are subject to prior redemption at the County's option in one or more units of principal of $5,000 on and after June 1, 2018 in whole or in part at any time, in such order of maturities as the County may determine (and by lot if less than all Bonds of such maturity is called, such selection by lot to be made by the Registrar in such manner as considered appropriate and fair) for the principal amount of each $5,000 unit of principal so redeemed plus accrued interest to the redemption date.

Redemption Procedures

Notice of redemption shall be given by the Registrar by sending a copy of such notice by first-class, postage prepaid mail at least thirty (30) days prior to the redemption date to the registered owner of each Bond, or portion thereof, to be redeemed at the address shown as of the close of business of the Registrar on the fifth (5^{th}) day prior to the mailing of notice on the registration books kept by the Registrar. The County shall give notice of optional redemption of the Bonds to the Registrar at least forty-five (45) days prior to the redemption date (unless such deadline is waived by the Registrar). The Registrar's failure to give such notice to the registered owner of any Bond, or any defect therein, shall not affect the validity of the proceedings for the redemption of any Bonds for which proper notice was given. Notices of redemption shall specify the maturity dates and the number or numbers of the Bonds to be redeemed (if less than all are to be redeemed) and if less than the full amount of any Bond is to be redeemed, the amount of such Bond to be redeemed, the date fixed for redemption, and that on such redemption date there will become and be due and payable upon each Bond to be redeemed at the office of the Paying Agent the principal amount to be redeemed plus accrued interest to the redemption date and that from and after such date interest will cease to accrue on such amount. Notice having been given in the manner hereinbefore provided, the Bond or Bonds so called for redemption shall become due and payable on the redemption date so designated and if an amount of money sufficient to redeem all Bonds called for redemption shall on the redemption date be on deposit with the Paying Agent, the Bonds to be redeemed shall be deemed not outstanding and shall cease to bear interest from and after such redemption date. Upon presentation of the Bonds to be redeemed at the office of the Paying Agent, the Paying Agent will pay the Bond or Bonds so called for redemption with funds deposited with the Paying Agent by the County.

Conditional Redemption

If money or Defeasance Obligations (as defined in Section 31 of the Bond Ordinance) sufficient to pay the optional redemption price of the Bonds to be called for optional redemption are not on deposit with the Paying Agent prior to the giving of notice of optional redemption referred to above, such notice shall state such Bonds will be redeemed in whole or in part on the optional redemption date in a principal amount equal to that part of the optional redemption price received by the Paying Agent on the applicable optional redemption date. If the full amount of the optional redemption price is not received as set forth in the preceding sentence, the notice shall be effective only for those Bonds for which the optional redemption price is on deposit with the Paying Agent. If all Bonds called for optional redemption cannot be redeemed, the Bonds to be redeemed shall be selected in the manner deemed reasonable and fair by the County and the Registrar shall give notice, in the manner in which the original notice of optional redemption was given, that such money was not received. In that event, the Registrar shall promptly return to the Owners thereof the Bonds or certificates which it has received evidencing the part thereof which have not been optionally redeemed.

Registration, Transfer and Exchange of Bonds

The County shall cause books for registration, transfer, and exchange of the Bonds to be kept at the principal office of the Registrar. Upon surrender for transfer or exchange of any fully registered Bond at the principal office of the Registrar duly endorsed by the registered owner or his attorney duly authorized in writing, or accompanied by a written instrument or instruments of transfer or exchange in form satisfactory to the Registrar and duly executed, the Registrar shall authenticate and deliver, not more than three (3) business days after receipt of the Bond or Bonds to be transferred, in the name of the transferee or registered owner, as appropriate, a new Bond or Bonds in authorized denominations, in fully registered form of the same aggregate principal amount, maturity and interest rate.

The Registrar shall not be required to transfer or exchange any Bond (i) during the period of fifteen (15) days next preceding the mailing of notice calling any Bonds for redemption, or (ii) after the mailing to registered owners of notice calling such Bonds or portion thereof for redemption. The Registrar shall close books for change of registered owners' addresses on each Record Date; and transfers will be permitted within the period from each Record Date to each Interest Payment Date, but such transfers shall not include a transfer of accrued interest payable.

If any Bonds shall be lost, stolen, destroyed or mutilated, the Registrar shall, upon receipt of such Bond, if mutilated, and such evidence, information or indemnity relating thereto as the Registrar may reasonably require, if lost, stolen or destroyed, authenticate and deliver a replacement Bond or Bonds of a like aggregate principal amount and of the same maturity and interest rate, bearing a number or numbers not contemporaneously outstanding. If any such lost, stolen, destroyed or mutilated Bond shall have matured or have been called for redemption, the Registrar may request the Paying Agent to pay such bond in lieu of replacement.

Book-Entry Only

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the County believes to be reliable, but the County takes no responsibility for the accuracy thereof.

The Depository Trust Company, New York, New York ("DTC") will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered bond will be issued for each maturity in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants (the "Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (a "Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the County or the Paying Agent on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County, disbursement of such payments to Direct Participants is the responsibility of DTC, and disbursement of such payments to the Beneficial Owners is the responsibility of Direct Participants and Indirect Participants.

So long as Cede & Co., or its registered assigns, is the registered owner of the Bonds, the County will be entitled to treat Cede & Co., or its registered assign, as the absolute owner thereof for all purposes of the Bond Ordinance and any applicable laws, notwithstanding any notice to the contrary received by the County and the County will have no responsibility for transmitting payments to, communicating with, notifying, or otherwise dealing with any Beneficial Owners of the Bonds.

When reference is made to any action which is required or permitted to be taken by the Beneficial Owners, such reference only relates to those permitted to act by statute, regulation or otherwise on behalf of such Beneficial Owners for such purposes. When notices are given, they are to be sent to DTC, and the County does not have responsibility for distributing such notices to the Beneficial Owners.

The County does not have any responsibility or obligation to the DTC Participants or the Beneficial Owners with respect to (a) the accuracy of any records maintained by DTC or any DTC Participant; (b) the payment by DTC or any DTC Participant of any amount due to any Beneficial Owner in respect of the principal of and premium, if any, and interest on the Bonds; (c) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of the Bonds; (d) any consent given or other action taken by DTC, or its nominee, Cede & Co., as Bond Owner; or (e) the distribution by DTC to DTC Participants or Beneficial Owners of any notices received by DTC as registered owner of the Bonds.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the County. Under such circumstances, in the event that a successor securities depository is not obtained, bond certificates are required to be printed and delivered.

The County may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, bond certificates will be printed and delivered.

Source of Payment

The Bonds are payable and collectible solely from an irrevocable and first lien (but not necessarily an exclusive first lien) on, the Pledged Revenues. "Pledged Revenues" means the revenues derived from the first one-eighth of one percent County Gross Receipts Tax enacted pursuant to County Ordinance No. 1983-7, as amended by Ordinance No. 1991-4, the third one-eighth of one percent County Gross Receipts Tax enacted pursuant to County Ordinance No. 1987-6, as amended by the Bond Ordinance, and the one-sixteenth of one percent County Gross Receipts Tax enacted pursuant to County

Ordinance No. 2005-7, each of which County Gross Receipts Tax is imposed on persons engaging in business in the County pursuant to Section 7-20E-9 NMSA 1978, and which revenues are remitted to the County monthly by the New Mexico Department of Taxation and Revenue pursuant to Section 7-1-6.13 NMSA 1978, and which remittances currently equal five-sixteenths of one percent (0.3125%) of the taxable gross receipts reported by persons engaging in business in the County; and which include the distribution to the County made pursuant to Section 7-1-6.46 NMSA 1978, which revenues are reduced pursuant to the deductions under Sections 7-9-92 and 7-9-93, NMSA 1978; provided that additional amounts of such gross receipts tax revenues or other equivalent funds remitted to the County under applicable laws of the State shall be included as revenues pledged pursuant to the Bond Ordinance; and provided further that the County intends that Section 4-62-6(C) NMSA 1978 applies expressly to the amount of revenues pledged pursuant to the Bond Ordinance.

All of the Bonds, together with the interest accruing thereon, shall be payable and collectible solely out of the Pledged Revenues, which are irrevocably so pledged by the Bond Ordinance. The registered owner or owners of the Bonds may not look to any general or other fund for the payment of the principal of or interest on such obligations, except the designated special funds pledged therefor. The Bonds shall not constitute an indebtedness or a debt within the meaning of any constitutional or statutory provision or limitation; nor shall they be considered or held to be general obligations of the County; and each of the Bonds shall recite that it is payable and collectible solely from the Pledged Revenues, the income from which is so pledged, and that the registered owner thereof may not look to any general or other fund for the payment of principal and interest on the Bonds.

Funds and Accounts

The Bond Ordinance creates or continues an Acquisition Fund, an Income Fund, a Debt Service Fund, and a Reserve Fund.

Disposition of Bond Proceeds

The proceeds from the sale of the Bonds shall be applied by the County simultaneously with the delivery of the Bonds to the Purchaser in the following manner and priority:

(A) Accrued Interest. First, all moneys received as accrued interest on the Bonds shall be deposited into the Debt Service Fund, to apply to the payment of interest next coming due on the Bonds.

(B) Expenses. Second, to the extent not paid by the Underwriters, an amount necessary, together with other legally available funds of the County, shall be used to pay Expenses.

(C) Acquisition Fund. Third, all remaining proceeds derived from the sale of the Bonds shall be deposited promptly upon the receipt thereof in the Acquisition Fund. The money in the Acquisition Fund shall be used and paid out solely for the purpose of the Project in compliance with applicable law.

(D) Reserve Fund. County moneys or a Reserve Fund Insurance Policy, in the amount of the Minimum Reserve, shall be deposited into the Reserve Fund on the date of issuance of the Bonds or thereafter, as provided in Section 17(E) of the Bond Ordinance.

(E) Project Completion. As soon as practicable after the completion of the Project, and in any event not more than sixty (60) days after the completion of the Project, any balance remaining in the Acquisition Fund (other than any amount retained by the County for any Project costs not then due and payable) shall be transferred from the Acquisition Fund and deposited in the Debt Service Fund and used by the County to pay principal and interest on the Bonds as the same become due.

(F) Underwriters Not Responsible. The Underwriters of the Bonds shall in no manner be responsible for the application or disposal by the County or by its officers of the funds derived from the sale thereof or of any other funds herein designated.

Flow of Funds

(A) Income Fund. So long as any of the Bonds are outstanding either as to principal or interest, or both, the County shall credit all Pledged Revenues to the Income Fund. The following payments shall be made from the Income Fund.

(B) Debt Service Fund. As a first charge on the Income Fund, the following amounts shall be withdrawn from the Income Fund and shall be credited to the Debt Service Fund:

(1) Monthly, commencing on the first day of the month immediately succeeding the delivery of the Bonds, an amount in equal monthly installments necessary, together with any other moneys therein and available therefor, to pay the next maturing installment of interest on the Bonds, and monthly thereafter, commencing on each Interest Payment Date, one-sixth (1/6) of the amount necessary to pay the next maturing installment of interest on the Bonds then outstanding.

(2) Monthly, commencing on the first day of the month immediately succeeding the delivery of the Bonds, an amount in equal monthly installments necessary, together with any other moneys therein and available therefor, to pay the next maturing installment of principal of the outstanding Bonds and monthly thereafter, commencing on each principal payment date, one-twelfth (1/12) of the amount necessary to pay the next maturing installment of principal on the Bonds then outstanding.

(C) Credit. In making the deposits required to be made into the Debt Service Fund, if there are any amounts then on deposit in the Debt Service Fund available for the purpose for which such deposit is to be made, the amount of the deposit to be made pursuant to paragraph B above shall be reduced by the amount available in such fund for such purpose.

(D) Transfer of Money out of Debt Service Fund. Each payment of principal and interest becoming due on the Bonds shall be transferred from the Debt Service Fund to the Paying Agent on or before two Business Days prior to the due date of such payment.

(E) Reserve Fund. No deposit shall be required in the Reserve Fund so long as the Pledged Revenues in each Fiscal Year equal or exceed 200% of the maximum annual principal and interest coming due in any subsequent Fiscal Year on all outstanding Parity Bonds. If the Pledged Revenues in any Fiscal Year are insufficient to meet the test set forth in the preceding sentence, the County shall acquire a Reserve Fund Insurance Policy in an amount equal to the Minimum Reserve or shall begin making substantially equal monthly deposits in the Reserve Fund from the first legally available Pledged Revenues so that after 24 months an amount equal to the Minimum Reserve will be held in the Reserve Fund. Notwithstanding anything to the contrary set forth in this Bond Ordinance, amounts on deposit in the Debt Service Reserve Fund shall be applied solely to the payment of debt service due on the Bonds. After funding the Reserve Fund in an amount equal to the Minimum Reserve, no additional payments need be made into the Reserve Fund so long as the moneys therein shall equal not less than the Minimum Reserve. The moneys in the Reserve Fund shall be accumulated and maintained as a continuing reserve to be used, except as hereinafter provided in paragraph (F) of this Section, only to prevent deficiencies in the payment of the principal of and interest on the Bonds resulting from failure to deposit into the Debt Service Fund sufficient funds to pay the principal and interest as the same accrue.

In the event that, following the date of issuance of a Reserve Fund Insurance Policy, the provider of that policy is downgraded below either of the two highest rating categories highest Rating Categories of Moody's and S&P to the extent that each rating agency provides such a rating and is then rating the Bonds, within sixty (60) days after the County has received notice of such downgrade, the policy shall be replaced with a Reserve Fund Insurance Policy meeting the requirements set forth in the definition thereof in Section 1 of this Ordinance; or alternatively, the County shall make deposits of Pledged Revenues in the Reserve Fund until the Minimum Reserve is held in the Reserve Fund, as provided in the immediately preceding paragraph.

(F) Defraying Delinquencies in the Debt Service Fund and Reserve Fund. If, in any month, the County shall, for any reason, fail to pay into the Debt Service Fund the full amount above stipulated from the Pledged Revenues, then an amount shall be paid into the Debt Service Fund in such month from the Reserve Fund (if moneys are then on deposit in the Reserve Fund) equal to the difference between that paid from the Pledged Revenues and the full amount so stipulated. If the moneys paid into the Debt Service Fund from the Reserve Fund are not equal to the amount required to be paid into the Debt Service Fund for such month, then in the following month, an amount equal to the difference between the amount paid and the amount required shall be deposited into the Debt Service Fund, in addition to the normal payment required to be paid in such month, from the first Pledged Revenues thereafter received and not required to be otherwise applied. The money deposited in the Debt Service Fund from the Reserve Fund, if any, shall be replaced in the Reserve Fund from the first Pledged Revenues thereafter received not required to be otherwise applied. If, in any month, the County shall, for any reason, fail to pay into the Reserve Fund the full amount required, the difference between the amount paid and the amount so stipulated shall in a like manner be paid therein from the first Pledged Revenues thereafter received and not required to be otherwise applied. The moneys in the Reserve Fund shall be used solely and only for the purpose of paying any deficiencies in the payment of the principal of and the interest on the Bonds; provided, however, that any moneys at any time in excess of the Minimum Reserve in the Reserve Fund may be withdrawn therefrom and applied to any other lawful purpose. Cash accumulated in the Reserve Fund shall not be invested in a manner which could cause the Bonds to become arbitrage bonds within the meaning of the Internal Revenue Code of 1986, as amended, and regulations promulgated thereunder (the "Code"). Any investments held in the Reserve Fund shall be valued annually, on or about June 1, at their current fair market value and, if the amount then on deposit in the Reserve Fund exceeds the Minimum Reserve, all amounts in excess of the Minimum Reserve shall be transferred to the Debt Service Fund and used to pay principal of and interest on the Bonds.

(G) Payment of Parity Obligations. Concurrently with the payment of the Pledged Revenues required by paragraphs B, E and F above, any amounts on deposit in the Income Fund shall be used by the County for the payment of principal of, interest on and debt service reserve fund deposits relating to Parity Bonds now outstanding and to additional Parity Bonds, if any, hereafter authorized to be issued and payable from the Pledged Revenues, as applicable, as the same accrue. If funds on deposit in the Income Fund are not sufficient to pay when due the required payments of principal of, interest on and debt service reserve fund deposits relating to the Bonds and any other outstanding Parity Bonds, then the available funds in the Income Fund will be used, first, on a pro rata basis, based on the amount of principal and interest then due with respect to each series of outstanding Parity Bonds, for the payment of principal of and interest on all series of outstanding Parity Bonds and, second, to the extent of remaining available funds in the Income Fund, on a pro rata basis, based on the amount of debt service reserve fund deposits then required with respect to each series of outstanding Parity Bonds, for the required debt service reserve fund deposits for all series of outstanding Parity Bonds.

(H) Payment of Subordinate Obligations. Amounts on deposit in the Income Fund not needed to make the payments required pursuant to paragraphs B, E, F and G above shall be used by the County for the payment of principal of, interest on and debt service reserve fund deposits relating to Subordinate Obligations now outstanding and to additional Subordinate Obligations, if any, hereafter authorized to be issued and payable from the Pledged Revenues, as applicable, as the same accrue. If funds on deposit in the Income Fund are not sufficient, after all payment of all Bonds and Parity Bonds, to pay when due the required payments of principal of, interest on and debt service reserve fund deposits relating to the Subordinate Obligations, then the available funds in the Income Fund will be used, first, on a pro rata basis, based on the amount of principal and interest then due with respect to each series of outstanding Subordinate Obligations, for the payment of principal of and interest on all series of outstanding Subordinate Obligations and second, to the extent of remaining available funds in the Income Fund, on a pro rata basis, based on the amount of debt service reserve fund deposits then required with respect to each series of outstanding Subordinate Obligations, for the required debt service reserve fund deposits for all series of outstanding Subordinate Obligations.

(I) Payment of Junior Subordinate Obligations. Amounts on deposit in the Income Fund not needed to make the payments required pursuant to paragraphs B, E, F, G and H above shall be used by the County for the payment of principal of, interest on and debt service reserve fund deposits relating to Junior Subordinate Obligations now outstanding and to additional Junior Subordinate Obligations, if any, hereafter authorized to be issued and payable from the Pledged Revenues, as applicable, as the same accrue. If funds on deposit in the Income Fund are not sufficient after payment of all Bonds, Parity Bonds and Subordinate Bonds to pay when due the required payments of principal of, interest on and debt service reserve fund deposits relating to the Junior Subordinate Obligations, then the available funds in the Income Fund will be used, first, on a pro rata basis, based on the amount of principal and interest then due with respect to each series of outstanding Junior Subordinate Obligations, for the payment of principal of and interest on all series of outstanding Junior Subordinate Obligations and second, to the extent of remaining available funds in the Income Fund, on a pro rata basis, based on the amount of debt service reserve fund deposits then required with respect to each series of outstanding Junior Subordinate Obligations, for the required debt service reserve fund deposits for all series of outstanding Junior Subordinate Obligations.

(J) Termination upon Deposits to Maturity. No payment shall be made into the Debt Service Fund or the Reserve Fund if the amounts (excluding any amount in the Reserve Fund represented by a Reserve Fund Insurance Policy) in such funds total a sum at least equal to the entire aggregate amount due as to principal, premium, if any, and interest, on the Bonds to their respective maturities or applicable redemption dates, in which case moneys in the Debt Service Fund and the Reserve Fund in an amount at least equal to such principal and interest requirements shall be used solely to pay such obligations as the same accrue, and any moneys in excess thereof in the Debt Service Fund and the Reserve Fund may be used as provided below.

(K) Surplus Revenues. After making all the payments hereinabove required to be made, the remaining Pledged Revenues, if any, may be applied to any other lawful purpose, as the County may from time to time determine.

General Administration of Funds

The funds designated in the Bond Ordinance shall be administered and invested as follows:

(A) Places and Times of Deposits. The funds shall be separately maintained as a trust fund or funds for the purposes established and shall be deposited in one or more bank accounts in an

Insured Bank or Banks. Each fund or account shall be continuously secured to the extent required by law and shall be irrevocable and not withdrawable by anyone for any purpose other than the designated purpose. Payments shall be made into the proper fund or account on the first day of the month except when the first day shall not be a Business Day, then payment shall be made on the next succeeding Business Day. No later than two Business Days prior to each Interest Payment Date, moneys sufficient to pay interest and principal then due on the Bonds shall be transferred to the Paying Agent. Nothing in the Bond Ordinance shall prevent the County from establishing one or more bank accounts in an Insured Bank or Banks for all the funds required by the Bond Ordinance or shall prevent the combination of such funds and accounts with any other bank account or accounts or investments for other funds and accounts of the County.

(B) Investment of Moneys. Moneys in the Reserve Fund shall be invested in accordance with paragraph C below and moneys in any other fund or account not immediately needed may be invested in any Qualified Investment. The obligations so purchased as an investment of moneys in any fund or account shall be deemed to be part of such fund or account, and the interest accruing thereon and any profit realized therefrom shall be credited to such fund or account, and any loss resulting from such investment shall be charged to such fund or account. The County Treasurer shall present for redemption or sale on the prevailing market any obligations so purchased as an investment of moneys in the fund or account whenever it shall be necessary to do so in order to provide moneys to meet any payment or transfer from such fund.

(C) Reserve Fund. Moneys, if any, in the Reserve Fund may be invested only in Qualified Investments with a maturity not greater than five years. The County shall annually on or about June 1 of each year, commencing on the first June 1 succeeding the funding of the Reserve Fund, value the Reserve Fund on the basis of the current fair market value of deposits and investments credited to the Reserve Fund. For purposes of determining the amount on deposit in the Reserve Fund, any Reserve Fund Insurance Policy held by, or the benefit of which is available to, the County as security for the Bonds shall be deemed to be a deposit in the face amount of the policy or the stated amount of the credit facility provided, except that, if the amount available under a Reserve Fund Insurance Policy has been reduced as a result of a payment having been made thereunder or as a result of the termination, cancellation or failure of such Reserve Fund Insurance Policy and not reinstated or another Reserve Fund Insurance Policy provided, then, in valuing the Reserve Fund, the value of such Reserve Fund Insurance Policy shall be reduced accordingly. If, upon any valuation, the value of the Reserve Fund exceeds the Minimum Reserve, the excess amount shall be withdrawn and deposited into the Debt Service Fund; if the value is less than the applicable requirement, the County shall replenish such amounts from the first Pledged Revenues thereafter received not required to be otherwise applied or other moneys legally available therefor.

At such time as the Bonds are paid in full or are deemed to be paid in full, the amount on deposit in the Reserve Fund may be used to pay the final installments of principal and interest on the Bonds and otherwise may be withdrawn and transferred to the County to be used for any lawful purpose, provided that, if such amounts are used for a purpose other than payment of the Bonds, there shall be delivered an opinion of nationally recognized bond counsel that the purpose for which such funds are to be used is a lawful purpose for which such proceeds may be used under the laws of the State of New Mexico and that such use shall not result in the inclusion of interest on any Bonds in gross income of the recipient thereof for federal income tax purposes.

If moneys have been withdrawn from the Reserve Fund or a payment has been made under a Reserve Fund Insurance Policy constituting all or a portion of the Reserve Fund, and deposited into the Debt Service Fund to prevent a default on the Bonds, then the County will pay, from Pledged Revenues or other moneys legally available therefor, the full amount so withdrawn, together with interest, if any, required under the terms of the Reserve Fund Insurance Policy, or so much as shall be required to restore the Reserve Fund to the Minimum Reserve and to pay such interest, if any. Such repayment shall be made as required by the Bond Ordinance.

The County may in part, or in whole, replace amounts in the Reserve Fund with a Reserve Fund Insurance Policy.

Default, Remedies and County Duties

Each of the following events is declared in the Bond Ordinance to be an "Event of Default":

(A) failure to pay the principal of any of the Bonds when the same becomes due and payable, either at maturity, or by proceedings for redemption, or otherwise; or

(B) failure to pay any installment of interest when the same becomes due and payable; or

(C) in determining whether a payment default has occurred as provided in subparagraphs (A) and (B) above, or whether a payment on the Bonds has been made as provided in the Bond Ordinance; or

(D) if the County shall for any reason be rendered incapable of fulfilling its obligations under the Bond Ordinance; or

(E) default by the County in the due and punctual performance of its covenants or conditions, agreements and provisions contained in the Bonds or in the Bond Ordinance on its part to be performed (other than a default set forth in subparagraphs (A) and (B) above), and the continuance of such default for thirty (30) days after written notice specifying such default and requiring the same to be remedied has been given to the County by the holders of twenty-five percent (25%) in aggregate principal amount of the Bonds then outstanding; or

(F) the County (i) files a petition or application seeking reorganization or arrangement of debt under Federal Bankruptcy law, or other debtor relief under the laws of any jurisdiction, or (ii) is the subject of such petition or application which the County does not contest or is not dismissed or discharged within sixty (60) days.

Upon the happening and continuance of any of the events of default described above, then and in every case, the holder or holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then outstanding, including, but not limited to, a trustee or trustees therefor, may proceed against the County, the Board of County Commissioners and its agents, officers and employees, but only in their official capacities, to protect and enforce the rights of any holder of Bonds under the Bond Ordinance by mandamus or other suit, action or special proceedings in equity or at law, in any court of competent jurisdiction, either for the appointment of a receiver or for the specific performance of any covenant or agreement contained in the Bond Ordinance or in an award relating to the execution of any power herein granted for the enforcement of any legal or equitable remedy as such holder or holders may deem most effectual to protect and enforce the rights provided above, or to enjoin any act or thing which may be unlawful or in violation of any right of any Bondholder, or to require the Board of County Commissioners to act as if it were the trustee of an express trust, or any combination of such remedies. All such proceedings at law or in equity shall be instituted, had and maintained for the equal benefit of all holders of the Bonds then outstanding. The failure of any Bondholder so to proceed shall not relieve the County or any of its officers, agents or employees of any responsibility for failure to perform, in their official capacities, any duty. Each right or privilege of such holder (or trustee thereof) is in addition and cumulative to any other right or privilege, and the exercise of any right or privilege by or on behalf of any holder shall not be deemed a waiver of any other right or privilege.

Upon the happening of any of the events of default described above, the County, in addition, will do and perform all proper acts on behalf of and for the owners of the Bonds to protect and preserve the security created for the payment of the Bonds and to insure the payment of the principal of and interest on the Bonds promptly as the same become due. All proceeds derived therefrom, so long as any of the Bonds, either as to principal or interest, are outstanding and unpaid, shall be applied as set forth in the Bond Ordinance. In the event the County fails or refuses to proceed, the holder or holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then outstanding, after demand in writing, may proceed to protect and enforce the rights of the owners of the Bonds.

Defeasance

When all principal, interest and prior redemption premium, if any, in connection with the Bonds have been duly paid, the pledge and lien for the payment of the Bonds shall be discharged and the Bonds shall no longer be deemed to be outstanding within the meaning of the Bond Ordinance. Payment shall be deemed made with respect to any Bond or Bonds when the County has placed in escrow with a commercial bank exercising trust powers, an amount sufficient (including the known minimum yield from Defeasance Obligations) to meet all requirements of principal, interest and prior redemption premium, if any, as the same become due to their final maturities or upon designated redemption dates. Any Defeasance Obligations shall become due when needed in accordance with a schedule agreed upon between the County and such bank at the time of the creation of the escrow. Defeasance Obligations within the meaning of this Section, shall include only (i) case, (ii) non-callable direct obligations of the United States of America ("Treasuries"), (iii) evidences of ownership of proportionate interest in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (iv) pre-refunded municipal obligations rated "AAA" and "Aaa" by S&P and Moody's, respectively, or (v) securities eligible for "AAA" defeasance under then existing criteria of S&P or any combination thereof, shall be used to effect defeasance of the Bonds.

To accomplish defeasance, the Issuer shall cause to be delivered (i) a report of an independent firm of nationally recognized certified public accountants or such other accountant ("Accountant") verifying the sufficiency of the escrow established to pay the Bonds in full on the maturity or redemption date ("Verification"), (ii) an Escrow Deposit Agreement, (iii) an opinion of nationally recognized bond counsel to the effect that the Bonds are no longer "Outstanding" under the Bond Ordinance and (iv) a certificate of discharge of the Paying Agent with respect to the Bonds; each Verification and defeasance opinion shall be acceptable in form and substance, and addressed to the Issuer and the Paying Agent.

Bonds shall be deemed Outstanding under the Bond Ordinance unless and until they are in fact paid and retired or the above criteria are met.

Amendment of Bond Ordinance

The Bond Ordinance may be amended without the consent of the holder of any Bond to cure any ambiguity or to cure, correct or supplement any defect or inconsistent provision contained in the Bond Ordinance. Prior to the date of the initial delivery of the Bonds to the Underwriters, the provisions of the Bond Ordinance may be amended with the written consent of the Underwriters, with respect to any changes which are not inconsistent with the substantive provisions of the Bond Ordinance. In addition, the Bond Ordinance may be amended without receipt by the County of any additional consideration, but with the written consent of the holders of seventy-five percent (75%) of the Bonds then outstanding (not including Bonds which may be held for the account of the County); but no ordinance adopted without the written consent of the holders of all outstanding Bonds shall have the effect of permitting:

(A) An extension of the maturity of any Bond; or

(B) A reduction of the principal amount or interest rate of any Bond; or

(C) The creation of a lien upon the Pledged Revenues ranking prior to the lien or pledge created by the Bond Ordinance; or

(D) A reduction of the principal amount of Bonds required for consent to such amendatory ordinance; or

(E) The establishment of priorities as between Bonds issued and outstanding under the provisions of the Bond Ordinance; or

(F) The modification of or otherwise affecting the rights of the holders of less than all the outstanding Bonds.

SECURITY FOR THE BONDS

Pledge and Security

The Pledged Revenues and the amounts and securities on deposit in the Debt Service Fund and the Reserve Fund (if funded) and the proceeds thereof are pledged to, and the County will grant a security interest therein, for the payment of principal of and interest on the Bonds, subject to the uses thereof permitted by, and the priorities set forth in, the Bond Ordinance. The Bonds constitute an irrevocable and first lien, but not necessarily an exclusive first lien, on the Pledged Revenues as set forth in the Bond Ordinance.

Special Limited Obligations

All of the Bonds and all payments of principal, premium, if any, and interest thereon whether at maturity or on a redemption date, together with any interest accruing thereon, shall be special limited obligations of the County and shall be payable and collectible solely from the Pledged Revenues. The owner or owners of the Bonds may not look to any general or other fund for the payment of the principal of or interest on such obligations, except the designated special funds pledged therefor. The Bonds shall not constitute an indebtedness or a debt of the County within the meaning of any constitutional or statutory provision or limitation, nor shall they be considered or held to be general obligations of the County, and each of the Bonds shall recite that it is payable and collectible solely out of the Pledged Revenues, pledged as set forth in the Bond Ordinance, and that the holders thereof may not look to any general or other municipal fund for the payment of the principal of and interest on the Bonds. Nothing herein shall prevent the County from applying other funds of the County legally available therefor to the payment of the Bonds, in its sole discretion.

PURPOSE AND PLAN OF FINANCING

Purpose

The net proceeds received by the County from the sale of the Bonds, together with other available funds of the County, will be used to provide funds for the Project. See "THE PROJECT" herein.

Sources and Uses of Funds

The sources and uses for the Bonds are as follows:

Sources of Funds	
Par Amount of Bonds	$30,000,000.00
Net Original Issue Premium (Discount) on the Bonds	202,436.80
TOTAL SOURCES	$30,202,436.80
Uses of Funds	
Deposit to Acquisition Fund	$30,000,000.00
Costs of Issuance [1]	79,436.80
Total Underwriters' Discount	123,000.00
TOTAL USES	$30,202,436.80

[1] Estimated; includes legal fees and other miscellaneous costs and contingencies.

ANNUAL DEBT SERVICE SUMMARY

The following table sets forth for each fiscal year from 2009 through 2033 the amounts required in each such fiscal year to pay scheduled annual debt service on the Bonds, as well as the debt service coverage ratio, based on unaudited fiscal year 2008 Pledged Revenues.

Santa Fe County, New Mexico
Debt Service/Coverage

Year Ending June 30	Debt Service on 2008 Bonds (Senior Lien)	Debt Service Coverage on 2008 Bonds	Debt Service on 1997A Bonds (Subordinate Lien)	Debt Service Coverage on 1997A Bonds	Debt Service on 1997 Bonds (Junior Subordinate Lien)	Debt Service Coverage on 1997 Bonds	Estimated Pledged Revenues[1]
2009	$2,405,126	5.46	$422,425	4.64	$2,249,540	2.59	$13,127,090
2010	2,641,406	4.97	425,175	4.28	2,245,790	2.47	13,127,090
2011	1,442,656	9.10	422,270	7.04	2,244,480	3.19	13,127,090
2012	1,467,756	8.94	423,950	6.94	2,245,280	3.17	13,127,090
2013	1,546,806	8.49	425,110	6.66	2,248,740	3.11	13,127,090
2014	1,557,881	8.43	420,750	6.63	2,249,600	3.10	13,127,090
2015	1,718,256	7.64	421,500	6.13	2,244,850	2.99	13,127,090
2016	1,770,456	7.41	421,750	5.99	2,247,850	2.96	13,127,090
2017	1,824,856	7.19	421,500	5.84	2,248,100	2.92	13,127,090
2018	1,876,256	7.00	420,750	5.71	2,245,600	2.89	13,127,090
2019	1,934,656	6.79	424,500	5.56	2,245,350	2.85	13,127,090
2020	1,989,656	6.60	422,500	5.44	2,247,100	2.82	13,127,090
2021	2,050,213	6.40	422,500	5.31	2,247,300	2.78	13,127,090
2022	2,105,688	6.23	421,600	5.19	2,247,700	2.75	13,127,090
2023	2,164,438	6.06	424,800	5.07	2,248,000	2.71	13,127,090
2024	2,237,688	5.87	421,800	4.94	2,247,900	2.67	13,127,090
2025	2,309,438	5.68	422,900	4.80	2,247,100	2.64	13,127,090
2026	2,374,438	5.53	422,800	4.69	2,245,300	2.60	13,127,090
2027	2,447,688	5.36	421,500	4.58	2,247,200	2.57	13,127,090
2028	2,522,650	5.20	424,000	4.45	2,247,200	2.53	13,127,090
2029	2,595,250	5.06	-	5.06	-	5.06	13,127,090
2030	2,675,250	4.91	-	4.91	-	4.91	13,127,090
2031	2,756,250	4.76	-	4.76	-	4.76	13,127,090
2032	2,837,750	4.63	-	4.63	-	4.63	13,127,090
2033	2,924,250	4.49	-	4.49	-	4.49	13,127,090

(1) Pledged Revenues are unaudited collections for fiscal year ending June 30, 2008. There is no assurance that Pledged Revenues received in the future will equal the Pledged Revenues used in coverage computations. See "PLEDGED REVENUES" herein.

PLEDGED REVENUES

The Bonds are special obligations of the County, payable from the Pledged Revenues. "Pledged Revenues" means the revenues derived from the first one-eighth of one percent County Gross Receipts Tax enacted pursuant to County Ordinance No. 1983-7, as amended by Ordinance No. 1991-4, the third one-eighth of one percent County Gross Receipts Tax enacted pursuant to County Ordinance No. 1987-6, as amended by the Bond Ordinance, and the one-sixteenth of one percent County Gross Receipts Tax enacted pursuant to County Ordinance No. 2005-7, each of which County Gross Receipts Tax is imposed on persons engaging in business in the County pursuant to Section 7-20E-9 NMSA 1978, and which revenues are remitted to the County monthly by the New Mexico Department of Taxation and Revenue pursuant to Section 7-1-6.13 NMSA 1978, and which remittances currently equal five-sixteenths of one percent (0.3125%) of the taxable gross receipts reported by persons engaging in business in the County; and which include the distribution to the County made pursuant to Section 7-1-6.46 NMSA 1978, which revenues are reduced pursuant to the deductions under Sections 7-9-92 and 7-9-93, NMSA 1978; provided that additional amounts of such gross receipts tax revenues or other equivalent funds remitted to the County under applicable laws of the State shall be included as revenues pledged pursuant to the Bond Ordinance; and provided further that the County intends that Section 4-62-6(C) NMSA 1978 applies expressly to the amount of revenues pledged pursuant to the Bond Ordinance.

County Gross Receipts Tax

Imposition of Tax. The Gross Receipts and Compensating Tax Act (Sections 7-9-1 through 7-9-98, NMSA 1978) authorizes the County to impose a gross receipts tax (the "County Gross Receipts Tax") which is levied by the County for the privilege of doing business in the County and is collected by the New Mexico Taxation and Revenue Department (the "Department"). See "*Manner of Collection and Distribution of County Gross Receipts Tax*" under this caption.

Taxed Activities. For the privilege of engaging in business in the County, the County Gross Receipts Tax is imposed upon any person engaging in business in the County. "Gross Receipts" is defined in the Gross Receipts and Compensating Tax Act as the total amount of money or value or other consideration received from selling property in the State of New Mexico (including tangible personal property handled on consignment in the State), from leasing property employed in the State of New Mexico, from performing services in the State of New Mexico and from selling services outside New Mexico, the product of which is initially used in New Mexico. The definition excludes cash discounts allowed and taken, the State-Shared Gross Receipts Tax payable on transactions for the reporting period and any county sales tax, county fire protection excise tax, county and municipal gross receipts taxes, any time of time-price differential and certain gross receipts or sales taxes imposed by an Indian tribe or pueblo.

Legislative Changes. Revisions to laws of the State affecting taxed activities and distributions of gross receipts tax revenues could be adopted in the future by the State Legislature. Proposals affecting taxed activities and distributions are frequently considered by the State Legislature. There is no assurance that any future revisions to State laws will not adversely affect activities now subject to the gross receipts tax or distribution of gross receipts tax revenues to the County. See "SPECIAL FACTORS RELATING TO THE BONDS – State Legislation" herein.

Exemptions. Some activities and industries are exempt from the County Gross Receipts Tax, many by virtue of their taxation under other laws. Exemptions include, but are not limited to, certain receipts of governmental agencies and certain organizations, receipts from the sale of vehicles, occasional sales of property or services, wages, certain agricultural products, dividends, and interest and receipts from the sale of or leasing of natural gas, oil or mineral interests. Various deductions are allowed including but not limited to receipts from various types of sales and leases of tangible personal property or services, receipts from sales to governmental agencies or certain organizations, receipts from processing certain agricultural products, receipts from certain publication sales, certain receipts from interstate commerce transactions, receipts from retail sales of food (not including restaurant sales and certain sales of prepared foods), and receipts of licensed medical care providers from Medicare Part C. There are over fifty specified exemptions and deductions from gross receipts taxation. However, the general presumption is that all receipts of a person engaging in business in the County are subject to the County Gross Receipts Tax.

Manner of Collection and Distribution of County Gross Receipts Tax. Businesses must make their payments of County Gross Receipts Tax on or before the twenty-fifth of each month for taxable events in the prior month. Collection of the County Gross Receipts Tax is administered by the Revenue Division of the Department (the "Revenue Division"), pursuant to Section 7-1-6 NMSA 1978. Collections are first deposited into a suspense fund for the purpose of making disbursements for refunds, among other items. On the last day of each month, the balance of the suspense fund is transferred to the State general fund, less the following disbursements to the counties in the State. The Revenue Division remits monthly to each county for which the Department is collecting a local option gross receipts tax subject to any increase or decrease made to correct errors in amounts previously distributed, including the County, an amount equal to the net receipts attributable to the local option gross receipts tax imposed by that county, less any deduction for administrative cost determined and made by the Department pursuant to the act authorizing imposition by that county of the local option gross receipts tax and an additional administration fee of 0.6% of such net amount.

Remedies for Delinquent Taxes. The Revenue Division may assess County Gross Receipts Taxes to a taxpayer who has not paid the taxes due to the State. If any taxpayer to whom County Gross Receipts Taxes have been assessed or upon whom demand for payment has been made does not make payment thereof (or protest the assessment or demand for payment) within thirty (30) days after the date of assessment or demand for payment, the taxpayer becomes a delinquent taxpayer. Such taxpayer remains delinquent until payment of all the taxes due, including interest and penalties, or until security is furnished for the payment thereof. The Revenue Division may, under certain circumstances, enter into an agreement with a delinquent taxpayer to permit monthly installment payments for a period of not more than thirty-six (36) months. Interest is due on any delinquent tax from the first day following the day on which it is due at the rate of 1.25% per month until paid, without regard to any installment agreement. However, if the County Gross Receipts Tax is paid within ten (10) days after demand is made, no interest shall be imposed for the period after the date of demand.

The Revenue Division may levy upon all property or rights to property of a delinquent taxpayer and sell the same in order to collect the delinquent tax. The amount of delinquent County Gross Receipts Taxes is also a lien in favor of the State upon all property and rights to property of the delinquent taxpayer, which lien may be foreclosed as provided by State statutes.

County Gross Receipts Tax Report. Set forth below is a 5-year history of the County Gross Receipts Tax Revenues received by the County:

Fiscal Year Ended June 30	First 1/8% County Gross Receipts Tax Percentage	First 1/8% County Gross Receipts Tax Revenues(1)	Percent Increase	Third 1/8% County Gross Receipts Tax Percentage	Third 1/8% County Gross Receipts Tax Revenues(1)	Percent Increase	1/16% County Gross Receipts Tax(2) Percentage	1/16% County Gross Receipts Tax Revenues(1)	Percent Increase
2008*	0.125%	$5,250,836	8.9%	0.125%	$5,250,836	8.9%	0.0625%	$2,625,418	8.9%
2007	0.125%	4,820,373	2.2%	0.125%	4,820,373	2.2%	0.0625%	2,410,186	541.7%
2006	0.125%	4,717,621	9.0%	0.125%	4,717,621	9.0%	0.0625%	375,619	-
2005	0.125%	4,328,478	3.7%	0.125%	4,328,478	3.7%	-	-	-
2004	0.125%	4,172,065	5.6%	0.125%	4,172,065	5.6%	-	-	-

Source: Santa Fe County Fiscal Year 2008 Budget
* Unaudited
(1) Does not include other gross receipts taxes imposed by the County, which are not part of Pledged Revenues.
(2) Effective January, 2006.

Other Gross Receipts Taxes (not pledged)

Pledged Revenues consist of the first one-eighth of one percent (0.125%), the third one-eighth of one percent (0.125%) and the one-sixteenth of one percent (0.0625%) increments of County Gross Receipts Tax Revenues only. The County also imposes certain other gross receipts taxes which are not pledged to the repayment of the Bonds. These include the second one-eighth of one percent (0.125%) increment of County Gross Receipts Tax, a 0.125% County Infrastructure Gross Receipts Tax, a 0.250% County Capital Outlay Gross Receipts Tax, a 0.125% Corrections Gross Receipts Tax, a 0.125% County Environmental Gross Receipts Tax, a 0.250% Fire Excise Gross Receipts Tax, a 0.250% Emergency Communications and Medical Services Gross Receipts Tax and a 0.0625% County Health Care Gross Receipts Tax. The total gross receipts tax rate within the County is 6.6250% (combined State (5.0000%) and County (1.6250%) gross receipts tax rates).

Gross Receipts Reported by Standard Industrial Classification

The following represents total taxable gross receipts reported in the County by Standard Industrial Classification, as well as the total gross receipts reported in the County:

	2007	2006	2005	2004
Agriculture	19,107,948	19,832,900	18,912,456	18,483,331
Mining	447,404	328,070	180,245	187,782
Utilities	140,793,027	131,385,453	127,958,102	123,503,685
Construction	824,721,461	682,231,154	596,057,960	576,260,336
Manufacturing	83,992,702	78,191,516	72,879,351	67,096,935
Wholesale Trade	95,559,540	92,344,946	76,901,734	76,573,059
Retail Trade	1,166,521,337	1,123,065,867	1,066,910,521	1,274,116,421
Transportation/Warehousing	25,843,302	15,782,040	11,774,508	10,384,983
Information/Cultural	87,101,237	84,753,098	68,359,356	70,480,073
Finance/Insurance	37,864,658	29,860,436	28,451,086	31,057,088
Real Estate/Rental/Leasing	103,702,728	114,557,577	112,724,724	91,454,948
Professional/Scientific/Technical	266,916,959	226,405,661	225,755,157	209,251,364
Management of Companies	13,625,893	8,966,766	10,230,275	8,428,452
Admin./Support/Waste Mgmt.	18,114,554	13,163,066	9,169,606	6,175,677
Educational Services	10,854,034	10,490,202	8,921,593	8,418,697
Health Care/Social Assistance	152,334,432	135,211,942	125,873,187	168,227,260
Arts/Entertainment/Recreation	28,953,599	21,219,843	22,655,515	24,194,367
Accommodation/Food Services	390,834,308	387,492,651	357,017,885	345,253,635
Other Services (except pub admin)	435,904,448	453,429,141	429,469,288	462,362,130
Public Administration	726,403	20,604	820,596	1,123,297
Unclassified Establishments	7,970,777	5,560,475	4,739,148	4,445,667
Total Taxable	3,911,892,758	3,634,295,414	3,375,764,298	3,577,481,191
Total Reported	7,101,914,301	6,562,830219	6,148,259,812	5,853,904,825
State of New Mexico				
Total Taxable	49,440,667,976	46,727,075,797	41,751,801,379	40,747,917,099

Source: New Mexico Taxation and Revenue Department and UNM Bureau of Business and Economic Research.

Historical Total Gross Receipts Reported For County and State

The following table shows the gross receipts generated (both in retail trade only and in total) in the County and the State. For the purposes of this table, gross receipts means the total amount of money received from selling property within the State, from leasing property located in the State and from performing services in the State. Gross Receipts includes, among other things, food sales and services such as legal and medical services.

Year	Santa Fe County*		State of New Mexico	
	Total	Retail Trade	Total	Retail Trade
2007	$3,417,278,753	$1,099,533,232	$103,740,330,414	$26,012,239,572
2006	6,446,608,971	2,050,261,047	94,347,408,225	24,014,746,059
2005	5,876,248,291	1,795,306,236	78,771,700,292	20,454,852,088
2004	5,585,654,362	1,774,969,478	70,477,791,653	18,414,335,199
2003	5,029,969,082	1,773,716,030	63,358,239,874	18,700,756,931

Source: New Mexico Taxation and Revenue Department and UNM Bureau of Business and Economic Research

* Through Second Quarter of Fiscal Year 2007

Historical Taxable Gross Receipts Reported For County and State

Fiscal Year Ended June 30	Taxable Gross Receipts Reported in Santa Fe County	Taxable Gross Receipts Reported in the State of New Mexico
2007	$3,912,086,003	$49,440,667,976
2006	3,634,451,541	46,727,075,797
2005	3,374,921,714	41,751,801,379
2004	3,577,527,564	40,747,917,099

Source: New Mexico Taxation and Revenue Department and UNM Bureau of Business and Economic Research

ADDITIONAL OBLIGATIONS PAYABLE FROM PLEDGED REVENUES

Outstanding Obligations Secured by Pledged Revenues.

Other Liens. There are no outstanding Parity Obligations. The Santa Fe County, New Mexico Gross Receipts Tax Revenue Bonds, Subordinate Series 1997A, issued in an original aggregate principal amount of $6,000,000 (the "Series 1997A Bonds"), are secured by a lien on Pledged Revenues subordinate to the lien thereon of the Bonds. The Santa Fe County, New Mexico Correctional System Revenue Bonds, Series 1997, issued in an original aggregate principal amount of $30,000,000, for which a debt service reserve fund was established, the replenishment of which is secured by a lien on Pledged Revenues subordinate to the lien thereon of the Series 1997A Bonds.

Additional Bonds Test. The Bond Ordinance does not prevent the issuance of additional Parity Bonds payable from and constituting a lien upon the Pledged Revenues on parity with the lien of the Bonds. Before any additional Parity Bonds are actually issued, it must be determined that:

(A) The County is then current in the accumulation of all amounts which are required to have then been accumulated in the Debt Service Fund and the Reserve Fund (if any accumulation is then required in the Reserve Fund) as required by Section 17 of the Bond Ordinance; and

(B) No default shall exist in connection with any of the covenants or requirements of the Bond Ordinance, or the bond ordinance or ordinances authorizing the issuance of Outstanding Parity Obligations, Subordinate Obligations or Junior Subordinate Obligations; and

(3) The Pledged Revenues received by the County in the twelve months immediately preceding the date of issuance of the proposed additional Parity Bonds shall have been sufficient to pay an amount representing at least 140% of the combined maximum annual principal and interest coming due in any subsequent Fiscal Year on (i) the outstanding Bonds, (ii) other outstanding Parity Bonds, Subordinate Obligations and Junior Subordinate Obligations payable from and constituting a lien upon the Pledged Revenues, and (iii) the Parity Bonds proposed to be issued.

Certification or Opinion Regarding Revenues. A written certificate or opinion by an Independent Accountant, that the Pledged Revenues are sufficient to pay the required amounts under the test set forth above, shall conclusively determine the right of the County to issue additional Parity Bonds. The Independent Accountant may utilize the results of any annual audit to the extent it covers the applicable period.

Refunding Bonds

The provisions of the Bond Ordinance described above are subject to the following exceptions:

Privilege of Issuing Refunding Obligations. If at any time the County shall find it desirable to refund any outstanding obligations constituting a lien upon the Pledged Revenues, the Bonds or other obligations, or any part thereof, such obligations may be refunded, but only with the consent of the holders, unless the obligations shall then mature or be callable for redemption, or the plan of refunding calls for payment of the obligations at maturity or at a redemption date, regardless of whether the lien priority is changed by the refunding except that superior obligations are prohibited as provided in the Bond Ordinance.

Limitation upon Issuance of Parity Refunding Obligations. No refunding obligations shall be issued with a lien on the Pledged Revenues on a parity with the lien of the Bonds, unless:

(A) The lien on the Pledged Revenues of the outstanding obligations so refunded is on a parity with the lien on the Pledged Revenues of the Bonds; or

(B) The refunding obligations are issued in compliance with the requirements described above under "ADDITIONAL OBLIGATIONS PAYABLE FROM PLEDGED REVENUES - Parity Obligations -- Parity Bonds Test."

Refunding Part of an Issue. The refunding bonds or other refunding obligations issued shall enjoy complete equality of lien with the portion of any bonds or other obligations of the same issue which is not refunded, if any; and the holder or holders of such refunding bonds or other refunding obligations shall be subrogated to all of the rights and privileges enjoyed by the owner or owners of the same issue refunded thereby. If only a part of any issue or issues is refunded, then there may be no refunding without the consent of the holders of the unrefunded portion of such obligations, unless:

(A) The refunding obligations do not increase the aggregate principal and interest requirements for any Fiscal Year commencing prior to the last maturity date of such unrefunded obligations; or

(B) The lien of the refunding obligations is subordinate to the lien of any obligations not refunded; or

(C) The refunding bonds or other refunding obligations are issued in compliance with the requirements described above under "ADDITIONAL OBLIGATIONS PAYABLE FROM PLEDGED REVENUES - Parity Obligations -- Parity Bonds Test."

Limitation upon Issuance of Any Refunding Obligations. Any refunding obligations payable from Pledged Revenues shall be issued with such details as the Board of County Commissioners may provide, but without impairing any contractual obligation imposed by any proceedings authorizing any unrefunded portion of any issue or issues, including the Bonds.

Subordinated and Superior Obligations

The County will not issue additional bonds payable from the Pledged Revenues with a lien on the Pledged Revenues prior and superior to the lien of the Bonds thereon. Nothing contained in the Bond Ordinance will be construed in such a manner as to prevent the issuance by the County of additional bonds payable from the Pledged Revenues with a lien thereon subordinate and junior to the lien of the Bonds thereon, nor to prevent the issuance of bonds or other obligations refunding all or part of the Bonds as permitted by the Bond Ordinance.

COUNTY COVENANTS IN THE BOND ORDINANCE

The County covenants in the Bond Ordinance, among other things, that:

Use of Bond Proceeds. The County will proceed without delay to apply the proceeds of the Bonds as set forth in the Bond Ordinance.

Payment of Bonds. The County will promptly pay the principal of and the interest on every Bond at the place, on the date and in the manner specified in the Bond Ordinance and in the Bonds according to the true intent and meaning of the Bond Ordinance.

County's Existence. The County will maintain its corporate identity and existence so long as any of the Bonds remain outstanding, unless another political subdivision by operation of law succeeds to the liabilities and rights of the County, without adversely affecting to any substantial degree the privileges and rights of any owner of the Bonds.

Extension of Interest Payments. In order to prevent any accumulation of claims for interest after maturity, the County will not directly or indirectly extend or assent to the extension of time for the payment of any claim for interest on any of the Bonds, and the County will not directly or indirectly be a party to or approve any arrangements for any such extension. If the time for payment of any such interest shall be extended, such installment or installments of interest, after such extension or arrangement, shall not be entitled in case of default hereunder to the benefit or security hereof, except subject to the prior payment in full of the principal of all Bonds hereunder and then outstanding and of the matured interest on such Bonds, the payment of which has not been extended.

Records. So long as any of the Bonds remain outstanding, proper books of record and account will be kept by the County, separate and apart from all other records and accounts, showing complete and correct entries of all transactions relating to the Pledged Revenues.

Audits and Budgets. The County will, within two hundred and ten (210) days following the close of each Fiscal Year, cause an audit of its books and accounts relating to the Pledged Revenues to be commenced by an Independent Accountant showing the receipts and disbursements in connection with such revenues.

Other Liens. Other than as described and identified by the Bond Ordinance, there are no liens or encumbrances of any nature whatsoever on or against the Pledged Revenues.

Impairment of Contract. The County agrees that any law, ordinance or resolution of the County that in any manner affects the Pledged Revenues or the Bonds shall not be repealed or otherwise directly or indirectly modified, in such a manner as to impair adversely any Bonds outstanding, unless such Bonds have been discharged in full or provision has been fully made therefor or unless the required consents of the holders of the then outstanding Bonds are obtained pursuant to the Bond Ordinance.

Debt Service Fund and Reserve Fund. The Debt Service Fund and Reserve Fund shall be used solely and only, and those funds are pledged, for the purposes set forth in the Bond Ordinance.

Surety Bonds. Each County official and employee being responsible for receiving Pledged Revenues shall be bonded at all times, which bond shall be conditioned upon the proper application of such funds.

Performing Duties. The County will faithfully and punctually perform all duties with respect to the Bonds required by the Constitution and laws of the State of New Mexico and the ordinances and resolutions of the County relating to the Bonds.

Tax Covenants. The County covenants that it will restrict the use of the proceeds of the Bonds in such manner and to such extent, if any, as may be necessary so that the Bonds will not constitute arbitrage bonds under Section 148 of the Code. The officers of the County having responsibility for the issuance of the Bonds shall give an appropriate certificate of the County, for inclusion in the transcript of proceedings for the Bonds, setting forth the reasonable expectations of the County regarding the amount and use of all the proceeds of the Bonds, the facts, circumstances and estimates on which they are based, and other facts and circumstances relevant to the tax treatment of interest on the Bonds.

The County covenants that it (a) will take or cause to be taken such actions which may be required of it for the interest on the Bonds to be and remain excluded from gross income for federal income tax purposes, and (b) will not take or permit to be taken any actions which would adversely affect that exclusion, and that it or persons acting for it, will, among other acts of compliance, (i) apply the proceeds of the Bonds to the governmental purpose of the borrowing, (ii) restrict the yield on investment property acquired with those proceeds, (iii) make timely rebate payments to the federal government, if required, (iv) maintain books and records and make calculations and reports, and (v) refrain from certain uses of proceeds, all in such manner and to the extent necessary to assure such exclusion of that interest under the Code. The appropriate officers are hereby authorized and directed to take any and all actions, make calculations and rebate payments, and make or give reports and certifications, if any, as may be required or appropriate to assure such exclusion of that interest.

In furtherance of the covenants set forth above, the County has established a fund separate from any other funds established and maintained under the Bond Ordinance designated as the

Rebate Fund (the "Rebate Fund"). Money and investments in the Rebate Fund shall not be used for the payment of the Bonds and amounts credited to the Rebate fund shall be free and clear under any pledge under the Bond Ordinance. Money in the Rebate Fund shall be invested in a manner provided in the Bond Ordinance for investment of money, and all amounts on deposit in the Rebate Fund shall be held by the County, or a designated trustee, in trust, to the extent required to pay rebatable arbitrage to the United States of America. The County shall unconditionally be entitled to accept and rely upon the recommendation, advice, calculation and opinion of an accounting firm or other person or firm with knowledge of or experience in advising with respect to the provisions of the Code relating to rebatable arbitrage. The County shall remit all rebate installments and the final rebate payment to the United States of America as required by the provisions of the Code. Any moneys remaining in the Rebate Fund after redemption and payment of all Bonds and payment and satisfaction of any rebatable arbitrage shall be withdrawn and remitted to the County.

Continuing Disclosure Undertaking. The officers of the County are authorized to sign such documents and to take such actions in the future with respect to the County's continuing disclosure obligations as are necessary or desirable to comply with the Continuing Disclosure Undertaking and the requirements of Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. Notwithstanding any other provisions of the Bond Ordinance, failure of the County to comply with the Continuing Disclosure Undertaking shall not be considered an "event of default," and holders and beneficial owners of Bonds shall be entitled to exercise only such rights with respect thereto as are provided in the Continuing Disclosure Undertaking.

THE COUNTY

General

Santa Fe County (pop. 147,000, estimated 2007) is located in north central New Mexico and occupies a land area of 1,909 square miles. The City of Santa Fe, which is the state capital and a popular tourist community, is located within the County. Also located in the County are a variety of Native American Pueblos, agricultural villages, bedroom communities and ranching communities, spread over terrain that includes river valleys and mountain ranges. Forty percent of the land within the County is comprised of federal land (Native American, National Forest and Bureau of Land Management). The County offers year-round tourism possibilities, with a dry climate, national parks and forests, and historic landmarks as the principal attractions.

The economy of the County is based upon government and related activities, retail trade, tourism, arts and entertainment, and recreation.

Governing Body

The Board of County Commissioners consists of five individuals elected for four-year terms. The County is divided into five districts, each represented by an elected Commissioner. The function of the County is briefly addressed in the grant of powers provided all New Mexico counties pursuant to Section 4-37-1 NMSA 1978. The function is "... to provide for the safety, preserve the health, promote the prosperity and improve the morals, order, comfort and convenience of the county or its inhabitants...." The Board oversees:

1. the assessment, collection and distribution of ad valorem taxes by an elected Assessor and Treasurer;
2. law enforcement by an elected Sheriff;

3. recording and filing by an elected County Clerk;
4. fire protection by Volunteer Fire Departments;
5. road maintenance by an appointed Road Manager;
6. managerial and administrative services by an appointed County Manager; and
7. planning, health, welfare, recreation and cultural affairs by appointed citizen advisory boards.

The members of the Board of County Commissioners and their respective terms are as follows:

Member	Position	Term Expires
Paul Campos	Chairperson	12/31/08
Virginia Vigil	Vice-Chair	12/31/08
Mike D. Anaya	Commissioner	12/31/10
Harry B. Montoya	Commissioner	12/31/10
Jack Sullivan	Commissioner	12/31/08

Administrative Officers

The current members of the County Administration are as follows:

Roman Abeyta, County Manager since September 29, 2006. Mr. Abeyta has held several positions over the past 15 years with Santa Fe County as well as the City of Santa Fe. Mr. Abeyta began his career with Santa Fe County in September 1991 as an Animal Control Officer. Mr. Abeyta joined the County Land Use Department where he held several positions over a 9 year period including Assistant Planner, Development Review Specialist II, Development Permit Supervisor and Deputy Land Use Administrator. In 2001 Mr. Abeyta became Land Use Director of that department. Mr. Abeyta was appointed Deputy County Manager, a position he held until May 2006, when he served as Assistant City Manager of the City of Santa Fe. Mr. Abeyta was born and raised in Santa Fe, New Mexico and is a 1991 Capital High School Graduate. Mr. Abeyta has 5 sons that range in age from 3 – 17.

Victor A. Montoya, County Treasurer since January 1, 2005. Currently Vice Chairman of the New Mexico Public Employees' Retirement Association. Deputy County Treasurer, Santa Fe County, 2004. Mr. Montoya has been in public service for 25 years in various positions with the Office of the State Auditor, the Office of the Attorney General, the Energy, Minerals and Natural Resources Department, the State Land Office and the Public Employees Retirement Association. Mr. Montoya graduated from the College of Santa Fe with a Bachelor's Degree in Business Administration.

Teresa Martinez, County Finance Director since October 2006. Ms. Martinez has served as the County's Accounting Supervisor from September 1999 through July 2006, and Deputy Finance Director from July 2006 through September 2006. Ms. Martinez has a Bachelor of Accountancy from the College of Santa Fe.

Stephen C. Ross, County Attorney since 2003. Served as Assistant General Counsel for the New Mexico Energy, Minerals and Natural Resources Department, 2000-2003; Deputy County Attorney, San Juan County, New Mexico, 1993-2000. Mr. Ross obtained a Juris Doctor Degree from the University of Utah in 1989.

Other Employees

The County has approximately 911 full-time employees. The County believes that relations with its employees are good.

Retirement Plan

Substantially all full time employees of the County participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries.

Non-law enforcement plan members (other than County fire department employees) are required to contribute 3.2875% of gross covered salary under the plan, under which the County contributes an amount equal to 19.0125% of gross covered salary. County fire department plan participants that are not union members are required to contribute 8.10% of gross covered salary under the plan, under which the County contributes an amount equal to 21.15% of gross covered salary. County fire department plan participants that are union members are required to contribute 4.5% under the plan, under which the County contributes an amount equal to 24.85%. Law enforcement participants (excluding detention employees, who are considered general participants) are required to contribute 3.09% of covered gross salary under the plan, under which the County contributes an amount equal to 27.76%. The contribution requirements of plan members and of the County are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The County's contributions to PERA for the years ended June 30, 2007, 2006, 2005, 2004, and 2003 were $5,418,080, $4,782,340, $3,508,879, $3,392,944 and $2,982,751, respectively, equal to the amount of the required contributions for those years.

County Budgets

The County adheres to the following procedure in establishing its annual budget: the County staff prepares a budget which is forwarded to the Governing Body in April for the fiscal year commencing the following July 1; public input is sought by the Governing Body during the months of April and May in public hearings; the budget is approved by the Governing Body and forwarded for approval to the State of New Mexico, Local Government Division of the Department of Finance and Administration; the final budget is returned to the County with recommended changes and modifications, if any; and the final budget is acknowledged by the Governing Body.

The operating budget includes proposed expenditures and the means of financing them.

The County Manager is authorized to transfer budgeted amounts within a division up to an annual maximum amount of $20,000, but he must obtain approval of the Governing Body for all other funding adjustments. As a management control device, the County employs formal budgetary integration at the line item level.

Deficit financing is not permitted under New Mexico law. The level of classification detail at which expenditure may not legally exceed appropriation for each budget item is the fund level (i.e., General, Water, Sewer, etc.).

Education

Santa Fe Public Schools

The Santa Fe Public School District is a political subdivision of the State organized for the purpose of operating and maintaining an education program for school-age children residing within its boundaries. Currently the District operates and maintains a variety of facilities in meeting its obligation to provide an educational program within its boundaries that cover 1,016 square miles with an estimated population of 125,000. The District is the 4th largest school district in the State with a 2006-07 enrollment of 13,632 students. The District operates 30 school sites - 20 elementary schools, 4 middle schools, 2 high schools, 1 alternative school and 3 charter schools. The District's educational program includes vocational, technical and occupational training.

Santa Fe Community College

Santa Fe Community College is a co-educational community college offering 2-year Associate of Arts, Associate of Science and Associate of Applied Science degrees. The Community College occupies 366 acres within the City of Santa Fe, with a faculty of 372 (full and part-time), serving approximately 14,500 students (full-time and part-time). Approximately 83 percent of the students are part-time. 58 percent of students receive financial aid.

St. John's College

St. John's College is a private, co-educational 4-year liberal arts college. The College's undergraduate program is an all-required course of study based on the classic works of western civilization. The College has an enrollment of approximately 475 students, with a faculty-student ratio of 1:8. The College offers a graduate degree program leading to a Master of Arts in Liberal Arts degree.

College of Santa Fe

The College of Santa Fe is a private, co-educational 4-year liberal arts college, with a faculty of 128, an enrollment of approximately 800 traditional (i.e. full-time) students and 1,000 evening students and a student-faculty ratio of 14:1. The College offers Bachelor of Arts degrees in art, political science, psychology, music, film, education, and humanities, and Masters degrees in education and business administration.

New Mexico School for the Deaf

The New Mexico School for the Deaf is a state institution serving New Mexico children with permanent hearing loss ages 2 through 22. The School provides a rigorous academic program that focuses on language and literacy development and critical thinking skills. The School's curriculum conforms to New Mexico state standards and benchmarks. The School's 30-acre campus is located in the City of Santa Fe and provides housing for up to 96 residential students.

Transportation

The County is served by interstate highways and county roads, several public transportation services, including the Santa Fe Trails Transit System, which is run by the City of Santa Fe, and the Santa Fe Municipal Airport, which is also run by the City of Santa Fe. The State's New Mexico Rail Runner Express is currently under construction and is expected to begin service between Santa Fe and Albuquerque by the end of 2008.

Labor Force and Percent Unemployed

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

	Santa Fe MSA		State of New Mexico		United States
Year	Labor Force	Percent Unemployed	Labor Force	Percent Unemployed	Percent Unemployed
2007*	76,975	2.90%	934,099	3.50%	4.50%
2006	77,191	3.60%	951,287	4.10%	4.70%
2005	78,046	4.60%	934,667	5.80%	5.60%
2004	84,069	2.90%	910,502	4.80%	5.70%
2003	79,356	3.00%	878,749	6.10%	5.80%
2002	79,317	2.50%	882,103	5.00%	6.00%
2001	75,758	2.80%	854,818	5.50%	4.70%
2000	76,911	3.00%	839,500	5.80%	4.50%

Source: New Mexico Department of Workforce Solutions and Bureau of Business and Economic Research.
* As of May, 2007

Non-Agricultural Wage and Salary

The following is a history of nonagricultural wage and salary employment for Santa Fe County as reported by the New Mexico Department of Workforce Solutions.

Industry	2007*	2006	2005	2004	2003
Mining	154	161	100	88	99
Utilities	n/a	118	n/a	n/a	132
Construction	4,936	4,739	4,412	4,393	4,396
Manufacturing	1,053	1,112	1,207	1,211	1,165
Wholesale Trade	1,218	1,146	1,105	986	948
Retail Trade	8,935	8,766	8,549	8,517	8,475
Transportation & Warehousing	549	543	539	565	536
Information	2,117	1,191	1,050	876	928
Finance & Insurance	1,794	1,853	1,805	1,790	1,737
Real Estate & Rental & Leasing	1,075	1,221	1,000	1,076	1,030
Professional & Technical Services	2,888	2,772	2,753	2,750	2,598
Management of Companies and Enterprises	236	269	360	248	203
Administrative & Waste Services	2,619	2,063	2,215	2,103	1,955
Educational Services	1,300	1,551	1,565	1,419	1,387
Health Care & Social Assistance	7,355	6,162	6,242	6,100	5,946
Arts, Entertainment & Recreation	1,141	948	1,012	891	1,033
Accommodation & Food Services	8,517	8,183	8,025	7,926	7,783
Other Services, Except Public Administration	2,423	2,331	2,345	2,411	2,324
Non-classifiable	6	19	32	n/a	56
Total Private Sector	48,547	45,276	44,536	43,624	42,874
Public Administration	18,072	18,630	18,249	17,362	17,326
Federal	1,080	1,124	1,148	1,208	1,231
State	10,107	10,186	10,043	9,772	9,883
Local	6,885	7,320	7,059	6,382	6,212
Grand Total	66,619	63,906	62,785	60,986	60,200

Source: New Mexico Department of Workforce Solutions, Economic Research and Analysis Bureau
* Average, Third Quarter 2007

Major Employers

Some of the largest employers in the County are set forth below. No independent investigation into their affairs has been made and consequently there can be no representation as to the stability or financial condition of the companies listed hereafter, or the likelihood that such companies will maintain their status as major employers in the area.

Employer	Type	Number of Employees	% of MSA Employment
State of New Mexico	Government	9,443	15.48%
Santa Fe School District	Education	1,850	3.03%
U.S. Federal Government	Government	1,750	2.87%
City of Santa Fe	Government	1,719	2.82%
St. Vincent Hospital	Health Care	1,450	2.38%
Santa Fe Community College	Education	717	1.18%
Santa Fe Opera	Fine Arts	650	1.07%
College of Santa Fe	Education	557	0.91%
Cities of Gold	Casino	470	0.77%
Santa Fe County	Government	445	0.73%
Total		19,051	31.24%
Total MSA Non-Ag Civilian and Military Employment		60,986	100.00%

Source: Santa Fe Chamber of Commerce, 2006

Per Capita Income

The following table sets forth per capita personal income levels for Santa Fe County, the State of New Mexico and the United States.

Per Capita Personal Income

Year	Santa Fe County	New Mexico	United States
2006	N/A	$29,673	$36,276
2005	$37,934	27,644	34,586
2004	34,448	26,184	33,050
2003	32,999	24,892	31,484
2002	32,932	24,246	30,810
2001	31,608	24,085	30,472
2000	29,949	22,134	29,770
1999	29,346	21,836	27,880
1998	28,040	21,164	26,482
1997	26,402	20,288	25,288

Source: UNM, Bureau of Business and Economic Research.

Effective Buying Income

The following table shows Effective Buying Income by income group for Santa Fe County, the State of New Mexico and the United States:

Percent of Household by Effective Buying Income Groups

Effective Buying Income Group	Santa Fe County	New Mexico	United States
Under $25,000	22.10%	29.90%	23.90%
$25,000 – 34,999	10.90%	12.70%	11.10%
$35,000 – 49,999	16.40%	16.60%	15.60%
$50,000 and over	50.60%	40.80%	49.40%

Source: Claritas, Inc., June, 2007

Age Distribution

The following table sets forth a comparative age distribution profile for Santa Fe County, the State of New Mexico, and the United States.

Percentage of Population

Age	Santa Fe County	New Mexico	United States
0-17	21.00%	25.24%	24.54%
18-24	9.00%	10.50%	9.88%
25-44	26.20%	25.70%	27.74%
45-54	16.60%	14.50%	14.44%
55 & Older	27.20%	24.06%	23.40%

Source: Claritas, Inc., June, 2007

Median Household Effective Buying Income

The following table shows median household Effective Buying Income for Santa Fe County, the State of New Mexico and the United States.

Median Household Effective Buying Income

Year	Santa Fe County	State	United States
2007*	$50,603	$41,569	$49,314
2006*	50,059	41,045	48,775
2005	41,531	34,203	39,324
2004	39,742	32,737	38,201
2003	39,400	32,291	38,035
2002	41,152	32,083	38,365
2001	40,573	30,322	39,129
2000	38,876	29,992	37,233
1999	36,781	28,795	35,377
1998	36,127	27,744	34,618
1997	34,804	27,503	33,482
1996	33,285	26,499	32,238

Source: Claritas, Inc., June, 2007

* Estimated

Population

The following chart sets forth historical population data for the City of Santa Fe, Santa Fe County and the State.

Year	City of Santa Fe	Santa Fe County	New Mexico
2030*	n/a	226,012	2,626,553
2020*	n/a	191,403	2,383,116
2010*	n/a	158,624	2,112,986
2000	62,794	129,292	1,819,046
1990	57,605	98,928	1,515,069
1980	49,160	75,519	1,303,303
1970	41,167	54,774	1,017,055
1960	33,394	44,970	951,023

Source: U.S. Dept. of Commerce, Bureau of the Census.
* Projected.

Historical General Fund Balance Sheet

The following Historical General Fund Balance Sheet and Statement of Historical Revenues, Expenditures and Changes in Fund Balances have been included herein for informational purposes only. Figures were taken from the audit reports prepared by the County's independent auditors. Audited figures are excerpts of the audit reports and do not purport to be complete. Reference is made to the complete audit reports which are available upon request. The County has not requested the consent of Barraclough & Associates, P.C., which performed the audit of the County's Financial Statements, to the inclusion of the audit report and excerpts thereof in this Official Statement, and the auditor has not conducted a post-audit review of those Financial Statements.

Fiscal Year Ended June 30	2007	2006	2005	2004	2003
ASSETS					
Equity in pooled cash investments – Unrestricted	$33,793,088	$23,713,215	$19,671,694	$16,618,483	$11,722,169
Equity in pooled cash investments - Restricted	1,838,198	1,815,290	1,815,290	1,815,290	-
Receivables, net of allowance for uncollectable					
Accounts	94,558	67,344	25,965	44,090	350,530
Taxes	4,492,988	4,637,536	3,634,953	4,093,888	3,572,557
Interest	639,701	336,208	145,322	86,805	-
Grantor agencies and other	612,495	564,364	395,737	977,454	-
Due from other funds	1,949,727	1,012,293	827,631	2,144,421	7,958,239
Due from other governments	-	-	-	-	937,716
Total Assets	$43,420,755	$32,146,250	$26,516,592	$25,780,431	$24,541,211
LIABILITIES AND FUND BALANCE					
Liabilities					
Accounts payable and accrued expenditures	$1,080,217	$1,178,059	$1,858,404	$1,664,756	$1,081,862
Accrued payroll	411,789	-	-	-	-
Deferred revenue	3,347,890	3,387,050	2,725,796	3,088,559	4,325,754
Deposits held for others	-	-	-	50,121	-
Other	22,908	-	-	-	-
Total Liabilities	$4,862,804	$4,565,109	$4,584,200	$4,803,436	$5,407,616
Fund Balance					
Reserved for					
Encumbrances	$2,564,302	$2,231,266	$1,915,499	$1,533,395	$ 28,243
Subsequent year expenditures	-	-	-	-	9,427,906
Total reserved fund balance	$2,564,302	$2,231,266	$1,915,499	$1,533,395	$9,456,149
Unreserved – Designated for Contingency	1,815,290	1,815,290	1,815,290	1,815,290	-
Unreserved – Undesignated	34,178,359	23,534,585	18,201,603	17,628,310	9,677,446
Total unreserved fund balance	35,993,649	25,349,875	20,016,893	19,443,600	9,677,446
Total fund balance	38,557,951	27,581,141	21,932,392	20,976,995	19,133,595
Total liabilities and fund balance	$43,420,755	$32,146,250	$26,516,592	$25,780,431	$24,541,211

Source: Santa Fe County Annual Audit Reports for the fiscal years ended June 30, 2007, June 30, 2006, June 30, 2005, June 30, 2004 and June 30, 2003; these figures are excerpts only and do not purport to be complete.

Historical General Fund Revenues, Expenditures and Changes in Fund Balances

Fiscal Year Ended June 30	2007	2006	2005	2004	2003
Revenues					
Grants	$ 2,085,995	$ 1,754,243	$ 2,100,757	$ 3,934,134	$ 2,369,177
Taxes and special assessments	41,723,011	36,313,562	33,008,259	30,865,339	29,545,100
Interest earnings	4,750,661	2,904,858	1,280,136	729,306	1,062,548
Charges for services, fines and penalties	1,755,849	1,906,418	1,772,133	1,869,938	1,356,491
Licenses and permits	-	-	-	-	383,893
Other	39,116	320,587	423,254	154,522	1,216,516
Total revenues	$50,354,632	$43,199,668	$38,584,539	$37,553,239	$35,933,725
Expenditures:					
Current					
General government services	$17,832,387	$14,906,976	$14,018,320	$11,541,007	$12,825,000
Public safety	7,957,272	7,809,025	6,553,023	5,707,233	6,317,307
Highways and streets	3,757,624	4,771,030	3,096,024	3,778,284	3,966,134
Health and welfare	411,119	571,966	1,643,085	1,711,716	1,356,366
Culture and recreation	406,900	282,550	391,700	509,421	369,699
Economic development	-	-	-	-	-
Capital outlay	1,115,713	2,379,668	2,694,732	3,978,924	-
Debt service (principal and interest)	-	-	-	-	-
Total expenditures	$31,481,015	$30,721,215	$28,396,884	$27,226,585	$24,834,511
Excess (Deficiency) or Revenues over Expenditures	$18,873,617	$12,478,453	$10,187,655	$10,326,654	$11,099,214
Other Financing Sources (Uses):					
Operating transfers, in	981,567	2,461,464	1,068,058	1,295,709	719,867
Operating transfers, out	(8,878,374)	(9,291,168)	(10,300,316)	(9,945,566)	(9,097,246)
Total other financing sources (uses)	(7,896,807)	(6,829,704)	(9,232,258)	(8,649,857)	(8,377,379)
Excess (Deficiency) of Revenues and other Financing Sources over expenditures and other financing uses	$10,976,810	$ 5,648,745	$ 955,397	$ 1,676,797	$ 2,721,835
Fund balance, beginning of year	27,581,141	21,932,392	20,976,995	19,133,595	16,411,760
Prior period corrections	-	-	-	166,603	-
Fund balance, as restated	-	-	-	19,300,198	-
Fund balance, end of year	$38,557,951	$27,581,141	$21,932,392	$20,976,995	$19,133,595

Source: The amounts shown for each fiscal year are derived from the County's audited financial statements. Reference is made to such financial statements and related audit reports which are available upon request.

Direct and Overlapping Debt and Mill Levies

The following calculation analyzes the debt load and per capita debt of the County payable from property taxes. In addition to outstanding debt of the County, the calculation takes into account debt attributable to taxing entities that is the responsibility of taxpayers within the boundaries of the County.

Governmental Entity	2007 Valuation	GO Debt Outstanding	Applicable Percentage	Amount
State of New Mexico	$46,947,501994	$353,220,000	12.94%	$45,705,795
City of Santa Fe	3,221,060,817	-	100.00%	-
Town of Edgewood	65,655,513	-	99.85%	-
Espanola Schools	478,412,485	14,865,000	22.56%	3,353,877
Moriarty Schools	412,600,240	17,055,000	47.60%	8,118,654
Pojoaque Schools	164,017,196	6,550,000	100.00%	6,550,000
Santa Fe Community College	5,606,523,788	4,200,000	100.00%	4,200,000
Santa Fe Schools	5,606,523,788	58,100,000	100.00%	58,100,000
Santa Fe County	6,074,890,750	68,518,998	100.00%	68,518,998
Total Direct & Overlapping Debt				$191,547,325
Ratio of Estimated Direct & Overlapping Debt to 2007 Assessed Valuation:				3.47%
Ratio of Estimated Direct & Overlapping Debt to 2007 Estimated Actual Valuation:				1.05%
Per Capita Direct & Overlapping Debt:				$ 1,323.45

Selected Debt Ratios and Values

The following table sets forth details relating to the ratio of general debt and overlapping debt to population and assessed valuation:

County Population [1]	147,000
Total Estimated General Obligation Direct and Overlapping Debt	$194,547,325
Per Capita Direct and Overlapping Debt	$1,323.45
2007 Assessed Valuation [2]	$6,074,890,750
Ratio of Estimated Direct and Overlapping Debt to 2007 Assessed Valuation	3.20%

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(1) Estimated 2007.
(2) Preliminary

Other County Obligations

The table below summarizes all outstanding revenue bond obligations of the County as of June 30, 2008:

Type and Series of Revenue Bonds	Original Principal Amount	Interest Rate	Date of Final Maturity	Amount Outstanding as of 6/30/08
2006 New Mexico Finance Authority Loan Agreement	$888,889	3.153%	5/1/2009	$290,733
Correctional System Revenue Bonds, Series 1997	$30,000,000	4.10-6.00%	2/1/2027	$20,050,000
Gross Receipts Tax Revenue Bonds, Subordinate Series 1997A	$6,000,000	4.10-6.00%	2/1/2027	$4,805,000

LITIGATION AND INSURANCE

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

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

TRANSCRIPT AND CLOSING STATEMENTS

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

TAX EXEMPTION

In the opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A., Bond Counsel, to be delivered at the time of original issuance of the Bonds, under existing laws, regulations rulings and judicial decisions, and assuming compliance with covenants described herein, interest on the Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax for individual corporations. Additionally, interest on the Bonds is exempt from all taxation by the State of New Mexico or any political subdivision of the State.

The Internal Revenue Code of 1986, as amended (the "Code"), imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal tax purposes of interest on obligations such as the Bonds. The County has made various representations and warranties with respect to, and has covenanted in the Bond Ordinance and other documents, instruments and certificates to comply with the applicable provisions of the Code to assure that interest on the Bonds will not become includable in gross income. Failure to comply with these covenants or the inaccuracy of these representations and warranties may result in interest on the Bonds being included in gross income from the date of issue of the Bonds. The opinion of Bond Counsel assumes compliance with the covenants and the accuracy of such representations and warranties.

Although Bond Counsel has opined that interest on the Bonds is not a specific preference item for purposes of the alternative minimum tax provisions contained in the Code, interest on the Bonds will be included in the adjusted current earnings of certain corporations, and such corporations' adjusted current earnings over its alternative minimum taxable income (determined without regard to this adjustment and prior to reduction for certain net operating losses).

Although Bond Counsel has rendered an opinion that interest on the Bonds is excludable from gross income for federal income tax purposes, the accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. Bond Counsel expresses no opinion regarding any such consequences. Purchasers of the Bonds, particularly purchasers that are corporations (including S corporations and foreign corporations operating branches in the United States), property or casualty insurance companies, banks, thrifts or other financial institutions, certain recipients of Social Security or Railroad Retirement benefits, taxpayers otherwise entitled to claim the earned income credit or taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations are advised to consult their tax advisors as to the tax consequences of purchasing or owning the Bonds.

The opinions expressed by Bond Counsel are based upon existing law as of the date of issuance and delivery of the Bonds, and Bond Counsel expresses no opinion as of any date subsequent thereto or with respect to any pending legislation.

From time to time, there are legislative proposals in Congress that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted, it would apply to bonds issued prior to enactment. Each purchaser of the Bonds should consult his or her own tax advisor regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

Original Issue Discount

The Bonds may be offered at a discount ("original issue discount") equal generally to the difference between public offering price and principal amount. For federal income tax purposes, original issue discount on a bond accrues periodically over the term of the bond as interest with the same tax exemption and alternative minimum tax status as regular interest. The accrual of original issue discount increases the holder's tax basis in the bond for determining taxable gain or loss from sale or from redemption prior to maturity. Holders of Bonds offered at an original issue discount should consult their tax advisors for an explanation of the accrual rules.

Original Issue Premium

The Bonds may be offered at a premium ("original issue premium") over their principal amount. For federal income tax purposes, original issue premium is amortizable periodically over the term of a bond through reductions in the holders' tax basis in the bond for determining taxable gain or loss from sale or from redemption prior to maturity. Amortizable premium is accounted for as reducing the tax-exempt interest on the bond rather than creating a deductible expense or loss. Holders of Bonds offered at an original issue premium should consult their tax advisors for an explanation of the amortization rules.

Internal Revenue Service Audit Program

The Internal Revenue Service (the "IRS") has an ongoing program auditing tax-exempt obligations to determine whether, in the view of the IRS, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. No assurances can be given as to whether the IRS will commence an audit of the Bonds. If an audit is commenced, under current procedures the IRS will treat the County as the taxpayer and the Bondowners may have no right to participate in such procedure. Neither the initial purchasers of the Bonds nor Bond Counsel is obligated to defend the tax-exempt status of the Bonds. The County has covenanted in the Bond Ordinance not to take any action that would cause the interest on the Bonds to lose its exclusion from gross income except to the extent described above for the owners thereof for federal income tax purposes. None of the County, the Underwriters nor Bond Counsel are responsible to pay or reimburse the costs of any Bond owner with respect to any audit or litigation relating to the Bonds.

FINANCIAL STATEMENTS

Appendix A contains excerpts from audited Financial Statements of the County for the fiscal year ended June 30, 2007. The Bonds are not payable from any revenues or funds of the County other than as set forth in the Official Statement. The financial statements are included for informational purposes only. The County has not requested the consent of Barraclough & Associates, P.C., which performed the audit of the County's financial Statements, to the inclusion of the audit report and excerpts thereof in this Official Statement, and the auditor has not conducted a post-audit review of those financial statements.

LEGAL MATTERS

Modrall, Sperling, Roehl, Harris & Sisk, P.A., Albuquerque, New Mexico, Bond Counsel, will render an opinion with respect to the validity of the Bonds and with respect to tax matters described above under "TAX EXEMPTION." The proposed form of such opinion is attached hereto as Appendix B. Certain legal matters will be certified for the County by Stephen C. Ross, Esq., County Attorney.

RATINGS

Standard & Poor's Ratings Services ("S&P") and Moody's Investor's Service, Inc. ("Moody's") have assigned municipal bond ratings of "AA+" and "Aa2", respectively, to the Bonds.

Such ratings reflect only the views of such organizations. The ratings are not a recommendation to buy, sell or hold the Bonds and there is no assurance that such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies if, in their judgment, circumstances so warrant. Any downward revision or withdrawal of the ratings given to the Bonds may have an adverse effect on the market price of the Bonds. The

Underwriters have not undertaken any responsibility to bring to the attention of the owners of the Bonds any proposed revision or withdrawal of the ratings on the Bonds, or to oppose any such proposed revision or withdrawal.

CONTINUING DISCLOSURE

Annual Reports

The County will provide certain updated financial information and operating data to certain information vendors annually. The information to be updated includes all quantitative financial information and operating data with respect to the County of the general type included in this Official Statement, under the headings "ANNUAL DEBT SERVICE SUMMARY" and "FINANCIAL STATEMENTS." The County will update and provide this information within nine months after the end of each fiscal year ending on or after June 30, 2008. The County will provide the updated information to each nationally recognized municipal securities information repository ("NRMSIR") and to any state information depository ("SID") that is designated by the State of New Mexico and approved by the staff of the United States Securities and Exchange Commission (the "SEC").

The County may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated information will include audited financial statements, if the County commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the County will provide unaudited financial statements by the required time, and will provide audited financial statements when and if an audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in "APPENDIX A – EXCERPTS FROM AUDITED FINANCIAL STATEMENTS OF SANTA FE COUNTY, NEW MEXICO FOR THE YEAR ENDING JUNE 30, 2007" herein or such other accounting principles as the County may be required to employ from time to time pursuant to state law or regulation.

The County's current fiscal year end is June 30. Accordingly, it must provide updated information by the last day of March in each year, unless the County changes its fiscal year. If the County changes its fiscal year, it will notify each NRMSIR and any SID of the change.

Material Event Notices

The County will also provide timely notices of certain events to certain information vendors. The County will provide notice of any of the following events with respect to the Bonds, if such event is material to a decision to purchase or sell the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions or events affecting the tax-exempt status of the Bonds; (7) modifications to rights of holders of the Bonds; (8) Bond calls; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds; and (11) rating changes. In addition, the County will provide timely notice of any failure by the County to provide information, data, or financial statements in accordance with its agreement described under "CONTINUING DISCLOSURE - Annual Reports" herein. The County will provide each notice described in this paragraph to any SID and to either each NRMSIR or the Municipal Securities Rulemaking Board ("MSRB").

Availability of Information from NRMSIRs and SID

The County has agreed to provide the foregoing information only to NRMSIRs (or the MSRB, as appropriate) and any SID. The information will be available to holders of Bonds only if the holders comply with the procedures and pay the charges established by such information vendors or obtain the information through securities brokers who do so.

There has been no SID designated in the State of New Mexico.

Limitations and Amendments

The County has agreed to update information and to provide notices of material events only as described above. The County has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The County makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell Bonds at any future date. The County disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders and beneficial owners of Bonds may seek a writ of mandamus in any New Mexico State court to compel the County to comply with its agreement.

The continuing disclosure agreement may be amended by the County from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the County, but only if (1) the provisions, as so amended, would have permitted an underwriter or purchaser to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the registered owners of a majority in aggregate principal amount (or any greater amount required by any other provision of the resolution that authorizes such an amendment) of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the County (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the registered owners and beneficial owners of the Bonds. The County may also amend or repeal the provisions of the continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter or other purchaser from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

Compliance with Prior Undertakings

The County has previously entered into continuing disclosure agreements in accordance with SEC Rule 15c2-12. The County believes that it is in material compliance with the requirements of outstanding continuing disclosure agreements entered into in connection with general obligation bonds issued by the County. The County believes that it is currently in material compliance with the requirements of outstanding continuing disclosure agreements entered into in connection with outstanding County revenue bonds.

UNDERWRITING

Wachovia Securities and George K. Baum & Company (the "Underwriters") have agreed to purchase the Bonds from the County pursuant to a Bond Purchase Agreement dated July 29, 2008 (the "Bond Purchase Agreement"), at a price of $30,079,436.80, which reflects the par amount of the Bonds

($30,000,000.00) (i) less an Underwriters' discount of $123,000.00 and (ii) plus a reoffering premium of $202,436.80. The Underwriters will be obligated to take and pay for all of the Bonds if any are taken. The Underwriters intend to offer the Bonds to the public at the offering prices set forth on the inside cover of this Official Statement. After the initial public offering, the public offering price may be varied from time to time by the Underwriters.

No guaranty can be made that a secondary market for the Bonds will develop or be maintained by the Underwriters or others. Thus, prospective investors should be prepared to hold their Bonds to maturity. In addition, the Underwriters may allow commissions or discounts from such initial offering prices to dealers and others.

Wachovia Securities is a division of Wachovia Bank, National Association, a subsidiary of Wachovia Corporation. Wachovia Corporation conducts its investment banking, institutional and retail securities and capital markets business through its various bank, broker-dealer, and non-bank subsidiaries, including Wachovia Bank, National Association's Municipal Group, under the trade name of Wachovia Securities.

ADDITIONAL INFORMATION

All of the summaries of the statutes, ordinances, resolutions, opinions, contracts, agreements, financial and statistical data, and other related reports described in this Official Statement are subject to the actual provisions of such documents. The summaries do not purport to be complete statements of such provisions and reference is made to such document, copies of which are either publicly available or available for inspection during normal business hours at the offices of the County Clerk of Santa Fe County, 102 Grant Avenue, Santa Fe, New Mexico 87501, or at the offices of RBC Capital Markets, Financial Advisor to the County, 6301 Uptown Blvd. NE, Suite 110, Albuquerque, New Mexico 87110.

OFFICIAL STATEMENT CERTIFICATION

As of the date hereof, to my knowledge and belief, this Official Statement is true, complete and correct in all material respects, and does not include any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they are made, not misleading.

The preparation of this Official Statement and its distribution has been authorized by the Governing Body of Santa Fe County.

SANTA FE COUNTY, NEW MEXICO

By ___________/s/___________________
Paul Campos, Chairperson
Board of County Commissioners

ATTEST:

___________/s/_________________
Valerie Espinoza, County Clerk

APPENDIX A

EXCERPTS FROM AUDITED FINANCIAL STATEMENTS OF
SANTA FE COUNTY, NEW MEXICO
FOR THE YEAR ENDING JUNE 30, 2007

The County has not requested the consent of Barraclough & Associates, P.C., which performed the audit of the County's financial Statements, to the inclusion of the audit report and excerpts thereof in this Official Statement, and the auditor has not conducted a post-audit review of those financial statements.

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STATE OF NEW MEXICO

SANTA FE COUNTY

Financial Statements and Other Financial Information

(With Independent Auditors' Reports Thereon)

Year Ended June 30, 2007

Barraclough & Associates, P.C.
Certified Public Accountants & Consultants

STATE OF NEW MEXICO
SANTA FE COUNTY

Official Roster

June 30, 2007

COUNTY COMMISSIONERS

Virginia Vigil	Chairperson
Mike Anaya	Member
Paul Campos	Member
Harry B. Montoya	Member
Jack Sullivan	Member

COUNTY OFFICIALS

Greg Solano	County Sheriff
Victor Montoya	County Treasurer
Valerie Espinoza	County Clerk
Domingo P. Martinez	County Assessor
Mark A. Basham	Probate Judge
Allen Grace	County Surveyor

ADMINISTRATIVE OFFICIAL

Roman Abeyta	County Manager

STATE OF NEW MEXICO
SANTA FE COUNTY

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SANTA FE COUNTY

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June 30, 2007

(Continued)

STATE OF NEW MEXICO
SANTA FE COUNTY

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June 30, 2007

"22 Years of Excellence"

1422 Paseo de Peralta
Post Office Box 1847
Santa Fe, New Mexico 87504
(505) 983-3387
(505) 988-2505 FAX
(800) 983-1040 Toll Free
ba@barraclough.com

Barraclough & Associates, P.C.
Certified Public Accountants & Consultants

Principals
John E. Barraclough, Jr., C.P.A.
Annette V. Hayden, C.P.A.
Sandra M. Shell, C.P.A./A.B.V., C.V.A.
Joseph A. Sisneros, C.P.A.

Managers
Douglas W. Fraser, C.P.A.
Laura Parker, C.P.A.
Rick W. Reynolds, C.P.A.
Katherine M. Rowe, C.P.A.
Rhonda G. Williams, C.P.A.

INDEPENDENT AUDITORS' REPORT

Mr. Hector H. Balderas, State Auditor
and
County Commissioners of the
State of New Mexico, Santa Fe County:

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Santa Fe County, New Mexico (County), as of and for the year ended June 30, 2007, which collectively comprise the County's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the County's non major governmental and fiduciary funds presented as supplementary information in the accompanying combining and individual fund financial statements and schedules as of and for the year ended June 30, 2007, as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2007, and the respective changes in financial position, cash flows and the budgetary comparison for each major fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of each non major governmental fund, the fiduciary funds of the County, as of June 30, 2007, and the respective changes in financial position and the respective budgetary comparisons for the remaining major governmental funds, the enterprise funds and the non major governmental funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards,* we have also issued our report dated November 9, 2007 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-15 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the County's basic financial statements as listed in the table of contents and each of the County's non major governmental and fiduciary funds and budgetary comparisons in the accompanying combining and individual fund financial statements as listed in the table of contents. The schedules listed as supplemental information and other supplementary information in the table of contents are presented for the purposes of additional analysis and are not a required part of the basic financial statements of the County. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as is required by the US Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Not-For-Profit Organizations,* and is not a required part of the basic financial statements. The accompanying financial data schedule is presented for purposes of additional analysis required by the Housing and Urban Development and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements, and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Barraclough & Associates P.C.

November 9, 2007

SANTA FE COUNTY
Management's Discussion and Analysis - Unaudited
June 30, 2007

As management of Santa Fe County (County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2007. This Management Discussion and Analysis represents the current year results for the fiscal year ending June 30, 2007, and is intended to be read in conjunction with the County's Financial Statements.

PROFILE OF THE COUNTY

The County operates under the commission-manager form of government and provides the following services: public safety (police, fire and corrections), highways and streets, sanitation, health and social services, low rent housing assistance, affordable housing, culture-recreation, public projects' improvements, planning and zoning, and general administration services. A regional planning authority created by the City and County of Santa Fe, as well as County housing services, utility, home sales and jail enterprises are included within the business activity of the County's financial statements. All legislative power within the County is vested in a five-member Board of Commissioners. The executive function is divided and shared by the Board and six elected County officials - the Assessor, Clerk, Probate Judge, Sheriff, Surveyor and Treasurer. The number of positions authorized for fiscal year 2007 is approximately 849.35.

The County maintains budgetary controls to ensure compliance with legal provisions required in the annual appropriated budget approved by the Board. The County's legal level of budgetary control is at the fund level. Initial appropriations must be approved by the Board of County Commissioners, and adjustments within a fund may be adjusted with the approval of the Board and the New Mexico State Department of Finance and Administration (DFA).

We believe this written analysis and the accompanying financial reporting will indicate to the reader that Santa Fe County is in good financial health. Indicators to the readers such as bond ratings, fund balances, cash on hand and budget management, will reflect a positive financial direction and management.

As an integral part of the County's accountability process, the Board of County Commissioners is active in monitoring the expenditures and budgets through both a monthly and quarterly financial reporting process. The monthly report reflects general fund activity and the quarterly report reflects all major fund activity. This reporting is provided at public meetings and becomes part of the permanent record.

Summary of County Program Highlights and Challenges

During the current fiscal year, the County accomplished the following goals and achievements.

- *Organizational Structure:* The organizational structure of Santa Fe County underwent considerable change during fiscal year 2007, creating large departmental structures, such as Administrative Services, Community Services and Growth Management.
- *Home Sales:* The Housing Authority successfully sold eight (8) affordable housing units; newly constructed homes located in the Valle Vista subdivision and have recently begun marketing homes within the Santa Cruz subdivision. The majority of affordable housing units sold were two (2) bedroom homes with an appraised market value of $85,000.
- *Affordable Housing:* The County has the established ordinance and regulations to require provisions of affordable housing within the Northern and Central areas of Santa Fe County. To-date, over 170 affordable housing units have been created through this program serving County residents who earn less than 120% of the Area Median Income. The County is now on track to formally create program activities and enhance resource development within the affordable housing fund.
- *Countywide Gross Receipts Tax:* The County proposed and attained voter approval of a countywide emergency medical service and emergency communications gross receipts tax. The tax will be used for the operation of the Regional Emergency Communications Center (RECC previously was jointly funded by the City and the County) and operation of emergency medical services provided by Santa Fe County. With the increase, the gross receipts tax rate in the County will be 6.5625 percent.
- *Competitive Salaries:* During the fiscal year, a Classification and Compensation Study was completed in an effort to maintain staff and offer comparable marketable salary levels. The study indicated that the County had 125 employees who were paid below market rate of their counterparts in similar jobs. The wages of County employees were compared to the wages of City of Santa Fe employees, other local employers and those in other counties in New Mexico similar in size to Santa Fe County. Part of this process included the negotiation of the raises with collective bargaining units representing County employees. This resulted in an increase of $200,000 to bring identified employees to the marketable range.

  The County constantly deals with neighboring competitive markets and the loss of staff to those markets. This year, the County faced the challenge of providing an increase to staff of the Sheriff's Office in an effort to retain staff and become more competitive with public safety salary rates in surrounding jurisdictions. While negotiating the increases, the County did lose a total of six employees, from both Deputy and Detective classifications.

  The staffing for the fire department will increase with the implementation of a new gross receipts tax and will assist with the lack of personnel and equipment. Volunteerism, approximately 300 volunteers, is critical to the County fire department. Given that, the new tax will afford incentives for volunteer firefighters, providing $6 for responding to emergency calls and $2 for attending training sessions. In addition, the County is increasing the number of fire stations in high density areas, such as Rancho Viejo and adding living quarters to existing volunteer stations to accommodate new firefighters hired and in training. The County currently has a Fire Cadet Academy in process with 19 active cadets, which will graduate at the end of December.

- *Mobile Healthcare Van:* During the fiscal year, the County assumed operations of the Mobile Healthcare Van which was previously operated by Presbyterian Medical Services. Throughout the year, the van will visit various communities in Santa Fe County, offering free medical services. Such services include blood pressure, blood glucose, Body Mass Index, oxygen assessment, and cholesterol testing. The van also offers a wide variety of educational literature on common diseases and insurance options.
- *Judicial Court Complex:* The judicial court complex has been overcrowded and in dire need of renovation to accommodate security issues. Santa Fe County is currently attempting to acquire additional property on Montezuma Street for the construction of the new Judicial Center Complex in an effort to maintain a downtown location for the courthouse. A $25 million General Obligation Bond was approved by the voters and issued for the construction of a new judicial center complex. Anticipated completion of the Judicial Center Complex is fall 2010. The project budget of $55 million includes the building, a public plaza, eight courtrooms, two hearing rooms and about 200 parking spaces. Issues the County faces in a project of this size and importance include green design elements, historical design ordinances and the public review process.
- *Satellite Offices:* The County has opened a satellite office in Pojoaque. The County also has planned offices for the Eldorado and Edgewood areas as part of an overall commitment to better serve customers within the vast County. The offices will provide general constituent liaison services, answering general questions and helping solve resident problems. The County Clerk's Office will make voter registration available and the Treasurer's Office will sell transfer station permits to residents of the respective area offices.
- *Bus Service:* The County began its first transportation project in fiscal year 2007. The project, called The Greater Eldorado Express, will provide bus transportation between Eldorado and Santa Fe. This project was made possible by a partnership of the North Central Regional Transit District (NCRTD), the County and the New Mexico Department of Transportation. The Greater Eldorado Express is the first public transportation project to serve residents in Santa Fe County.
- *Fire Station:* Santa Fe County recently completed and opened the Thunder Mountain Fire Substation in Edgewood. The Substation will serve the Thunder Mountain, Quiet Valley, Vista Montana, Tierra Vista and surrounding communities. The 3,850 square foot unmanned substation will have 3 bays to house one engine, one brush truck and one tanker. It will have meeting space and can accommodate 2 volunteer firefighters.
- *Public Works Facility:* The County broke ground on a new facility for the Public Works Department. The facility will be located on a 37-acre site along Highway 599 northwest of the intersection with Airport Road. The project consists of 3 major components: an office building (10,680 sq. ft.), a vehicle maintenance building (13,650 sq. ft.) and a material and equipment storage yard. A fuel station will be located outside of the secure yard fencing. The facility will employ state-

of-the-art technology and is being designed for energy and cost efficiency. Expected completion date is June 2008.

- *Corrections Department:* Much progress was made at the Adult Facility over the last fiscal year. In order to avert litigation with the Department of Justice, the County has hired a Medical Director, a Medical Administrator, a Mental Health Director, hired permanent nursing staff and retained security staffing. During the year, the County had to issue temporary salary increases to retain staff of the facility and prevent loss to other facilities in the area. The County is currently negotiating with the newly formed union and the temporary increases will become permanent upon a final contract. The County has worked diligently to attain approximately 300+ years of correctional experience with recent recruitment efforts; and has increased the number of training hours.
- *Snow Emergency Removal:* Blizzard conditions were experienced over northeast New Mexico on the night of December 29th and through the 30th. Total inches of snow recorded ranged from 22 inches in the City to upward of 27 inches with drifts up to 6 feet across the County. The County opened the Emergency Operations Center (EOC) on January 1st and remained open during much of January. The EOC responded to the citizens' calls for help and to direct fire and road crews to clear roads, and help County residents dig out and supply food and medication to families who were stranded. Once the snow melted, the new challenge for those who live in the County's rural areas transitioned to mud. The County spent a total of $700,000 on the snow emergency. Part of the total cost included the purchase of heavy equipment for the Public Works Department.

In future years, the County is faced with the following challenges.

- *Affordable Housing:* Increasing demand for affordable quality housing and exponentially increasing housing market pressures, challenges the newly implemented affordable housing program. Growth Management Strategic planning for the community is a potential partner or threat depending on planning and community resource-driven activities and policies. Working with a growing network of community partners is also a challenge due to the greater need for integration of efforts and limitation of available resources.
- *Water:* The need for providing an adequate water supply within our drought-stricken area will continue to be placed at the forefront of future challenges. The challenge to be met is to balance the availability of an adequate water supply with the demand for increased land development. A fiscal year 2008 objective of the County is to continue to acquire water rights while completing ongoing plans with the City for financing and constructing the Buckman Direct Diversion project, and to begin its construction.
- *Aamodt Settlement:* The Aamodt Settlement in regard to water rights in the Nambe-Pojoaque-Tesuque basin will have a financial impact to Santa Fe County as well as increase in the County water utility customer base. The County will have to double the current utilities staff to accommodate an increased number of customers. To this effort the County has already purchased the Top of the World ranch for $5 million, acquiring 1,188 acre-feet of water rights.
- *Capital Projects:* The County is involved in an aggressive capital program, ranging from the construction of a new Public Works Facility, the acquisition of land and construction of a downtown Judicial Complex Center, the continuation

of many projects sponsored by the State Legislature, to the water projects mentioned above, as well as road projects similarly funded and also sourced through a General Obligation Bond. The scale and total budget value of capital improvement projects in the County has more than tripled in the last four years, and now represents half of all budgeted expenditures. Given this, the County has begun developing a long-term capital infrastructure and financing plan with the initial focus on water and wastewater projects. Adequate project management staffing and control of these projects to ensure their efficient and timely completion continues to be a major challenge to the County.

- *Corrections Department:* The County assumed full operation of the Adult Detention Facility, which includes the security, medical and administrative components of running the facility. The implementation of the ¼ % gross receipts tax for correctional facilities has assisted in the assumption of complete jail operations. The challenge of maintaining a fiscal balance requiring no additional funding from the general fund while marketing available beds for other jurisdictions will continue to be a major focus for operation of the adult detention facility.

  The Department of Justice (DOJ) audit addressed the following issues: medical care, staffing shortages, access to mental health care and nursing shortages. An additional challenge is maintaining adequate staffing by providing competitive salary for both correctional officers and nursing staff. The medical component has proven to be a large challenge for the County both from the perspective of maintaining nursing staff and balancing the budget for inmate medical costs. Several large challenges the Corrections Department will face over the next fiscal year include a shift to a new inmate phone system, compliance with the DOJ audit requirements, assumption of responsibility for Bails Bonds and the corresponding conversion of electronic monitoring and bail bonds to a 24/7 operation. The Adult Facility will continue to develop and enhance the Mental Health Program.

  The Juvenile facility underwent a major staffing turnover as a result of recent allegations and investigations. Of the 80 employees, a total of 39 have either been removed or resigned. Administration continues to monitor and train staff of the facility.
- *Fire Staffing Levels:* As the County continues to grow in population and density, demands for services will also grow. This will contribute to the need for additional paid and volunteer staffing. The County has struggled to retain firefighters and prevent loss of staff to other fire departments in Santa Fe, Albuquerque and Rio Rancho. The County currently has 20 full-time firefighters and relies heavily on its 300 volunteer firefighters to cover the County's 2000 square miles.
- *Sole Community Provider Payment:* Santa Fe County participates in the "Sole Community Provider" Program wherein payment is made to the State Human Services Department, which in turn matches the money with a federal Medicaid funding to fund the operation of local hospitals. In recent years, the County has struggled to meet the available base commitment for the Sole Community Provider (SCP) payment. The available base payment exceeds the available gross receipts tax revenue available for SCP funding. A $2 million increase in SCP payments has occurred from FY2005-FY2007. In previous years, the fund that

sustains the SCP payments has had sufficient cash balance to meet the growing base payments, which is no longer the case. The County will be able to meet the SCP base payment required in FY2008. The funding for a supplemental payment in FY 2008 is not possible and the County will be limited to available gross receipts tax revenue available in FY 2009.

In addition, there is a pending Final Rule developed by the Federal Centers for Medicare and Medicaid that may have a significant future impact on the Sole Community Provider Program. There is currently a one year congressional moratorium that does not allow this rule to go into effect. This moratorium is scheduled to expire on May 25, 2008. If the Final Rule is allowed to go into effect, it is almost certain that the SCP program will be done away with. If this occurs, the Federal, State and local governments will have to determine how local hospitals will be funded, which will be a crucial challenge. The governments will have to explore a greatly increased demand for resources that may require diverting those resources from other efforts.

Lastly, the State of New Mexico is once again looking at absorbing the gross receipts tax that supports the Indigent Fund for healthcare reform, or to pay for other health related expenses. If the State does not address the health needs and concerns of the citizens who are being served by the Indigent Fund, the County will then have to determine means and sources to care for our citizens.

- *County Assessor:* Currently, county appraisers in the field make hand sketches and notes about types and sizes of buildings that they are appraising. The Assessor, is currently attempting to acquire a Computer-Aided Mass Appraisal System (CAMA) via a request for proposal process.

Overview of the Financial Statements

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

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities. All of the funds of the County can be divided into three categories: governmental, proprietary and fiduciary funds.

Governmental funds. All governmental fund types are accounted for on a spending flow measurement focus.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside of government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs.

Proprietary funds. The County maintains four different types of proprietary funds. Enterprise funds are used to report the same functions presented as Business-type activities in the government-wide financial statements. The County uses enterprise funds to account for Water, Housing Authority, Regional Planning Authority, Jail and Home Sales.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements.

The County as a Whole

As of June 30, 2007 and 2006, net assets are as follows:

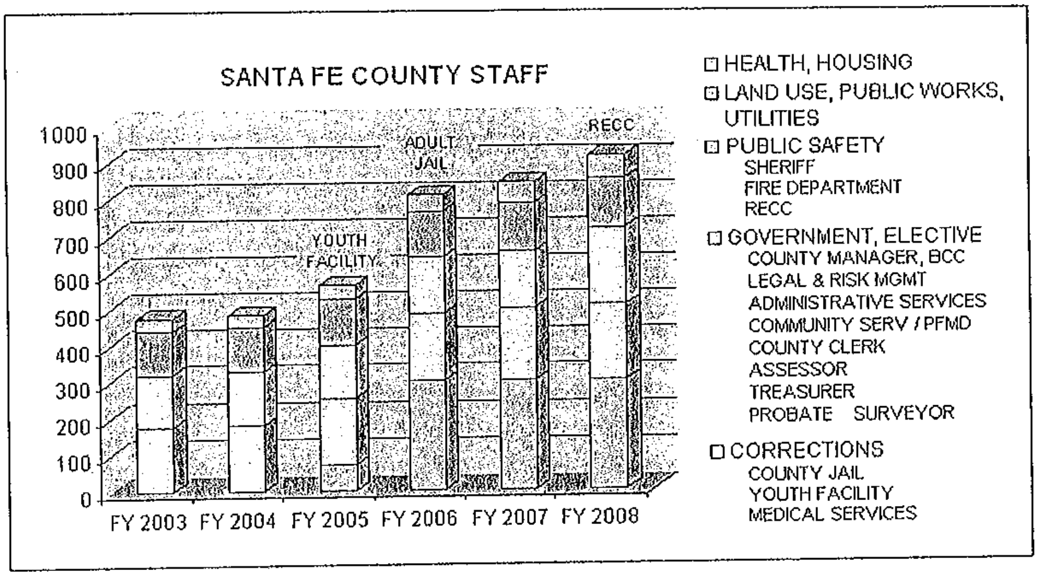
	2007			2006		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
ASSETS						
Current and Other Assets	$ 172,637,478	$ 22,437,892	$ 195,075,370	$ 124,778,101	$ 18,488,783	$ 143,266,884
Capital and Non-Current Assets	69,254,692	44,346,980	113,601,672	66,386,405	44,003,162	110,389,567
Total Assets	241,892,170	66,784,872	308,677,042	191,164,506	62,491,945	253,656,451
LIABILITIES						
Current Liabilities	16,381,493	2,584,986	18,966,479	13,049,725	2,493,124	15,542,849
Long-Term Liabilities	76,544,043	36,064,696	112,608,739	60,890,165	36,704,559	97,594,724
Total Liabilities	92,925,536	38,649,682	131,575,218	73,939,890	39,197,683	113,137,573
NET ASSETS						
Invested in capital assets	24,256,510	6,795,016	31,051,526	15,402,611	5,880,142	21,282,753
Restricted	50,320,041	2,387,579	52,707,620	46,739,368	2,387,579	49,126,947
Unrestricted (deficit)	74,390,083	18,952,595	93,342,678	55,082,637	15,026,541	70,109,178
Total net assets	$ 148,966,634	$ 28,135,190	$ 177,101,824	$ 117,224,616	$ 23,294,262	$ 140,518,878

The County's major governmental funds are the General Fund, EMS and Health Care Fund, Capital Outlay – Gross Receipts Tax fund, and the General Obligation Bond Series 2007 fund. The governmental funds had an excess of revenues and other financing sources over expenditures and other financing uses of $44,243,597, approximately a $12.4 million increase over 2006. Total governmental revenues increased approximately $18.1 million mainly due to $4.41m in increased grants, $6.84m in property and gross receipts taxes, $3.53m in charges for services, $2.74m in investment income and $.58m in various other income.

Government-wide financial analysis.

The County change in net assets for the year ended June 30, 2007 was $36,582,946 compared to $23,490,976 for the year ended June 30, 2006. See pages 19 and 21 for more detail on the differences between the government wide financial statements and the governmental fund financial statements.

The fiscal year 2007 personnel costs increased because there was an increase of 14.5 positions, from 849.35 positions to 842.35 positions from the 2006 fiscal year. Of these, 12 new positions were added for the Sobering Center and 4.5 positions were deleted due to the expiration of the Day Reporting grant. An Employee Development Specialist and a Risk Manager were approved for the County Manager's Office. An Affordable Housing Specialist and a Transportation Planner were approved for the Growth Management Department and a Systems Administrator was also approved for the Administrative Services Department. Additional positions were approved for both the County Clerk's Office and the Sheriff's office and included a Voter Information Specialist and a Sexual Predator Enforcement Officer.



The Jail Facility Enterprise Fund needed a general fund transfer of $6,441,936 to cover the cost of housing adult inmates and operational expenditures. This is a significant demand on General Fund resources. At the same time the population served by Jail Facility Fund has increased, and the scope and quality of services mandated by the State and Federal Governments have been raised.

Changes in the County's Net Assets
Year Ended June 30, 2007 and 2006

	2007 Changes in Net assets			2006 Changes in Net assets		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues						
Program revenues						
Charges for services	$ 13,361,248	$ 15,021,168	$ 28,382,416	$ 9,828,097	$ 14,295,109	$ 24,123,206
Operating grants and contributions	9,439,229	709,384	10,148,613	7,089,664	811,229	7,900,893
Capital grants and contributions	4,270,740	502,625	4,773,365	2,180,528	-	2,180,528
General revenues						
Property taxes	41,815,900	-	41,815,900	39,207,706	-	39,207,706
Gross receipt taxes	35,791,058	-	35,791,058	32,550,085	-	32,550,085
Other taxes	2,250,058	-	2,250,058	2,249,213	-	2,249,213
Investment income	6,695,660	284,761	6,980,421	3,951,150	191,709	4,142,859
Other	1,073,790	31,180	1,104,970	515,308	17,688	532,996
Contribution not restricted to a specific program	4,444,260	-	4,444,260	1,508,735	-	1,508,735
Total revenues	119,141,943	16,549,118	135,691,061	99,080,486	15,315,735	114,396,221
Expenses						
General government	23,375,447	-	23,375,447	19,721,746	-	19,721,746
Public safety	15,354,442	-	15,354,442	12,951,297	-	12,951,297
Highways and streets	8,399,402	-	8,399,402	10,055,141	-	10,055,141
Health and welfare	23,325,113	-	23,325,113	20,227,701	-	20,227,701
Culture and recreation	924,166	-	924,166	502,693	-	502,693
Economic developme	271,025	-	271,025	316,602	-	316,602
Interest on long-term (	3,248,751	-	3,248,751	2,211,444	-	2,211,444
Housing Services	-	1,672,159	1,672,159	-	1,618,964	1,618,964
Utilities Department	-	1,717,595	1,717,595	-	1,483,430	1,483,430
Jail Facility	-	20,001,791	20,001,791	-	20,967,958	20,967,958
Regional Planning Au	-	80,779	80,779	-	9,359	9,359
Home sales	-	737,445	737,445	-	838,910	838,910
Total expenses	74,898,346	24,209,769	99,108,115	65,986,624	24,918,621	90,905,245
Increase (decrease) in net assets before transfers	44,243,597	(7,660,651)	36,582,946	33,093,862	(9,602,886)	23,490,976
Transfers	(12,501,579)	12,501,579	-	(18,781,331)	18,781,331	-
Change in net assets	$ 31,742,018	$ 4,840,928	$ 36,582,946	$ 14,312,531	$ 9,178,445	$ 23,490,976

Budgetary Highlights

The Santa Fe County Fiscal Year 2007 Budget totals $157,334,129, or $142,215,176 without counting transfers between funds. The total budget includes general operating funds which are associated with the daily operation of County government, special revenue funds which are those funds legally restricted to specific uses such as road maintenance, lodgers tax, indigent health care, capital improvement funds for improvements to County facilities and County infrastructure, debt service funds which pay for principal and interest on outstanding bonds and enterprise funds where user fees primarily generate the fund revenues.

The General Fund original operating budget expenditures for fiscal year 2007 totals $46.3 million, up $5.0 million from $41.3 million budgeted in fiscal year 2006. The major sources of increase to General Fund revenues are an increase of $1.8 million in property taxes, $2.5 million increase in gross receipts taxes, including the new 1/16 cent levy of $2.25 million, a $0.2 million increase in fees, charges, and other revenue, a $950 thousand increase in investment income due to increased interest rates, a $0.4 million decrease in state and federal grants due to the cessation of the Home for Good grant, and the non-inclusion of the Region III drug grant in the initial fiscal year 2007 budget.

The Special Revenue Funds budget for fiscal year 2007 totals $42.1 million, which is up $1.3 million increase from the $40.8 million, budgeted in the prior fiscal year. This increase is principally due to increases in the EMS Health Care fund, $0.3 million, the County Capital Outlay Tax fund, $0.4 million, and the Detox Fund, $0.5 million as the Sobering Center is funded.

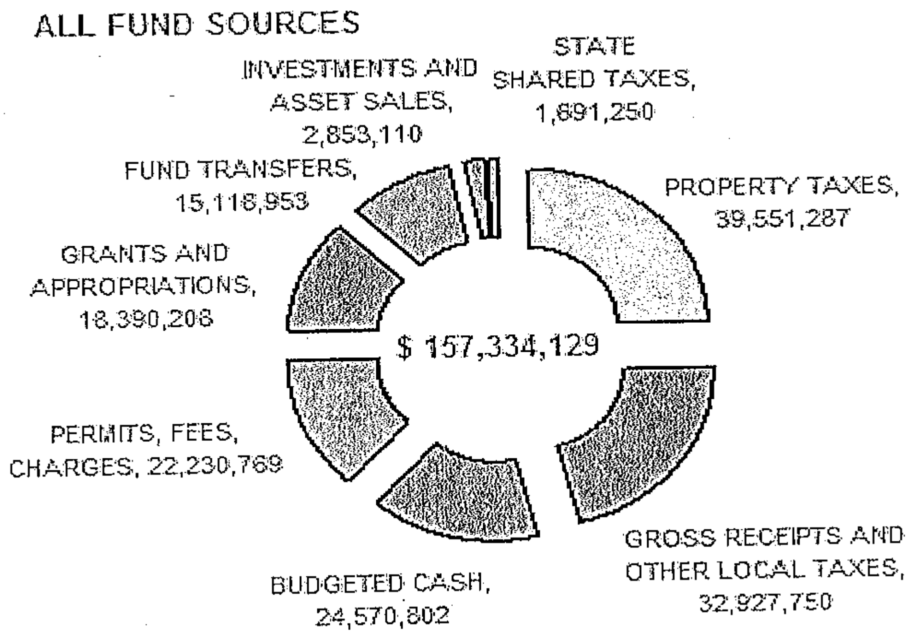
Capital Project Funds original budget for fiscal year 2007 totals $33.2 million compared to $12.5 million in fiscal year 2006. Individual fund budgets are not strictly comparable between fiscal years because budgets in one year may be established at the beginning of the new fiscal year but deferred in the other year until later in the year. The increase noted here are as follows, $1.0 million for Road Projects, and $10.4 million for the Special Appropriations Fund budgets included in the fiscal year 2007 original budget but not in the fiscal year 2006 original budget. Also, the 2005 GOB Series proceeds budget of $11.9 million is new in fiscal year 2007.

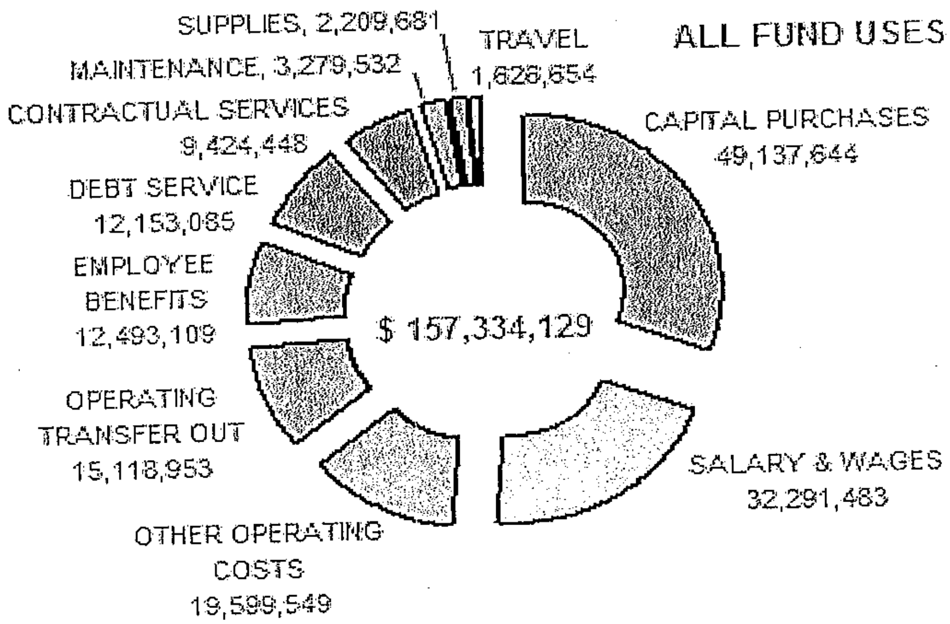
Debt Service Funds are budgeted at $9.9 million in fiscal year 2007, compared to $4.8 million in the prior fiscal year, due primarily to a $4 million payment due July 1, 2007 on the 2005 Series General Obligation Bond. In addition, there is a $300 thousand payment for the NMFA loan on the Paramount building acquisition, not previously in the budget.

Enterprise Fund budgets (water utilities, housing, regional planning authority and the jail) total $25.6 million, up from $23.6 million in fiscal year 2006. Nearly all of this increase is due to the increased costs of assuming the Adult Detention Facility, and continued operation of the Youth Development (Juvenile) Facility.

The following charts provide a condensed picture of the County revenues, funds, and expenses by departments and function. Sources include tax receipts, all fees collected by the County, Federal and State grant receipts, cash transfers between funds, interest, incoming fund transfer, and budgeted cash carryover. Uses include the expenses of various County services, payment of interest, retirement of debt and outgoing fund transfers.

FISCAL YEAR 2007





Credit Ratings

Moody's performed a rating review as of September 2007, and upgraded the County rating to an Aa1 from an Aa2 for the 2007 General Obligation Bond Series. The upgrade reflects the County's large and diverse tax base supported by solid financial operations bolstered by ample reserves, and a modest debt burden that is expected to increase yet remain manageable.

Capital Assets and Debt Administration

Capital Assets

Capital assets include land, buildings and improvements, water systems, transfer stations, roads and infrastructure, vehicle/heavy equipment, machinery and equipment, furniture and fixtures, lease purchases and construction in progress. Major capital asset events during the current fiscal year included the following:

- Phone Conversion to IP Phones $254,639
- Mobile Vision In-Car Video Systems $ 48,552
- Washer/Dryer for the Adult Detention Facility $ 61,279
- Cameras for Adult Detention Facility $ 67,700
- Waste Water Trmt. Facility Feasibility Study $ 31,854
- Judicial Court Complex $375,150
- Public Works Facility $340,218
- Public Works – Heavy Equipment $600,919
- Sheriff's Office Vehicles $232,219
- Fire – Pumper & Ambulance $895,085
- Agua Fria Comm. Center – Water $242,537

Long-Term Debt Administration

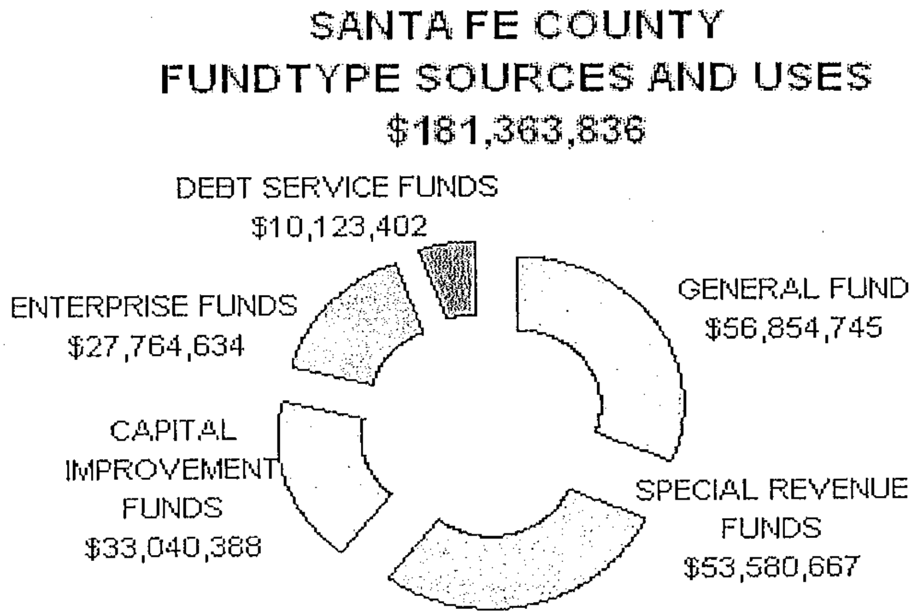
Santa Fe County's maximum legal debt capacity for general obligation bond indebtedness was $239,016,184 as of June 30, 2007, of which $79,478,998 has been obligated. This leaves an available bonding capacity of $159,537,196 in excess of present debt requirements.

Economic Factors and Next Year's Budget and Rates

The Santa Fe County Fiscal Year 2008 Budget, totals $181,363,836 or $166,650,978 without transfers between funds. Differences between the fiscal year 2008 and the fiscal year 2007 budgets stem from new inclusions in the fiscal year 2008 budget, such as cash-supported expense in the general fund for major projects, such as $2.6 million for the Judicial Center Complex; $1.9 million of the Santa Fe County business park, and $1.6 million for fixtures and equipment for the new Public Works Facility.

Property tax revenues have increased at a significant rate, reflecting new construction in the County. Budgeted revenue forecasts have assumed a 6.5% growth rate, whereas actual receipts nearly doubled this rate in fiscal year 2007. Property tax receipts and a significant increase in investment income contributed to a strong general fund cash position.

The County has imposed all gross receipts taxes enabled by the State Legislature and early in the fiscal year, the Board of County Commissioners approved a 1/16 cent Health Gross Receipts Tax, to defray a Medicaid sharing payment of $2.4 million made to the State. From the standpoint of property taxes, the calculated levy for residential property is $4.58 and for non-residential property $10.52 per $1,000 net taxable value, versus a statutory limit of $11.85 per $1,000 net taxable value. The residential mill rates are lower than in most New Mexico counties.



Financial Contact

The County's financial statements are designed to present users with the general overview of the County's finances and to demonstrate the Department's accountability. If you have questions about the report or need additional information, contact the County's Finance Director at 102 Grant Ave, PO Box 276, Santa Fe, New Mexico 87504 or visits our website at http://www.santafecounty.nm.us.

Exhibit 1

STATE OF NEW MEXICO
SANTA FE COUNTY

Statement of Net Assets

June 30, 2007

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Equity in pooled cash investments - Unrestricted	$ 33,999,179	$ -	$ 33,999,179
Equity in pooled cash investments - Restricted	109,287,744	18,724,088	128,011,832
Receivables, net of allowance for uncollectible			
Accounts	953,174	2,958,711	3,911,885
Taxes	10,585,871	-	10,585,871
Interest	846,006	65,583	911,589
Grantor agencies and other	6,703,723	-	6,703,723
Mortgage receivables	10,261,781	232,287	10,494,068
Interfund balances	-	-	-
Assets held for sale	-	689,510	689,510
Capital assets (net of accumulated depreciation)	69,254,692	34,811,077	104,065,769
Deferred costs, net	-	358,970	358,970
Water rights	-	8,944,646	8,944,646
Total assets	$ 241,892,170	$ 66,784,872	$ 308,677,042
LIABILITIES			
Accounts payable	$ 3,174,687	$ 490,706	$ 3,665,393
Accrued payroll	563,247	265,317	828,564
Accrued interest	1,639,573	614,392	2,253,965
Interfund balances	-	-	-
Deferred revenue	1,157,916	232,287	1,390,203
Deposits held for others	94,411	86,273	180,684
Noncurrent liabilities:			
Due within one year	9,751,659	896,011	10,647,670
Due in more than one year	76,544,043	36,064,696	112,608,739
Total liabilities	92,925,536	38,649,682	131,575,218
NET ASSETS			
Invested in capital assets, net of related debt	24,256,510	6,795,016	31,051,526
Restricted for:			
Debt service	11,115,367	2,387,579	13,502,946
Capital projects	39,204,674	-	39,204,674
Unrestricted	74,390,083	18,952,595	93,342,678
Total net assets	$ 148,966,634	$ 28,135,190	$ 177,101,824

The accompanying notes are an integral part of this statement.

Exhibit 2

STATE OF NEW MEXICO
SANTA FE COUNTY

Statement of Activities

Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets — Primary Government: Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities							
General government	$ (23,375,447)	$ 1,946,748	$ 2,085,995	$ 3,182,832	$ (16,159,872)	$ -	$ (16,159,872)
Public safety	(15,354,442)	2,879,642	2,002,967	-	(10,471,833)	-	(10,471,833)
Highways and streets	(8,399,402)	11,809	42,830	1,087,908	(7,256,855)	-	(7,256,855)
Health and welfare	(23,325,113)	8,523,049	4,874,754	-	(9,927,310)	-	(9,927,310)
Culture and recreation	(924,166)	-	432,683	-	(491,483)	-	(491,483)
Economic development	(271,025)	-	-	-	(271,025)	-	(271,025)
Interest expense	(3,248,751)	-	-	-	(3,248,751)	-	(3,248,751)
Total governmental activities	(74,898,346)	13,361,248	9,439,229	4,270,740	(47,827,129)	-	(47,827,129)
Business -type activities:							
Housing services	(1,672,159)	367,009	592,183	-	-	(712,967)	(712,967)
Utilities department	(1,717.595)	1,615,716	-	502,625	-	400,746	400,746
Jail facility	(20,001,791)	12,483,710	117,201	-	-	(7,400,880)	(7,400,880)
Regional planning authority	(80,779)	38,688	-	-	-	(42,091)	(42,091)
Home sales	(737,445)	516,045	-	-	-	(221,400)	(221,400)
Total business-type activities	(24,209,769)	15,021,168	709,384	502,625	-	(7,976,592)	(7,976,592)
Total primary government	$ (99,108,115)	$ 28,382,416	$ 10,148,613	$ 4,773,365	(47,827,129)	(7,976,592)	(55,803,721)
General Revenues							
Property taxes					41,815,900	-	41,815,900
Gross receipt taxes					35,791,058	-	35,791,058
Other taxes					2,250,058	-	2,250,058
Investment income					6,695,660	284,761	6,980,421
Other					1,073,790	31,180	1,104,970
Contributions not restricted to a specific program					4,444,260	-	4,444,260
Total general revenues					92,070,726	315,941	92,386,667
Changes in net assets before transfers					44,243,597	(7,660,651)	36,582,946
Transfers					(12,501,579)	12,501,579	-
Change in net assets					31,742,018	4,840,928	36,582,946
Net assets - beginning					117,224,616	23,294,262	140,518,878
Net assets - ending					$ 148,966,634	$ 28,135,190	$ 177,101,824

The accompanying notes are an integral part of this statement.

STATE OF NEW MEXICO
SANTA FE COUNTY

Exhibit 3

Balance Sheet
Governmental Funds

June 30, 2007

	Major Funds					
		Special Revenue Fund	Capital Project Funds			
	General	EMS and Health Care	Capital Outlay Gross Receipts Tax	General Obligation Bond Series 2007	Non-Major Other Funds	Total
ASSETS						
Equity in pooled cash and investments - Unrestricted	$ 33,793,088	$ 206,091	$ -	$ -	$ -	$ 33,999,179
Equity in pooled cash and investments - Restricted	1,838,198	2,129,729	30,919,010	25,209,090	49,191,717	109,287,744
Receivables, net of allowance for uncollectible						
Accounts	94,558	858,616	-	-	-	953,174
Taxes	4,492,988	883,463	1,766,571	-	3,442,849	10,585,871
Interest	639,701	-	-	110,725	95,580	846,006
Grantor agencies and other	612,495	751,970	-	-	5,339,258	6,703,723
Mortgages	-	-	-	-	10,261,781	10,261,781
Due from other funds	1,949,727	-	-	-	5,719	1,955,446
Total assets	$ 43,420,755	$ 4,829,869	$ 32,685,581	$ 25,319,815	$ 68,336,904	$ 174,592,924
LIABILITIES AND FUND BALANCE						
Liabilities						
Accounts payable	$ 1,080,217	$ 56,130	$ 204,588	$ 66,034	$ 1,744,810	$ 3,151,779
Accrued payroll	411,789	86,234	-	-	65,224	563,247
Due to other funds	-	-	-	-	1,955,446	1,955,446
Deferred revenue	3,347,890	-	-	-	11,284,969	14,632,859
Deposits held for others	-	-	-	-	94,411	94,411
Other	22,908	-	-	-	-	22,908
Total liabilities	4,862,804	142,364	204,588	66,034	15,144,860	20,420,650
Fund Balance						
Reserved for						
Encumbrances	2,564,302	599,330	2,419,963	4,602,830	8,223,164	18,409,589
Debt service	-	-	-	-	11,115,367	11,115,367
Total reserved fund balance	2,564,302	599,330	2,419,963	4,602,830	19,338,531	29,524,956
Unreserved reported in						
Special Revenue	-	1,958,446	-	-	21,192,087	23,150,533
Contingency	1,815,290	2,129,729	-	-	-	3,945,019
Capital projects	-	-	30,061,030	20,650,951	13,276,085	63,988,066
Unreserved - Undesignated	34,178,359	-	-	-	(614,659)	33,563,700
Total unreserved fund balance	35,993,649	4,088,175	30,061,030	20,650,951	33,853,513	124,647,318
Total fund balance	38,557,951	4,687,505	32,480,993	25,253,781	53,192,044	154,172,274
Total liabilities and fund balance	$ 43,420,755	$ 4,829,869	$ 32,685,581	$ 25,319,815	$ 68,336,904	$ 174,592,924

The accompanying notes are an integral part of this statement.

STATE OF NEW MEXICO
SANTA FE COUNTY

Exhibit 4

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets

June 30, 2007

Amounts reported for governmental activities in the statement of net assets are different because:	
Total Fund Balance Governmental Funds	$ 154,172,274
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	69,254,692
Long-term liabilities, including bonds payable, and therefore are not reported in the governmental funds	(86,482,837)
Reductions of deferred revenue for property tax revenue recorded on full accrual basis. Governmental funds recognize tax revenue on the modified accrual basis	3,213,162
Accrual of interest on long-term obligations not recorded by the governmental funds until paid	(1,639,573)
Developer funded mortgages not recorded as revenue by the governmental funds until paid by the homeowners	10,261,781
Capitalized bond issuance and deferred costs, net of amortization, expensed by the governmental funds	318,247
Bond premium, net of amortization	(131,112)
Net assets governmental activities	$ 148,966,634

The accompanying notes are an integral part of this statement.

STATE OF NEW MEXICO
SANTA FE COUNTY

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds

Year Ended June 30, 2007

	Major Funds					
		Special Revenue Fund	Capital Project Funds			
	General	EMS and Health Care	Capital Outlay Gross Receipts Tax	General Obligation Bond Series 2007	Non-Major Other Funds	Total
Revenues:						
Grants	$ 2,085,995	$ 1,059,754	$ -	$ -	$10,564,220	$ 13,709,969
Property tax	31,826,076	-	-	-	10,212,984	42,039,060
Gross receipts tax	8,805,426	4,871,787	9,802,286	-	12,311,559	35,791,058
Other taxes and assessments	1,091,509	-	-	-	1,158,549	2,250,058
Interest earnings	4,750,661	-	-	421,097	1,523,902	6,695,660
Charges for services, fines and penalties	1,755,849	6,352,827	-	-	5,252,572	13,361,248
Other	39,116	-	-	-	1,034,674	1,073,790
Total revenues	50,354,632	12,284,368	9,802,286	421,097	42,058,460	114,920,843
Expenditures:						
Current						
General government	17,832,387	-	-	-	800,755	18,633,142
Public safety	7,957,272	-		-	4,120,909	12,078,181
Highways and streets	3,757,624	-	-	-	2,486,727	6,244,351
Health and welfare	411,119	11,028,395	-	-	11,318,754	22,758,268
Culture and recreation	406,900	-	-	-	436,140	843,040
Economic development	-	-	-	-	271,025	271,025
Capital outlay	1,115,713	-	1,875,252	109,907	11,147,266	14,248,138
Debt service (principal and interest)	-	-	-	-	10,061,266	10,061,266
Debt issuance costs and other	-	-	-	90,646	3,467	94,113
Total expenditures	31,481,015	11,028,395	1,875,252	200,553	40,646,309	85,231,524
Excess (Deficiency) of Revenues over Expenditures	18,873,617	1,255,973	7,927,034	220,544	1,412,151	29,689,319
Other Financing Sources (Uses):						
Operating transfers, in	981,567	125,000	24,866	-	3,515,593	4,647,026
Operating transfers, out	(8,878,374)	(125,000)	(600,000)	-	(6,580,071)	(16,183,445)
Proceeds from bonds	-	-	-	25,033,237	-	25,033,237
Total other financing sources (uses)	(7,896,807)	-	(575,134)	25,033,237	(3,064,478)	13,496,818
Net changes in fund balance	10,976,810	1,255,973	7,351,900	25,253,781	(1,652,327)	43,186,137
Fund balance, beginning of year	27,581,141	3,431,532	25,129,093	-	54,844,371	110,986,137
Fund balance, end of year	$38,557,951	$ 4,687,505	$ 32,480,993	$25,253,781	$53,192,044	$ 154,172,274

The accompanying notes are an integral part to this statement.

STATE OF NEW MEXICO
SANTA FE COUNTY

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year Ended June 30, 2007

Amounts reported for governmental activities in the statement of activities are different because:	
Net changes in fund balance total governmental funds	$ 43,186,137
Current year Capital Outlay expenditures capitalized in the statement of Net Assets	13,282,978
Depreciation expense recorded in the Statement of Activities	(10,400,827)
Debt Service principal payments expensed in the governmental funds, recorded as a reduction of long-term liabilities in the Statement of Net Assets	7,178,684
Proceeds of bonds issued during 2007 recorded as other financing sources in the governmental funds but as liabilities in the government wide financial statements	(25,000,000)
General fund payments expense for capital lease obligations and post closure costs recorded as a reduction of long-term liabilities	13,284
Capitalized bond issuance costs, net of amortization	64,719
Bond premium, net of amortization	(20,201)
Increase in compensated absences not recorded until paid by the governmental funds	(359,306)
Net increase in accrued interest expense not recorded until paid by the governmental funds	(410,687)
Current year developer funded mortgages not recorded as revenue in the governmental funds but recorded as deferred revenue	4,444,260
Net effect of full accrual accounting to record tax revenue in the Statement of Activities which is recorded on a modified accrual basis in the governmental financial statements	(223,159)
Loss on disposal of capital assets not recorded in the governmental funds	(13,864)
Change in net assets	$ 31,742,018

The accompanying notes are an integral part of this statement.

STATE OF NEW MEXICO
SANTA FE COUNTY

Exhibit 7

General Fund
Statement of Revenues and Expenditures
Budget to Actual (Non-GAAP Basis)

Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance-Favorable (Unfavorable)
Revenues:				
Grants	$ 1,377,494	$ 2,260,543	$ 2,084,512	$ (176,031)
Taxes and special assessments	37,857,677	37,956,066	41,653,915	3,697,849
Interest earnings	2,250,000	2,250,000	4,750,661	2,500,661
Charges for services	1,161,250	1,185,885	1,279,280	93,395
Licenses and permits	465,562	465,562	491,413	25,851
Other	35,000	59,000	64,620	5,620
Total revenues	43,146,983	44,177,056	$ 50,324,401	$ 6,147,345
Cash balance carryforward	2,232,884	4,783,583		
Total	$ 45,379,867	$ 48,960,639		
Expenditures:				
General government	$ 24,359,969	$ 24,503,050	$ 19,168,656	$ 5,334,394
Public Safety	7,510,010	9,279,756	8,441,426	838,330
Highways and streets	1,053,845	1,655,431	1,631,155	24,276
Health and welfare	450,571	528,198	416,128	112,070
Culture and recreation	583,203	861,564	813,459	48,105
Public Works	3,525,462	4,116,382	3,694,095	422,287
Total expenditures	$ 37,483,060	$ 40,944,381	$ 34,164,919	$ 6,779,462
Other financing sources (uses):				
Bond proceeds	$ -	$ -	$ -	$ -
Operating transfers in	981,567	981,567	981,567	-
Operating transfers out	(8,878,374)	(8,997,825)	(8,878,374)	(119,451)
Total other financing sources (uses)	$ (7,896,807)	$ (8,016,258)	$ (7,896,807)	(119,451)
Net income (loss) - Budgetary basis			$ 8,262,675	
Reconciliation to GAAP basis income (loss):				
To record audit adjustments for revenue, net of prior year revenue reversals			30,231	
To record audit adjustment for expenses			-	
Outstanding encumbrances recorded as budgetary expenditures and not for GAAP purposes			2,564,302	
Reversal of prior year accruals			119,602	
Change in net assets - GAAP basis			$ 10,976,810	

The accompanying notes are an integral part of this statement.

STATE OF NEW MEXICO
SANTA FE COUNTY

Exhibit 8

EMS and Health Care
Statement of Revenues and Expenditures

Budget to Actual (Non-GAAP Basis)

Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance-Favorable (Unfavorable)
Revenues:				
Grants	$ 381,926	$ 2,089,701	$ 308,481	$ (1,781,220)
Taxes and special assessments	4,500,000	4,500,000	4,808,562	308,562
Interest earnings	-	-	-	-
Charges for services	4,017,280	4,419,837	5,153,128	733,291
Licenses and permits	100,000	100,000	99,377	(623)
Other	-	-	-	-
Total revenues	8,999,206	11,109,538	$ 10,369,548	$ (739,990)
Cash balance carryforward	612,385	1,850,614		
Total	$ 9,611,591	$ 12,960,152		
Expenditures:				
General government	$ -	$ -	$ -	$ -
Public safety	4,002,692	5,999,595	4,554,033	1,445,562
Highways and streets	-	-	-	-
Health and welfare	5,608,899	7,080,008	6,782,954	297,054
Culture and recreation	-	-	-	-
Public Works	-	-	-	-
Total expenditures	$ 9,611,591	$ 13,079,603	$ 11,336,987	$ 1,742,616
Other financing sources (uses):				
Bond proceeds	$ -	$ -	$ -	-
Operating transfers in	-	244,451	125,000	(119,451)
Operating transfers out	-	(125,000)	(125,000)	-
Total other financing sources (uses)	$ -	$ 119,451	$ -	(119,451)

Net income (loss) - Budgetary basis	$ (967,439)
Reconciliation to GAAP basis income (loss):	
To record audit adjustments for revenue, net of prior year revenue reversals	1,914,820
To record audit adjustment for expenses	-
Outstanding encumbrances recorded as budgetary expenditures and not for GAAP purposes	599,330
Reversal of prior year accruals	(13,787)
Entry for bad debt expense	(276,951)
Change in net assets - GAAP basis	$ 1,255,973

The accompanying notes are an integral part of this statement.

STATE OF NEW MEXICO
SANTA FE COUNTY

Statement of Net Assets
Enterprise Funds

June 30, 2007

	Housing Services	Utilities Department	Jail Facility	Regional Planning Authority	Home Sales	Total
ASSETS						
Current Assets:						
Cash and investments- restricted	$ 2,036,022	$ 3,648,163	$ 10,500,513	$ 179,557	$ 2,359,833	$ 18,724,088
Accrued interest	-	1,108	64,475	-	-	65,583
Accounts receivable, net	56,626	203,674	2,683,255	11,485	-	2,955,040
Interfund balances	-	-	-	-	-	-
Notes receivable, net	-	3,671	-	-	-	3,671
Assets held for sale	-	-	-	-	689,510	689,510
Total current assets	2,092,648	3,856,616	13,248,243	191,042	3,049,343	22,437,892
Non-current Assets:						
Fixed assets - building, land, equipment jail facility and water system	7,150,760	10,842,362	29,940,123	7,650	-	47,940,895
Accumulated depreciation	(3,824,762)	(1,793,302)	(7,507,959)	(3,795)	-	(13,129,818)
Total fixed assets, net of depreciation	3,325,998	9,049,060	22,432,164	3,855	-	34,811,077
Deferred costs, net	-	-	358,970	-	-	358,970
Water rights	-	8,944,646	-	-	-	8,944,646
Mortgage receivable	-	-	-	-	232,287	232,287
Total assets	$ 5,418,646	$ 21,850,322	$ 36,039,377	$ 194,897	$ 3,281,630	$ 66,784,872
LIABILITIES AND FUND EQUITY						
Current Liabilities:						
Accounts payable	$ 7,958	$ 42,212	$ 424,546	$ -	$ 15,990	$ 490,706
Accrued payroll	19,124	14,880	229,439	1,874	-	265,317
Accrued interest	-	-	614,392	-	-	614,392
Interfund balances	-	-	-	-	-	-
Deposits held for others	66,704	19,569	-	-	-	86,273
Current portion of notes and bonds payable	121,011	-	775,000	-	-	896,011
Deferred revenue	-	-	-	-	232,287	232,287
Total current liabilities	214,797	76,661	2,043,377	1,874	248,277	2,584,986
Noncurrent Liabilities:						
Notes and bonds payable	4,827,434	-	25,535,000	-	-	30,362,434
Interest payable	5,702,262	-	-	-	-	5,702,262
Total noncurrent liabilities	10,529,696	-	25,535,000	-	-	36,064,696
Total liabilities	10,744,493	76,661	27,578,377	1,874	248,277	38,649,682
Net assets						
Invested in capital assets and water rights, net of related debt	(7,324,709)	17,993,706	(3,877,836)	3,855	-	6,795,016
Restricted for						
Debt service	-	-	2,387,579	-	-	2,387,579
Unrestricted	1,998,862	3,779,955	9,951,257	189,168	3,033,353	18,952,595
Total net assets	(5,325,847)	21,773,661	8,461,000	193,023	3,033,353	28,135,190
Total liabilities and net assets	$ 5,418,646	$ 21,850,322	$ 36,039,377	$ 194,897	$ 3,281,630	$ 66,784,872

The accompanying notes are an integral part of this statement.

STATE OF NEW MEXICO
SANTA FE COUNTY

Statement of Revenues, Expenditures and Changes in Fund Net Assets

Enterprise Funds

Year Ended June 30, 2007

	Housing Services	Utilities Department	Jail Facility	Regional Planning Authority	Home Sales	Total
Operating revenues						
Facilities rentals and charges for services	$ 367,009	$ -	$ 12,483,710	$ 38,688	$ -	$ 12,889,407
Water sales, net	-	1,615,716	-	-	-	1,615,716
Miscellaneous	24,630	3,750	2,800	-	-	31,180
Sale of homes	-	-	-	-	516,045	516,045
Total operating revenues	391,639	1,619,466	12,486,510	38,688	516,045	15,052,348
Operating expenses						
Cost of sales	-	-	-	-	737,445	737,445
General	1,327,793	1,717,595	18,521,480	80,779	-	21,647,647
Total operating expenses	1,327,793	1,717,595	18,521,480	80,779	737,445	22,385,092
Operating income (loss)	(936,154)	(98,129)	(6,034,970)	(42,091)	(221,400)	(7,332,744)
Non-operating revenues (expenses)						
Interest on cash and investments	-	3,734	281,027	-	-	284,761
HUD operating subsidy and other federal/state funds	592,183	-	117,201	-	-	709,384
Interest expense on notes payable	(344,366)	-	(1,480,311)	-	-	(1,824,677)
Total non-operating revenues (expenses)	247,817	3,734	(1,082,083)	-	-	(830,532)
Net income (loss) before contributions and operating transfers	(688,337)	(94,395)	(7,117,053)	(42,091)	(221,400)	(8,163,276)
Capital Contributions						
Capital contributions from governmental funds	12,545	890,605	53,085	1,635	142,919	1,100,789
Contributions from Developers	-	502,625	-	-	-	502,625
Capital assets contributions (expense)	(135,629)	-	-	-	-	(135,629)
Total capital contributions	(123,084)	1,393,230	53,085	1,635	142,919	1,467,785
Operating transfers in	214,835	129,648	-	-	-	344,483
Operating transfers (out)	-	-	11,191,936	-	-	11,191,936
Total transfers	214,835	129,648	11,191,936	-	-	11,536,419
Change in net assets	(596,586)	1,428,483	4,127,968	(40,456)	(78,481)	4,840,928
Net assets (deficit), beginning of year	(4,729,261)	20,345,178	4,333,032	233,479	3,111,834	23,294,262
Net assets (deficit), end of year	$ (5,325,847)	$ 21,773,661	$ 8,461,000	$ 193,023	$ 3,033,353	$ 28,135,190

The accompanying notes are an integral part of this statement.

STATE OF NEW MEXICO
SANTA FE COUNTY

Statement of Cash Flows

Enterprise Funds

Year Ended June 30, 2007

	Housing Services	Utilities Department	Jail Facility	Regional Planning Authority	Home Sales	Total
Cash Flows from Operating Activities						
Cash received from customers and others	$ 374,970	$ 1,627,399	$ 10,669,058	$ 27,203	$ 484,425	$ 13,183,055
Cash payments to suppliers for goods and services	(376,527)	(831,258)	(5,089,571)	(11,531)	-	(6,308,887)
Cash payments to employees for services	(667,732)	(584,921)	(11,672,467)	(65,844)	-	(12,990,964)
Net cash provided (used) by operating activities	(669,289)	211,220	(6,092,980)	(50,172)	484,425	(6,116,796)
Cash Flows Provided from Noncapital Financing activities						
Cash from grantors and other	390,466	-	120,001	-	-	510,467
Cash from operating transfers in	214,836	129,648	11,191,936	-	-	11,536,420
Cash used to pay due to other funds	-	-	-	-	-	-
Net cash provided by noncapital financing activities	605,302	129,648	11,311,937	-	-	12,046,887
Cash Flows Provided from Capital and Related Financing Activities						
Payment of notes payable and accrued interest	-	-	(2,246,290)	-	-	(2,246,290)
Cash paid for fixed assets	(6,629)	(31,178)	(579,194)	-	-	(617,001)
Net cash (used by) provided by capital and related financing activities	(6,629)	(31,178)	(2,825,484)	-	-	(2,863,291)
Cash Flows from Investing Activities - Interest on cash and investment	-	3,942	281,819	-	-	285,761
Net increase (decrease) in cash and cash equivalents	(70,616)	313,632	2,675,292	(50,172)	484,425	3,352,561
Cash and investments at beginning of year	2,106,638	3,334,531	7,825,221	229,729	1,875,408	15,371,527
Cash and investments at end of year	$ 2,036,022	$ 3,648,163	$ 10,500,513	$ 179,557	$ 2,359,833	$ 18,724,088

The accompanying notes are an integral part of this statement.

(Continued)

STATE OF NEW MEXICO
SANTA FE COUNTY

Statement of Cash Flows (Continued)

Enterprise Funds

Year Ended June 30, 2007

	Housing Services	Utilities Department	Jail Facility	Regional Planning Authority	Home Sales	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities						
Operating income (loss)	$ (936,154)	$ (98,129)	$ (6,034,970)	$ (42,091)	$ (221,400)	$ (7,332,744)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities						
Deprecation and amortization expenses	240,812	252,894	1,139,349	1,530	-	1,634,585
Bad debt expense	40,000	112,270	552,228	-	-	704,498
Change in assets and liabilities						
(Increase) decrease in accounts receivable	(24,199)	3,664	(1,817,452)	(11,485)	-	(1,849,472)
(Increase) decrease in notes receivable	-	512	-	-	-	512
(Increase) decrease in assets held for sale	-	-	-	-	689,835	689,835
Increase (decrease) in accounts payable	(565)	(65,102)	82,250	-	15,990	32,573
Increase (decrease) in compensated absences	3,287	1,354	(14,385)	1,874	-	(7,870)
(Decrease) increase in deposits held for others	7,530	3,757	-	-	-	11,287
Total adjustments	266,865	309,349	(58,010)	(8,081)	705,825	1,215,948
Net cash provided by (used by) operating activities	$ (669,289)	$ 211,220	$ (6,092,980)	$ (50,172)	$ 484,425	$ (6,116,796)

Supplemental information: Non monetary transactions - HUD forgave $201,717 of interest and principal and contributed revenue was credited. Also the County governmental funds paid for $12,545 of capital asset additions for Housing Services, $890,605 of capital asset and water rights additions for the Utilities Department, $1,635 of capital asset additions for Regional Planning Authority, and $53,085 of capital asset additions for the Jail. Housing Services contributed $135,629 of homes held for sale to the Home Sales fund as well as $71,820 of mortgages receivable and corresponding deferred revenue. Other funds contributed $7,290 of costs for homes held for sale to the Home Sales fund. Developers contributed $502,625 in infrastructure additions to Utilities.

STATE OF NEW MEXICO
SANTA FE COUNTY

Agency Funds
Statement of Fiduciary Assets and Liabilities

June 30, 2007

ASSETS	
Equity in pooled cash and investments - restricted	$ 2,636,937
Property taxes receivable	5,690,583
Total assets	8,327,520
LIABILITIES	
Due to other governments	5,690,583
Overpayments and taxes paid in advance	1,458,542
Deposits held for others	625,321
Undistributed taxes to other entities	553,074
Total liabilities	8,327,520
Net assets	$ -

The accompanying notes are an integral part of this statement.

(1) Summary of Significant Accounting Policies

Santa Fe County (County) was established by the laws of the Territory of New Mexico of 1852, under provisions of the act now referred to as Section 4-26-1 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 (police, fire), 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 entity wide financial statements sheet includes the accounts of all the County's operations. The County's major operations include sheriff and fire protection, collection of and distribution of property taxes, parks and recreation, planning and zoning, certain health social service, general administration service, low income housing assistance, jail operations and the utilities division.

Reporting Entity

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Governmental Accounting Standards Board (GASB) Statements 14 and 39. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operation, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. GASB 39 became effective July 1, 2003 which expanded the criteria of a component unit, and the Rancho Viejo Improvement District became part of the County's financial statements as a debt service fund.

There is not a separate governing body for the Rancho Viejo Improvement District and per the debt offering statement the County's Commissioners become the governing body. The funds from the debt benefited the County and accordingly, per GASB 39, the Rancho Viejo Improvement District fund is blended with the County's financial statements.

During July 1996, the Housing Authority's Board resigned and day to day operations became a County responsibility. The Authority operations are included in the financial statements as County enterprise and special revenue funds. The Santa Fe County Housing Authority Enterprise Fund is now known as Housing Services Enterprise Fund (Housing Services).

The Santa Fe County Water Company (Water Company) was organized for the purposes of planning, studying, designing, financing, constructing, purchasing, owning, operating, maintaining, and improving systems for the supply and distribution of water to and for the general public in one or more areas of Santa Fe County, New Mexico, pursuant to and in accordance with the Franchise Ordinance and other contractual agreements with the Commission, in order to promote the conservation of and efficient use of water (and for related purposes). During July 1996, the Water Company was dissolved and is now accounted for as a County enterprise fund.

The Water Company, now known as Santa Fe County Utilities Department (Utilities Department) is an enterprise fund and its operations had commenced June 28, 1996. Costs incurred in the planning and design of a water system have been capitalized and are amortized over the 50 year life of the water system.

(Continued)

(1) Summary of Significant Accounting Policies (Continued)

Reporting Entity (Continued)

The financial statements of the County have been prepared to conform with generally accepted accounting principles (GAAP) as applied to governmental entities. The County is responsible for the fair presentation in the basic financial statements of its financial position, results of operations and cash flows of the proprietary funds in conformity with United States generally accepted accounting principles. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The County follows GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments* (GASB 34). This statement affects the manner in which the County records transactions and presents financial information. State and local governments have traditionally used a financial reporting model substantially different from the one used to prepare private-sector financial reports. GASB 34 establishes new requirements and a new reporting model, much like private-sector financial reports, for the annual financial reports of state and local governments. The new format was developed to make annual reports of state and local governments easier to understand and more useful to users of governmental financial information.

Management Discussion and Analysis – GASB 34 requires the financial statements be accompanied by a narrative introduction and analytical overview of the County's financial activities in the form of management's discussion and analysis (MD&A). This analysis is similar to the analysis provided in the annual reports of private-sector organizations.

Government-wide Financial Statements – The reporting model includes financial statements prepared using full accrual accounting for all the County's activities. This approach includes not just current assets and liabilities, but also capital and other long-term assets as well as long-term liabilities. Accrual accounting also reports all of the revenues and costs of providing services each year, not just those received or paid in the current year or soon thereafter.

Basis of Accounting

The basic financial statements consist of the following:

- Government-wide financial statements
- Fund financial statements and
- Notes to the basic 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 County. 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.

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* including depreciation expense are those that are clearly identifiable with a specific function or segment. The County does not allocate indirect expenses to other functions but is included in general government functions. *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.*

(1) **Summary of Significant Accounting Policies (Continued)**

Basis of Accounting (Continued)

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting,* as are the fiduciary fund financial statements. 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. Derived tax revenues (gross receipts taxes, cigarette taxes, gasoline taxes, etc.) are recognized when the underlying exchange transaction takes place. Revenues from fines and permits are not susceptible to accrual because generally they are not measurable until received in cash. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide 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, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

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 delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's enterprise funds and internal service funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

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.

Governmental 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 or when the underlying exchange transaction takes place. 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.

Fiduciary Fund Types (Agency funds) use the accrual basis of accounting. Agency funds are used to account for assets held as an agent for individuals, private organizations and other governments and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Exceptions to this general rule include: debt service expenditures which are recorded when fund liabilities are due and

(Continued)

(1) Summary of Significant Accounting Policies (Continued)

Basis of Accounting (Continued)

to compensate absences which are recorded only when payable from current available financial resources.

Those revenues susceptible to accrual are property taxes, gross receipts taxes, state shared taxes, investment income and charges for services. In accordance with GASB Statement 33, estimated property taxes, that are not available, are recorded as both accounts receivable and deferred revenue. Other intergovernmental taxes are not recorded as the amounts are not estimable. 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.

The County reports deferred revenue on its governmental fund and government wide balance sheets. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred 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 balance sheet and revenue is recognized.

Customer contributions owed to the Utilities Department for the extension of the water system to their property is recorded as revenue when the customer begins to receive water service. Customer contributions owed to the Utilities Department are recorded as notes receivable and deferred revenue if water service has not yet been extended to the customer. Mortgage receivables owed to Housing Services Fund when the homeowner purchased the property under the Home Sales program is not owed unless the homeowner sells or refinances the property. These mortgages represent the deferred profit from the sale of the property. Ten percent of the mortgage balance is reduced each year the homeowner owns the property. Deferred revenue is recorded until the homeowner sells the property and the mortgage receivable is paid off.

Presentation of Funds

The accounts of the County are organized on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. The transactions of each fund are summarized in a separate set of self-balancing accounts, which include its assets, liabilities, fund equity, revenues, and expenses/expenditures. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistently with legal and managerial requirements. Governmental funds are reported as major funds in the accompanying financial statements if they meet both of the following criteria:

- *Ten percent criterion* – An individual governmental fund reports at least 10 percent of any of the following: a) total governmental fund assets, b) total governmental fund liabilities, c) total governmental fund revenues, or d) total governmental fund expenditures.
- *Five percent criterion* – An individual governmental fund reports at least 5 percent of the total for both governmental and enterprise funds of any of the items for which it met the 10 percent criterion.

The County reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of the County. It is used to account for all financial activities except those required to be accounted for in other funds. It is funded primarily through property, gross

(1) Summary of Significant Accounting Policies (Continued)

Presentation of Funds (Continued)

receipts and other miscellaneous taxes.

Capital Outlay Gross Receipts Tax Proceeds Fund. This capital project fund receives a ¼ cent gross receipt tax to be used for various capital projects.

EMS and Health Care Fund. This is a special revenue fund. The revenues and expenditures in the Emergency Service Fund (EMS) represent health and emergency services revenue, and associated health and emergency services. Revenues include the receipt of the full 1/8 cent Gross Receipt tax dedicated to emergency services and health services payments through a Memorandum of understanding with St. Vincent's Hospital. The EMS and Health Care Fund was established by the Board of County Commissioners.

General Obligation Bond Series 2007 – In the Fiscal Year 2007, voters approved the issuance of a bond in the amount of $25 million to be used for the District Courthouse project. This capital project fund contains the proceeds of this bond. The debt on this bond is paid with property taxes through the General Obligation Bond Debt Service Fund.

The County has the following other non-major funds that are listed on the following pages of this report. Non Major Special Revenue on pages 65 to 67, Non Major Debt Service on page 101 and Non Major Capital Project Funds on page 109.

The *Fund balance, beginning of year* line item for Non-Major funds on page 20 has been reclassified to include the General Obligation Bond Series 2005 fund. The beginning fund balance has been increased by $13,098,020 from the June 30, 2006 issued financial statements.

The County has elected to have all of its enterprise funds classified as major funds. The following are the major enterprise funds.

Housing Services. This fund is used to account for the funding and expense of the County's Public Housing Authority. Revenue for this fund is derived from housing rentals and Housing and Urban Development (HUD) grants and subsidies.

Home Sales. This fund is used to account for the construction and sales of housing to eligible buyers of affordable housing.

Utilities Department. This fund is used to account for the funding and expense of the Water and Wastewater utilities of Santa Fe County.

Jail Facility. This fund is used to account for the funding and expense of the County Jail and Juvenile Facility, through charges for care of prisoners from outside jurisdictions, Juvenile Facility building rental, and General Fund transfers.

Regional Planning Authority. This fund is used to account for the funding and expense of the Regional Planning Authority, created by agreement between the City of Santa Fe and Santa Fe County.

(1) Summary of Significant Accounting Policies (Continued)

Budgets

Budgets are adopted on a basis inconsistent with generally accepted accounting principles (GAAP). Appropriations of funds unused or overspent during the fiscal year may be carried over into the next fiscal year by budgeting those amounts in the subsequent year's budget. For the June 30, 2007 actual to budget comparisons, the actual amounts are reported on the budgetary basis, which is considered to differ from the modified accrual basis for governmental fund types and accrual basis for the enterprise funds.

Differences between the budgetary basis and GAAP include the following:

1. The budget includes encumbrances (unperformed contracts for goods or services). GAAP does not include encumbrances.

2. The budget does not include certain liabilities, receivables, and depreciation expense for enterprise funds. The GAAP basis financial statements do include these transactions.

Annual appropriated budgets are adopted for the general, special revenue, debt service, capital project and the enterprise funds. The Housing Services enterprise and special revenue budgets are also approved by HUD.

Annual Budget

Department heads and elected officials are required to complete budget request forms for each organizational unit. The Board of County Commissioners reviews the budget package and the amended budget is then adopted and approved by resolution. The Finance Department prepares the adopted budget for submission to the Local Government Division (LGD) of the Department of Finance and Administration (DFA) by June 1, for interim approval. Before July 1, DFA grants interim approval of the budget. The County's final annual budget document, which incorporates any changes recommended by DFA/LGD is prepared and submitted to DFA/LGD by July 31. During September, the County's final annual budget is reviewed and certified by DFA/LGD.

After the annual budget is adopted, the following types of adjustments must be approved by the governing body through a resolution and submitted to DFA for review and approval:

- Budget increases
- Transfers of budget or cash between funds
- Budget decreases

Additionally, it is County policy to prepare an internal budget adjustment request form for the following:

- Transfers within organizational units (between expenditure categories)
- Transfers between organizational units (same department and same fund)

Organizational unit budgets are monitored by the Finance Department to ensure that DFA and County policy are being followed. Additionally, a mid-year budget review is conducted which may include a hearing with the County Manager, Finance Department staff, and department heads and elected officials. During the hearing, department goals and objectives and budget status are reviewed. This review may result in budget adjustments.

(1) Summary of Significant Accounting Policies (Continued)

Annual Budget (Continued)

The legal level of budgetary control is the fund level. Expenditures may not legally exceed budgeted appropriations at the fund level except for the following funds, whose legal level of budgetary authority is at the program or district level:

Emergency Medical Services
Fire Districts

The following funds were not budgeted in 2007:

Rancho Viejo Improvement District
Fire Tax Revenue Bond Debt Service
NMFA Loan Proceeds Fund

Encumbrances

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting is used for purchase orders, contracts, and other commitments for the expenditures of moneys to reserve that portion of the applicable appropriation, as an extension of formal budgetary integration. In Governmental Fund Types, encumbrances outstanding at year-end are reported as reservations of fund balances in governmental funds and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

Equity in Pooled Cash and Investments

Equity in pooled cash and investments includes amounts in demand deposit accounts, money market accounts, certificates of deposit, U.S. Treasury securities, and repurchase agreements secured by collateral with a market value greater than 102% of the value of the agreement. The securities are held by a third party in the County's name. The market value of the repurchase agreements approximate cost at June 30, 2007. Interest earned is allocated to the applicable County funds based on the County's policy of allocating interest to those funds which are required by law or by debt covenants. The remaining interest income is recorded in the General Fund.

State statutes authorize the County to invest excess funds in United States bonds or treasury certificates, other instruments backed by the full faith and credit of the United States Government and other investments allowed by law. Money market investments with a remaining maturity of one year or less when purchased are stated at cost or amortized cost. U.S. Treasury Securities are accounted for at fair value in accordance with GASB 31.

Statement of Cash Flows

For purposes of reporting cash flows in proprietary funds, cash and cash equivalents include equity in pooled cash and all highly liquid investments with a maturity of three months or less when purchased.

Property Taxes Receivable

The County is responsible for assessing, collecting and distributing property taxes for its own operational and debt service purposes and for certain outside entities. Unpaid property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1 and are payable in two installments not later than December 10 and May 10. Collections and remittance of property taxes are accounted for in the County Treasurer's Agency Fund. Amounts are

(1) Summary of Significant Accounting Policies (Continued)

Property Taxes Receivable (Continued)

recognized as revenue in the applicable governmental fund types under accounting principles generally accepted in the United States. The property taxes receivable for the general fund and for the debt service in the governmental fund financial statements are net of an allowance for uncollectible.

Due From/To Other Funds

These receivables and payables between funds are classified as "due from other funds" or "due to other funds" on the government fund balance sheet. There are no interfund balances that are not expected to be repaid within one year. Balances between governmental activities and business-type activities are shown as internal balances in the government-wide financial statements.

Restricted Assets

Cash, excluding most of the general fund, is reflected as restricted. Certain proceeds from the County's bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. Also, the cash in the enterprise funds is limited to their specific uses. The tenant security deposits applicable to the rental of housing units by the Housing Services enterprise fund and other Housing Services, and special revenue cash from the Department of Housing and Urban Development is restricted for its purposes.

Capital Assets

Capital assets, which include property, plant, equipment, and computer software are included in the equipment category, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than $1,000 and an estimated useful life in excess of one year.
Effective July 1, 2006 State law requires capitalization of capital assets greater than $5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend assets lives are not capitalized. The County does not have internally developed software and has no capitalized library books. Major outlays for capital assets and improvements are capitalized as projects are constructed. Such assets, including infrastructure, have higher limits that must be met before they are capitalized. The County has no impaired assets.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Improvements other than buildings	25-40 years
Buildings and structures	40 years
Machinery and equipment	3-10 years
Furniture and fixtures	5 years
Infrastructure	25-30 years

(1) <u>Summary of Significant Accounting Policies (Continued)</u>

Capital Assets (Continued)

The County elected in 2003 not to retroactively implement the capitalization of infrastructure assets. In the 2006 fiscal year there was a prior year restatement for the infrastructure. Current 2007 additions have been capitalized.

The Utilities Department consists of engineering costs and other expenses to plan and build a water system. Depreciation expense is recorded by the Utilities Department over the estimated 50 year life of the water system. The Utilities Department depreciates its office furniture, vehicles and other assets over their applicable estimated lives that range from 3 to 5 years. The Housing Services enterprise fund depreciates its fixed assets over the estimated useful lives of the assets as follows: buildings – 40 years, all other assets – 5 years. The Jail Facility is being depreciated over a 40 year life and depreciates its office furniture, vehicles and other assets over their applicable estimated lives that range from 3 to 5 years. Interest expense from the bonds issued to construct the jail was capitalized as part of the construction cost.

Inventories and Assets held for Sale

Inventory items such as general supplies and parts are expended when purchased since inventories are not material to the June 30, 2007 financial statements. Assets held for sale represent low income housing units available for sale.

Compensated Absences

Amounts of vested or accumulated vacation leave for governmental fund types are reported in the government-wide financial statements. Vested or accumulated vacation leave of proprietary funds is recorded as an expense and liability of those funds as the benefits accrue to employees, in accordance with the provisions of governmental accounting. No liability is recorded for nonvesting accumulating sick leave benefits that are estimated, will be taken as "terminal leave" prior to retirement, or converted to annual leave during continued employment.

Long-term Obligations

In the government-wide financial statements and proprietary fund types, long-term debt and other long-term obligations are recognized as a liability in the applicable governmental activities business type activities or proprietary fund type statement of net assets. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such external debt is reported in the government-wide financial statements. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds. The County had no short-term debt activity for the year.

Fund Equity

The County follows GASB Statement No. 46 Net Assets Restricted by Enabling Legislation an amendment of GASB Statement 34, which clarified the criteria of net assets restricted related to enabling legislation.

Reserves in governmental funds represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

<u>Reserved for subsequent years' expenditures</u> - This represents the amounts, other than carryover expenditures, which are designated for subsequent year expenditures in accordance with grantor statues.

(1) Summary of Significant Accounting Policies (Continued)

Fund Equity (Continued)

This includes the amounts required by the New Mexico Department of Finance and Administration for budgeted expenditures reserved to maintain adequate cash flow for contingency purposes.

Unreserved – Undesignated – This represents the excess of assets over liabilities of a governmental fund, which have not been reserved or designated for any purpose. These monies are available for unrestricted use by the County.

Bond Discounts and Issuance Costs

In governmental fund types, bond discounts and issuance costs are recognized in the period incurred. Bond discounts and issuance costs for proprietary funds and in the government-wide financial statements are deferred and amortized over the term of the bonds using the debt-outstanding method, which approximates the effective interest method. Bond discounts are presented as a reduction of the face amount of bonds payable, whereas issuance costs are recorded as deferred charges.

Interfund Transactions

Interfund transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. These transactions are not eliminated in the government-wide financial statements.

All other interfund transactions, except reimbursements, are reported as operation transfers. Contributions to the enterprise funds by the governmental funds of fixed assets are classified as non-operating revenue.

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as of 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.

(Continued)

(2) Pooled Cash and Investments

The following is a summary of pooled cash and investments at June 30, 2007:

	Government-Wide Statement of Net Assets			Fiduciary Fund Financial Statements	
	Governmental Activities	Business-Type Activities	Total	Fiduciary Funds Statement of Net Assets	Total
Cash and Investments	$ 33,999,179	$ -	$ 33,999,179	$ -	$ 33,999,179
Restricted Cash and Investments	$109,287,744	$ 18,724,088	$ 128,011,832	$ 2,636,937	130,648,769
Total Cash and Investments					$164,647,948

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The way that the County manages its exposure to interest rate risk is by investing in shorter term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity everly over time as necessary to provide the cash flow and liquidity needed for operations. Thus most of the investments have call provisions which would be exercised within one year. Investments in Federal Agency securities that mature within the next fiscal year total $19,800,660 and the investments with maturities greater than one year but less than two years totaled $6,468,115 at June 30, 2007. The County's investments in certificate of deposits are non-negotiable certificate of deposits which can be redeemed before maturity without loss of principal balance.

(2) Pooled Cash and Investments (Continued)

The following are securities with a scheduled maturity greater than 2 years and whose cost approximates market.

Security	Scheduled Maturity	Call Date	Fair Value
Federal National Mortgage Association	09/21/09	03/21/08	$ 2,000,000
Federal National Mortgage Association	10/08/09	01/08/08	977,683
Federal National Mortgage Association	12/18/09	12/18/07	1,997,796
Federal National Mortgage Association	12/21/09	12/21/07	2,164,567
Federal National Mortgage Association	12/28/09	12/28/07	1,000,000
Federal Home Loan Bank	01/22/10	07/22/08	1,524,631
Federal National Mortgage Association	03/22/10	11/04/07	972,451
Federal Home Loan Bank	03/28/10	10/30/07	1,607,207
Federal National Mortgage Association	03/30/10	11/04/07	684,003
Federal National Mortgage Association	04/23/10	10/23/09	1,999,716
Scheduled maturity before 6/30/2010			14,928,054
Federal National Mortgage Association	10/11/11	01/11/08	2,543,502
Federal Home Loan Mortgage Corporation	12/05/11	12/05/07	2,918,542
Scheduled maturity before 6/30/2012			5,462,044
Federal Home Loan Bank	07/09/13	01/09/08	1,761,988
Scheduled maturity before 6/30/2013			1,761,988
			$22,152,086

The County follows the practice of pooling cash and investments of all funds, except for some of the debt service funds and certain other funds. Each fund's portion of total cash and investments is reflected in the balance sheet as equity in pooled cash and investments.

Pooled cash and investments held by the County include cash on deposit with financial institutions, money market accounts, certificates of deposit, repurchase agreements, federal agencies, treasury notes and treasury bills and mutual funds invested in government securities. The County investments comply with State law. Deposits are secured by both federal depository insurance and collateral pledged in the County's name held by a third party. Under New Mexico law, all deposits with financial institutions must be collateralized in an amount not less than 50% of the uninsured balance. Market values of all cash, deposits and investments with a maturity of one year or less at the time of the purchase approximate the cost of those assets.

The County did not participate in any reverse repurchase agreements or security lending agreements during the current fiscal year. The County also has no deposits or investments exposed to foreign currency risk.

All of the County's investments are insured, registered and the County's agent holds the securities in the County's name, therefore the County is not exposed to custodial credit risk.

(Continued)

(2) Pooled Cash and Investments (Continued)

Investments in securities of any individual issues, other than U.S. Treasury securities, mutual funds, local government investment pool, that represent 5% or more of the total government-wide investments at June 30, 2007 are as follows:

	Investment Type	Amount	% of Investments
Governmental Activities	FNMA	$16,720,189	12%
	Federal Home Loan Mortgage Association	24,607,205	18%
	FHLB Securities	7,093,467	5%
	Total Federal agencies	48,420,861	35%
	Repurchase agreements	139,094,622	7%
Business-type Activities	None over 5%	-	-

Investments in securities of any individual issuers, other than U.S. Treasury securities, mutual funds, local government investment pool that represent five percent of the total investments by individual funds are as follow:

		Amount	% of Investments
Jail Facility	Repurchase agreement	$2,249,600	100%
2005 GO Bond Proceeds	Federal Home Loan Mortgage Association	3,387,234	59%
	FNMA Securities	2,380,471	41%
	Total Federal agencies	5,767,705	100%
Sheriff's Facility Bond Reserve	Repurchase agreement	425,905	100%

The carrying amounts of the County's deposits at financial institutions as of June 30, 2007, were $24,840,527. Bank balances before reconciling items were $29,038,564 at June 30, 2007. Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be recovered. Under New Mexico law, all deposits with financial institutions must be collateralized in an amount not less than 50% of the uninsured balance. The County is exposed to custodial risk of $7,350 because deposits are uninsured and uncollateralized (See page 137) for the detailed schedule.

(2) Pooled Cash and Investments (Continued)

Credit risk for investments 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 Standard and Poors, a nationally recognized statistical rating organization.

	Credit Quality Ratings	Carrying Amount
Petty cash and change funds	Not applicable	$ 2,739
Total deposits	Not rated	24,840,527
Local government investment pool – invested by the State of New Mexico Office of the State Treasurer for the County, recorded at cost in accordance with GASB31	Not rated	85,659,749
Cash held by NM Finance Authority which is on deposit With the State Treasurer	Not rated	4,849
Repurchase agreements	Not rated	9,562,015
Federal Agency Securities	AAA	38,087,905
U.S. Treasury bills	Not applicable	1,457,172
U.S. Treasury cash reserves mutual fund accounts	Not applicable	5,032,992
Total investments		54,144,933
Total – all County deposits and investments		$ 164,647,948
Amounts per financial statements:		
Agency funds equity in pooled cash and investments		$ 2,636,937
Governmental Funds equity in pooled cash and investments -unrestricted		33,999,179
Governmental Funds equity in pooled cash and investments -restricted		109,287,774
Enterprise Funds equity in pooled cash and investments		18,724,088
		$164,647,948

The County's investments are held by agents of the County in the County's name. Repurchase agreements are collateralized in accordance with state law with securities issued by the U.S. Treasury or fully guaranteed as to payment by an agency of the U.S. government, and are secured with collateral held by third parties in the name of the County at a value of 102% of the repurchase agreement.

Market value is based on quoted market prices at year-end, costs approximate market value. Total investment income for the County for the year ended June 30, 2007 was $6,141,771.

The State Treasurer Local Government Investment Pool is not SEC registered. Section 6-10-10 I, NMSA 1978 empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies and are issued by the United States government or by its departments or agencies and are either direct obligations of the United States or are backed by the full faiths and credit of the United States government or are agencies sponsored by the United States government that have AAA credit quality ratings. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state

(2) Pooled Cash and Investments (Continued)

investments. The weighted average maturity at June 30, 2007 was 38 days, which reduces the pool's interest rate risk.

The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the local government investment pool is voluntary.

(3) Interfund Assets and Liabilities

The Interfund Assets and Liabilities reported in the governmental fund balance sheet consist of the following.

	Receivables	Payables
General	$ 1,949,727	$ -
Non Major Special Revenue Funds:		
Corrections		52,983
CFP Program	-	487,432
Alcohol Programs	-	31,762
Santa Fe River	-	49,444
Total Special Revenue Funds	-	621,621
Non Major Debt Service Funds:		
Fire Tax Revenue Bonds	5,719	-
Total Debt Service Funds	5,719	-
Non Major Capital Projects Funds:		
State Special Appropriations	-	1,313,401
Community Development Block Grants (CDBG)	-	14,705
Bond Proceeds – Fire Tax	-	5,719
Total Capital Projects Funds	-	1,333,825
Total County	$ 1,955,446	$ 1,955,446

All of the interfund receivables and payables are between the general fund and the other funds except for the $5,719 interfund balance between the Fire Tax Revenue Bonds and Bond Proceeds – Fire Tax Funds, and are expected to be re-paid within the next Fiscal Year.

(3) Interfund Assets and Liabilities (Continued)

Interfund Transactions

The County records transfers to fund the operations and projects of other funds to provide debt service and as otherwise needed and required.

Transfers in (from other funds)	Transfers out (to other funds)										
	Major Funds										
	General	EMS and Health Care	Capital Outlay Gross Receipts Tax	Housing Services	Utilities Department	Jail Facility	Regional Planning Authority	Home Sales	General Obligation Bond Series 2005	Other Non-Major Governmental	Total
General	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 981,567	$ 981,567
EMS and Health Care	-	-	-	-	-	-	-	-	-	-	-
Captial Outlay Gross Receipts Tax	-	-	-	-	-	-	-	-	-	24,866	24,866
Housing Services	-	-	-	-	-	-	-	-	-	40,000	40,000
Utilities Department	-	-	-	-	-	-	-	-	-	304,484	304,484
Jail Facility	6,441,936	-		-	-	-	-	-	-	4,750,000	11,191,936
Regional Planning Authority	-	-	-	-	-	-	-	-	-	-	-
Home Sales	-	-	-	-	-	-	-	-	-	-	-
General Obligation Bond Series 2005	-	-	-	-	-	-	-	-	-	61,000	61,000
Other Non-Major Governmental	2,436,438	125,000	600,000	-	-	-	-	-	-	418,154	3,579,592
Total	$ 8,878,374	$ 125,000	$ 600,000	$ -	$ -	$ -	$ -	$ -	$ -	$ 6,580,071	$ 16,183,445

Significant transfers from the General Fund included transfers totaling $6,441,936 for the operation of the Jail Facility and $1,738,903 to the Road Fund for road maintenance and road projects. Also, the Environmental Revenue Bond Fund transferred a total of $800,000 to the General Fund ($670,352), and the Utilities Department Fund ($129,648), for solid waste costs. The Jail Facility also received $4,500,.000 from the Corrections GRT Fund and $250,000 from the Corrections Fee Fund.

(3) Interfund Assets and Liabilities (Continued)

Transfers from the governmental activities to the business type activities consist of transfers and contributed capital from the governmental funds to the business type funds in the government-wide financial statements, and consist of the following:

Transfers in	$ 4,647,026
Transfers out	(16,183,445)
Contributed capital	(965,160)
Transfers per page 17	$(12,501,579)

(4) Capital Assets

The changes in Capital Assets for the year ended June 30, 2007 are as follows:

Governmental activities:	June 30, 2006 Balance	Additions & transfers	Deletions	June 30, 2007 Balance
Non depreciable assets:				
Land	$ 18,879,790	$ 2,161,023	$ -	$ 21,040,813
Right of way land	5,465,283	-	-	5,465,283
Assets being depreciated				
Buildings and improvement	36,678,456	7,648,657	-	44,327,113
Infrastructure	36,031,123	175,941	-	36,207,064
Equipment and vehicles	35,736,816	3,140,415	(604,530)	38,272,701
Furniture and fixtures	792,187	156,942	-	949,129
	133,583,655	13,282,978	(604,530)	146,262,103
Accumulated depreciation				
Buildings and improvement	(17,677,405)	(1,108,178)	-	(18,785,583)
Infrastructure	(11,675,093)	(1,448,283)	-	(13,123,376)
Equipment and vehicles	(36,822,400)	(7,654,540)	590,666	(43,886,274)
Furniture and fixtures	(1,022,352)	(189,826)	-	(1,212,178)
Total accumulated depreciation	(67,197,250)	(10,400,827)	590,666	(77,007,411)
Governmental activities capital assets, net	$ 66,386,405	$ 2,882,151	$ (13,864)	$ 69,254,692

Depreciation expense was charged to the following functions of the County:

Governmental activities	
General government	$ 4,321,544
Public Safety	3,276,261
Health and Welfare	566,845
Culture and recreation	81,126
Highways and streets	2,155,051
Total depreciation expense	$ 10,400,827

(Continued)

(4) Capital Assets (Continued)

The following is a summary of proprietary funds capital assets at June 30, 2007:

Business-type activities:	June 30, 2006 Balance	Additions	Deletions	June 30, 2007 Balance
Housing Services				
Land	$ 621,465	$ -	$ (9,870)	$ 611,595
Assets being depreciated				
Equipment and vehicles	450,033	19,174	(27,308)	441,899
Buildings and improvements	6,293,764	-	(196,498)	6,097,266
	7,365,262	19,174	(233,676)	7,150,760
Less: Accumulated depreciation				
Equipment and vehicles	(434,226)	(88,380)	27,308	(495,298)
Buildings and improvements	(3,247,771)	(152,432)	70,739	(3,329,464)
Total accumulated depreciation	(3,681,997)	(240,812)	98,047	(3,824,762)
Net fixed assets	$ 3,683,265	$ (221,638)	$ (135,629)	$ 3,325,998
Utilities Department				
Land	$ 1,347,625	$ -	$ -	$ 1,347,625
Assets being depreciated				
Water system	7,668,715	1,393,230	-	9,061,945
Office equipment, furniture and vehicle	401,614	31,178	-	432,792
	9,417,954	1,424,408	-	10,842,362
Less: Accumulated depreciation				
Water system	(1,396,992)	(166,336)	-	(1,563,328)
Office equipment, furniture and vehicle	(143,416)	(86,558)	-	(229,974)
Total accumulated depreciation	(1,540,408)	(252,894)	-	(1,793,302)
Net fixed assets	$ 7,877,546	$ 1,171,514	$ -	$ 9,049,060
Jail Facility				
Land	$ 126,781	$ -	$ -	$ 126,781
Assets being depreciated				
Jail facility	27,232,701	23,539	-	27,256,240
Office equipment and furniture	1,768,915	481,985	(83,312)	2,167,588
Vehicles	324,610	126,755	(61,852)	389,513
	29,453,007	632,279	(145,164)	29,940,122
Less: Accumulated depreciation				
Jail facility	(5,419,381)	(681,406)	-	(6,100,787)
Office equipment and furniture	(899,152)	(364,118)	82,630	(1,180,640)
Vehicles	(210,481)	(77,903)	61,852	(226,532)
Total accumulated depreciation	(6,529,014)	(1,123,427)	144,482	(7,507,959)
Business-type activites Net fixed assets	$ 22,923,993	$ (491,148)	$ (682)	$ 22,432,163

(4) Capital Assets (Continued)

	June 30, 2006 Balance	Additions	Deletions and transfers	June 30, 2007 Balance
Regional Planning Authority				
Equipment and machinery	$ 6,015	$ 1,635	$ -	$ 7,650
Less: Accumulated depreciation				
Equipment and machinery	(2,265)	(1,530)	-	(3,795)
Total accumulated depreciation	(2,265)	(1,530)	-	(3,795)
Net fixed assets	$ 3,750	$ 105	$ -	$ 3,855

Depreciation expense was $240,812 for Housing Services, $252,894 for the Utilities Department, $1,123,427 for the Jail Facility and $1,530 for the Regional Planning Authority for the year ended June 30, 2007, respectively.

(5) Receivables Notes and Mortgage Receivables

The following is a summary of receivables for the government wide financial statements at June 30, 2007.

	Governmental Activities	Business-Type Activities
Accounts	$ 2,791,710	$ 4,985,510
Taxes		
Property	3,823,698	-
Gross receipts	6,482,110	-
Other	280,063	-
Interest	846,006	65,583
Grantor and other	6,703,723	-
	20,927,310	5,051,093
Allowance for uncollectible	(1,838,536)	(2,026,799)
	$ 19,088,774	$ 3,024,294
Mortgage receivables	$ 10,261,781	$ 232,287

The County does not have an allowance on mortgages since the mortgages are secured by real estate and are considered fully collectable. The County has not incurred any losses associated with its mortgage receivables.

(Continued)

(6) Long-Term Obligations

The following is a summary of long-term obligations of the County for the year ended June 30, 2007:

	June 30, 2006 Balance	Additions	Deletions	June 30, 2007 Balance	Due within one year
Governmental Activities					
General obligation and gross receipts bonds	$ 61,298,998	$ 25,000,000	$ (6,870,000)	$ 79,428,998	$ 7,055,000
Landfill closure and postclosure care costs	2,013,342	-	(13,284)	2,000,058	-
Capital lease obligations	121,485	-	-	121,485	23,683
Compensated absences	2,220,342	1,792,964	(1,433,658)	2,579,648	2,579,648
Bonds payable issued via NMFA	846,332	-	(273,684)	572,648	16,784
Componet Unit - Rancho Viejo Improvement District	1,815,000	-	(35,000)	1,780,000	35,000
Total Debt	68,315,499	26,792,964	(8,625,626)	86,482,837	9,710,115
Plus Bond Premium	110,911	33,237	(13,036)	131,112	13,729
Less deferred amounts on refunding	(100,120)	-	11,000	(89,120)	11,000
Deferred issuance costs	(153,408)	(90,646)	14,927	(229,127)	16,815
Total Debt Net	$ 68,172,882	$ 26,735,555	$ (8,612,735)	$ 86,295,702	$ 9,751,659

The governmental funds, primarily the general fund, has paid for compensated absences for the year ended June 30, 2007.

	June 30, 2006 Balance	Additions	Deletions	June 30, 2007 Balance	Due within one year
Business Type					
HUD notes payable	$ 5,061,942	$ -	$ (113,499)	$ 4,948,443	$ 121,011
HUD interest payable	5,446,114	256,148	-	5,702,262	-
Jail facility	27,045,000	-	(735,000)	26,310,000	775,000
	$ 37,553,056	$ 256,148	$ (848,499)	$ 36,960,705	$ 896,011

(6) **Long-Term Obligations (Continued)**

General obligation and gross receipts bonds consist of the following issues:

Proceeds from prior years' general obligation bonds have been used for capital projects, open space, refunding, road improvements and a regional landfill and are payable from the County's collection of property taxes. Debt service payments are made by the debt service funds.

Date Issued	Interest Rate	Final Maturity Date	Original Bond Amount	June 30, 2007 Balance	Due within one year
February 1, 1997	4.1-5.7%	2027	$ 6,000,000	$ 4,950,000	$ 145,000
June 15, 1999	4.5-7.0%	2018	12,000,000	11,820,000	470,000
June 15, 1999	3.7-4.4%	2007	4,310,000	675,000	675,000
May 1, 2001	4.4-5.5%	2018	8,500,000	6,110,000	640,000
November 1, 2001	4.0-4.625%	2017	8,000,000	5,895,000	480,000
June 13, 2003	1.18-2.80%	2008	2,293,998	728,998	395,000
August 18, 2005	3.25-4.192%	2016	8,490,000	8,400,000	450,000
October 31, 2005	4.0%-5.5%	2026	20,000,000	15,850,000	3,400,000
March 8, 2007	4.0%-5.0%	2027	25,000,000	25,000,000	400,000
			$ 94,593,998	$ 79,428,998	$ 7,055,000

During 2007, the County issued $25,000,000 of General Obligation Bonds secured by the County's property tax revenue to provide funds for the construction of the Judicial Building. The interest rates range from 4.0% - 5.0% with the final bond payments due July 1, 2026.

During October 2005, the County issued $20,000,000 of General Obligation Bonds secured by property tax revenue to provide funds for various road projects, equipment, water rights and water improvement projects as specified by the bond agreement. The interest rates range from 4.0% to 5.5% with the final bond payments due July 1, 2026.

On August 18, 2005, the County issued $8,490,000 in General Obligation Bonds Series 2005 with an average interest rate of 3.6 percent to advance refund $8,380,000 of outstanding 1997 Series bonds with an average interest rate of 5.2 percent. The net proceeds of $8,520,145 (after payment of $82,010 in underwriting fees, insurance, and other issuance costs) plus an additional $35,964 of 1997 Debt Service funds were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1997 Series bonds. As a result, these 1997 Series bonds are considered to be defeased and the liability for those bonds has been removed from the government-wide statement of net assets.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debts of $110,000. This difference of $89,120 at June 30, 2007, reported in the accompanying financial statements as a deduction from bonds payable, is being charged to operations through the year 2016 using the effective-interest method. The County completed the advance refunding to reduce its total debt service payments over the next ten years by $724,935 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of approximately $255,000.

(6) Long-Term Obligations (Continued)

During 2006 the County issued $888,889 of bonds via the NM Finance Authority for acquiring real property secured by the County's gross receipts taxes. $88,889 of the bond proceeds were set aside for debt service.

Date Issued	Interest Rate	Final Maturity Date	Original Bond Amount	June 30, 2007 Balance	Due within One year
May 1, 2006	2.64-2.99%	2009	$ 888,889	$ 572,648	$ 281,915

Scheduled maturities of general obligation, gross receipts and bonds payable issued through the NMFA are as follows for the years subsequent to June 30, 2007:

Years Ending	Principal	Interest
2008	$ 7,336,915	$ 3,349,164
2009	6,734,731	3,180,152
2010	4,085,000	2,941,242
2011	3,980,000	2,770,161
2012	3,890,000	2,605,627
2013-2017	21,555,000	10,485,459
2018-2022	11,640,000	6,332,400
2023-2027	20,780,000	3,356,125
	$ 80,001,646	$ 35,020,330

(6) **Long-Term Obligations (Continued)**

Capitalized Lease Obligations

The County is obligated under the following leases accounted for on capital leases:

State Board of Finance, payable annually at $5,350, Interest free. Secured by voting machines with final payment due December 2012	$ 26,750
State Board of Finance, payable annually at $7,133, Interest free. Secured by voting machines with final payment due December 2013	49,933
State Board of Finance, payable annually at $11,200, Interest free. Secured by voting machines with final payment due December 2010	44,800
	$ 121,483

Year Ending	
2008	$ 23,683
2009	23,683
2010	23,683
2011	23,683
2012	12,483
2013-2014	14,268
	$ 121,483

On July 18, 2006, the Board of Finance granted a one year moratorium on Voting Machine Revolving Fund Loan payments due to the passing of Senate Bill 295.

Landfill Closure and Postclosure Care Cost

The County follows GASB Statement No. 18, which requires that the current cost of landfill closure and postclosure care be recognized over the estimated life of the landfill.

State and federal laws and regulations require the County to place a final cover on the County-operated landfill when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be incurred after the date the landfill stops accepting waste, the County reports these closure and postclosure care costs as a liability as of each balance sheet date. The County closed the landfill during fiscal year 1997. The $2,000,058 reported as landfill closure and postclosure care liability at June 30, 2007 represents managements' estimate based on an expert hired to estimate the costs for standard monitoring and compliance to 2027. Annual ground water monitoring has demonstrated the County is in compliance with ground

(6) **Long-Term Obligations (Continued)**

Landfill Closure and Postclosure Care Cost (Continued)

water contamination. The County is required to perform monitoring of the ground water every five years. The County estimates it will not expend any significant monies for postclosure costs in the next fiscal year. Current year expenditures of $13,284 were paid by the General Fund. These amounts are based on what it would cost to perform all closure and postclosure care in fiscal 2007. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

Compensated Absences

A long-term liability amounting to $2,579,648 at June 30, 2007 has been recorded representing the County's commitment to fund compensated absences from future operations. Vacation, compensating time and sick leave earned is cumulative; however, vacation time is limited to 240 hours that can be carried forward to the next calendar year. Excess time up to eighty hours can be sold back to the County if sufficient funding is available every January. Sick leave accumulated in excess of 240 hours is payable to employees at a rate equal to 50 percent of their hourly rate upon retirement. Employees can earn a maximum of 45 hours of compensatory time.

Prior Year Defeasance of Debt

In prior years, the County defeased the 1990 Facilities Project Revenue Bonds by placing proceeds in an irrevocable trust to provide for all future debt service payments for these bonds. Also in 2006, the County defeased $8,380,000 of the 1997 bonds. Accordingly, the trust account assets and the liabilities for the defeased bonds are not included in the County's financial statements. On June 30, 2007, $1,453,000 of the 1990 bonds and $7,980,000 of the 1997 bonds outstanding are considered defeased.

Rancho Viejo Improvement District Bonds

The County issued $1,950,000 of 7.25% Rancho Viejo Improvement District Bonds during the 2000 fiscal year to provide assistance in the development of land within Rancho Viejo Improvement District (District). These bonds are secured by a ten dollar per one thousand dollars of net taxable value within the District.

Proceeds were used for the water system and roads which had been donated to the County. Any remaining funds from the assessments from the property owners revert to the County after the debt is paid off. Effective July 1, 2003 because of the implementation of GASB 39, the District is a component unit of the County and the debt service activity and corresponding debt is included in the County's financial statements. The following is the debt service requirement for these bonds.

(6) Long-Term Obligations (Continued)

Rancho Viejo Improvement District Bonds (Continued)

Years Ending	Principal	Interest	Total Debt Service
2008	$ 35,000	$ 129,050	$ 164,050
2009	40,000	126,512	166,512
2010	40,000	123,612	163,612
2011	45,000	120,712	165,712
2012	45,000	117,450	162,450
2013-2017	285,000	532,150	817,150
2018-2022	405,000	413,250	818,250
2023-2027	585,000	242,150	827,150
2028-2029	300,000	32,988	332,988
	$ 1,780,000	$ 1,837,874	$ 3,617,874

Notes Payable - (Housing Services Enterprise Fund)

The Housing Services Enterprise Fund has the following notes payable due to the Department of Housing and Urban Development (HUD). The long-term debt at June 30, 2007 was as follows:

Notes payable issued on December 10, 1982 for $2,677,358 at 6.6% interest. Annual payments of $201,717 due on November 1 with a maturity date of November 1, 2014. Payments of principal and interest are made by or forgiven by HUD on the Housing Authority's behalf	$ 1,223,169
Other notes payable to HUD at various interest rates and terms	3,725,274
Total long-term debt	4,948,443
Less: current portion	121,011
Total long-term portion	$ 4,827,432

No payments are being made on the other notes payable to HUD. The remaining debt and related interest is expected to be forgiven by HUD in the future.

(Continued)

(6) Long-Term Obligations (Continued)

Notes Payable – (Housing Services Enterprise Fund) (Continued)

The aggregate maturities of the Housing Services long-term debt at June 30, 2007 are as follows:

Years Ending	Principal Amount Payable
2008	$ 121,011
2009	129,020
2010	137,029
2011	145,038
2012	153,047
2013-2017	524,732
2018-thereafter	3,738,566
Total	$ 4,948,443

Correctional System Revenue Bonds (Jail Facility Enterprise Fund)

During February 1997, the County issued $30,000,000 of Correctional System Revenue Bonds. The County has used a substantial portion of the proceeds to construct a new adult detention facility in Santa Fe County. A portion of the proceeds may also be used to renovate the existing County detention facility into a juvenile facility. At June 30, 2007, interest rates range from 4.7% to 6.0%. The bonds are secured by the jail facility and income derived from the jail facility.

The maturities of the jail facility's long-term debt at June 30, 2007, is as follows:

Years Ending	Principal	Interest	Total
2008	$ 775,000	$ 1,474,540	$ 2,249,540
2009	810,000	1,435,790	2,245,790
2010	850,000	1,394,480	2,244,480
2011	895,000	1,350,280	2,245,280
2012	945,000	1,303,740	2,248,740
2013-2017	5,485,000	5,751,000	11,236,000
2018-2022	7,085,000	4,150,450	11,235,450
2023-2028	9,465,000	1,769,700	11,234,700
	$ 26,310,000	$ 18,629,980	$ 44,939,980

(6) Long-Term Obligations (Continued)

Conduit Debt Obligations

The County has issued Project Revenue Bonds to provide assistance for the El Castillo Retirement Residences Project. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. The County is not 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, 2007, there were two series of Project Revenue Bonds outstanding, with an aggregate principal amount payable of $14,325,000.

The County issued $3,000,000 multi-family Housing Revenue Bonds in August 1998 to provide assistance for the construction of the Villa Grande Apartments. The bonds are secured by the revenues and mortgage of the property. The County is not obligated in any manner for repayment of these bonds. Accordingly, these bonds are not reported as liabilities in the accompanying financial statements. At June 30, 2007 the amount of bonds outstanding were $2,990,000.

Total conduit debt outstanding at June 30, 2007 was $17,315,000.

(7) Retirement, Health and Deferred Compensation Plans

PERA Retirement Plan

Substantially all of the 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, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123.

Covered employees are required under the current plan to contribute 3.2875% of their gross salary for general member coverage in accordance with Municipal Division - General Coverage Plan 3, and 3.09% for police member coverage in accordance with Police Coverage Plan 4. The County is required by state statute to contribute the following percentages in accordance with the respective plans above: 19.0125% for general member coverage, and 27.76% for police member coverage. The contribution requirements may be amended by acts of the legislature.

The County contribution requirements for the years ended June 30, 2007, 2006 and 2005 were $ 5,950,620, $5,310,887 and $4,114,267, respectively. The contributions were the required amounts from the County and employees.

The County has no other post employment pension plans.

Retiree Health Care Act Contributions

The Retiree Health Care Act (10-7C-1 to 10-7C-16 NMSA 1978) provides comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The purpose is to provide eligible retirees, their spouses, dependents, and surviving spouses and dependents with health insurance consisting of a plan, or optional plans, of benefits that can be purchased by funds flowing into the Retiree Health Care Fund and by co-payments or out-of-pocket payments of eligible retirees.

(Continued)

(7) Retirement, Health and Deferred Compensation Plans (Continued)

Retiree Health Care Act Contributions (Continued)

Monies flow to the Retiree Health Care Fund on a pay-as-you-go basis from eligible employers and eligible retirees. Eligible employers are institutions of higher education, school districts, or other entities participating in the Public School Insurance Authority and state agencies, state courts, magistrate courts, municipalities or counties, which are affiliated under or covered by the Educational Volunteer Retirement Act, the Magistrate Retirement Act, or the Public Employees Retirement Act.

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 Retiree Health Care Act on the person's behalf unless that person retires on or before July 1, 1995, in which event the time period required for employee and employer contributions shall become the period of time between July 1, 1990 and the date of retirement; or (2) retirees defined by the Act who retired prior to July 1, 1990; and former legislators who served at least two years.

Each participating employer makes contributions to the fund in the amount of 1.30 percent of each participating employee's annual salary. Each participating employee contributes to the fund an employee contribution in an amount equal to 0.65 of one percent of the employee's annual salary. Each participating retiree pays a monthly premium for the basic single plan and an additional participation fee of five dollars ($5) if eligible participant retired prior to July 1, 1990 and made no contributions to the plan. Participants may also enroll in optional plans of coverage.

Contributions from participating employers and participating employees become the property of the Retiree Health Care Fund and are not refundable under any circumstances, including termination of employment or termination of the participating employer's operation or participation in the Retiree Health Care Act. The employer, employee and retiree contributions are required to be remitted to the Retiree Health Care Authority on a monthly basis.

The Retiree Health Care Authority issues a separate, publicly available audited financial report that includes post employment benefit expenditures of premiums and claims paid, participant contributions (employer, employee and retiree) and net expenditures for the fiscal year. The report also includes the approximate number of retirees participating in the plan. That report may be obtained by writing to the Retiree Health Care Authority, 4308 Carlisle Blvd. NE Suite 104, Albuquerque, New Mexico 87107.

For the fiscal year ended June 30, 2007, the County remitted $341,186 in employer contributions and $170,593 in employee contributions to the Retiree Health Care Authority.

(8) Fund Balance and Net Assets (Deficits)

The following funds had fund balance deficits at June 30, 2007:

Enterprise Funds

The Housing Services enterprise fund has a net assets deficit of $(5,325,847) at June 30, 2007. The deficit is mainly a result of recording depreciation expense and accruing interest expense on notes payable balances which management believes the Department of Housing and Urban Development will forgive.

Special Revenue Funds

The CFP program has a fund balance deficit of $(81,040) which will be funded by the General Fund in the next fiscal year. The Corrections Fund has a fund balance deficit of $(83,427) which should be resolved in the next fiscal year with future revenues. The Community Development Block Grant has a fund balance deficit of $(10,160).

(8) Fund Balance and Net Assets (Deficits) (Continued)

Special Revenue Funds (Continued)

The unreserved, undesignated fund balance (deficit) is the component of fund balances that represents the portion of the encumbrances which have not been billed to the applicable funding source.

(9) Applicable Segment Information

Housing Services - Accounts receivable

The aging of accounts receivable as of June 30, 2007 is as follows:

Current (0-60 days)	$ 67,048
Past due (more than 61 days)	138,537
	205,585
Less allowance for uncollectible accounts	(148,959)
	$ 56,626

Housing Services has $66,703 in tenant deposits that are deposited in Housing Services' general cash account. Housing Services has $94,411 in Family Self Services Escrow deposits that are deposited in a separate bank account at First Community Bank and are accounted for in the Section Eight special revenue fund and the liabilities are included in deposits held for others.

(10) Commitments and Contingencies

The County receives funds from federal and state agencies. These funds are subject to audit and adjustment to the granting agency. Any disallowed amounts resulting from these audits would be required to be refunded. The County believes that the amounts, if any, that would be refunded would not have a material effect on the County's financial position at June 30, 2007.

Joint Powers Agreements

Santa Fe Solid Waste Management Agency – Under authorization of the New Mexico State Statute 11-1-1, the County of Santa Fe joined the City of Santa Fe to jointly undertake their powers to dispose of solid waste as mandated by state and federal regulations and provide a more efficient and cost-effective method of solid waste disposal to the County and City citizens.

The County and the City established the Santa Fe Solid Waste Management Agency (Agency) through a Joint Powers Agreement in February 1995, as a public entity separate from the County or the City. The agreement delegated to the Agency the power to plan for, operate, construct, maintain, repair, replace, or expand the facility. The County Commission and the City Council approve the annual budget. The Agency has the authority to adopt revenue bond ordinances so long as such an ordinance is duly ratified by the governing bodies of the County and the City. A five member staff advisory committee was established by the agreement and is comprised of the finance directors from the County and the City, the County public works department director, the City utilities department director and the Agency director. A five member citizens' advisory committee was also established. The Agency is charged to comply with all laws, rules and regulations for operations under the permit issued from the New Mexico Environment Department. The Board of Directors for the Agency consists of four members who are appointed by the Board of County Commissioners

(10) Commitments and Contingencies (Continued)

Joint Powers Agreements (Continued)

and four members who are appointed by the City Mayor with the approval of the City Council. The Board meets at least quarterly.

The start-up costs, design, land acquisition and construction were funded by equal contributions from the County and City. The contributions and commitments from each entity to date is approximately $5.8 million. The County did not contribute any funds to the Agency in the 2007 fiscal year. A final reconciliation has been done to ensure costs have been split equally between the County and City. The facility opened in May of 1997.

The facility is to be self-supporting for operations, equipment, future construction, debt service, accumulation of a reserve fund and all other costs through fees charged to the County, the City, and other private users. The land for the facility was purchased by the County and transferred to the Agency. The facility itself belongs to the Agency. The Agency has adopted its rate ordinance for use of the facility. If, for any reason, revenues are insufficient to pay costs of operations, the Agency Board must notify the County and City in order to negotiate steps that are reasonable and prudent in light of existing circumstances to ensure that any deficits accumulated or incurred by the Agency are not allowed to impair the operation, integrity or credit worthiness of the Agency. A bond issue was authorized in December 1996, by the Agency in the amount of $6,260,000 to provide funds for the equipment required for the facility and the construction of the second landfill cell.

The Agency has its own financial statements as a separate entity, audited on an annual basis. Complete financial statements for the Agency may be obtained at the Santa Fe Solid Waste Management Agency, 165 Caja Del Rio Road, Santa Fe, New Mexico 87502-6189.

Closure of the facility must be approved by the governing bodies of the County and City. Upon closure and sale of the facility, any proceeds remaining after settling all obligations will be split equally between the County and City.

Regional Emergency Communications Center District – Under the authorization of the New Mexico State Statue 11-1-1 through 11-1-7 and pursuant to the New Mexico Enhanced 911 Act 63-9D-41, the County and the City of Santa Fe have jointly undertaken their powers to operate and manage the Regional Emergency Communications Center District (RECC) to provide a more efficient and cost-effective method of providing centralized emergency enhanced 911 dispatch services to the region. The RECC was established as of July 1, 2002 as a public entity separate from the City or County. The Board of Directors consist of the City Manger, the City Police Chief, the City Fire chief, the County Manager, the County Sheriff, the County Fire Chief, and one member appointed by the City and County Managers to represent the community at-large. The operations physically lease space in a County facility. The salaries for the Director, the ITT Manager, and the initial equipment are shared equally by the City and County. The City provides funding for 69% of the expenses and the County provides 31%, an allocation which is reviewed annually to be based on the number of calls received from each jurisdiction. During the fiscal year neither the County nor the City had to contribute to a contingency reserve. Current year fiscal costs were $470,551.

The RECC Agency has its own financial statements as a separate entity, audited on an annual basis. The City serves as the fiscal agent. Complete financial statements for the Agency may be obtained at the Regional Emergency Communications Center, South Highway 14, No. 35 Camino Justicia, Santa Fe, NM 87508.

In July 2007, the County accepted all responsibility for operations and management of the Regional Emergency Communications Center District (RECC). In 2008 financial statements, the RECC will be shown in the County's financial statements as a component unit.

(10) Commitments and Contingencies (Continued)

Joint Powers Agreements (Continued)

The City of Santa Fe and the County have established a joint powers agreement for the Buckman Direct Diversion (BDD) water project. The BDD, estimated at $160-170 million, will be the largest, single capital project for which the two local governments address meeting the current and future needs of an adequate water supply within the area. The Buckman Surface Diversion will provide full access to the San Juan/Chama water rights and/or other native Rio Grande water rights currently held by the City and County. The proposed system will route Rio Grande surface water directly from the river through a conveyance system to a new water treatment facility where water will be conveyed to the various users. Costs incurred to date have been recorded to the Utilities Department enterprise fund as additions to water rights and the water system. There were no current fiscal year costs capitalized.

The County and the City of Espanola, County of Los Alamos, Pueblo of Nambe, Pueblo of Pojoaque, County of Rio Arriba, Pueblo of San Ildefonso, Pueblo of San Juan, Pueblo of Santa Clara, City of Santa Fe, and Pueblo of Tesuque have entered into an intergovernmental contract to create the North Central Regional Transit District (District) under the Regional Transit District Act, Chapter 13, Article 25, Sections 1-18, NMSA 1978. The purpose of the District is to finance, construct, operate, maintain and promote an efficient, sustainable and regional multi-modal transportation system. The District was created as a public entity separate from the cities, counties and pueblos. The original boundaries consist of Governmental Units located within or containing the boundaries of Los Alamos, Rio Arriba or Santa Fe Counties. The Board of Directors consists of one director from each District and will serve without compensation. During the fiscal year 2007, the County entered into a contract with the District to provide $13,600 in funding towards a six-month demonstration of the Eldorado Shuttle Bus Transit Service.

Insurance

The County is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God. The County belongs to the New Mexico County Insurance Authority (NMCIA), a public entity risk pool currently operating as a common risk management and insurance program for its member counties. The County pays an annual premium to NMCIA for all of its general and workers' compensation insurance coverage. The agreement for formation of the NMCIA provides that NMCIA will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of amounts that range from $150,000 for property to $300,000 for other liability claims.

Legal Proceedings

The County is subject to various legal proceedings which arise in the ordinary course of the County's operations. In the opinion of the County's management, the ultimate resolution of the matters will not have a material adverse impact on the financial position or results of operations of the County.

Operating Leases

The County leases land and various equipment under operating leases. Leases are subject to future appropriation and, as such, cancelable by the County at the end of a fiscal year. Rental expense for the year ended June 30, 2007 was $987,569.

(10) Commitments and Contingencies (Continued)

Operating Leases (Continued)

The future minimum lease payments under operating leases for the County is as follows:

Years ending June 30,

2008	$ 554,739
2009	428,199
2010	264,760
2011	104,874
2012	72,918
2013-2017	406,855
2018-2022	512,497
2023-2027	345,515
2028-2031	355,587
	$ 3,045,944

(11) Accounting Standard Pronouncements

GASB issued Statement 45 "Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions," which is effective for the County's fiscal year ending June 30, 2008. The County belongs to the Retiree Health Care Authority and makes contributions based on state law. In November 2006, GASB issued Statement 49 "Accounting and Financial Reporting for Pollution Remediation Obligations," which is effective for the County's fiscal year ending June 30, 2009. In May 2007, GASB issued Statement 50 "Pension Disclosures – an amendment of GASB Statements 25 and 27," which is effective for the County's fiscal year ending June 30, 2008. In June 2007, GASB issued Statement 51 "Accounting and Financial Reporting for Intangible Assets," which is effective for the County's fiscal year ending June 30, 2010. Also, GASB issued Statement 48, "Sales and Pledges of Receivables and Future Revenues" which is effective for the County's 2008 fiscal year. The County has not assessed the future impact on its financial statements due to these GASB pronouncements.

(12) Subsequent Event

In October 2007, the County issued $20,000,000 in Series 2007B General Obligation Bonds to pay for water and road infrastructure. Payments will be made January 1 and July 1, beginning on July 1, 2008 with an interest rate range of 4% to 5.5%. The final bond payments will be due July 1, 2027.

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APPENDIX B

FORM OF BOND COUNSEL OPINION

___________, 2008

$30,000,000
Santa Fe County, New Mexico
County Gross Receipts Tax Revenue Bonds
Series 2008

Ladies and Gentlemen:

We have acted as bond counsel to Santa Fe County, New Mexico (the "County") in connection with the issuance and sale by the County of its $30,000,000 County Gross Receipts Tax Revenue Bonds, Series 2008 (the "Bonds"). The Bonds are issued pursuant to the Constitution and laws of the State of New Mexico (the "State") and Ordinance No. 08-11 adopted on July 29, 2008 (the "Bond Ordinance"). Except as expressly defined herein, capitalized terms used herein have the same meanings as such terms have in the Bond Ordinance.

We have examined those portions of the Constitution and the laws of the State and the United States of America relevant to the opinions herein, a certified transcript of proceedings of the Governing Body of the County (the "Transcript"), and other proceedings and documents relevant to the authorization and issuance by the County of the Bonds, including the form of the Bonds in the Bond Ordinance. As to the questions of fact material to our opinion, we have relied upon the Transcript and other representations and certifications of public officials furnished to us, without undertaking to verify the same by independent investigation.

Based upon the foregoing, and subject to the assumptions and qualifications set forth below, we are of the opinion that, under existing law on the date of this opinion:

1. The Bonds constitute valid and binding special, limited obligations of the County under and in accordance with the Bond Ordinance.

2. The Bond Ordinance has been duly authorized, executed and delivered by the County and the provisions of the Bond Ordinance are valid and binding on the County.

3. The Bonds are payable as to principal and interest, solely from, and are secured by a binding pledge (but not an exclusive pledge) of Pledged Revenues of the County, as more fully described in the Bond Ordinance. The owners of the Bonds have no right to have taxes levied by the County for the payment of principal and interest on the Bonds and the Bonds do not represent or constitute a debt or pledge of, or a charge against, the general credit of the County.

4. The Bond Ordinance creates the lien on the Pledged Revenues that it purports to create.

5. Under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is excludable from gross income for federal income tax purposes. We are also of the opinion that interest on the Bonds is not a specific preference item for purposes of the alternative minimum tax provisions contained in the Internal Revenue Code of 1986, as amended (the "Code"); however, such interest on the Bonds will be included in the adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of alternative minimum tax 75% of the excess of a corporation's

adjusted current earnings over its alternative minimum taxable income (determined without regard to this adjustment and prior to reduction for certain net operating losses). Although we are of the opinion that interest on the Bonds is excludable from gross income for federal income tax purposes, the accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

6. The Bonds and the income from the Bonds are exempt from all taxation by the State or any political subdivision of the State.

The opinions set forth in Paragraph 5 above are subject to continuing compliance by the County with covenants regarding federal tax law contained in the Bond Ordinance and the proceedings and other documents relevant to the issuance by the County of the Bonds. Failure to comply with these covenants may result in interest on the Bonds being included in gross income retroactive to their date of issuance.

The opinions expressed herein are based upon existing legislation as of the date of issuance and delivery of the Bonds, and we express no opinion as of any date subsequent thereto or with respect to any pending legislation.

The obligations of the County related to the Bonds are subject to the reasonable exercise in the future by the State and its governmental bodies of the police power inherent in the sovereignty of the State and to the exercise by the United States of the powers (including bankruptcy powers) delegated to it by the United States Constitution. The obligations of the County and the security provided therefor, as contained in the Bond Ordinance, may be subject to general principles of equity which permit the exercise of judicial discretion and are subject to the provisions of applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect.

The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of result.

As bond counsel, we are passing upon only those matters set forth in this opinion and are not passing upon the accuracy or completeness of any statement made in connection with any sale of the Bonds or upon any tax consequences arising from the receipt or accrual of interest on, or the ownership of, the Bonds except those specifically addressed in Paragraphs 5 and 6 above.

Respectfully submitted,