

OFFICIAL STATEMENT DATED JULY 12, 2016

NEW ISSUE

RATING: 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 not includible in the 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, but such interest on the Bonds will be included in the adjusted current earnings of certain corporations. Bond Counsel is also of the opinion, based on existing laws of the State of New Mexico as enacted and construed, that the Bonds and income from the Bonds are exempt from all taxation by the State of New Mexico or any political subdivision thereof. 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 registered owners of such bonds, see “TAX EXEMPTION” herein.

\$30,365,000

**SANTA FE COUNTY, NEW MEXICO
Gross Receipts Tax Improvement and Refunding Revenue Bonds
Series 2016**

Book-Entry

Dated: Date of Delivery

Due: June 1, as shown on inside cover

The Santa Fe County, New Mexico Gross Receipts Tax Improvement and Refunding Revenue Bonds, Series 2016 (the “Bonds”) are being issued by Santa Fe County, New Mexico (the “County”) to provide funds for: 1) the planning, designing, constructing, rehabilitating, renovating, equipping, and furnishing of necessary County buildings and facilities, including, without limitation, County buildings and facilities located at the sites of the County Administrative Building located at 102 Grant Avenue, Santa Fe, NM and the Old Judicial Complex located at 100 Catron Street, Santa Fe, NM; 2) defeasing, refunding, refinancing, discharging and paying the principal of and accrued interest on the County’s callable Gross Receipts Tax Revenue Bonds, Series 2008; and 3) 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).

The Bonds are issuable only as fully registered bonds to be sold in denominations of \$5,000 or any integral multiple thereof. Interest accrues from the Date of Delivery and is payable semiannually on June 1 and December 1 of each year commencing December 1, 2016, as more fully described herein. 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 system and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York. Purchasers of the Bonds (“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 System” herein.

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

The Bonds are offered when, as and if issued and received by the Underwriter, subject to the approval of validity by Modrall, Sperling, Roehl, Harris & Sisk, P.A., Albuquerque, New Mexico, Bond Counsel, and certain other conditions. Certain legal matters will be passed on for the County by Gregory S. Shaffer, County Attorney. 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 Underwriter. It is anticipated that the Bonds will be available for delivery on or about August 9, 2016, through the facilities of DTC, New York, New York.

Dated: July 12, 2016

[inside cover]

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, 2016, and will mature on June 1 in each year of the years set forth below:

MATURITY SCHEDULE

\$30,365,000
SANTA FE COUNTY, NEW MEXICO
Gross Receipts Tax Improvement and Refunding Revenue Bonds
Series 2016

| <u>Maturity (June 1)</u> | <u>Principal Amount</u> | <u>Interest Rate</u> | <u>Yield</u> | <u>CUSIP Numbers</u> |
|------------------------------|-----------------------------|----------------------|--------------|--------------------------|
| 2017 | \$ 385,000 | 2.000% | 0.640% | 80189RET8 |
| 2018 | 235,000 | 2.000% | 0.750% | 80189REU5 |
| 2019 | 1,505,000 | 2.000% | 0.850% | 80189REV3 |
| 2020 | 1,535,000 | 2.000% | 0.950% | 80189REW1 |
| 2021 | 1,565,000 | 2.000% | 1.050% | 80189REX9 |
| 2022 | 1,595,000 | 5.000% | 1.200% | 80189REY7 |
| 2023 | 1,675,000 | 5.000% | 1.350% | 80189REZ4 |
| 2024 | 1,760,000 | 5.000% | 1.400% | 80189RFA8 |
| 2025 | 1,850,000 | 5.000% | 1.500% | 80189RFB6 |
| 2026* | 1,940,000 | 5.000% | 1.600% | 80189RFC4 |
| 2027 | 2,035,000 | 5.000% | 1.800% | 80189RFD2 |
| 2030 | 2,225,000 | 2.125% | 2.200% | 80189RFF7 |
| 2031 | 2,270,000 | 2.250% | 2.300% | 80189RFG5 |
| 2032 | 2,325,000 | 2.250% | 2.350% | 80189RFH3 |
| 2033 | 2,375,000 | 2.250% | 2.400% | 80189RFJ9 |
| 2034 | 380,000 | 2.250% | 2.450% | 80189RFK6 |
| 2035 | 390,000 | 2.375% | 2.500% | 80189RFL4 |

*Priced to first optional redemption date of June 1, 2025.

\$4,320,000 Term Bond due June 1, 2029 bearing interest at 2.000%, price 100.00;
CUSIP Number 801889FE0

SANTA FE COUNTY, NEW MEXICO

102 Grant Avenue
Santa Fe, New Mexico 87501
(505) 986-6200

BOARD OF COUNTY COMMISSIONERS

Miguel M. Chavez, Chair
Henry Roybal, Vice-Chair
Robert A. Anaya, Commissioner
Kathy Holian, Commissioner
Liz Stefanics, Commissioner

COUNTY ADMINISTRATION

Katherine Miller, County Manager
Carole Jaramillo, Finance Director
Patrick Varela, Treasurer
Geraldine Salazar, County Clerk
Gregory S. Shaffer, County Attorney

BOND COUNSEL

Modrall, Sperling, Roehl, Harris & Sisk, P.A.
500 Fourth Street, NW
Albuquerque, New Mexico 87102
(505) 848-1800

REGISTRAR AND PAYING AGENT

Santa Fe County Treasurer
102 Grant Avenue
Santa Fe, New Mexico 87501

FINANCIAL ADVISOR TO THE COUNTY

RBC Capital Markets, LLC
6301 Uptown Boulevard N.E.
Suite 110
Albuquerque, New Mexico 87110

ESCROW VERIFICATION AGENT

Causey, Demgen & Moore, P.C.

USE OF INFORMATION IN THIS OFFICIAL STATEMENT

No dealer, salesman, or other person has been authorized by Santa Fe County, New Mexico (the "County") or the Underwriter 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. 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. 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.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement that involve estimates, forecasts, or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. The Underwriter has 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 Underwriter does not guarantee the accuracy or completeness of such information.

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.

THE PRICES AT WHICH THE BONDS ARE OFFERED TO THE PUBLIC BY THE UNDERWRITER (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 UNDERWRITER MAY ALLOW CONCESSIONS OR DISCOUNTS FROM SUCH INITIAL PUBLIC OFFERING PRICES TO DEALERS AND OTHERS. IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER 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.

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."

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.

\$30,365,000
SANTA FE COUNTY, NEW MEXICO
GROSS RECEIPTS TAX IMPROVEMENT AND REFUNDING REVENUE BONDS
SERIES 2016

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 148,164. 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, 2016.
- Purpose:** The proceeds of the Bonds will provide funds for 1) the planning, designing, constructing, rehabilitating, renovating, equipping, and furnishing of necessary County buildings and facilities, including, without limitation, County buildings and facilities located at the sites of the County Administrative Building located at 102 Grant Avenue, Santa Fe, NM and the Old Judicial Complex located at 100 Catron Street, Santa Fe, NM, 2) advance refunding, defeasing, refinancing, discharging and paying the principal of and accrued interest on the County’s Gross Receipts Tax Revenue Bonds, Series 2008, and 3) 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.
- 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, 2026, 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, 2025, 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, plus 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 PAYABLE FROM PLEDGED REVENUES" herein.

Outstanding Parity
Obligations:

None

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 Underwriter is expected on or about August 9, 2016.

Paying
Agent/Registrar:

Santa Fe County Treasurer, Santa Fe, New Mexico

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OFFICIAL STATEMENT
\$30,365,000
SANTA FE COUNTY, NEW MEXICO
Gross Receipts Tax Improvement and Refunding Revenue Bonds
Series 2016

INTRODUCTION

This Official Statement, which includes the cover page and the appendices hereto, sets forth certain information in connection with the offering of \$30,365,000 aggregate principal amount of the Santa Fe County, New Mexico Gross Receipts Tax Improvement and Refunding Revenue Bonds, Series 2016 (the “Bonds”), consisting of \$5,720,000 for the Improvement Project (as defined in the Bond Ordinance, and together with the Refunding Project, the “Project”) and \$24,645,000 for the Refunding Project (as defined in the Bond Ordinance, and together with the Improvement Project, the “Project”) to be issued by Santa Fe County, New Mexico, pursuant to Ordinance No. 2016-5, adopted on June 28, 2016 (the “Parameters Bond Ordinance”), as supplemented by a Resolution of the County adopted on July 12, 2016 (collectively, the “Bond Ordinance”).

This introduction is not a summary of this Official Statement. It is only a description of and guide to, and is qualified by, the more complete information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement. No person is authorized to detach this “INTRODUCTION” from this Official Statement, or to otherwise use it without the entire Official Statement. This Official Statement has been prepared by the County in connection with the original issuance and sale of the Bonds, and detachment or other use of this “INTRODUCTION” without the entire Official Statement, including the cover page and appendices, is unauthorized.

The Bonds are payable and collectible 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 amounts of money derived from all of the revenues attributable to 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 County Ordinance No. 2008-11 and as further amended by County Ordinance No. 2016-01, 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 Taxes 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 7-1-6.47 NMSA 1978, which amounts are collected and, after any deductions for administrative costs and any disbursements for tax credits, refunds and the payment of interest applicable to such gross receipts tax and subject to any increase or decrease pursuant to Section 7-1-6.15 NMSA 1978, are distributed monthly (together with the balance of the County’s gross receipt tax) by the Revenue Division of the Taxation and Revenue Department of the State of New Mexico to the County pursuant to Section 7-1-6.13 NMSA 1978. Upon the occurrence of certain conditions specified in the Bond Ordinance, the Bonds will be additionally secured by the revenue attributable to the one-eighth of one percent (0.125%) county hold harmless gross receipts tax transferred to the County pursuant to Section 7-1-6.13 NMSA 1978 (the “Additional Pledged Revenues”) as further described herein, and the

Additional Pledged Revenues will be a component of the Pledged Revenues without further action by the County.

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 PAYABLE FROM PLEDGED REVENUES – Outstanding Obligations Secured by Pledged Revenues” 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) the planning, designing, constructing, rehabilitating, renovating, equipping, and furnishing of necessary County buildings and facilities, including, without limitation, County buildings and facilities located at the sites of the County Administrative Building located at 102 Grant Avenue, Santa Fe, NM and the Old Judicial Complex located at 100 Catron Street, Santa Fe, NM; (2) advance refunding, defeasing, refinancing, discharging and paying the principal of and accrued interest on the County’s Gross Receipts Tax Revenue Bonds, Series 2008; and (3) paying all costs pertaining to the issuance of the Bonds. See “PURPOSE AND PLAN OF FINANCING” herein.

SPECIAL FACTORS RELATING TO THE BONDS

The purchase of the Bonds involves special risks and the Bonds may not be appropriate investments for all types of investors. 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. The Bonds may not be suitable investments for all persons and prospective purchasers should evaluate the risks and merits of an investment in the Bonds, and should confer with their own legal and financial advisors before deciding to purchase the Bonds.

Gross Receipts Tax Collections are Subject to Fluctuation

Gross receipts tax collections are subject to the fluctuations in spending related, in part, to national and local economic conditions which influence 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 total gross receipts of 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 business 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 or operator of a business. 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 first lien (but not necessarily an exclusive first lien) solely 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. Further, 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 PAYABLE FROM PLEDGED REVENUES" herein. Parity Obligations would have a lien on the Pledged Revenues on parity with the lien thereon of the Bonds. If Pledged Revenues are insufficient to pay debt service on the Parity Obligations in any year, debt service on Parity Obligations will be paid on a proportionate basis among the Bonds and such other Parity Obligations.

Secondary Market

Although the Underwriter expects 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 Underwriter 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, the County's gross receipts tax 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 1.350% 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 adopted 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. The Legislature also 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. Taxpayers 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 deductions (the "Hold Harmless Distributions"). Section 7-1-6.47 NMSA 1978. Those distributions with respect to the County Gross Receipts tax increments included in Pledged Revenues are also included within the Pledged Revenues. As described below, the Hold Harmless Distributions will be phased out over a 15-year period, which period began July 1, 2015.

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.

Phase-out of Hold Harmless Distributions

In 2013, the Legislature enacted House Bill 641, which amended several provisions of New Mexico's tax code, including a phased reduction in the Hold Harmless Distributions to certain municipalities and counties over 15 years beginning July 1, 2015.

The law as currently enacted will result in annual reductions and ultimately the elimination of the Hold Harmless Distributions to the County, which began on July 1 2015, as follows:

| <u>Fiscal year beginning July 1</u> | <u>% of Total Hold Harmless Distribution *</u> |
|-------------------------------------|--|
| 2015 | 94% |
| 2016 | 88% |
| 2017 | 82% |
| 2018 | 76% |
| 2019 | 70% |
| 2020 | 63% |
| 2021 | 56% |
| 2022 | 49% |
| 2023 | 42% |
| 2024 | 35% |
| 2025 | 28% |
| 2026 | 21% |
| 2027 | 14% |
| 2028 | 7% |
| 2029 | -0- |

* Based on percentage of total deductions from gross receipts claimed for sale of food at retail food stores and services provided by health care practitioners.

In order to offset the reduced Hold Harmless Distributions, the law allows municipalities and counties to impose a local option gross receipts tax up to 3/8ths of a percent (the “Hold Harmless Gross Receipts Tax”). The County enacted a one-eighth of one percent Hold Harmless Gross Receipts Tax in 2015 by Ordinance No. 2015-3, effective July 1, 2015, but has not pledged revenues derived therefrom to the payment of the Bonds. See “PLEGGED REVENUES” herein. Revenue derived therefrom, however, may be included as Pledged Revenues in the future upon issuance of a No Litigation Opinion. See “DESCRIPTION OF THE BONDS -- Lien on Pledged Revenues; Springing Pledge of Additional Pledged Revenues” herein.

It is possible that the Legislature will further make changes impacting gross receipts taxes. During the 2015 and 2016 Regular Legislative Sessions, a number of proposed bills were considered which attempted to rescind or otherwise modify the Hold Harmless Gross Receipts Tax. While none of the proposed bills was enacted, interim legislative committees have been tasked with developing approaches for eliminating or reducing the Hold Harmless Gross Receipts Tax. Proposals could include additional decreases in Hold Harmless Distributions in the event that a municipality or county imposes any increment of the Hold Harmless Gross Receipts Tax. 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. Notwithstanding the foregoing, the State statute authorizing the imposition of the county hold harmless gross receipts tax includes a provision stating: “Any law that imposes or authorizes the imposition of county hold harmless gross receipts tax or that affects the county hold harmless gross receipts tax, or any law supplemental thereto or otherwise appertaining to, shall not be repealed or amended or otherwise directly or indirectly modified in such a manner as to impair adversely any outstanding revenue bonds that may be secured by a pledge of such county hold harmless gross receipts tax unless such outstanding revenue bonds have been discharged in full or provision has been made therefor.” See Section 7-20E-28 NMSA 1978. 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.

Litigation Concerning the Hold Harmless Gross Receipts Tax

In Case No. D-101-CV-2015-01396, the City of Española, New Mexico, and certain private parties (“Plaintiffs”) have requested a declaratory judgment and injunctive relief against Santa Fe County, New Mexico (the “County”) and the New Mexico Department of Taxation and Revenue concerning the county hold harmless gross receipts tax enacted by Ordinance No. 2015-3. Alternatively, the Plaintiffs have argued that the county hold harmless gross receipts tax does not apply to businesses located within the City or that the county hold harmless gross receipts tax is unconstitutional in its entirety.

The First Judicial District Court ordered the case dismissed on October 27, 2015. On May 9, 2016, the Court denied Plaintiffs’ motion to reconsider the final order of dismissal and for leave to file a fourth amended Complaint. Plaintiffs filed a notice of appeal on May 10, 2016. To date no hearing on the appeal has been scheduled. No assurance can be given about the ultimate outcome of the litigation or the potential for other litigation challenging the Hold Harmless Gross Receipts Tax for counties and municipalities. With respect to the potential financial impact, see “ANNUAL DEBT SERVICE SUMMARY” and footnote (4) thereunder.

County Cannot Increase Distribution of Taxes

The County has no control over the rate at which the Pledged Revenues are distributed to the County; the rate of distribution can be increased only by action of the Legislature. Although it is possible that the Legislature will increase the rate of distribution to the County, there is currently no legislation proposed or pending to increase the rate of distribution to the County.

Bond Rating

There is no assurance that the rating assigned to the Bonds will not be lowered or withdrawn at any time, the effect of which could adversely affect the market price or the marketability of the Bonds. See the information herein under the caption “RATINGS.”

Forward-Looking Statements

This Official Statement contains statements relating to future results 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,” “forecast,” “intend,” “expect,” and similar expressions identify forward-looking statements. Any forward-looking statement is subject to uncertainty. Accordingly, such statements are subject to risks that could cause actual results to differ, possibly materially, from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop forward-looking statements will not be realized or unanticipated events and circumstances may occur. Therefore, investors should be aware that there are likely to be differences between forward looking statements and actual results. Those differences could be material and could impact the availability of Pledged Revenues to pay debt service on the Bonds.

DESCRIPTION OF THE BONDS

General

The Bonds are being issued in the aggregate principal amount of \$30,365,000 in order to provide funds for the Project, consisting of \$5,720,000 for the Improvement Project, and \$24,645,000 for the Refunding 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, 2016. 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.

Mandatory Sinking Fund Redemption

The Bonds maturing on June 1, 2029 are subject to mandatory sinking fund redemption on June 1 in each of the years and principal amounts stated below at a redemption price of 100% of the principal

amount thereof plus interest accrued to the redemption date. As and for a sinking fund for the Bonds so specified, the County shall cause to be deposited to the Interest and Sinking Fund a sum which is sufficient to redeem the following principal amounts plus interest accrued to the sinking fund redemption date:

| Year | Principal Amount |
|-------|------------------|
| 2028 | \$2,140,000 |
| 2029* | 2,180,000 |

*Final Maturity.

Optional Redemption of Bonds

The Bonds maturing on or after June 1, 2026 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, 2025 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 shall be made upon prior notice mailed to each registered owner of each Bond selected for redemption as shown on the registration books kept by the Registrar in the manner and upon the conditions provided in the Bond Ordinance

Redemption Procedures

Notice of redemption shall be given by the Registrar by sending a copy of such notice in the manner required by the Depository or 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 (5th) 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 Parameters 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; 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.

The person in whose name any Bond is registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of either the principal of or interest on any such Bond shall be made only to or upon the order of the registered owner thereof or his legal representative as stated in the Bond Ordinance, but such registration may be changed as provided in the Bond Ordinance. All such payments shall be valid and effectual to satisfy and discharge liability upon such Bond to the extent of the sum or sums so paid.

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 System

Unless otherwise noted, the information contained under the caption "General" below has been provided by DTC. Neither the County nor the Underwriter makes any representations as to the accuracy or the completeness of such information. The Beneficial Owners of the Bonds should confirm the following information with DTC, the Direct Participants, or the Indirect Participants.

NEITHER THE COUNTY NOR THE PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (B) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE BONDS UNDER THE BOND ORDINANCE; (C) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE BONDS; (D) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR INTEREST DUE WITH RESPECT TO THE OWNER OF THE BONDS; (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNERS OF BONDS; OR (F) ANY OTHER MATTER REGARDING DTC.

General

The Bonds will be issued in book entry form. DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, each in the aggregate principal amount of 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 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation, and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to Direct Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The County undertakes no responsibility for and makes no representations as to the accuracy or the completeness of the content of such material contained on that website as described in the preceding sentence, including, but not limited to, updates of such information or links to other Internet sites accessed through the aforementioned website.

Purchases of the Bonds under the DTC system must be made by or through Direct or Indirect Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("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 affect 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 will be sent to DTC. If less than all of the Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any 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 will mail an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal of and sinking fund and interest payments on the Bonds will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, on each payable date in accordance with their respective holdings shown on DTC's records unless DTC has reason to believe that it will not receive payment on the date payable. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, agent, 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 or agent, disbursement of such payments to Direct Participants shall be the responsibility of DTC or the Paying Agent, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the County. Under such circumstances, in the event that a successor securities depository is not obtained, Ordinance.

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

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

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

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

The information in this Official Statement concerning DTC and DTC's book-entry system has been obtained from sources that the County believes to be reliable, but neither the City nor the Underwriter takes any responsibility for the accuracy thereof.

Source of Payment

The Bonds are payable and collectible solely from the Pledged Revenues, with a first lien (though not necessarily an exclusive first lien) on the Pledged Revenues on parity with the lien thereon of Parity Obligations. See "SECURITY FOR THE BONDS" herein.

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 owners 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 a Revenue Fund, an Acquisition Fund, a Debt Service Fund and a Reserve Fund, and authorizes the creation of a Refunding Escrow Account pursuant to an Escrow Agreement for the Refunding Project.

Disposition of Bond Proceeds

The Bond Ordinance provides that 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:

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

Expenses. Second, an amount necessary to pay Expenses shall be used for payment of the Expenses in compliance with applicable law.

Refunding Escrow Deposit. Third, the amount specified in the Escrow Agreement shall be deposited to the Refunding Escrow Account and applied as provided in the Escrow Agreement.

Acquisition Fund Deposit. Fourth, any remaining Bond proceeds after payment of Expenses shall be deposited promptly upon receipt thereof in the Acquisition Fund.

Reserve Funds. No deposit of proceeds of the Bonds or other County moneys into the Reserve Fund shall be required on the date of issuance of the Bonds or at any time thereafter, except in the circumstances and on the conditions described in the Bond Ordinance.

Deposit of Pledged Revenues and Flow of Funds

So long as any Bonds are outstanding, the Pledged Revenues shall, immediately upon receipt thereof by the County, be set aside and deposited into the Revenue Fund. All money deposited into the Revenue Fund shall be held separate and apart from the County's general fund and applied only in accordance with the provisions of this Ordinance and any other County ordinance authorizing the issuance of Parity Obligations.

(A) Debt Service Fund. As a first charge on the Revenue Fund, the following amounts shall be withdrawn from the Revenue 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.

(B) 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.

(C) 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.

(D) Payment of Parity Obligations. Concurrently with the payment of the Pledged Revenues as described in subparagraphs (A), (E) and (G) under the heading “Deposit of Pledged Revenues and Flow of Funds,” any amounts on deposit in the Pledged Revenue Fund shall be used by the County for the payment of principal of, interest on and debt service reserve fund deposits relating to Parity Obligations, if any, authorized to be issued and payable from the Pledged Revenues, as applicable, as the same accrue. If funds on deposit in the Pledged Revenue 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 outstanding Parity Obligations, then the available funds in the Pledged Revenue 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 Obligations, for the payment of principal of and interest on all series of outstanding Parity Obligations and, second, to the extent of remaining available funds in the Pledged Revenue 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 Obligations, for the required debt service reserve fund deposits for all series of outstanding Parity Obligations.

(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 the 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.

(F) No payment need be made into the Debt Service Fund, the Reserve Fund, or both, if the amount in such funds (excluding the amount of any Reserve Fund Insurance Policy) totals a sum at least equal to the entire amount of Bonds then outstanding, both as to principal and interest to their respective maturities, and both accrued and unaccrued, in which case, moneys in the Debt Service Fund and Reserve Fund in an amount at least equal to such principal and interest requirements shall be used solely to pay such as the same accrue and any moneys in excess thereof in the Debt Service Fund and Reserve Fund and any other moneys derived from the Pledged Revenues may be used in any lawful manner determined by the County.

(G) Defraying Delinquencies in 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 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.

(H) Interest on and Expenses relating to any Reserve Fund Insurance Policy Draws. Subordinate and subsequent to the payments required as described in subparagraph (A), and subject to the terms described in subparagraphs (D) and (E) above, Pledged Revenues shall be used to pay interest on amounts advanced under any Reserve Insurance Policy and reasonable expenses relating thereto under, and in accordance with, any agreement relating to any Reserve Fund Insurance Policy.

(I) Use of Surplus Pledged Revenues. After making all the payments described under the heading “Deposit of Pledged Revenues and Flow of Funds” above, 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

Pursuant to the Bond Ordinance, the funds designated above 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 Bank. Each 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 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 four 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 this Ordinance shall prevent the County from establishing one or more bank accounts in an Insured Bank or Banks for all the funds required by this Ordinance or shall prevent the combination of such funds and accounts with any other bank account or accounts for other funds and accounts of the County.

(B) Investment of Moneys. Moneys in any fund or account not immediately needed may be invested in any investment permitted by law. Investments of amounts in the Reserve Fund, if any, shall have maturities not exceeding five years from their date of acquisition and their value shall be determined annually at the end of each Fiscal Year or more frequently if required by accounting standards applicable to the County. 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.

Lien on Pledged Revenues; Springing Pledge of Additional Pledged Revenues

(A) Pledged Revenues. The Bond Ordinance provides that the Pledged Revenues and the amounts and securities on deposit in the Debt Service Fund, and the proceeds thereof, are authorized to be pledged to, and are thereby pledged, and that the County grants a security interest therein for, the payment of the principal of, premium, if any, and interest on the Bonds, subject to the uses thereof permitted by, and the priorities set forth in, this Ordinance. The Bonds constitute an irrevocable first lien, but not necessarily an exclusive first lien, on the Pledged Revenues on parity with the lien thereon of Parity Obligations.

(B) Springing Pledge of Additional Pledged Revenues. The Bond Ordinance provides that the County has issued no bonds or other obligations payable from the Additional Pledged Revenues, and that the County pledges the Additional Pledged Revenues as additional security for the Bonds, provided that such pledge shall become effective at the time that Bond Counsel or the County Attorney provides to the County a written opinion that there is no litigation pending which challenges the legal authority of the County to impose or collect the Hold Harmless Gross Receipts Tax or the pledge thereof as Additional Pledged Revenues (a “No Litigation Opinion”). Prior to the delivery of a No Litigation Opinion, the Additional Pledged Revenues shall not be included as a component of Pledged Revenues. Upon delivery of a No Litigation Opinion, the Additional Pledged Revenues shall be included as Pledged Revenues, effective as of the date of the No Litigation Opinion.

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 otherwise; or

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

(C) Default by the County in the due and punctual performance of its covenants or conditions, agreements and provisions contained in the Bonds or in this Ordinance on its part to be performed, and the continuance of such default (other than a default set forth in subparagraphs A and B of this Section) for sixty (60) 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

(D) The County (i) files a petition or application seeking reorganization, arrangement 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 with 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) cash, (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.

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 Underwriter, the provisions of the Bond Ordinance may be amended with the written consent of the Underwriter, 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

Subject to the uses permitted by, and the priorities set forth in the Bond Ordinance, the County will pledge and grant a security interest in 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, and that the lien of the Bonds thereon is an irrevocable and subordinate lien, but not

necessarily an exclusive subordinate lien, 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 | \$30,365,000.00 |
| Net Original Issue Premium (Discount) on the Bonds | <u>2,859,051.05</u> |
| TOTAL SOURCES | <u><u>\$33,224,051.05</u></u> |
| USES OF FUNDS | |
| Deposit to Refunding Escrow Account | \$26,389,550.24 |
| Deposit to Acquisition Fund | 6,000,000.00 |
| Costs of Issuance ⁽¹⁾ | 287,500.00 |
| Underwriter’s Discount | 544,758.12 |
| Additional Proceeds | 2,242.69 |
| TOTAL USES | <u><u>\$33,224,051.05</u></u> |

⁽¹⁾ Includes legal fees and other miscellaneous costs and contingencies.

ANNUAL DEBT SERVICE SUMMARY

The following table sets forth for each fiscal year from 2017 through 2035 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 2016 Pledged Revenues.

Santa Fe County, New Mexico Debt Service/Coverage

| Year Ending June 30 | Outstanding Senior Lien Bonds ⁽¹⁾ | Series 2016 Bonds | Estimated Pledged Revenues ⁽²⁾⁽³⁾ | Coverage Ratio | Series 1997 | Series 1997A | Subordinate Lien Coverage Ratio | Junior Lien Coverage Ratio |
|------------------------|--|----------------------|--|-------------------|--------------|--------------|---------------------------------------|----------------------------------|
| 2017 | \$ 640,200 | \$1,160,072 | \$11,768,615 | 6.53 | \$ 2,248,100 | \$ 421,500 | 2.69 | 2.45 |
| 2018 | 691,600 | 1,182,869 | 11,695,378 | 6.23 | 2,245,600 | 420,750 | 2.60 | 2.38 |
| 2019 | - | 2,448,169 | 11,622,141 | 4.74 | 2,245,350 | 424,500 | 2.39 | 2.20 |
| 2020 | - | 2,448,069 | 11,548,904 | 4.71 | 2,247,100 | 422,500 | 2.38 | 2.19 |
| 2021 | - | 2,447,369 | 11,463,461 | 4.68 | 2,247,300 | 422,500 | 2.36 | 2.17 |
| 2022 | - | 2,446,069 | 11,378,017 | 4.65 | 2,247,700 | 421,600 | 2.34 | 2.16 |
| 2023 | - | 2,446,319 | 11,292,574 | 4.61 | 2,248,000 | 424,800 | 2.32 | 2.14 |
| 2024 | - | 2,447,569 | 11,207,131 | 4.57 | 2,247,900 | 421,800 | 2.31 | 2.12 |
| 2025 | - | 2,449,569 | 11,121,687 | 4.54 | 2,247,100 | 422,900 | 2.29 | 2.11 |
| 2026 | - | 2,447,069 | 11,036,244 | 4.50 | 2,245,300 | 422,800 | 2.27 | 2.09 |
| 2027 | - | 2,445,069 | 10,950,801 | 4.47 | 2,247,200 | 421,500 | 2.25 | 2.07 |
| 2028 | - | 2,448,319 | 10,865,357 | 4.43 | 2,247,200 | 424,000 | 2.24 | 2.06 |
| 2029 | - | 2,445,519 | 10,779,914 | 4.40 | - | - | 4.40 | 4.40 |
| 2030 | - | 2,446,918 | 10,694,471 | 4.37 | - | - | 4.37 | 4.37 |
| 2031 | - | 2,444,637 | 10,694,471 | 4.37 | - | - | 4.37 | 4.37 |
| 2032 | - | 2,448,562 | 10,694,471 | 4.36 | - | - | 4.36 | 4.36 |
| 2033 | - | 2,446,250 | 10,694,471 | 4.37 | - | - | 4.37 | 4.37 |
| 2034 | - | 397,812 | 10,694,471 | 26.88 | - | - | 26.88 | 26.88 |
| 2035 | - | 399,262 | 10,694,471 | 26.78 | - | - | 26.78 | 26.78 |
| Total | \$1,331,800 | \$39,845,491 | | | \$26,963,850 | \$5,071,150 | | |

⁽¹⁾ Includes unrefunded portion of the Series 2008 Bonds.

⁽²⁾ Pledged Revenues are based on unaudited 5/16% gross receipts tax collections for fiscal year ending June 30, 2016 and projected hold harmless distribution reductions in FY 2017 through 2030. There is no assurance that Pledged Revenues received in the future will equal the Pledged Revenues used in coverage computations. See "PLEDGED REVENUES" herein.

⁽³⁾ In addition to the 5/16% gross receipts tax, Pledged Revenue includes a springing pledge of 1/8% hold harmless gross receipts tax, which for unaudited FY 2016 generated \$4,058,752. The addition of the hold harmless gross receipts tax revenue would generate a combined minimum debt service coverage of 5.65x in FY 2030. There can be no assurances that the hold harmless gross receipts tax revenue will be available as a source of pledge until the resolution of the litigation. See "SPECIAL FACTORS RELATING TO THE BONDS - Litigation Concerning the Hold Harmless Gross Receipts Tax" and "DESCRIPTION OF THE BONDS - Lien on Pledged Revenues; Springing Pledge of Additional Pledged Revenues" herein.

PLEGDED REVENUES

The Bonds are special obligations of the County payable from the Pledged Revenues and moneys in the Debt Service Fund and Reserve Fund created under the Bond Ordinance. The Bonds have a first lien, but not necessarily an exclusive first lien, on the Pledged Revenues on parity with the lien thereon of any Parity Bonds now or subsequently outstanding.

The Pledged Revenues are distributed to the County pursuant to Section 7-1-6.13 NMSA 1978, which County gross receipts tax is imposed on all persons engaging in business in the County, as authorized by Sections 7-20E-1 through 7-20E-28 NMSA 1978, which tax equals, subject to exemptions specified in Sections 7-20E-4(A) and 7-20E-5 NMSA 1978, and the deductions referenced in Section 7-20E-7 NMSA 1978, one-eighth of one percent (0.125%) of the gross receipts of all persons engaging in business in the County for the privilege of engaging in business in the County. The County imposed 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 County Ordinance No. 2008-11 and as further amended by County Ordinance No. 2016-01, and the one-sixteenth of one percent County Gross Receipts Tax enacted pursuant to County Ordinance No. 2005-7. The Additional Pledged Revenues, as defined in the Bond Ordinance, and which shall be included as Pledged Revenues upon the occurrence of certain conditions described in the Bond Ordinance, consist of the revenues of the County Hold Harmless Gross Receipts Tax imposed by the County at a rate of one-eighth of one percent pursuant to Section 7-20E-28 NMSA 1978 and County Ordinance No. 2015-3. The New Mexico Department of Taxation and Revenue collects the gross receipts tax on behalf of the counties that impose it and distributes to the county the amount collected on behalf of that county, less an administration fee not exceeding three percent of the tax collected, in the month following the month of collection.

Taxed Activities

For the privilege of engaging in business in the State, the 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 of other consideration received from selling property in the State (including tangible personal property handled on consignment in the State), from leasing property employed in the State, from selling certain research and development services performed outside the State the product of which is initially used in the State, and from performing services in the State.

Exemptions and Deductions

Some activities and industries are exempt from the gross receipts tax, many by virtue of their taxation under other laws. Exemptions include but are not limited to receipts of governmental agencies and certain organizations (some of which are taxable by the State, with no local distribution), receipts from the sale of vehicles, occasional sales of property or services, wages, certain agricultural products, dividends, receipts from the sale of prescription drugs and certain federal government paid medical expenses, and interest and receipts from the sale of or leasing of natural gas, oil or mineral interests. Various deductions are also allowed, including, but not limited to, receipts from various types of sales or 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 and receipts from the sale of certain food and certain medical services. In spite of the numerous specified exemptions and deductions from gross receipts taxation, the general presumption is that all receipts of a person engaging in business in the County are subject to the gross receipts tax.

Administration of the Tax

Businesses must make their payments of gross receipts tax on or before the twenty-fifth day of each month for taxable events in the prior month. Collection of the gross receipts tax is administered by the Revenue Division of the Taxation and Revenue Department of the State (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. The Revenue Division remits monthly to counties, including the County, the moneys derived from the gross receipts tax, less applicable deductions and disbursements, attributable to the gross receipts tax of businesses located in the County.

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.

Remedies for Delinquent Taxes

The Department may assess gross receipts taxes to a taxpayer who has not paid the taxes due to the State. If any taxpayer to whom gross receipts taxes have been assessed does not make payment (or protest the assessment or furnish security for payment) before 30 days after the date of the assessment, the taxpayer becomes a delinquent taxpayer. A delinquent taxpayer remains delinquent until payment of all taxes due, including interest and penalties, or until security is furnished for the payment. The Department may, under certain circumstances, enter into an agreement with a delinquent taxpayer to permit monthly installment payments for a period of not more than 60 months. Interest is due on any delinquent taxes from the first day following the day on which it is due at the rate of 15.0% per year, computed on a daily basis until paid, without regard to any installment agreement. However, if the gross receipts taxes are paid within 10 days after the demand is made, no interest accrues.

The Department may levy upon all property or rights to property of a delinquent taxpayer and sell the same in order to collect all the delinquent tax. The amount of delinquent 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 the State statutes.

5/16 Percent Increment Gross Receipts Tax Report. Set forth below is a 5-year history of the Gross Receipts Tax Revenues received by the County which are derived from the 5/16 of one percent Gross Receipts Tax increments imposed by the County.

| <u>Fiscal Year Ended June 30</u> | <u>Gross Receipts Tax Rate</u> | <u>Gross Receipts Tax Revenues⁽¹⁾</u> | <u>Percent Increase (Decrease)</u> |
|--------------------------------------|------------------------------------|--|--|
| 2016* | 0.3125% | \$12,483,369 | 3.54% |
| 2015 | 0.3125% | 12,057,072 | 1.19% |
| 2014 | 0.3125% | 11,915,101 | 5.19% |
| 2013 | 0.3125% | 11,327,449 | 0.19% |
| 2012 | 0.3125% | 11,306,312 | 3.16% |

Source: Santa Fe County Financial Director.

⁽¹⁾ Does not include other gross receipts taxes imposed by the County, which are not part of Pledged Revenues and, other than Fiscal Year Ended June 30, 2016, does not reflect the phase-out of Hold Harmless Distributions. See “SPECIAL FACTORS RELATING TO THE BONDS—State Legislation- *Phase-out of Hold Harmless Distributions*” herein.

*Unaudited

Hold Harmless Gross Receipts Tax Report. Set forth below is a history of the Hold Harmless Gross Receipts Tax Revenues received by the County from the July 1, 2015, effective date of that tax:

| <u>Fiscal Year Ended June 30</u> | <u>Hold Harmless Gross Receipts Tax Percentage</u> | <u>Hold Harmless Gross Receipts Tax Revenues</u> | <u>Percent Increase (decrease)</u> |
|--------------------------------------|--|--|--|
| 2016* | 0.125% | \$3,568,734 | n/a |

Source: Santa Fe County Financial Director.

*Unaudited

Other Gross Receipts Taxes (not pledged)

The County also imposes certain other gross receipts taxes which are not pledged to the repayment of the Bonds. These include the second 0.125% County Gross Receipts Tax; the 0.125% County Infrastructure Gross Receipts Tax; the 0.250% County Capital Outlay Gross Receipts Tax; the 0.250% Emergency Communications and Medical Services Gross Receipts Tax; the 0.0625% County Health Care Gross Receipts Tax; the 0.125% Corrections Gross Receipts Tax; the 0.125% County Environmental Gross Receipts Tax; the 0.250% County Fire Gross Receipts Tax; and the 0.125% County Regional Transportation Gross Receipts Tax. The total gross receipts tax rate within the unincorporated area of the County is 7.000% (combined State (5.125%) and County (1.875%) gross receipts tax rates). The total gross receipts tax rate within other areas of the County ranges from 7.000% to 8.9375%. The current Gross Receipts Tax Rate Schedule for the various areas within the County (and the rest of the State) is available at <http://www.tax.newmexico.gov/gross-receipts-tax-historic-rates.aspx>.

Gross Receipts Reported by Standard Industrial Classification

The following represents total taxable gross receipts reported in the County for the last five fiscal years, by Standard Industrial Classification, as well as the total gross receipts reported in the County:

Fiscal Year Ended June 30

| Santa Fe County | 2012 | 2013 | 2014 | 2015 | 2016* |
|--|------------------|------------------|------------------|------------------|------------------|
| Agriculture, Forestry, Fishing and Hunting | \$ 10,642,606 | \$ 8,480,487 | \$ 8,063,354 | \$ 9,058,940 | \$ 5,095,766 |
| Mining | 1,267,668 | 1,022,661 | 1,290,287 | 1,284,505 | 1,161,440 |
| Utilities | 149,695,165 | 158,842,159 | 159,839,897 | 171,543,810 | 142,014,040 |
| Construction | 442,060,716 | 436,951,021 | 482,857,008 | 482,277,569 | 355,953,167 |
| Manufacturing | 60,890,987 | 60,585,771 | 69,803,532 | 70,083,665 | 44,825,621 |
| Wholesale Trade | 61,361,779 | 49,698,986 | 56,660,045 | 77,125,697 | 47,882,737 |
| Retail Trade | 996,495,000 | 987,387,082 | 1,002,372,207 | 1,169,372,861 | 794,842,302 |
| Transportation and Warehousing | 16,482,681 | 9,214,685 | 9,144,268 | 12,450,393 | 10,870,294 |
| Information | 198,147,117 | 197,371,433 | 210,570,358 | 216,345,790 | 160,784,607 |
| Finance and Insurance | 33,389,793 | 39,892,557 | 43,479,466 | 48,356,700 | 33,659,424 |
| Real Estate Rental and Leasing | 68,651,420 | 84,425,302 | 86,021,402 | 109,128,731 | 75,807,123 |
| Professional, Scientific, and Technical Services | 264,715,580 | 294,436,844 | 304,207,877 | 337,689,124 | 236,751,133 |
| Management of Companies and Enterprises | 7,051,275 | 7,091,523 | 5,777,816 | 5,552,131 | 3,208,705 |
| Administration/Support/Waste Management | 35,921,104 | 31,569,387 | 33,592,801 | 39,613,459 | 29,000,061 |
| Educational Services | 20,249,910 | 19,801,096 | 24,289,360 | 30,628,422 | 23,643,158 |
| Health Care and Social Assistance | 162,522,048 | 154,899,099 | 168,526,263 | 203,822,180 | 132,589,958 |
| Arts, Entertainment, and Recreation | 28,417,604 | 29,091,040 | 31,375,703 | 37,741,280 | 35,255,535 |
| Accommodation and Food Services | 394,779,563 | 414,036,667 | 447,145,049 | 556,642,687 | 380,241,595 |
| Other Services (except Public Administration) | 364,386,325 | 377,380,882 | 379,912,588 | 433,450,770 | 280,788,655 |
| Public Administration | 2,295,086 | 1,624,200 | 1,870,790 | 1,957,851 | 2,057,360 |
| Unclassified | 5,180,649 | 7,423,591 | 23,555,770 | 29,571,445 | 32,846,239 |
| Total Taxable | \$ 3,324,604,078 | \$ 3,371,226,473 | \$ 3,550,355,839 | \$ 4,043,698,010 | \$ 2,829,278,920 |
| Total Reported | \$ 5,911,392,010 | \$ 5,884,347,250 | \$ 6,071,042,365 | \$ 6,667,684,125 | \$ 4,611,531,912 |
| State of New Mexico | | | | | |
| Total Taxable | \$48,664,464,847 | \$49,947,373,946 | \$51,174,138,495 | \$59,811,838,324 | \$40,204,578,306 |

Source: New Mexico Taxation and Revenue Department.

* Through First Quarter 2016.

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 last five fiscal years. 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.

| Fiscal Year | Santa Fe County | | State of New Mexico | |
|-------------|-----------------|-----------------|---------------------|------------------|
| | Total | Retail Trade | Total | Retail Trade |
| 2016* | \$4,611,531,912 | \$1,595,752,061 | \$ 82,485,508,205 | \$18,353,368,551 |
| 2015 | 6,667,684,125 | 2,300,270,704 | 119,726,977,705 | 27,481,308,742 |
| 2014 | 6,071,042,365 | 2,139,843,625 | 107,584,699,939 | 24,395,913,091 |
| 2013 | 5,884,347,250 | 1,877,184,451 | 106,300,014,071 | 23,873,876,704 |
| 2012 | 5,911,392,010 | 1,867,655,937 | 104,221,140,556 | 24,009,569,591 |

Source: New Mexico Taxation and Revenue Department.

* Through First Quarter 2016.

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 |
|------------------------------|--|--|
| 2016* | \$2,829,278,920 | \$40,204,578,306 |
| 2015 | 4,043,698,010 | 59,811,838,324 |
| 2014 | 3,550,355,839 | 51,174,138,495 |
| 2013 | 3,371,226,473 | 49,947,373,946 |
| 2012 | 3,324,604,078 | 48,664,464,847 |

Source: New Mexico Taxation and Revenue Department

* Through First Quarter 2016.

ADDITIONAL OBLIGATIONS PAYABLE FROM PLEDGED REVENUES

Other Liens

Following the defeasance of the Series 2008 Bonds with proceeds of the Bonds, at the time of delivery of the Bonds, there will be no outstanding Parity Obligations.

Parity Bonds Test

The Bond Ordinance does not prevent the issuance of additional Parity Obligations payable from and constituting a lien upon the Pledged Revenues on parity with the lien of the Bonds.

(A) Before any additional Parity Obligations are actually issued, it must be determined that:

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

(2) The requirements described in either of the following subparagraphs (a) or (b) of this subparagraph (A)(2) are met and a certificate or opinion as provided for in Paragraph (B) below has been obtained:

(a) The annual Pledged Revenues for the Fiscal Year immediately preceding the date of the ordinance authorizing the issuance of any Parity Bonds shall have been sufficient to pay an amount representing at least one hundred twenty-five percent (125%) of the maximum annual principal and interest coming due in subsequent Fiscal Years on (1) the outstanding Bonds, (2) other outstanding Parity Obligations payable from and constituting a lien upon the Pledged Revenues, and (3) the Parity Obligations proposed to be issued, excluding reserves therefor; or

(b) If, during the period beginning on the first day of the completed Fiscal Year immediately preceding the date of the ordinance authorizing the issuance of the Parity Obligations proposed to be issued and ending on the date of such ordinance, a change in the rate of Pledged Revenues has been adopted by law, the estimate of the Pledged Revenues (sometimes herein the "Estimated Revenues"), determined by changing the actual Pledged Revenues for the preceding Fiscal Year by the percentage of rate increase or decrease in the gross receipts tax rate, shall have been sufficient to pay an amount representing at least one hundred twenty-five percent (125%) of the maximum annual principal and interest coming due in subsequent Fiscal Years on (1) the outstanding Bonds, (2) other outstanding Parity Obligations payable from and constituting a lien upon the Pledged Revenues, and (3) the Parity Obligations proposed to be issued, excluding reserves therefor. The preceding Fiscal Year shall be determined as aforesaid from the date of adoption of the ordinance authorizing the issuance of additional Parity Obligations and shall not be determined from the date of publication of such ordinance or adoption of any ordinance which amends or supplements such ordinance.

(B) Certification or Opinion Regarding Revenues. A written certificate or opinion by an Independent Accountant or the County Treasurer that the Pledged Revenues or the Estimated Revenues, when determined as provided in Paragraph (A) above, are sufficient to pay the required amounts under the applicable test in Paragraph (A) above, shall conclusively determine the right of the County to issue additional Parity Obligations. The Independent Accountant or the County Treasurer may utilize the results of any annual audit to the extent it covers the applicable period.

(C) Subordinate Obligations Permitted. Nothing in the Bond Ordinance shall prevent the County from issuing bonds or other obligations payable from the Pledged Revenues and having a lien on the Pledged Revenues subordinate to the lien of the Bonds.

(D) Superior Obligations Prohibited. The Bond Ordinance provides that the County shall not issue any obligation having a lien on the Pledged Revenues which is prior and superior to the Bonds.

Refunding Bonds

The provisions concerning the issuance of additional bonds payable from Pledged Revenues in the Bond Ordinance are subject to the following exceptions:

(A) Privilege of Issuing Refunding Obligations. If at any time the County shall find it desirable to refund any Parity Obligations or other outstanding obligations constituting a lien upon the Pledged Revenues, the Bonds or other Obligations, or any part thereof, 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 as provided in Paragraphs (B) and (C) below.

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

(1) 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

(2) The refunding obligations are issued in compliance with the provisions described in Paragraph (A) under the heading “ADDITIONAL BONDS PAYABLE FROM PLEDGED REVENUES – Parity Bonds Test” above.

(C) 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:

(1) 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

(2) The refunding bonds or other refunding obligations are issued in compliance with the provisions described in Paragraph (A) under the heading “ADDITIONAL BONDS PAYABLE FROM PLEDGED REVENUES – Parity Bonds Test” above.

(D) Limitation Upon Issuance of any Refunding Obligations. Any refunding obligations payable from Pledged Revenues shall be issued with such details as the County may by ordinance provide, subject to the inclusion of any such rights and privileges designated as described in Paragraph (C) above but without impairing any contractual obligation imposed by any proceedings authorizing any unrefunded portion of any issue or issues, including the Bonds.

Equality of Parity Bonds

The Parity Bonds, for any source of the Pledged Revenues, from time to time outstanding shall not be entitled to any priority one over the other in the application of the Pledged Revenues, as applicable, regardless of the time or times of their issuance or the date incurred, it being the intention of the Board that, except as set forth herein, there shall be no priority among Parity Bonds regardless of whether they are actually issued and delivered or incurred at different times.

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 seventy (270) 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. The County agrees to furnish forthwith a copy of each such audits and reports to the Purchaser and the holder of any of the Bonds at its written request.

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. The Bond Ordinance does not prohibit the issuance of Parity Obligations with a lien on the Pledged Revenues on parity with the lien thereon of the Bonds consistent with the requirements herein

Duty to Impose County Gross Receipts Tax. If State law or any County ordinance or part thereof, which in any manner affects the Pledged Revenues shall ever be held to be invalid or unenforceable, it shall be the duty of the County to take any legally permissible action necessary to produce sufficient Pledged Revenues to comply with the contracted obligations of the Bond Ordinance, except as is provided in Paragraph I of this Section.

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 Pledged Revenues.

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 Chairperson of the Governing Body and other 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 Chairperson of the Governing Body and 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.

Rebate Fund. In furtherance of the covenants set forth in the preceding paragraph, the County hereby establishes a fund separate from any other funds established and maintained hereunder designated as 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 pursuant to the procedures in the manner provided in Section 19(B) 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 the 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. 148,686, estimated 2015) 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...." Among other governmental functions, 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 and emergency medical services by paid staff and Volunteer Fire Districts;
5. road maintenance by the Roads Division of the Public Works Department;
6. managerial and administrative services by an appointed County Manager; and
7. planning, health, welfare, recreation and cultural affairs, with advice by appointed citizen advisory boards.

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

| Member | Position | Term Expires |
|------------------|--------------|--------------|
| Miguel M. Chavez | Chairperson | 12/31/16 |
| Henry Roybal | Vice-Chair | 12/31/18 |
| Robert A. Anaya | Commissioner | 12/31/18 |
| Kathy Holian | Commissioner | 12/31/16 |
| Liz Stefanics | Commissioner | 12/31/16 |

Administrative Officers

The current members of the County Administration are as follows:

Katherine Miller has served as the County Manager since September, 2010. From 2006 through August 2010, Ms. Miller was the Secretary of the Department of Finance and Administration under Governor Bill Richardson. She had previously served as director of the Mortgage Finance Authority as well as Deputy Chief of Staff of Policy and Projects under Governor Richardson. Ms. Miller has extensive experience in local, state and federal government finance and policy and has worked in the private sector managing finance programs and government contracts. Ms. Miller has a bachelor's degree in business from Wright State University in Dayton, Ohio. She previously worked as Santa Fe County's procurement manager from 1997 to 1999 and as finance director from 1999 to 2003.

Patrick Varela has served as County Treasurer since January, 2013. Mr. Varela is a fifth generation Santa Fean, who has worked in both the private sector and government. Mr. Varela received his Bachelor's Degree in Business Administration from Colorado Technical University and is a member of Sigma Beta Delta honors society in Business.

Carole Jaramillo has served as County Finance Director since January, 2015. Ms. Jaramillo began her service with Santa Fe County in April of 2007 as an accountant. Since that time, Ms. Jaramillo has served as the payroll supervisor, then the budget administrator for six years before recently being named Finance Director. Prior to her experience at the County, Ms. Jaramillo spent her career in the not-for-profit sector serving various entities in financial capacities of accountant, assistant controller and finance director. Ms. Jaramillo studied Business Administration at George Mason University in Fairfax, Virginia and is an alumna of the Leadership New Mexico Local Government Leadership Program, serving on that program's curriculum committee.

Gregory S. Shaffer has served as County Attorney since May, 2014. Prior to moving to Santa Fe in 2004, he practiced in the field of complex commercial litigation in New York City, primarily with a national law firm. He began his career in public service when he moved to Santa Fe, working as an Assistant Santa Fe County Attorney for approximately two years and three months before working for the State of New Mexico for approximately seven years and nine months, primarily with the New Mexico Department of Finance and Administration ("DFA"). From November, 2010, to May, 2014, he was DFA's General Counsel. Mr. Shaffer is a 1997 graduate of the New York University ("NYU") School of Law, where he was a member of the editorial staff of NYU's Law Review.

Other Employees

The County has approximately 997 full-time employees.

Retirement Plan; Other Post-Employment Benefits

Public Employees Retirement Association

The County participates in a pension plan organized on a statewide basis and operated by the State of New Mexico. The Public Employees' Retirement Association of New Mexico ("PERA"), established by Section 10-11-1 *et seq.* NMSA 1978, as amended, requires contributions to its plan (the "Plan"), computed as a percentage of salary, from both employee and employer for all full-time employees. The majority of State and municipal employees in New Mexico participate in the Plan. As required by State law, the County contributes to the plan amounts which vary from 9.15% to 21.25% of eligible employees' salaries. The County's contractual obligation under the Plan is limited to the periodic

employer contributions that it is required to make for its participating employees. The contribution requirements of the plan members and the County are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The County's contributions to PERA for the fiscal years ended June 30, 2015, 2014, and 2013 were approximately \$8.7M, \$8.3M and \$7.5M, respectively, which were equal to the amount of the contributions due for each year.

On June 25, 2012, the Governmental Accounting Standards Board approved Statement No. 68 which requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. Statement No. 68 requires governmental participants in cost-sharing multi-employer plans, such as the County, to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. Statement No. 68 became effective for fiscal years beginning after June 15, 2014. As reported in the County's fiscal year 2015 audited financial statements, the County's proportionate share of PERA's net pension liability was \$49,724,000 at June 30, 2015, or 1.5%. These amounts were reported in the County's audited financial statements for Fiscal Year 2015 along with other information required by GASB Statement No. 68.

PERA issues a publicly available financial report that includes financial statements and additional information. A copy of this report can be obtained from PERA at www.nmpera.org/financial-overview.

Actuarial information is shown below:

**State of New Mexico Public Employees Retirement Fund
Summary Information as of June 30, 2015**

| | |
|--|------------------|
| Membership ¹ | 96,479 |
| Actuarial Information | |
| Actuarial Accrued Liability ² | \$18,786,486,550 |
| Actuarial Value of Assets ³ | \$14,074,919,042 |
| Unfunded Actuarial Accrued Liability | \$4,711,567,508 |
| Funded Ratio | 74.9% |

Source: Public Employees Retirement Association

¹ Includes active, inactive and retired members of both the state and municipal divisions.

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

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

In Fiscal Year 2013, PERA reported an Unfunded Actuarial Accrued Liability (“UAAL”) of \$4.6 billion, approximately \$1.6 billion less than the previous fiscal year. The decline in the UAAL was the result of comprehensive pension reform legislation proposed by the PERA Board and enacted by the State Legislature during the 2013 legislative session. Senate Bill 27 significantly amended the Public Employees’ Retirement Act by creating a new tier of reduced benefits for new hires. The law reduces the cost of living adjustments for all current and future retirees; delays the application of cost of living adjustments for certain future retirees; suspends the cost of living adjustments for certain return-to-work retirees; provides for an increase in the statutory employee contribution rate of 1.5% (subject to certain requirements) for employees earning \$20,000 or more in annual salary; provides for an increase in the statutory employer contribution of 0.4% beginning in Fiscal year 2015; increases age and service requirements; lengthens the base average salary calculation amount from three to five years for future employees; increases the vesting period for employees from five to eight years for most members; lowers the annual service credit by 0.5% for most members; and makes several other clarifying and technical

changes. Also as a result of the passage of pension reform legislation, PERA's 30 year projected funded ratio increased from 29% to 108.8%. PERA saw a further \$300 million decline in the UAAL, and increase in the 30-year projected funded ratio to 133% at the end of Fiscal Year 2014. The improvement in Fiscal Year 2014 was due largely to excess investment returns. PERA's Fiscal Year 2014 return was 17.03%, higher than the 7.75% return assumption.

In Fiscal Year 2015, PERA reported an audited Net Pension Liability ("NPL") of \$4.26 billion, using methods and assumptions required under GASB Statement No. 67, the reporting standard applicable to pension plans. PERA annually prepares a "Schedule of Employer Allocations and Pension Amounts" that provides employer participants the information they need to comply with GASB Statement No. 68, including each employer's proportionate share of the NPL. This Schedule is audited by PERA's independent auditors and is reviewed by the New Mexico State Auditor.

New Mexico Retiree Health Care Authority

The County contributes to the State-sponsored New Mexico Retiree Health Care Fund, a cost-sharing multiple employer defined benefit postemployment healthcare plan administered by the Retiree Health Care Authority ("NMRHCA"). The NMRHCA administers the New Mexico Retiree Health Care Act, Sections 10-7C-1 through 10-7C-19 NMSA 1978, for the purpose of providing comprehensive group health insurance coverage for persons who have retired from certain public service in the State and eligible dependents. The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The Retiree Health Care Act establishes the required contributions of participating employers. For employees who were members of an enhanced retirement plan during fiscal year 2015, the statute required each participating employer to contribute 2.50% of each participating employee's annual salary, and each participating employee to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during fiscal year 2015, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary, and each participating employee to contribute 1.0% of their salary. The County's contributions to the NMRHCA for the years ended June 30, 2015, 2014 and 2013 were \$799,879, \$780,883 and \$733,493, respectively, which equal the required contributions for each of those years.

County Budgets

The County's budget is based on a fiscal year beginning July 1 and ending June 30 of the following year. The County Administration is responsible for preparing the budget. Prior to June 1, the Board is required to submit a working draft of the budget to the Local Government Division of the State Department of Finance and Administration (the "Finance Department") for its approval. By July 1 of the new fiscal year, the Finance Department approves and certifies to the County an operating budget for use pending approval of the final budget. Prior to August 1, the County submits a final budget to the Finance Department for approval. Prior to the first Monday in September, the Finance Department must certify the final budget with whatever adjustments it deems necessary to comply with State statutes. Approval of the Finance Department is required for all budget increases, cash transfers between funds, and budget transfers between departments or between funds. If adequate fund balances are available from the prior year, the County budgets expenditures in excess revenues. The County was awarded the National Government Finance Officers Association award for its Fiscal Years 2012, 2013, 2014, and 2016 budget presentations.

County Investments

Statutory Authority

The Board of County Commissioners, acting as the County Board of Finance, is charged with the ultimate supervision and control of all County funds pursuant to Sections 6-10-8, 6-10-10, and 6-10-35(G) NMSA 1978. The statutory duties of the County Board of Finance include the selection of financial institutions for deposit of County funds, setting collateral requirements for such deposits, and selection of custodians for collateral required of depository financial institutions. The County Treasurer is charged with responsibility for day-to-day management of County deposits and investments pursuant to Sections 4-43-2, 6-10-8 and 6-10-10 NMSA 1978, which responsibilities include the maintenance of accurate books and records and regular reporting of the County's financial condition to the County Board of Finance. Pursuant to Sections 6-10-10 and 6-10-31 NMSA 1978, the County Board of Finance and the County Treasurer are jointly responsible for establishing investment strategies for County funds not required to meet the immediate cash flow needs of the County, and the selection of suitable securities and other investments.

County Investment Policy

At its June 10, 2014 meeting, the Board of County Commissioners, acting as the County Board of Finance, approved the current Investment Policy (the "Policy"), which governs the investment activities of the County and applies to all financial assets held by the County Treasurer. The paramount objective of the Policy is to preserve and protect County funds while earning a market rate of interest on all money not immediately needed to meet operational needs. To enable the County Board of Finance and the Treasurer to discharge their statutory duties, the Policy establishes the County Investment Committee, consisting of the Chair and Vice Chair of the Board of County Commissioners, the County Treasurer, the County Manager, the County Finance Director and the County Attorney or their respective designees, and one member of the private sector.

The Policy establishes permissible investments, maturity limits, and diversification limits. A copy of the Policy is available upon request.

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 5th largest school district in the State with a 2015-2016 enrollment of 13,489 students. The District operates 31 school sites, including 21 elementary schools, 6 middle schools, 3 high schools, and 1 international magnet school. These schools include 5 community schools, 4 charter schools, 1 academy, and 1 early childhood center. 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 County of Santa Fe, with a faculty of approximately 425 (full and part-time), serving approximately 6,500 students (credit enrollment).

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.

Santa Fe University of Art and Design

Formerly known as the College of Santa Fe, the Santa Fe University of Art and Design is a private, co-educational 4-year liberal arts college. The University offers Bachelor of Arts degrees in contemporary music, creative writing and literature, moving image arts, performing arts, photography and studio arts; Bachelor of Fine Arts degrees in graphic design, performing arts, photography and studio arts; and Master degrees in arts in education. The University is operated by Laureate International Universities and leases the campus from the City of Santa Fe.

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 from birth through age 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 provides commuter train service between Santa Fe and communities to the south, including the City of Albuquerque.

The County is a member of the North Central Regional Transportation District ("District"), which provides fare-free and fare-based bus service in the Counties of Taos, Rio Arriba, Los Alamos and Santa Fe, as well as the Pueblos of Pojoaque, Nambe, Tesuque, San Ildefonso, Santa Clara and Ohkay Owingeh. The District operates in a service area of 10,079 square miles, and is funded by a dedicated one-eighth of one percent gross receipts tax enacted by each of its county members.

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.

| Year | Santa Fe County | | State of New Mexico | | United States |
|-------|-----------------|--------------------|---------------------|--------------------|--------------------|
| | Labor Force | Percent Unemployed | Labor Force | Percent Unemployed | Percent Unemployed |
| 2016* | 71,541 | 4.9% | 916,362 | 6.1% | 5.0% |
| 2015 | 71,658 | 5.4% | 919,889 | 6.6% | 5.3% |
| 2014 | 71,564 | 5.6% | 921,380 | 6.7% | 6.2% |
| 2013 | 72,592 | 5.6% | 923,685 | 7.0% | 7.4% |
| 2012 | 73,156 | 5.8% | 928,739 | 7.1% | 8.1% |
| 2011 | 73,079 | 6.3% | 930,356 | 7.5% | 8.9% |
| 2010 | 73,760 | 6.8% | 936,088 | 8.1% | 9.6% |
| 2009 | 76,501 | 6.6% | 940,352 | 7.5% | 9.3% |
| 2008 | 78,172 | 3.8% | 944,548 | 4.5% | 5.8% |
| 2007 | 78,018 | 3.0% | 934,027 | 3.8% | 4.6% |

Source: New Mexico Department of Workforce Solutions.

* Average, January through May 2016.

Non-Agricultural Wage and Salary

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

| Industry | Calendar Year | | | | |
|--|---------------|---------------|---------------|---------------|---------------|
| | 2011 | 2012 | 2013 | 2014 | 2015* |
| Mining | 92 | 99 | 86 | 102 | 154 |
| Utilities | 256 | 252 | 247 | 254 | 270 |
| Construction | 3,060 | 3,008 | 3,146 | 2,927 | 3,019 |
| Manufacturing | 784 | 787 | 839 | 849 | 857 |
| Wholesale Trade | 972 | 913 | 947 | 921 | 996 |
| Retail Trade | 8,630 | 8,965 | 9,016 | 8,883 | 8,868 |
| Transportation & Warehousing | 817 | 912 | 934 | 981 | 974 |
| Information | 1,078 | 959 | 1,054 | 999 | 1,009 |
| Finance & Insurance | 1,735 | 1,776 | 1,781 | 1,649 | 1,572 |
| Real Estate & Rental & Leasing | 813 | 802 | 866 | 881 | 868 |
| Professional & Technical Services | 2,652 | 2,558 | 2,475 | 2,429 | 2,465 |
| Management of Companies and Enterprises | 238 | 192 | 194 | 182 | 233 |
| Administrative & Waste Services | 2,143 | 1,986 | 2,073 | 2,002 | 2,050 |
| Educational Services | 4,787 | 4,643 | 4,597 | 4,664 | 5,117 |
| Health Care & Social Assistance | 9,370 | 9,335 | 9,113 | 9,203 | 9,539 |
| Arts, Entertainment & Recreation | 2,151 | 2,189 | 2,363 | 2,365 | 2,279 |
| Accommodation & Food Services | 8,251 | 8,426 | 8,474 | 8,532 | 8,920 |
| Other Services, Except Public Administration | 2,480 | 2,527 | 2,531 | 2,572 | 2,620 |
| Total Private Sector | 43,072 | 43,312 | 43,774 | 43,496 | 44,995 |
| Public Administration | 17,405 | 16,938 | 16,907 | 16,931 | 16,413 |
| Grand Total | 60,477 | 60,249 | 60,681 | 60,426 | 61,408 |

Source: New Mexico Department of Workforce Solutions.

* Average, Fourth Quarter 2015.

Major Employers

Some of the largest employers in the Santa Fe MSA 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 | Business Type | Number of Employees |
|---------------------------------|---------------|---------------------|
| State of New Mexico | Government | 23,601 |
| Los Alamos National Laboratory | Government | 10,199 |
| Christus St. Vincent Hospital | Health Care | 2,021 |
| Santa Fe Public School District | Education | 2,000 |
| City of Santa Fe | Government | 1,500 |
| Santa Fe Community College | Education | 861 |
| Santa Fe County | Government | 900 |
| Peters Corporation | Real Estate | 730 |
| Buffalo Thunder | Casino | 700 |
| Santa Fe Opera | Fine Arts | 630 |
| Total | | 43,142 |

Source: Santa Fe Chamber of Commerce, 2014.

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 |
|------|-----------------|------------|---------------|
| 2015 | N/A | \$38,457 | \$47,669 |
| 2014 | \$48,291 | 37,091 | 46,049 |
| 2013 | 46,538 | 35,254 | 44,438 |
| 2012 | 46,349 | 35,585 | 44,266 |
| 2011 | 44,612 | 34,556 | 42,453 |
| 2010 | 42,538 | 33,019 | 40,277 |
| 2009 | 42,487 | 32,293 | 39,376 |
| 2008 | 45,338 | 33,374 | 41,082 |
| 2007 | 44,807 | 31,832 | 39,821 |
| 2006 | 42,640 | 30,497 | 38,144 |

Source: New Mexico Department of Workforce Solutions.

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 Households by Effective Buying Income Groups

| Effective Buying Income Group | Santa Fe MSA | New Mexico | United States |
|-----------------------------------|--------------|------------|---------------|
| Under \$25,000 | 24.8% | 29.2% | 22.7% |
| \$25,000 - \$34,999 | 9.7% | 12.8% | 10.0% |
| \$35,000 - \$49,999 | 12.4% | 11.2% | 13.4% |
| \$50,000 - \$74,999 | 18.9% | 13.9% | 17.6% |
| \$75,000 and over | 34.3% | 33.0% | 36.3% |
| 2012 Est. Median Household Income | \$51,780 | \$41,958 | \$49,581 |
| 2013 Est. Median Household Income | \$42,553 | \$43,273 | \$49,297 |
| 2014 Est. Median Household Income | \$48,526 | \$44,292 | \$51,579 |
| 2015 Est. Median Household Income | \$51,473 | \$45,633 | \$53,706 |
| 2016 Est. Median Household Income | \$54,229 | \$45,445 | \$55,551 |

Source: The Nielson Company, 2016.

Age Distribution

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

| Percentage of Population | | | |
|--------------------------|------------------------|---------------|------------------|
| Age | Santa Fe County MSA | New Mexico | United States |
| 0 - 17 | 19.6% | 24.2% | 23.0% |
| 18 - 24 | 7.8% | 9.9% | 9.8% |
| 25 - 34 | 11.1% | 13.3% | 13.4% |
| 35 - 44 | 11.8% | 11.8% | 12.6% |
| 45 - 54 | 13.2% | 12.2% | 13.3% |
| 55 & Older | 36.6% | 28.6% | 27.9% |

Source: The Nielsen Company, 2016.

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 of New Mexico | United States |
| 2008* | \$52,442 | \$42,577 | \$50,170 |
| 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., April, 2008

* 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 | 67,947 | 144,170 | 2,059,179 |
| 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. Except as otherwise noted, 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 Heinfeld, Meech & Co., P.C., which performed the audit of the County's Financial Statements for Fiscal Years 2011 and 2012, or Axiom Certified Public Accountants and Business Advisors, which performed the audit of the County's Financial Statements for Fiscal Years 2013, 2014 and 2015, to the inclusion of the audit report and excerpts thereof in this Official Statement, and the auditors have not conducted post-audit reviews of those Financial Statements.

General Fund - Balance Sheet, Fiscal Years Ended June 30, 2011 through 2015

| | <u>2011</u> | <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| ASSETS | | | | | |
| Cash and investments | \$48,239,210 | \$55,378,765 | \$54,372,546 | \$62,719,467 | \$64,883,357 |
| Cash and investments - restricted | 8,315,290 | 8,315,290 | 6,500,000 | 8,099,490 | 7,873,099 |
| Receivables | 448,388 | 819,060 | 626,366 | 587,429 | 201,100 |
| Taxes receivable | 7,375,838 | 7,494,690 | 7,243,583 | 6,950,608 | 6,854,870 |
| Interest receivable | - | - | - | - | 262,619 |
| Grantor agencies receivable | - | - | - | - | 80,124 |
| Prepays & other | - | - | 48,450 | 122,035 | 130,298 |
| Due from other funds | 720,492 | 6,395,766 | 8,491,887 | 1,345,930 | 1,475,458 |
| Total assets | <u>\$65,099,218</u> | <u>\$78,403,571</u> | <u>\$77,282,832</u> | <u>\$79,824,959</u> | <u>\$81,760,925</u> |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities: | | | | | |
| Accounts payable | \$ 981,820 | \$ 1,084,000 | \$ 1,128,867 | \$ 907,243 | \$ 1,089,211 |
| Accrued wages & benefits | 588,905 | 649,361 | 679,394 | 828,959 | 955,737 |
| Due to other funds | - | - | - | 6,062 | 6,062 |
| Deferred revenue | 5,197,983 | 4,911,836 | 5,868,456 | 5,033,410 | 4,844,498 |
| Deposits held for others | 93,890 | 131,477 | 142,589 | 119,671 | 192,423 |
| Other current liabilities | 26,214 | 24,509 | 22,991 | 22,427 | 6,465 |
| Total Liabilities | <u>6,888,812</u> | <u>6,801,183</u> | <u>7,842,297</u> | <u>6,917,772</u> | <u>7,094,396</u> |
| Fund balances (deficits): | | | | | |
| Nonspendable | - | - | 48,450 | 112,035 | 130,298 |
| Restricted | 16,660,890 | 27,022,089 | 30,269,798 | 28,659,177 | 21,136,967 |
| Committed | 14,000,000 | 21,000,000 | 33,800,000 | 37,800,000 | 20,468,186 |
| Assigned | - | - | - | - | 26,834,420 |
| Unassigned | 27,549,516 | 23,580,299 | 5,322,287 | 6,325,975 | 6,096,658 |
| Total fund balances | <u>58,210,406</u> | <u>71,602,388</u> | <u>69,440,535</u> | <u>72,907,187</u> | <u>74,666,529</u> |
| Total liabilities and fund balances | <u>\$65,099,218</u> | <u>\$78,403,571</u> | <u>\$77,282,832</u> | <u>\$79,824,959</u> | <u>\$81,760,925</u> |

Source: Santa Fe County Annual Audit Reports for the fiscal years ended June 30, 2015, 2014, 2013, 2012 and 2011; these figures are excerpts only and do not purport to be complete.

Historical General Fund Revenues, Expenditures and Changes in Fund Balances

Statement of Revenues, Expenditures and Changes in Fund Balances Fiscal Years Ended June 30, 2011 through 2015

| | 2011 | 2012 | 2013 | 2014 | 2015 |
|--|---------------------|---------------------|---------------------|---------------------|---------------------|
| REVENUES | | | | | |
| Property taxes | \$28,795,228 | \$28,008,593* | \$45,631,432* | \$48,196,257 | \$49,591,262 |
| Gross receipts taxes | 7,609,719 | 7,882,901 | 8,291,976 | 8,572,788 | 7,965,027 |
| Other taxes & assessments | 1,163,118 | 1,303,214 | 992,488 | 1,262,783 | 1,208,574 |
| Licenses, permits & fees | 849,815 | 503,423 | 587,595 | 703,243 | 704,766 |
| Charges for services | 1,469,573 | 1,938,303 | 1,923,265 | 1,849,949 | 1,643,483 |
| Fines & forfeitures | 1,700 | 1,705 | 1,518 | 660 | 300 |
| Interest earnings | 1,676,623 | 1,608,197 | 1,886,843 | 1,576,111 | 1,754,926 |
| Grants (federal and state) | 822,707 | 862,173 | 939,382 | 477,289 | 134,429 |
| Other | 44,151 | 301,856 | 224,575 | 845,126 | 184,856 |
| Intergovernmental | 839,755 | 741,488 | 682,763 | 668,483 | 698,926 |
| Total Revenues | 43,272,389 | 43,151,853 | 61,161,837 | 64,152,689 | 63,886,549 |
| EXPENDITURES | | | | | |
| Current | | | | | |
| General government | 20,004,737 | 18,558,010 | 20,404,024 | 21,102,917 | 23,262,055 |
| Public safety | - | - | 395,226 | 212,281 | 34,395 |
| Culture & recreation | 791,099 | 931,569 | 1,102,763 | 910,187 | 1,011,500 |
| Public works | 3,516,403 | 4,287,209 | 5,227,894 | 5,693,737 | 5,084,907 |
| Highways & streets | 1,312,385 | 555,547 | 166,315 | - | - |
| Health & welfare | 1,729,510 | 2,207,956 | 1,984,886 | 1,804,825 | 1,772,798 |
| Housing | -- | 47,256 | 54,114 | 173,059 | 147,686 |
| Capital Improvements | 328,209 | 1,841,533 | 1,943,334 | 916,729 | 501,217 |
| Total expenditures | 27,682,343 | 28,429,080 | 31,278,556 | 30,813,735 | 31,814,558 |
| Excess (deficiency) of revenues over expenditures | 15,590,046 | 14,722,773 | 29,883,281 | 33,338,954 | 32,071,991 |
| Other financing sources (uses): | | | | | |
| Transfers from other funds | 1,485,001 | 2,376,100 | 341,490 | 640,520 | 658,000 |
| Transfers to other funds | (3,070,953) | (3,706,891) | (32,290,271) | (30,512,822) | (30,973,649) |
| Net other financing sources (uses) | (1,583,952) | (1,330,791) | (31,948,781) | (29,872,302) | (30,312,649) |
| Net Change in Fund Balance | 14,004,094 | 13,391,982 | (2,065,500) | 3,466,652 | 1,759,342 |
| <i>Restatement</i> | - | - | (96,353) | - | - |
| <i>Fund balance beginning of year</i> | 44,206,312 | 58,210,406 | 71,602,388 | 69,440,535 | 72,907,187 |
| Fund balance, end of year | \$58,210,406 | \$71,602,388 | \$69,440,535 | \$72,907,187 | \$74,666,529 |

Source: Santa Fe County Annual Audit Reports for the fiscal years ended June 30, 2015, 2014, 2013, 2012 and 2011; these figures are excerpts only and do not purport to be complete.

* Prior to and including 2012, certain property tax revenue was not allocated to the General Fund. In 2013 the County engaged a new auditing firm, which advised the County to recognize that property tax revenue in the general fund. This was offset by an increase in Transfers to other funds equal to the reclassified property tax revenue.

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.

| Entity | 2015 Assessed Valuation | GO Debt Outstanding | Percent Applicable | Amount |
|-----------------------------------|-------------------------|---------------------|--------------------|---------------|
| State of New Mexico | \$58,791,482,390 | \$389,270,000 | 10.31% | \$ 40,119,389 |
| Santa Fe County | 6,610,847,656 | 127,825,000 | 100.00% | 127,825,000 |
| City of Santa Fe | 3,830,361,250 | 41,305,000 | 100.00% | 41,305,000 |
| Town of Edgewood | 102,589,790 | 3,550,000 | 100.00% | 3,550,000 |
| City of Española | 178,056,025 | - | 2.69% | - |
| Española Schools | 577,447,892 | 29,835,000 | 8.73% | 2,606,044 |
| Moriarty Schools | 527,438,057 | 17,985,555 | 7.98% | 1,434,955 |
| Pojoaque Schools | 185,763,688 | 7,795,000 | 100.00% | 7,795,000 |
| Santa Fe Community College | 6,059,234,870 | 23,115,000 | 100.00% | 23,115,000 |
| Santa Fe Schools | 6,059,234,870 | 190,100,000 | 100.00% | 190,100,000 |
| Total Direct and Overlapping Debt | | | | \$437,850,388 |

| | |
|--|------------|
| Ratio of Estimated Direct & Overlapping Debt to 2015 Assessed Valuation: | 6.62% |
| Ratio of Estimated Direct & Overlapping Debt to 2015 Estimated Actual Valuation: | 2.11% |
| Per Capita Direct & Overlapping Debt: | \$3,037.04 |

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:

| | |
|---|-----------------|
| Estimated County Population | 144,170 |
| Total Estimated General Obligation Direct and Overlapping Debt | \$ 437,850,388 |
| Per Capita Direct and Overlapping Debt | \$ 3,037.04 |
| 2015 Assessed Valuation | \$6,610,847,656 |
| Ratio of Estimated Direct and Overlapping Debt to 2015 Assessed Valuation | 6.62% |

Other County Obligations

The table below summarizes all outstanding revenue bonds and other obligations of the County as of December 31, 2015, except as otherwise noted.

| Type and Series of Revenue Obligations | Original Principal Amount | Interest Rate | Date of Final Maturity | Amount Outstanding as of 12/31/15 | Pledged Revenues |
|---|---------------------------|---------------|------------------------|-----------------------------------|--|
| Santa Fe Studio Loan Guaranty* | \$6,500,000 | n/a | 4/2037 | \$5,901,083 | n/a* |
| Capital Outlay Gross Receipts Tax Revenue Bonds, Series 2010A-B | \$31,410,000 | 2.00-5.00% | 6/1/2030 | \$25,985,000 | 3/32 of one percent gross receipts tax |
| Capital Outlay Gross Receipts Tax Revenue Bonds, Series 2009 | \$12,090,000 | 2.00-5.00% | 6/1/2029 | \$9,510,000 | 3/32 of one percent gross receipts tax |
| County Gross Receipts Tax Revenue Bonds, Series 2008** | \$30,000,000 | 3.50-5.00% | 6/1/2033 | \$8,515,000 | 5/16 of one percent gross receipts tax |
| Correctional System Revenue Bonds, Series 1997 | \$30,000,000 | 5.00-6.00% | 2/1/2027 | \$9,510,000 | 5/16 of one percent gross receipts tax |
| Gross Receipts Tax Revenue Bonds, Subordinate Series 1997A | \$6,000,000 | 5.00-6.00% | 2/1/2027 | \$5,492,900 | 5/16 of one percent gross receipts tax |
| New Mexico Finance Authority/Water Trust Board Loan Grant Sharing Agreement with the City of Santa Fe | \$500,000 | 0.25%*** | 6/1/2029 | \$433,097 | Revenue not pledged by ordinance but is paid from 1/4 of one percent capital outlay gross receipts tax |

* The Loan Guaranty is that certain Pledge of Deposit Account Agreement, dated October 26, 2010, pursuant to which the County pledged an account (the "Lockbox Account") holding \$6,500,000, to Los Alamos National Bank (the "Bank") as security for repayment of a loan (the "Bank Loan") made by the Bank to Santa Fe Film and Media Studios, Inc. and La Luz Holdings, LLC (collectively, the "Studio Developer") in connection with a local economic development act project undertaken by the County, the State, and the Studio Developer pursuant to the Local Economic Development Act, Sections 5-10-1 through 5-10-14 NMSA 1978, as amended. The Lockbox Account was funded with surplus County revenue in excess of the reserve requirements established by Section 7-20E-11 NMSA 1978 and policy of the State Department of Finance and Administration. Under the Loan Guaranty, the maximum amount that the Bank can draw annually from the Lockbox Account is \$900,000. The County has no obligation to replenish any amounts drawn from the Lockbox Account by the Bank, and does not have the right to utilize the Lockbox funds for other County purposes while the Bank Loan is outstanding. The Studio Developer is obligated to reimburse the County for any amounts drawn from the Lockbox Account, which obligations are secured by a mortgage on the project property. The Studio Developer has made all payments required under the Bank Loan.

** The Series 2008 Bonds will be defeased with a portion of the proceeds of the Bonds at the time of delivery of the Bonds.

*** Santa Fe County does not pay interest on the Loan/Grant Sharing Agreement, but pays a 0.25% annual administrative cost on the outstanding balance.

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 "No Litigation Certificate"). The No Litigation Certificate will include an exception concerning the springing pledge of Additional Pledged Revenues, which will become a component of Pledged Revenues upon a determination that there is no litigation pending which challenges the County's authority to impose and collect the Hold Harmless Gross Receipts Tax. See "SPECIAL FACTORS RELATING TO THE BONDS—Litigation Concerning the Hold Harmless Gross Receipts

Tax” and “DESCRIPTION OF THE BONDS—Lien on Pledged Revenues; Springing Pledge of Additional Pledged Revenues” herein.

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. Bond Counsel is also of the opinion, based on existing laws of the State of New Mexico as enacted and construed, that the Bonds and income from the Bonds are exempt from all taxation by the State of New Mexico or any political subdivision thereof.

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 includible 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 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 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.

Internal Revenue Service Audit Program

The Internal Revenue Service (the “Service”) has an ongoing program auditing tax-exempt obligations to determine whether, in the view of the Service, 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 Service will commence an audit of the Bonds. If an audit is commenced, under current procedures the Service will treat the County as the taxpayer and the Bond owners 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 become includable in gross income except to the extent described above for the owners thereof for federal income tax purposes. None of the County, the Underwriter, the initial purchasers of the Bonds or Bond Counsel is responsible to pay or reimburse the costs of any Bond owner with respect to any audit or litigation relating to the Bonds.

Original Issue Discount

Certain of the Bonds were sold 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

Certain of the Bonds were sold 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.

Post-Issuance Tax Compliance Procedures

The Board of County Commissioners has previously adopted post-issuance tax compliance procedures which will be utilized in connection with investment and expenditure of the proceeds of the Bonds and the use of projects funded with such proceeds.

FINANCIAL STATEMENTS

Appendix A contains excerpts from audited Financial Statements of the County for the fiscal year ended June 30, 2015. 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.

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 Gregory S. Shaffer, Esq., County Attorney.

RATINGS

Standard & Poor's Ratings Services ("S&P") has assigned a municipal bond rating of "AA+" to the Bonds. An explanation of the significance of such ratings may be obtained from S&P.

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

In connection with its issuance of the Bonds, the County will execute a Continuing Disclosure Undertaking, a form of which is attached as Appendix C hereto, under which it will agree for the benefit of the owners of the Bonds (i) to provide audited annual financial statements of the County when available after the end of each Fiscal Year, including Fiscal Year 2016, and to provide certain annual financial information and operating data relating to the County by March 31 of each year, and (ii) to provide timely notice of certain enumerated events, if material.

Compliance with Prior Undertakings

The County has previously entered into continuing disclosure agreements in accordance with SEC Rule 15c2-12. The County discovered that it has been out of compliance with its continuing disclosure undertaking entered into in connection with the County's Correctional System Revenue Bonds, Series 1997 and Gross Receipts Tax Revenue Bonds, Series 1997A (together, the "1997 Bonds"), which provides for the reporting of Annual Financial Information by December 31 of each year in which the 1997 Bonds are outstanding. The County filed its Audited Financial Statements by March 31 in each year since the 1997 Bonds were issued.

The County did not timely file a Moody's rating change in August 2013 related to its County Gross Receipts Tax Bonds and Capital Outlay Gross Receipts Tax Bonds. The rating change resulted from a Moody's surveillance rating process. The rating change was disclosed on EMMA immediately following the discovery that the rating change had not been filed. Except as indicated in this paragraph and the immediately preceding paragraph, the County believes that it has been in material compliance with the requirements of outstanding continuing disclosure agreements entered into in connection with bonds issued by the County over the past five years. The County has implemented procedures intended to assure compliance with its continuing disclosure agreements.

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 Board of County Commissioners of Santa Fe County. The Official Statement is hereby duly approved by the Commissioners as of the date on the cover page hereof.

SANTA FE COUNTY, NEW MEXICO

By /s/ Miguel M. Chavez
Miguel M. Chavez, Chairperson
Board of County Commissioners

ATTEST:

 /s/ Geraldine Salazar
Geraldine Salazar, County Clerk

APPENDIX A

**EXCERPTS FROM AUDITED FINANCIAL STATEMENTS OF
SANTA FE COUNTY, NEW MEXICO
FOR THE YEAR ENDING JUNE 30, 2015**

The County has not requested the consent of Axiom Certified Public Accountants and Business Advisors LLC, 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.

SANTA FE COUNTY, NEW MEXICO

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2015
WITH AUDITORS' REPORTS THEREON



**SANTA FE COUNTY
NEW MEXICO
COMPREHENSIVE ANNUAL
FINANCIAL REPORT
JUNE 30, 2015**



**Prepared by:
Santa Fe County Finance Division**

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SANTA FE COUNTY
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INTRODUCTORY SECTION

Henry P. Roybal
Commissioner, District 1

Miguel M. Chavez
Commissioner, District 2

Robert A. Anaya
Commissioner, District 3



Kathy Holian
Commissioner, District 4

Liz Stefanics
Commissioner, District 5

Katherine Miller
County Manager

November 2, 2015

To the Board of County Commissioners, the County
Manager and the citizens of Santa Fe County

We are pleased to submit to you the Comprehensive Annual Financial Report for Santa Fe County for the fiscal year ended June 30, 2015. The financial statements and supporting schedules have been prepared in conformity with generally accepted accounting principals for government, and with the requirements of the State of New Mexico, Office of the State Auditor.

This report consists of management's representations concerning the finances of Santa Fe County. County management assumes full responsibility for the completeness and reliability of the information presented in this report based on a comprehensive framework of internal controls that were established for this purpose. Santa Fe County has established a comprehensive internal control framework that is intended to provide reasonable assurance that assets are safeguarded against loss or unauthorized use, and that financial records can be relied upon to produce financial statements according to generally accepted accounting principles. "Reasonable assurance" is intended to recognize that the cost of maintaining the system of internal accounting controls should not exceed the benefits derived. The County's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. The County's management team asserts that, to the best of our knowledge, this financial report is complete and reliable on all material respects.

This report consists of an Introductory Section, the Financial Section which includes the opinion of the County's independent auditor Axiom Certified Public Accountants and Business Advisors LLC (Axiom), a Management's Discussion and Analysis, a Statistical Section with ten years of summary data, and the Other Information Section. The introductory section includes this transmittal letter, the County's organizational chart and a list of County Officials and administrative staff. Readers should refer to the Management's Discussion and Analysis beginning on page 15 of this report for a more detailed overview of how to use this report, and for an introduction to the County's basic financial statements and an analytical overview of the County's financial activities.

Axiom has audited the County's financial statements for the fiscal year ended June 30, 2015. The goal of the independent audit was to provide reasonable assurance that the financial

statements of the County for fiscal year ended June 30, 2015, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; thus, resulting in an assessment of the overall financial statements. Axiom concluded that there was a reasonable basis for rendering an unmodified (or clean) opinion that Santa Fe County's financial statements for the fiscal year ended June 30, 2015 are fairly presented in conformity with accounting principles generally accepted in the United States of America. The report may be found on pages 12-14 of this report.

The Reporting Entity and Its Services

Santa Fe 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. Santa Fe County is located in north-central New Mexico. The City of Santa Fe is the capital of the State of New Mexico and is in the center of the County approximately 60 miles northeast of Albuquerque. Santa Fe County has a total area of 1,911 square miles, 1,909 square miles of land and 2 square miles of water. The 2010 decennial census revealed a population of 144,170, which includes 67,947 individuals located in the City of Santa Fe. This reflects a countywide population percentage *increase* since the 2000 decennial census of 11.5%, which is a lower percentage increase than the State as a whole which saw a 13.2% increase during that same period. Based on 2013 population estimates, Santa Fe County had a population of 147,423 and the 5th highest population growth rate in the State (behind Sandoval, Lea, Curry, Eddy and McKinley) and is the 3rd most populous County (behind Bernalillo and Dona Ana). The average unemployment rate in July, 2014 was 5.7% which is 1.0% less than the State rate of 6.7%.

The County operates under the commission-manager form of government. All legislative power within the County is vested in an elected five-member Board of Commissioners (BCC). The executive function is divided and shared by the Board and five elected county officials - the Assessor, Clerk, Probate Judge, Sheriff and Treasurer. The County provides the following services: public safety (sheriff, fire, emergency communications and corrections), highways and streets, sanitation, health and social services, low rent housing assistance, affordable housing, culture and recreation, senior services, public projects' improvements, planning and zoning, economic development, and general administration services. A regional planning authority created by the City and County of Santa Fe, as well as County housing services, utility and home sales enterprises are included within the business activity of the County's financial statements.

Santa Fe County maintains extensive budgetary controls; the budget serves as the foundation for Santa Fe County's financial planning and control. Fiscal year 2015 marks the third transitional year where the budget was developed using a results-accountable, priority-driven budget methodology (referred to generically as performance-based budgeting). Staff was instructed to build their budget requests in such a manner as to fund each function adequately to achieve the function's desired outcome even if it resulted in an increase to their budget. The FY 2015 budget contemplates modest increases to some revenue sources, changes to benefits and increases to staff compensation, significant one-time expenditures for large maintenance and repair items and significant asset renewal and replacement expenditures and provides Departments with the resources that they need to achieve the desired outcomes of their functions.

Public safety, road maintenance, improvement and construction, and expanding the utility into a self-sustaining enterprise as well as investing in employees were all priorities in FY 2015. As part of the public safety focus, additional support was given to the wildland fire prevention and suppression program. The most significant priority change was a new funding approach to economic development initiatives that target specific areas such as film and media, culture and cultural tourism, and alternative and renewable energy. Another significant budget priority shift was a focus on developing management plans for key open space properties owned by Santa Fe County.

Economic Condition and Outlook

Major industries in the Santa Fe County area center on tourism and recreation. These include all associated industries such as food, lodging, arts and entertainment. Education and health care also contribute a large portion of the jobs in the area. Professional scientific and management industries also add significantly to the employment base of Santa Fe County. Government employees comprise 28% of the workforce with 17,195 employees out of 60,058 total employees as reported by the New Mexico Department of Workforce Solutions. The local hospital employs a total of 2,021 employees. The County is the 7th largest employer with 894 employees as of June 30, 2015.

Economic development emerged as a key citizen priority of the quality of life for citizens of Santa Fe County. As a result, this service area received more focus and more resources during the FY 2015 budget process. Film and media, arts, culture and cultural tourism, and alternative and renewable energy initiatives received targeted funding.

Santa Fe County is fortunate to have a large property tax base with a current assessed valuation of \$6.5 billion. In FY 2013 the County Assessor completed a County-wide reappraisal. This reappraisal is intended to ensure that all properties have been captured on the tax rolls as well as to ensure “true and correct” valuations of all properties in the County and is statutorily required on a periodic basis. The tax year 2014 taxable valuation (the tax year applicable to fiscal year 2015) experienced a decrease of \$239.8 million or 3.7% when compared to tax year 2013. Given that the values are true and correct, the result is a more fair distribution of the tax burden across all property owners. Property tax collections continued to be strong in FY2015 with a slight increase up to 95.64 percent.

In FY 2015 Santa Fe County increased the budget for countywide gross receipts taxes by three percent. This increase represents a very conservative projection of collections which have begun to rebound from the significant declines of FY 2009 through FY 2011. Santa Fe County budgeted the unincorporated GRTs up three percent as well, in FY 2015. While the unincorporated GRTs have been slower to rebound experiencing declines from FY 2009 through FY 2013, they have begun to rebound allowing for a modest three percent increase in the budget.

A principal issue for Santa Fe County is the funding of a large regional water system which will serve the Northern part of the County, which has historically obtained its drinking water from wells. The Aamodt Settlement of water rights requires that a regional water system be designed and constructed. The cost of building this regional system will be borne by the Federal

government, the State of New Mexico and Santa Fe County. The current understanding is that Santa Fe County' funding commitment will be approximately \$24 million.

The County continues to strive to incorporate financial planning in its long-range vision to remain solvent in the current economy. The County maintains the State mandated cash reserve requirements in the general fund and the road fund. During fiscal year 2015 the Board of County Commissioners approved new fund balance requirements that includes committing general fund balance for disaster recovery, uninsured losses, major infrastructure repair and replacement and a contingency reserve. The new requirements also include a 10% contingency reserve in each fund that supports ongoing operations (excluding grant funds). Additionally, the County continued to maintain a \$5.0 million budgeted contingency reserve throughout FY 2015 to assist, if necessary, in times of economic distress. Thus far the County has not had to make use of the contingency reserve.

As the economy recovered, the County has both conscientiously and strategically maintained sufficient reserves and continued to be conservative with revenue projections. This strategy has enabled the County to not impact employees either by reduced salaries or furloughs. Actually this strategy has enabled the County to increase contributions to health insurance for employees and continue cost of living increases.

Financial Policies

The County's accounting records for general government operations are maintained on a modified accrual basis, with the revenues being recorded when available and measurable and expenditures being recorded when the services or goods are received and the liabilities are incurred. Accounting records for the County's utilities and other enterprise activities are maintained on an accrual basis.

In developing and maintaining the County's accounting system, consideration is given to the adequacy of the internal control structure. We believe that the County's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

The State of New Mexico requires a balanced budget for each fund. The budget is reviewed by the Governing Body and is formally adopted by the passage of a budget resolution. Santa Fe County imposes this balanced budget standard in conjunction with the standard that recurring expense in each fund be sourced with recurring revenue. A monthly report of major revenue sources, costs category and fund expenses and major fund cash positions is produced and reported to the Board of County Commissioners. Lastly, quarterly budget updates are approved and provided to the Governing Body and are submitted to the State Department of Finance and Administration Local Government Division, pursuant to state law.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Santa Fe County for its comprehensive annual financial report for the fiscal year ended June 30, 2014. In order to

be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. This is the third year that the County has received this GFOA award. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and will submit it to the GFOA to determine its eligibility for another certificate.

Santa Fe County also received the Government Finance Officers Association Distinguished Budget Presentation award for the fiscal year 2014 Final Program Budget. This is the seventh year that the County has received this GFOA budget award.

Acknowledgments

The preparation of this report could not have been accomplished without the dedicated services of the staff within the Finance Division. A special thanks to Lynette Kennard, accounting and financial reporting manager. Ms. Kennard worked tirelessly on the audit and to produce these financial statements, having completed the project with a reduced staff limited by vacancies and turn over.

We wish to express our sincere appreciation to all staff members whose dedication and professionalism made the preparation of the report possible. We would also like to thank the staff from other County departments who assisted and contributed to its preparation. Finally, without the leadership and support of the County Manager and the members of the Board of County Commissioners, preparation of this report would not have been possible.

Respectfully submitted,



Carole H. Jaramillo
Finance Division Director



Government Finance Officers Association

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

Presented to

**Santa Fe County
New Mexico**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

STATE OF NEW MEXICO
SANTA FE COUNTY

OFFICIAL ROSTER

JUNE 30, 2015

COUNTY COMMISSIONERS



Henry Roybal
Member, District 1



Miguel M. Chavez
Member, District 2



Robert Anaya
Chair, District 3



Kathy Holian
Member, District 4



Liz Stefanics
Member, District 5

ELECTED OFFICIALS



Gus Martinez
County Assessor



Patrick Varela
County Treasurer



Robert Garcia
County Sheriff



Geraldine Salazar
County Clerk



Shannon B. Bulman
Probate Judge

ADMINISTRATIVE OFFICIALS



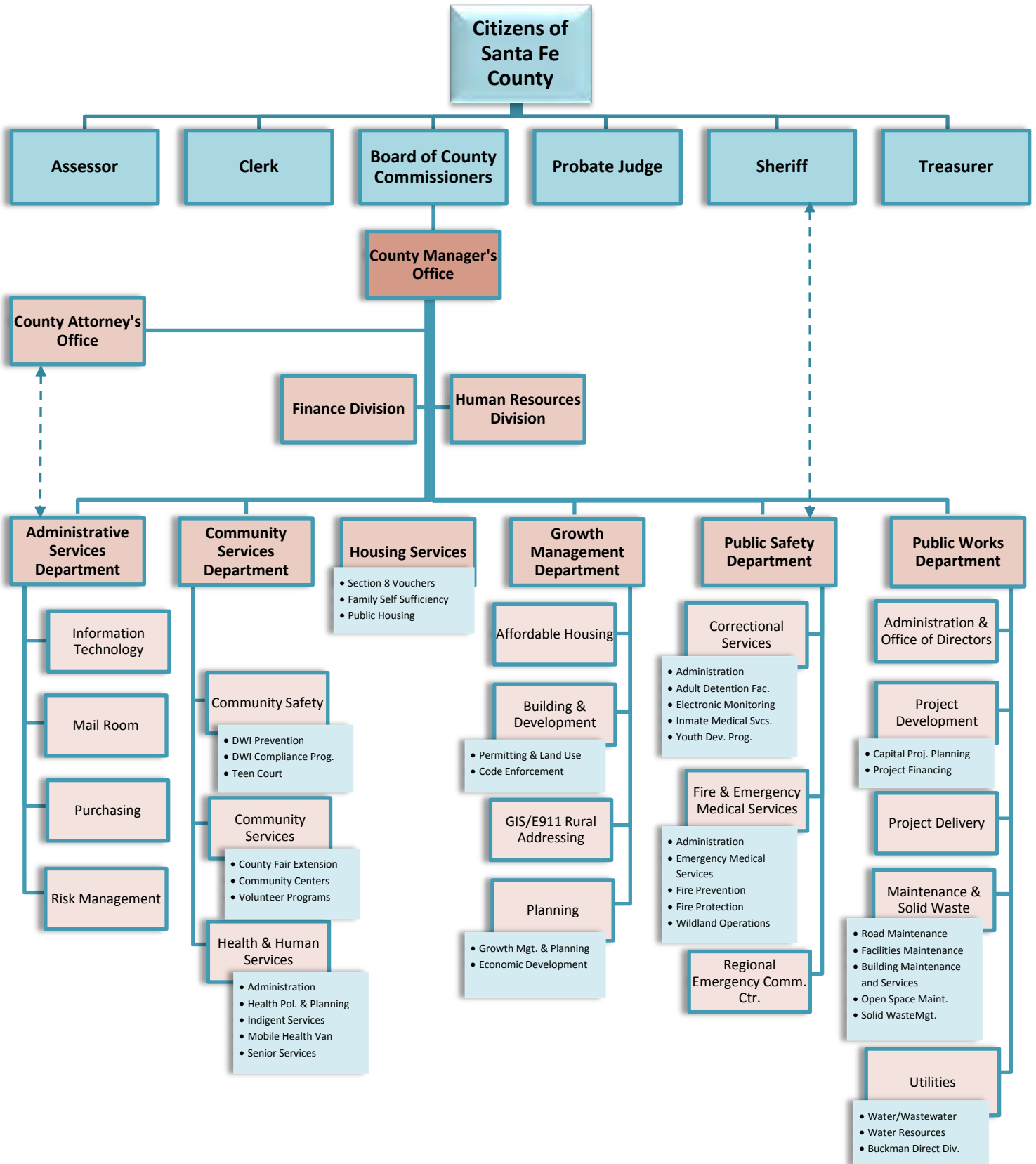
Katherine Miller

County Manager

Rachel O'Connor
Jeff Trujillo
Penny Ellis-Green
Pablo Sedillo III
Greg Shaffer
Adam Leigland
Claudia I. Borchert
Bernadette Salazar
Carole H. Jaramillo

Community Services Department
Administrative Services Department Director
Growth Management Department Director
Public Safety Department Director
County Attorney
Public Works Director
Utilities Division Director
Human Resources Division Director
Finance Division Director

STATE OF NEW MEXICO
SANTA FE COUNTY
ORGANIZATIONAL CHART
FISCAL YEAR ENDED JUNE 30, 2015





FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the County Commission
Santa Fe County
and Mr. Tim Keller
New Mexico State Auditor

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information and the budgetary comparisons for the general fund and major special revenue funds of Santa Fe County, New Mexico ("County") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the County's nonmajor governmental funds, fiduciary fund and the budgetary comparisons for the major capital projects fund, debt service fund and all nonmajor funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2015, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the 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, 2015, and the respective changes in financial position thereof and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund and fiduciary fund of the County as of June 30, 2015, and the respective changes in financial position thereof and the respective budgetary comparisons for the major capital projects fund, debt service fund and all nonmajor funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 18 to the financial statements, in 2015 the County adopted new accounting guidance, *GASB Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 15 to 27, Schedule of County's Proportionate Share of the Net Pension Liability, and Schedule of County Contributions on pages 90 to 93 and 94 to 98, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The Schedule of Expenditures of federal awards as required by Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, introductory and statistical sections, financial data schedule, and the other schedules as required by 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2015 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* in considering the County's internal control over financial reporting and compliance.



Albuquerque, New Mexico
November 2, 2015

STATE OF NEW MEXICO
SANTA FE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
YEAR ENDED JUNE 30, 2015

As management of Santa Fe County (County), New Mexico, we offer the 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, 2015.

FINANCIAL HIGHLIGHTS

The financial statements, which follow Management's Discussion and Analysis, provide the significant key financial highlights for fiscal year 2015 as follows:

- In the Statement of Net Position the County's total net position of governmental activities decreased \$35.8 million and business-type activities decreased by \$5.8 million. In total, the net change of \$41.6 million represents a decrease of 10.4 percent from the prior year. The County continues to have a strong financial position, operating reserves and assets available to provide services to the citizens.
- The Statement of Net Position reflects the recording of \$49.7 million in net pension liability, \$9.2 million in deferred outflows, and \$16.2 million in deferred inflows to comply with the requirements of GASB Statement No. 68 (GASB 68).
- In the Statement of Activities, the total governmental activities revenue totaled \$135.8 million, of which general revenues from governmental activities accounted for \$114.7 million or 84.5 percent of all revenues from governmental activities. Program specific revenues in the form of charges for services and grants and contributions accounted for \$21.1 million or 15.5 percent of total revenue from governmental activities.
- In the Statement of Activities, the total business-type activities revenue totaled \$5.6 million, of which general revenues from business-type activities accounted for \$112,131 or 2.0 percent of all revenues from business-type activities. Program specific revenues in the form of charges for services and operating grants and contributions accounted for \$5.5 million or 98.0 percent of business-type activities.
- In the Statement of Activities the County had \$114.8 million in expenses related to governmental activities, of which \$21.1 million were offset by program specific charges for services or grants and contributions. General revenues of \$114.7 million were adequate to provide for the remaining costs of these programs. The County had \$9.7 million in expenses related to business-type activities. These expenses were offset by program specific revenues in the form of charges for services and operating grants and contributions of \$5.5 million.
- The General Fund had \$63.9 million in revenue, which primarily consisted of taxes, charges for services and interest earnings. The total expenditures of the General Fund were \$31.8 million. The General Fund's fund balance increased by \$1.8 million compared to a fiscal year 2014 increase in the fund balance of \$3.5 million. Overall revenue decreased slightly, by \$266,140, which is the net result of increases in property tax collections and interest earnings and decreases in gross receipts taxes, other taxes, charges for services, grants and

STATE OF NEW MEXICO
SANTA FE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
YEAR ENDED JUNE 30, 2015

FINANCIAL HIGHLIGHTS (Continued)

other revenue. Expenses increased by \$1.0 million as the net result of increases in general government and culture and recreation and decreases in public safety, public works, health and welfare, housing and capital improvements. Additionally, the transfers to other funds increased by \$0.5 million.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the County's basic financial statements. The County's basic 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 required and other supplementary information in addition to the basic financial statements themselves.

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

The statement of net position presents information on all of the County's assets, deferred outflows, liabilities and deferred inflows with assets and deferred outflows minus liabilities and deferred inflows reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The statement of activities presents information showing how the County's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal period (e.g., uncollected taxes and earned but unused compensated absences).

The government-wide financial statements of the County's activities are presented in the following categories:

- **Governmental activities** – Most of the County's basic services are included here, such as general government, public safety, public works, and culture and recreation. Gross receipt taxes, property taxes, and intergovernmental revenues finance most of these activities.
- **Business-type activities** – The services provided by the County included here are home sales, regional planning, utilities and housing services. These services are primarily financed through charges for services.

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 or objectives. The County uses fund accounting to ensure and demonstrate compliance with finance-related legal

STATE OF NEW MEXICO
SANTA FE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
YEAR ENDED JUNE 30, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the County's near-term financing requirements.

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

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the General Fund, Fire Operations Fund, Capital Outlay GRT Fund, Developer Fees Fund, Corrections Operations Fund, and the General Obligation Bond (GOB) Debt Service Fund, which are considered to be the County's major governmental funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining schedules.

Proprietary funds. The County maintains four proprietary funds. These enterprise funds are used to report certain functions presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for its home sales program, regional planning authority, utilities, and housing authority.

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

Notes to the financial statements. The notes (pages 47-88) provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Under New Mexico Administrative code Section 2.2.2, governments in New Mexico must include the budgetary

STATE OF NEW MEXICO
SANTA FE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
YEAR ENDED JUNE 30, 2015

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

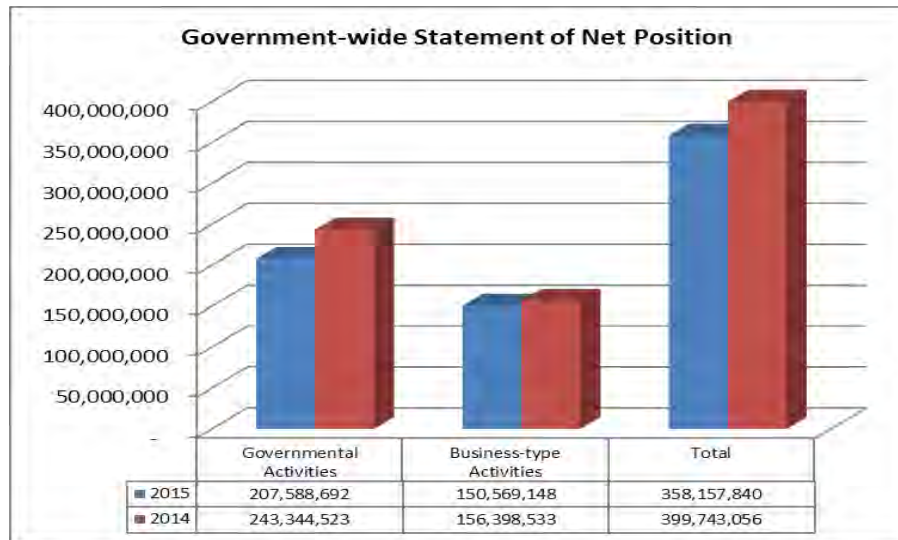
comparison statement for the General Fund as well as major special revenue fund data as a component of the fund financial statements within the basic financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets and deferred outflows exceeded liabilities and deferred inflows by \$358.2 million at the current fiscal year end.

A significant portion of the County's net position reflects its investment in capital assets (e.g. land, construction in progress, infrastructure, buildings and improvements, and vehicles, furniture and equipment), less any related debt used to acquire those assets that is still outstanding plus any unspent proceeds and deferred outflows on advance refunding of bonds. The County uses these capital assets to provide services to its citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other resources, since the capital assets themselves cannot be used to liquidate these liabilities. In addition, \$80.8 million of the County's net assets are restricted for the specified purposes of debt service repayment and capital outlay investment.

The County's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets. The same situation held true for the prior fiscal year. The most significant changes from the previous fiscal year were the addition of \$20.7 million of current assets, primarily cash and investments, and increase of \$1.6 million of current liabilities, and the addition of \$51.7 million of long-term liabilities of which \$49.7 million was related to recording net pension liability resulting from the implementation of GASB 68. Also related to GASB 68 implementation is the addition of \$9.2 million in deferred outflows and \$16.2 million in deferred inflows. The following chart and table present comparative information of the County's net position for the fiscal years ending June 30, 2015, and June 30, 2014.



STATE OF NEW MEXICO
SANTA FE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
YEAR ENDED JUNE 30, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

| | Government-Wide Statement of Net Position | | | | | |
|--------------------------------------|---|-----------------------------|-----------------------|----------------------------|-----------------------------|-----------------------|
| | 2015 | | | 2014 | | |
| | Governmental Activities | Business-type Activities | Total | Governmental Activities | Business-type Activities | Total |
| ASSETS | | | | | | |
| Current and other assets | \$ 241,662,353 | \$ 18,036,784 | \$ 259,699,137 | \$ 223,550,383 | \$ 15,357,680 | \$ 238,908,063 |
| Capital assets, net | 252,168,893 | 134,830,541 | 386,999,434 | 249,519,178 | 141,724,453 | 391,243,631 |
| Total Assets | 493,831,246 | 152,867,325 | 646,698,571 | 473,069,561 | 157,082,133 | 630,151,694 |
| DEFERRED OUTFLOWS | 11,170,851 | 268,404 | 11,439,255 | - | - | - |
| LIABILITIES | | | | | | |
| Current and other liabilities | 11,540,762 | 650,776 | 12,191,538 | 23,081,392 | 683,600 | 23,764,992 |
| Long-term liabilities | 270,098,335 | 1,444,009 | 271,542,344 | 206,643,646 | - | 206,643,646 |
| Total Liabilities | 281,639,097 | 2,094,785 | 283,733,882 | 229,725,038 | 683,600 | 230,408,638 |
| DEFERRED INFLOWS | 15,774,308 | 471,796 | 16,246,104 | - | - | - |
| NET POSITION | | | | | | |
| Net Investment in | | | | | | |
| capital assets | 76,764,029 | 134,830,541 | 211,594,570 | 45,169,178 | 141,724,453 | 186,893,631 |
| Restricted | | | | | | |
| Restricted for: | | | | | | |
| Contractual & Statutory requirements | 58,561,585 | - | 58,561,585 | 51,386,816 | - | 51,386,816 |
| Debt service | 13,570,196 | - | 13,570,196 | 13,372,767 | - | 13,372,767 |
| Capital outlay | 67,187,332 | - | 67,187,332 | 59,458,056 | - | 59,458,056 |
| Unrestricted (Deficit) | (8,494,450) | 15,738,607 | 7,244,157 | 73,957,706 | 14,674,080 | 88,631,786 |
| Total net position | \$ 207,588,692 | \$ 150,569,148 | \$ 358,157,840 | \$ 243,344,523 | \$ 156,398,533 | \$ 399,743,056 |

Changes in net position. The County's total revenues for the fiscal year 2015 were \$141.3 million. The total cost of all programs and services was \$124.5 million. The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2015 and June 30, 2014.

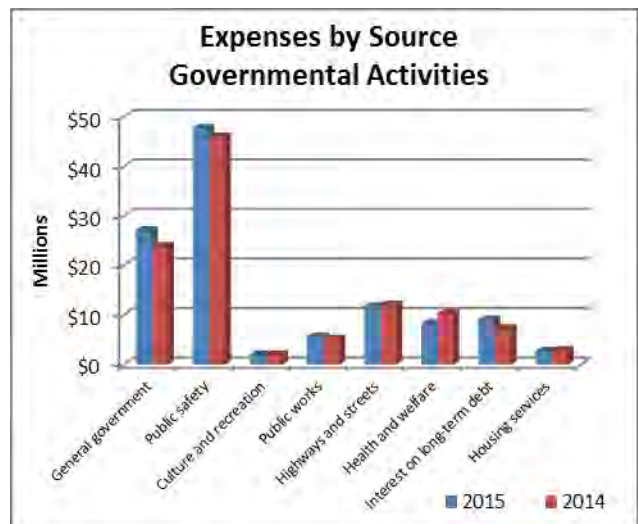
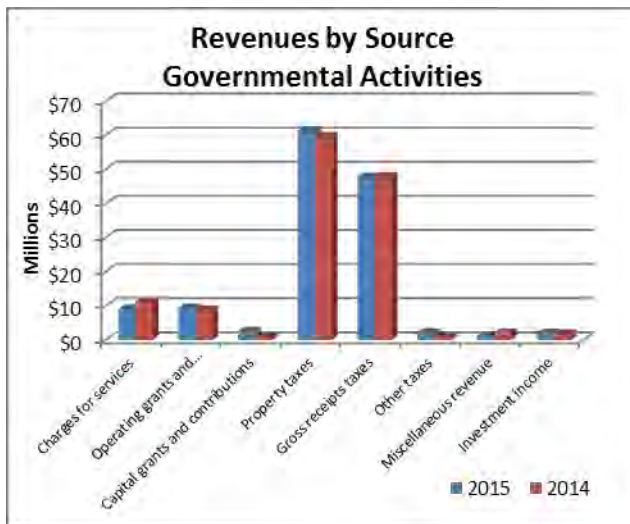
| | 2015 | | | 2014 | | |
|--|----------------------------|-----------------------------|----------------------|----------------------------|-----------------------------|----------------------|
| | Changes in Net Position | | | Changes in Net Position | | |
| | Governmental Activities | Business-type Activities | Total | Governmental Activities | Business-type Activities | Total |
| Revenues | | | | | | |
| Program revenues | | | | | | |
| Charges for services | \$ 9,072,068 | \$ 4,927,801 | \$ 13,999,869 | \$ 11,296,751 | \$ 9,048,155 | \$ 20,344,906 |
| Operating grants and contributions | 9,379,709 | 523,288 | 9,902,997 | 8,815,053 | 524,444 | 9,339,497 |
| Capital grants and contributions | 2,651,061 | - | 2,651,061 | 1,094,790 | - | 1,094,790 |
| General revenues | | | | | | |
| Property taxes, levied for debt svc. | 50,003,374 | - | 50,003,374 | 11,325,637 | - | 11,325,637 |
| Property taxes, levied for general | 11,373,993 | - | 11,373,993 | 48,407,990 | - | 48,407,990 |
| Gross receipts taxes | 47,801,199 | - | 47,801,199 | 47,999,014 | - | 47,999,014 |
| Other taxes | 2,185,022 | - | 2,185,022 | 1,262,783 | - | 1,262,783 |
| Miscellaneous revenue | 1,298,075 | - | 1,298,075 | 2,159,729 | - | 2,159,729 |
| Investment income | 2,049,343 | 112,131 | 2,161,474 | 1,883,376 | 43,092 | 1,926,468 |
| Total revenues | 135,813,844 | 5,563,220 | 141,377,064 | 134,245,123 | 9,615,691 | 143,860,814 |
| Expenses | | | | | | |
| General government | 27,191,186 | - | 27,191,186 | 23,975,201 | - | 23,975,201 |
| Public safety | 47,837,664 | - | 47,837,664 | 46,116,609 | - | 46,116,609 |
| Culture and recreation | 2,113,464 | - | 2,113,464 | 2,072,097 | - | 2,072,097 |
| Public works | 5,706,823 | - | 5,706,823 | 5,200,881 | - | 5,200,881 |
| Highways and streets | 11,799,859 | - | 11,799,859 | 12,146,864 | - | 12,146,864 |
| Health and welfare | 8,376,767 | - | 8,376,767 | 10,363,114 | - | 10,363,114 |
| Interest on long-term debt | 9,087,710 | - | 9,087,710 | 7,426,852 | - | 7,426,852 |
| Home Sales | - | 9,781 | 9,781 | - | 14,023 | 14,023 |
| Regional Planning Authority | - | - | - | - | 13,543 | 13,543 |
| Utilities Department | - | 8,592,558 | 8,592,558 | - | 4,977,961 | 4,977,961 |
| Housing Services | 2,720,326 | 1,093,347 | 3,813,673 | 2,956,709 | 1,139,191 | 4,095,900 |
| Total expenses | 114,833,799 | 9,695,686 | 124,529,485 | 110,258,327 | 6,144,718 | 116,403,045 |
| Increase (decrease) in net assets before transfers | 20,980,045 | (4,132,466) | 16,847,579 | 23,986,796 | 3,470,973 | 27,457,769 |
| Transfers | - | - | - | - | - | - |
| Change in net position | \$ 20,980,045 | \$ (4,132,466) | \$ 16,847,579 | \$ 23,986,796 | \$ 3,470,973 | \$ 27,457,769 |

STATE OF NEW MEXICO
SANTA FE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
YEAR ENDED JUNE 30, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

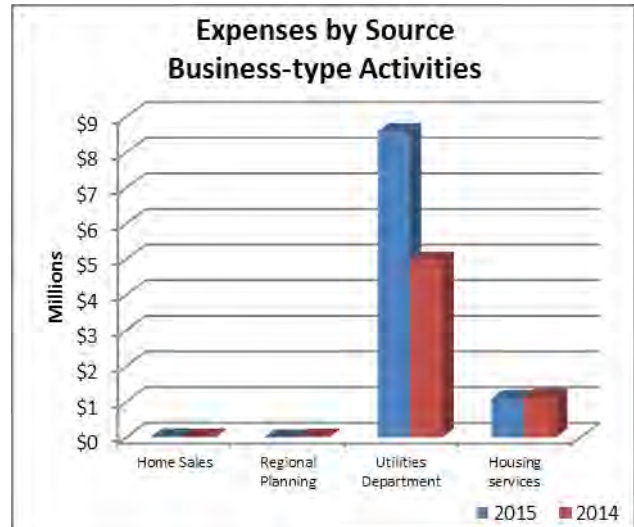
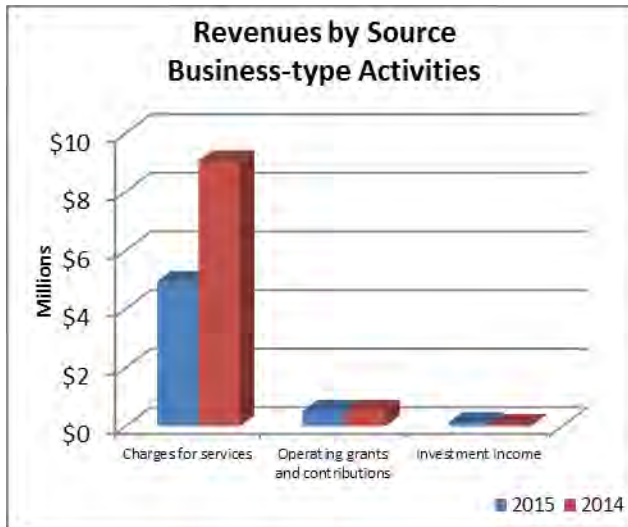
Governmental and Business-type activities. The following table presents the cost of the twelve (12) major County functional activities. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs). The net cost shows the financial burden that was placed on the State and County's taxpayers by each of these functions.

| | 2015 | | 2014 | |
|---------------------------------|-----------------------|-----------------------------------|-----------------------|-----------------------------------|
| | <u>Total Expenses</u> | <u>Net (Expense)/ Revenue</u> | <u>Total Expenses</u> | <u>Net (Expense)/ Revenue</u> |
| Governmental Activities | | | | |
| Expenses | | | | |
| General government | \$ 27,191,186 | \$ (23,830,223) | \$ 23,975,201 | \$ (20,076,917) |
| Public safety | 47,837,664 | (37,270,239) | 46,116,609 | (33,946,570) |
| Culture and recreation | 2,113,464 | (200,088) | 2,072,097 | (1,804,792) |
| Public works | 5,706,823 | (5,449,752) | 5,200,881 | (4,945,845) |
| Highways and streets | 11,799,859 | (11,046,247) | 12,146,864 | (11,498,926) |
| Health and welfare | 8,376,767 | (6,318,792) | 10,363,114 | (8,989,306) |
| Interest on long-term debt | 9,087,710 | (9,087,710) | 7,426,852 | (7,426,852) |
| Housing Services | 2,720,326 | (527,910) | 2,956,709 | (362,525) |
| Total | \$ 114,833,799 | \$ (93,730,961) | \$ 110,258,327 | \$ (89,051,733) |
| Business-type Activities | | | | |
| Home Sales | \$ 9,781 | \$ (9,781) | \$ 14,023 | \$ 17,015 |
| Regional Planning Authority | - | - | 13,543 | (13,543) |
| Utilities Department | 8,592,558 | (4,126,012) | 4,977,961 | 3,007,167 |
| Housing Services | 1,093,347 | (108,804) | 1,139,191 | (182,758) |
| Total | \$ 9,695,686 | \$ (4,244,597) | \$ 6,144,718 | \$ 2,827,881 |



STATE OF NEW MEXICO
SANTA FE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
YEAR ENDED JUNE 30, 2015

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)



- The cost of all governmental activities this year was \$114.8 million; the increase of \$4.6 million from the prior year was primarily due to increases in expenses related to general government, public safety, public works, highways and streets, culture and recreation and interest on long-term debt which were offset by decreases in expenses related to highways and streets and health and welfare. The most significant increase, \$3.2 million, was seen in general government and is attributable to the County's additional investment in employees and other board priorities, increased maintenance of County facilities, as well as increases in multi-line and workers' compensation insurance.
- The cost of all business-type activities this year was \$9.7 million, an increase of \$3.6 million from the prior year. The increase was seen in the Utilities Department while Home Sales, the Regional Planning Authority and Housing Services each saw small decreases.
- Charges for services and contributions subsidized certain governmental programs and business-type programs with revenues of \$26.6 million, a decrease of \$4.2 million from the prior year. The decrease can be found primarily in business-type activities charges for services due to the sale of assets. A \$2.3 million reduction in charges for services in governmental activities in the public safety category also contributed to the change. Revenues reflected within operating grants and contributions saw an increase of \$0.6 million primarily in public safety.
- Net cost of governmental activities of \$93.7 million was financed by general revenues, which are made up primarily of property taxes and gross receipts taxes of \$109.2 million. The majority of costs can be attributed to general government, public safety, highways and streets, health and welfare and interest on long-term debt.

STATE OF NEW MEXICO
SANTA FE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
YEAR ENDED JUNE 30, 2015

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

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

The financial performance of the County as a whole is reflected in its governmental funds. As the County completed the year, its governmental funds reported a combined fund balance of \$214.0 million, an increase of \$16.9 million. This increase is attributable to the net of increases in assets totaling \$18.2 million and increases in liabilities and deferred inflows totaling \$1.4 million. The increase in assets can be found in the cash and investments categories of \$16.4 million and smaller increases in other asset categories mainly taxes receivable, grants receivable and due from other funds. The increases in liabilities and deferred inflows can primarily be seen in the accounts payable, accrued wages and benefits, due to other funds and unavailable revenue categories.

The General Fund is the principal operating fund of the County. The General Fund's fund balance increased \$1.8 million to \$74.7 million at year end. In fiscal year 2014 the fund balance increased by \$3.5 million. Overall revenue decreased slightly, by \$0.3 million, which is the net result of increases in property tax collections and interest earnings and decreases in gross receipts taxes, other taxes, charges for services, grants and other revenue. Expenses increased by \$1.0 million as the net result of increases in general government and culture and recreation and decreases in public safety, public works, health and welfare, housing and capital improvements. Additionally, the transfers to other funds increased by \$0.5 million.

Major special revenue funds include the Developer Fees Fund which reflects a slight increase in fund balance of \$33,263 attributable to client payment of affordable mortgages. Another major fund, the Corrections Operations Fund saw a decrease of \$0.4 million in fund balance. The decrease is the result of the use of cash to complete capital and maintenance projects, and other one-time expenses for which cash had been accumulated. The Fire Operations Fund continues to be reported as a major fund this fiscal year and experienced an increase of \$0.9 million in fund balance. The increase is due to increased gross receipt taxes, ambulance fee collections and grants.

The Capital Outlay Gross Receipts Tax Fund, the only capital improvement fund reported this fiscal year as a major fund, realized an increase in its fund balance of \$2.9 million. This increase in fund balance is a result of an increase in gross receipts taxes and a reduction in expenses caused by delays in moving forward on various capital projects.

STATE OF NEW MEXICO
SANTA FE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
YEAR ENDED JUNE 30, 2015

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS (Continued)

The GOB Debt Service Fund is reported as a major fund in fiscal year 2015 and reflects the activity related to the issuance of \$39.2 million in refunding/advance refunding bonds and the corresponding premium received on the transaction. Although the refunding/advance refunding transaction had no effect on the fund balance of the Fund, it is reported as a major fund to assist users of the financial statements to gain an understanding of the transaction.

Proprietary funds. The Enterprise Funds net position decreased by \$5.8 million to \$150.6 million at year end. The decrease can be attributed to a reduction in investments in capital assets and recording a net pension liability, deferred inflows and deferred outflows as a result of implementation of GASB 68.

BUDGETARY HIGHLIGHTS

The fiscal year 2015 budget was developed using a results-accountable, performance-based budgeting methodology and marked the third transitional year to this form of budgeting. Staff was instructed to build their budget requests in such a manner as to fund each function adequately to achieve the function's desired outcome even if it resulted in an increase to the budget.

The fiscal year 2015 budget totaled \$235.2 million of which \$53.1 million represented interfund transfers. Excluding these transfers the total fiscal year 2015 budget was \$182.0 million. This represents a \$1.5 million decrease from the fiscal year 2014 budget.

The vast majority of the County's budget was within its special revenue funds totaling \$98.2 million. A distant second majority was the General Fund totaling \$81.2 million. The remainder of the budget was comprised of capital improvement funds (\$31.1 million), debt service funds (\$19.0 million) and enterprise funds (\$5.7 million).

Many of the funding priorities remained from fiscal year 2014 to fiscal year 2015. Public safety, road maintenance, improvement and construction, and expanding the utility into a self-sustaining enterprise as well as investing in employees were all priorities that carried over from FY 14 to FY 15. In addition, economic development, the expansion of youth programs and library programs, and completing management plans for key open space properties were new priorities.

The Public Safety Department (including the Sheriff's Office) continued to have the largest operating budget of any department in the County. The General Fund heavily supported these operations by transferring funds. Road maintenance, improvement and construction of new roads are perpetual priorities for the citizens and the Commission. The road maintenance budget was decreased by \$0.6 million from \$6.1 million in FY 14 to \$5.6 million in FY15. The decrease resulted from a reduction in the amount of new equipment purchases needed for the operation. The decrease was reflected in the General Fund support which decreased from \$5.5 million in FY 14 to \$4.9 million in FY15.

STATE OF NEW MEXICO
SANTA FE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
YEAR ENDED JUNE 30, 2015

BUDGETARY HIGHLIGHTS (Continued)

Expanding the Water and Wastewater Utility to become a self-sustaining enterprise is underway. In FY 15 there was a large increase to the Utility's customer base due to service phasing agreements made with the City of Santa Fe as part of an annexation settlement agreement. The level of investment in employees, including new and reclassified positions and additional compensation increased in FY 15 and totaled more than \$3.3 million across all funds. Funding was approved for cost of living increases, a merit pool, restructuring of the County contribution to health insurance for employees making under \$50,000/year, additional education benefits, improvement to the physical work environment and capital funding to provide better equipment with which employees do their work.

Other new priorities that received funding were targeted economic development initiatives (\$0.4 million), expanded youth programs (\$76K), and development of open space management plans for three key open space properties (\$150K).

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. For fiscal year ended June 30, 2015, the County had invested \$14.6 million in capital assets, including buildings, water systems, facilities, vehicles, computers, equipment, and infrastructure assets. The investment net of deletions represents an increase of \$7.6 million prior to depreciation. Total depreciation expense for the current fiscal year was \$13.6 million. The following schedule presents capital asset balances for the fiscal years ended June 30, 2015, and June 30, 2014.

| <u>Governmental Activities</u> | As of June 30, 2015 | As of June 30, 2014 |
|-----------------------------------|------------------------|------------------------|
| Land | \$ 37,036,236 | \$ 36,435,442 |
| Buildings and improvements | 183,034,048 | 180,608,832 |
| Infrastructure | 77,562,040 | 70,213,172 |
| Vehicles, Furn. Fixtures & Equip. | 62,971,173 | 61,076,417 |
| Construction in progress | 4,925,257 | 5,495,935 |
| Right of way land | 10,109,940 | 10,109,940 |
| Less: Accumulated Depreciation | <u>(123,469,801)</u> | <u>(114,420,560)</u> |
| Total | <u>\$ 252,168,893</u> | <u>\$ 249,519,178</u> |
| | | |
| <u>Business-type Activities</u> | | |
| Land | \$ 876,119 | \$ 2,165,532 |
| Buildings and improvements | 7,808,937 | 7,858,096 |
| Water systems | 122,974,821 | 122,210,296 |
| Vehicles, Furn. Fixtures & Equip. | 1,240,169 | 1,143,723 |
| Construction in progress | 607,074 | 428,419 |
| Water rights | 17,808,069 | 21,704,696 |
| Less: Accumulated Depreciation | <u>(16,484,648)</u> | <u>(13,786,309)</u> |
| Total | <u>\$ 134,830,541</u> | <u>\$ 141,724,453</u> |

Additional information on the County's capital assets can be found in Note 5 Capital Assets, pages 63-66.

STATE OF NEW MEXICO
SANTA FE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
YEAR ENDED JUNE 30, 2015

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

Debt Administration. At year end, the County had \$209.6 million in long-term debt principal outstanding. The following table presents a summary of the County's outstanding long-term debt for the fiscal year ended June 30, 2015, and June 30, 2014. Additional information on the County's debt can be found in Note 9 Bonds Payable, pages 67 through 70.

| | 2015 | 2014 |
|-----------------------|-----------------------|----------------------|
| Bonds payable | \$125,545,000 | \$127,010,000 |
| Revenue bonds payable | \$ 84,030,000 | \$ 87,460,000 |
| TOTAL | \$ 209,575,000 | \$214,470,000 |

State statute currently limits the amount of general obligation debt a County may issue for general purposes to 4 percent of its total assessed property valuation. The current general obligation debt limitation for general purposes for the County is \$262.5 million. State statute currently does not limit the amount of general obligation debt a County may issue for Water and Wastewater systems. Debt service per capita in fiscal year 2015 totals \$127.81; \$76.29 for general obligation debt service and \$51.52 for revenue bond and other debt service.

Credit Ratings. The financial condition of the County is strong as reflected by the County's bond rating of AA+ from Standard & Poor for the General Obligation Series 2015. Such a rating was assigned given that the County's restricted revenues provide satisfactory debt service coverage, the County has a large and diverse tax base and the County maintains solid financial operations with strong reserves.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

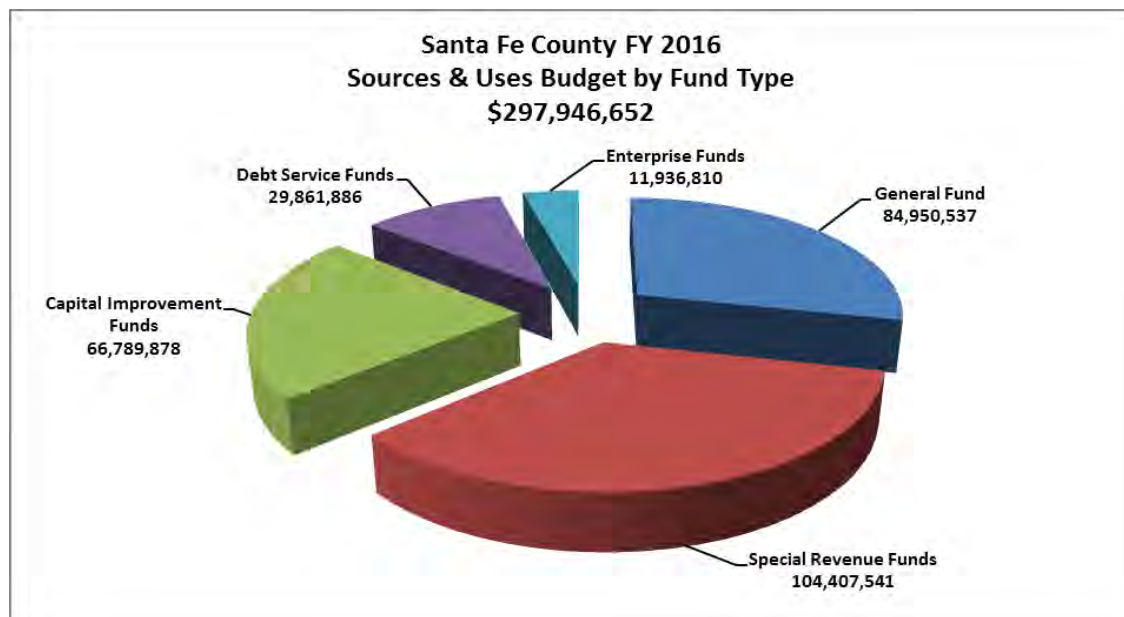
In fiscal year 2016 Santa Fe County continued with its transition to a performance-based budget. With the up-to-date priorities revealed by the citizen survey conducted during FY 2014, input from various advisory boards, and direct input from citizens to their Commissioners, the County's budget was developed. Priorities included public safety, roads, open space and trails master planning and maintenance, facility maintenance, water planning, senior services, as well as investing in employees. The most significant priority change was in the area of economic development and programming and operational funding for new facilities which are scheduled to come "on-line" in FY 2016.

The fiscal year 2016 established budget totaled \$298.0 million, or \$243.1 million excluding inter-fund transfers. The most significant increase from the fiscal year 2015 budget can be found in the capital improvement funds. For the past several fiscal years the County has been budgeting capital improvement projects "on time" meaning that projects were not budgeted until they were ready to move forward. This method required approval of resolutions by the governing body throughout the year to budget for projects as they became "shovel ready". In FY

STATE OF NEW MEXICO
SANTA FE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
YEAR ENDED JUNE 30, 2015

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES (Continued)

2016 projects budgets are being established as part of the original budget which will reduce the need for budget resolutions throughout the fiscal year. The other significant increase is in the debt service funds which includes \$9.4 million to pay off a bond series which was refunded late in fiscal year 2015. In fiscal year 2016 revenue projections supported a slight increase in property tax based on trend analysis of collections from the past three years. Revenue projections also include a 3 percent increase for previously imposed gross receipts taxes plus the addition of a newly imposed gross receipts tax which is estimated to provide \$3.3 million in additional revenue (special revenue funds).



Changes from the fiscal year 2015 budget resulted in an increase in most funds from fiscal year 2015 to fiscal year 2016. Highlighted below are some of the significant changes.

- Major changes in the General Fund are:
 - Decreased the Asset Renewal and Replacement package (formerly known as the capital package) and set asides (\$1.0M).
 - Increased General Fund support of the Road Fund (\$0.4 M).
 - Increased General Fund support of the Law Enforcement Operations Fund (\$0.4 M).
 - Addition of budgets for programming and operation of new facilities (\$0.2 M).
 - Increased General Fund support of the Corrections Operations Fund (\$0.3 M).
 - Addition of a set-aside for support of Capital Improvement Districts (\$3.0M).
 - Decreased the budgeted recessionary contingency (\$2.0 M).
 - Increased the budgeted operating contingency (\$1.0 M).

STATE OF NEW MEXICO
SANTA FE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
YEAR ENDED JUNE 30, 2015

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES (Continued)

- In FY 2016 all capital improvement funds totaled \$66.8 million versus FY 2015 with total capital improvement funding of \$31.1 million. The majority of this increase was in the Capital Outlay Gross Receipts Tax Fund which increased from \$14.4 million in FY 2015 to \$35.4 million in FY 2016
- In FY 2016 a new 1/8% gross receipts tax increment, the Hold Harmless Gross Receipts Tax, will go into effect. Established as a special revenue fund, the tax is restricted to maintenance and capital projects. The budget for the new tax was set at \$3.3 million with revenue collections anticipated to begin in September, 2015.
- The Road Maintenance Fund increased by \$0.3 million.
- The Economic Development increased by \$0.9 million.
- The Fire Operations Fund budget increased by \$0.6 million.
- The Regional Emergency Communications Center (RECC) Operations Fund remained flat at approximately \$3.5 million. Since this fund has no significant funding of its own, it is reliant upon transfers from other funds. In FY 2016 the Fire Operations fund will transfer \$3.4 M to the RECC.
- Bond proceeds from the 2011 Series GOB were budgeted at \$7.9 million across all project categories. This is an increase of \$0.7 million from the FY 2015 budget.
- Bond proceeds from the 2013 Series GOB were budgeted at \$13.4 million, which is an increase of \$7.1 million from FY 2015.
- A new general obligation bond was issued in the spring of 2015 for capital projects as well as for refunding and advance refunding existing debt. The 2015 GOB Series Fund had project budgets totaling \$7.3 million.
- The General Obligation Debt Service Fund increased by \$10.8 million. Of that amount, \$9.4 million was budgeted from proceeds of the 2015 GOB Series for refunding the 2005 GOB Series bonds. The remaining increase is made up of changes in the debt service payments of existing debt (\$0.2 M) and the first debt service payment of the newly issued 2015 GOB Series (\$1.2 M).
- The Water Enterprise Fund (505) increased by \$6.2 million in anticipation of undertaking design and construction on a large river water diversion and distribution project in Northern Santa Fe County.

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

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customer, and investors and creditors with a general overview of the County's finances and to demonstrate the County's accountability for the resources it receives. If you have any questions about this report or need additional information, contact the Finance Division, Santa Fe County, 102 Grant Avenue, Santa Fe, New Mexico 87501 or visit our website at www.santafecountynm.gov.



BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
SANTA FE COUNTY
STATEMENT OF NET POSITION
JUNE 30, 2015

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|--|------------------------------------|-------------------------------------|--------------------|
| ASSETS | | | |
| Cash and investments | \$ 143,419,150 | 17,272,887 | 160,692,037 |
| Cash and investments - restricted | 64,782,202 | 99,030 | 64,881,232 |
| Accounts receivable, net of allowance for uncollectibles | 32,702,643 | 454,227 | 33,156,870 |
| Prepaid and other assets | 758,358 | 18,452 | 776,810 |
| Held for sale - Land | - | 35,000 | 35,000 |
| Held for sale - Buildings/Improvements | - | 157,188 | 157,188 |
| Capital assets, not depreciated | 52,071,433 | 19,291,262 | 71,362,695 |
| Capital assets, net of accumulated depreciation | <u>200,097,460</u> | <u>115,539,279</u> | <u>315,636,739</u> |
| Total Assets | <u>493,831,246</u> | <u>152,867,325</u> | <u>646,698,571</u> |
| DEFERRED OUTFLOWS | | | |
| Pension related | 8,973,982 | 268,404 | 9,242,386 |
| Advance refunding of bonds | <u>2,196,869</u> | <u>-</u> | <u>2,196,869</u> |
| Total Deferred Outflows | <u>11,170,851</u> | <u>268,404</u> | <u>11,439,255</u> |
| LIABILITIES | | | |
| Accounts payable | 5,301,050 | 128,836 | 5,429,886 |
| Accrued wages and benefits | 2,812,864 | 89,659 | 2,902,523 |
| Deposits held for others | 322,856 | 300,885 | 623,741 |
| Due to other governments | - | 131,396 | 131,396 |
| Other current liabilities | 49,208 | - | 49,208 |
| Accrued interest payable | 3,054,784 | - | 3,054,784 |
| Long-term liabilities, due in one year | 15,129,424 | - | 15,129,424 |
| Long-term liabilities, due in more than one year | 206,688,987 | - | 206,688,987 |
| Net pension liability | <u>48,279,924</u> | <u>1,444,009</u> | <u>49,723,933</u> |
| Total Liabilities | <u>281,639,097</u> | <u>2,094,785</u> | <u>283,733,882</u> |
| DEFERRED INFLOWS | | | |
| Pension related | <u>15,774,308</u> | <u>471,796</u> | <u>16,246,104</u> |
| NET POSITION | | | |
| Net investment in capital assets | 76,764,029 | 134,830,541 | 211,594,570 |
| Restricted for: | | | |
| Contractual & Statutory requirements | 58,561,585 | - | 58,561,585 |
| Debt service | 13,570,196 | - | 13,570,196 |
| Capital outlay | 67,187,332 | - | 67,187,332 |
| Unrestricted (Deficit) | <u>(8,494,450)</u> | <u>15,738,607</u> | <u>7,244,157</u> |
| Total Net Position | <u>\$ 207,588,692</u> | <u>150,569,148</u> | <u>358,157,840</u> |

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

STATE OF NEW MEXICO
SANTA FE COUNTY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015

| Functions/Programs | Program Revenues | | | | Net (Expense) Revenue and Changes in Net Assets | | |
|---|-----------------------|----------------------|------------------------------------|----------------------------------|---|--------------------------|---------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business-type Activities | Totals |
| Primary Government | | | | | | | |
| Governmental activities: | | | | | | | |
| General government | \$ 27,191,186 | 2,526,887 | 834,076 | - | (23,830,223) | - | (23,830,223) |
| Public safety | 47,837,664 | 6,022,240 | 4,545,185 | - | (37,270,239) | - | (37,270,239) |
| Culture & recreation | 2,113,464 | - | 255,000 | 1,658,376 | (200,088) | - | (200,088) |
| Public works | 5,706,823 | - | - | 257,071 | (5,449,752) | - | (5,449,752) |
| Highways & streets | 11,799,859 | 6,432 | 11,566 | 735,614 | (11,046,247) | - | (11,046,247) |
| Health & welfare | 8,376,767 | 106,408 | 1,951,567 | - | (6,318,792) | - | (6,318,792) |
| Housing | 2,720,326 | 410,101 | 1,782,315 | - | (527,910) | - | (527,910) |
| Interest on long-term debt | 9,087,710 | - | - | - | (9,087,710) | - | (9,087,710) |
| Total governmental activities | 114,833,799 | 9,072,068 | 9,379,709 | 2,651,061 | (93,730,961) | - | (93,730,961) |
| Business-type activities: | | | | | | | |
| Home sales | 9,781 | - | - | - | - | (9,781) | (9,781) |
| Regional planning authority | - | - | - | - | - | - | - |
| Utilities | 8,592,558 | 4,466,546 | - | - | - | (4,126,012) | (4,126,012) |
| Housing services | 1,093,347 | 461,255 | 523,288 | - | - | (108,804) | (108,804) |
| Total business-type activities | 9,695,686 | 4,927,801 | 523,288 | - | - | (4,244,597) | (4,244,597) |
| Total primary government | \$ 124,529,485 | 13,999,869 | 9,902,997 | 2,651,061 | (93,730,961) | (4,244,597) | (97,975,558) |
| General revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes, levied for general purposes | | | | | \$ 50,003,374 | - | 50,003,374 |
| Property taxes, levied for debt service | | | | | 11,373,993 | - | 11,373,993 |
| Gross receipts taxes | | | | | 47,801,199 | - | 47,801,199 |
| Other taxes | | | | | 2,185,022 | - | 2,185,022 |
| Investment income | | | | | 2,049,343 | 112,131 | 2,161,474 |
| Miscellaneous revenues | | | | | 1,298,075 | - | 1,298,075 |
| Total general revenues and transfers | | | | | 114,711,006 | 112,131 | 114,823,137 |
| Change in net position | | | | | 20,980,045 | (4,132,466) | 16,847,579 |
| Net position, beginning of year | | | | | 243,344,523 | 156,398,533 | 399,743,056 |
| Restatement - GASB 68 (Note 20) | | | | | (56,735,876) | (1,696,919) | (58,432,795) |
| Net position, beginning of year, as restated | | | | | 186,608,647 | 154,701,614 | 341,310,261 |
| Net position, end of year | | | | | \$ 207,588,692 | 150,569,148 | 358,157,840 |

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



FUND FINANCIAL STATEMENTS

STATE OF NEW MEXICO
SANTA FE COUNTY
Balance Sheet
Governmental Funds
June 30, 2015

| | Major Funds | | | | | | | Non-Major Other Governmental Funds | Total Governmental Funds |
|--|----------------------|-------------------|------------------|---------------------------|--------------------|-------------------|-------------------|--|-----------------------------|
| | Special Revenue | | | Capital Projects | | Debt Service | | | |
| | General | Developer Fees | Fire Operations | Corrections Operations | Capital Outlay GRT | GOB Debt Service | | | |
| ASSETS | | | | | | | | | |
| Cash and investments | \$ 64,883,357 | - | 6,655,196 | - | 32,661,339 | - | 39,219,258 | 143,419,150 | |
| Cash and investments - restricted | 7,873,099 | 1,350,848 | 1,438 | 8,575,075 | - | 9,955,619 | 37,026,123 | 64,782,202 | |
| Accounts receivable, net | 201,100 | - | 274,407 | 358,322 | - | - | 1,851,346 | 2,685,175 | |
| Taxes receivable | 6,854,870 | - | 1,576,598 | - | 1,749,383 | 1,114,271 | 3,889,760 | 15,184,882 | |
| Interest receivable | 262,619 | - | - | 65,267 | - | - | 12,358 | 340,244 | |
| Grantor agencies receivable | 80,124 | - | 260,612 | 32,827 | - | - | 2,380,089 | 2,753,652 | |
| Mortgages receivable, net | - | 11,186,470 | - | - | - | - | - | 11,186,470 | |
| Down Payment Assistance receivable | - | 552,220 | - | - | - | - | - | 552,220 | |
| Prepays & other | 130,298 | - | 95,475 | 253,738 | - | - | 278,847 | 758,358 | |
| Due from other funds | 1,475,458 | - | - | - | - | 219,792 | - | 1,695,250 | |
| Total Assets | \$ 81,760,925 | 13,089,538 | 8,863,726 | 9,285,229 | 34,410,722 | 11,289,682 | 84,657,781 | 243,357,603 | |
| LIABILITIES | | | | | | | | | |
| Accounts payable | \$ 1,089,211 | 15,473 | 232,291 | 656,375 | 702,996 | - | 2,604,704 | 5,301,050 | |
| Accrued wages and benefits | 955,737 | - | 431,599 | 656,055 | - | - | 769,473 | 2,812,864 | |
| Deposits held for others | 192,423 | - | - | - | - | - | 130,433 | 322,856 | |
| Other current liabilities | 6,465 | - | 447 | 27,066 | - | - | 15,230 | 49,208 | |
| Due to other funds | 6,062 | - | 1,002 | 1,295 | - | - | 1,686,891 | 1,695,250 | |
| Total Liabilities | 2,249,898 | 15,473 | 665,339 | 1,340,791 | 702,996 | - | 5,206,731 | 10,181,228 | |
| DEFERRED INFLOWS | | | | | | | | | |
| Property taxes | 4,045,953 | - | - | - | - | 837,988 | - | 4,883,941 | |
| Mortgages and down payment assistance | - | 11,738,690 | - | - | - | - | - | 11,738,690 | |
| Unavailable revenue | 798,545 | - | 124,999 | - | - | - | 1,644,558 | 2,568,102 | |
| Total Deferred Inflows | 4,844,498 | 11,738,690 | 124,999 | - | - | 837,988 | 1,644,558 | 19,190,733 | |
| FUND BALANCE | | | | | | | | | |
| Nonspendable | 130,298 | - | 95,475 | 253,738 | - | - | 278,847 | 758,358 | |
| Restricted | 21,136,967 | 1,335,375 | 6,465,240 | 5,243,596 | 33,707,726 | 10,451,694 | 73,237,193 | 151,577,791 | |
| Committed | 20,468,186 | - | 1,512,673 | 2,447,104 | - | - | 4,523,742 | 28,951,705 | |
| Assigned | 26,834,420 | - | - | - | - | - | - | 26,834,420 | |
| Unassigned (Deficit) | 6,096,658 | - | - | - | - | - | (233,290) | 5,863,368 | |
| Total Fund Balance | 74,666,529 | 1,335,375 | 8,073,388 | 7,944,438 | 33,707,726 | 10,451,694 | 77,806,492 | 213,985,642 | |
| Total Liabilities, Deferred Inflows, and Fund Balance | \$ 81,760,925 | 13,089,538 | 8,863,726 | 9,285,229 | 34,410,722 | 11,289,682 | 84,657,781 | 243,357,603 | |

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

STATE OF NEW MEXICO
SANTA FE COUNTY
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2015

Total fund balance governmental funds **\$ 213,985,642**

Amounts reported for *governmental activities* in the Statement of Net Position are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

| | | |
|-------------------------------|----------------------|-------------|
| Governmental capital assets | 375,638,694 | |
| Less accumulated depreciation | <u>(123,469,801)</u> | 252,168,893 |

Some revenues will not be available to pay for current period expenditures and, therefore, are recorded as deferred inflows in the governmental funds.

| | | |
|--|------------------|------------|
| Property taxes | 4,883,941 | |
| Mortgages and down payment assistance | 11,738,690 | |
| Receivables not available to pay for current period expenditures | <u>2,568,102</u> | 19,190,733 |

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

| | | |
|---|---------------------|---------------|
| Pending legal action | (693,431) | |
| Accrued interest payable | (3,054,784) | |
| Compensated absences payable | (3,228,350) | |
| Loans payable | (354,815) | |
| Bonds payable | (209,575,000) | |
| Premium on bonds payable | (6,082,983) | |
| Landfill closure and post closure costs payable | (1,883,832) | |
| Net pension liability | <u>(48,279,924)</u> | (273,153,119) |

Defined benefit pension plan deferred outflows are not financial resources and, therefore, are not reported in the funds. 8,973,982

Defined benefit pension plan deferred inflows are not due and payable in the current period and, therefore, are not reported in the funds. (15,774,308)

Bond refunding deferred outflows are not financial resources and, therefore, are not reported in the funds. 2,196,869

Net position of governmental activities **\$ 207,588,692**

The accompanying notes to the financial statements 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
For the Fiscal Year Ended June 30, 2015

| | Major Funds | | | | | | | Total Governmental Funds |
|--|----------------------|------------------------|------------------------|-------------------------------|---------------------------|-------------------------|---|---------------------------------|
| | General | Special Revenue | | | Capital Projects | Debt Service | Non-Major Other Governmental Funds | |
| | | Developer Fees | Fire Operations | Corrections Operations | Capital Outlay GRT | GOB Debt Service | | |
| REVENUES | | | | | | | | |
| Property taxes | \$ 49,591,262 | - | - | - | - | 11,373,993 | 1,372,897 | 62,338,152 |
| Gross receipts taxes | 7,965,027 | - | 8,825,871 | - | 9,836,313 | - | 21,173,988 | 47,801,199 |
| Other taxes & assessments | 1,208,574 | - | - | - | - | - | 976,448 | 2,185,022 |
| Licenses, permits, & fees | 704,766 | - | 32,965 | - | - | - | 6,432 | 744,163 |
| Charges for services | 1,643,483 | 189,460 | 984,840 | 4,268,111 | - | - | 725,050 | 7,810,944 |
| Fines & forfeitures | 300 | - | - | - | - | - | 516,661 | 516,961 |
| Interest earnings | 1,754,926 | 12,624 | - | 209,310 | - | - | 72,483 | 2,049,343 |
| Federal grants | 59,245 | - | 768,090 | 106,836 | - | - | 1,734,947 | 2,669,118 |
| State grants | 75,184 | - | 493,031 | - | - | - | 6,073,335 | 6,641,550 |
| Other | 184,856 | - | 49,775 | - | 40,000 | 70,805 | 189,687 | 535,123 |
| Intergovernmental | 698,926 | - | - | 171,726 | - | - | 1,849,450 | 2,720,102 |
| Total Revenues | 63,886,549 | 202,084 | 11,154,572 | 4,755,983 | 9,876,313 | 11,444,798 | 34,691,378 | 136,011,677 |
| EXPENDITURES | | | | | | | | |
| Current | | | | | | | | |
| General Government | 23,262,055 | - | - | - | - | - | 1,772,382 | 25,034,437 |
| Public Safety | 34,395 | - | 10,421,532 | 18,583,979 | - | - | 15,832,587 | 44,872,493 |
| Culture & Recreation | 1,011,500 | - | - | - | - | - | 299,561 | 1,311,061 |
| Public Works | 5,084,907 | - | - | - | - | - | - | 5,084,907 |
| Highways & Streets | - | - | - | - | - | - | 8,881,020 | 8,881,020 |
| Health & Welfare | 1,772,798 | - | - | - | - | - | 6,002,888 | 7,775,686 |
| Housing | 147,686 | 168,821 | - | - | - | - | 2,415,756 | 2,732,263 |
| Capital Improvements | 501,217 | - | - | 352,590 | 3,702,723 | - | 8,990,657 | 13,547,187 |
| Debt Service - Principal | - | - | - | - | 26,093 | 6,635,000 | 3,430,000 | 10,091,093 |
| Debt Service - Interest | - | - | - | - | - | 4,668,869 | 4,204,124 | 8,872,993 |
| Commitments & other fees | - | - | - | - | - | - | 3,835 | 3,835 |
| Total Expenditures | 31,814,558 | 168,821 | 10,421,532 | 18,936,569 | 3,728,816 | 11,303,869 | 51,832,810 | 128,206,975 |
| Excess (deficiency) of revenues over expenditures | 32,071,991 | 33,263 | 733,040 | (14,180,586) | 6,147,497 | 140,929 | (17,141,432) | 7,804,702 |
| Other Financing Sources (Uses) | | | | | | | | |
| Proceeds of refunding bonds | - | - | - | - | - | 39,220,000 | - | 39,220,000 |
| Bond proceeds | - | - | - | - | - | - | 8,000,000 | 8,000,000 |
| Bond premium | - | - | - | - | - | 5,026,869 | 1,056,114 | 6,082,983 |
| Payment to refunded bond escrow agent | - | - | - | - | - | (44,246,869) | - | (44,246,869) |
| Transfers from other funds | 658,000 | - | 3,627,600 | 15,985,447 | - | - | 31,363,088 | 51,634,135 |
| Transfers to other funds | (30,970,649) | - | (3,424,251) | (2,252,850) | (3,272,363) | - | (11,714,022) | (51,634,135) |
| Net Other Financing Sources (Uses) | (30,312,649) | - | 203,349 | 13,732,597 | (3,272,363) | - | 28,705,180 | 9,056,114 |
| Net Change in Fund Balance | 1,759,342 | 33,263 | 936,389 | (447,989) | 2,875,134 | 140,929 | 11,563,748 | 16,860,816 |
| <i>Fund Balance, beginning of period</i> | <i>72,907,187</i> | <i>1,302,112</i> | <i>7,136,999</i> | <i>8,392,427</i> | <i>30,832,592</i> | <i>10,310,765</i> | <i>66,242,744</i> | <i>197,124,826</i> |
| Fund Balance, end of period | \$ 74,666,529 | 1,335,375 | 8,073,388 | 7,944,438 | 33,707,726 | 10,451,694 | 77,806,492 | 213,985,642 |

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

**STATE OF NEW MEXICO
SANTA FE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2015**

Net changes in fund balances - total governmental funds **\$ 16,860,816**

Amounts reported for *governmental activities* in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. When assets are sold a gain or loss is recognized for the difference between the cost and sale of the asset.

| | | |
|---------------------------------|----------------|-----------|
| Expenditures for capital assets | 13,547,187 | |
| Less current year depreciation | (10,890,448) | |
| Less loss on sale of land | <u>(7,024)</u> | 2,649,715 |

Governmental funds report pending legal action when it is due. However, in the Statement of Activities, the estimated cost is recognized when the action is both probable and estimable. (693,431)

Revenues in the governmental funds that provide current financial resources are not included in the Statement of Activities because they were recognized in a prior period.

| | | |
|---------------------------------------|----------------|-----------|
| Property taxes | (960,785) | |
| Mortgages and down payment assistance | 208,083 | |
| Other receivables | <u>554,869</u> | (197,833) |

The issuance of long-term debt (e.g. bonds, loans, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. The following transactions relate to current year issuance of debt.

| | | |
|--|------------------|--------------|
| Bonds payable | (47,220,000) | |
| Premium on bonds payable | (6,082,983) | |
| Deferred outflows - advance refunding of bonds | <u>2,196,869</u> | (51,106,114) |

The following table represents the changes in long-term debt for the fiscal year:

| | | |
|--|------------------|-------------------|
| Change in revenue bonds payable | 3,430,000 | |
| Change in general obligation bonds payable | 48,685,000 | |
| Change in loans payable | 26,093 | |
| Change in compensated absences payable | (134,961) | |
| Change in accrued interest on long-term debt | (210,882) | |
| Landfill closure and post-closure | 16,016 | |
| Change in net pension liability | <u>1,655,626</u> | <u>53,466,892</u> |

Change in net position in governmental activities **\$ 20,980,045**

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

STATE OF NEW MEXICO
SANTA FE COUNTY
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget to Actual
General Fund
For the Fiscal Year Ended June 30, 2015

| | <u>Budgeted Amounts</u> | | <u>Non - GAAP Actual</u> | <u>Variance</u> |
|---|-------------------------|---------------------|------------------------------|--|
| | <u>Original</u> | <u>Final</u> | | <u>Favorable (Unfavorable) Final to Actual</u> |
| Revenues | | | | |
| Property Taxes | \$ 44,603,000 | 44,738,000 | 48,951,851 | 4,213,851 |
| Gross Receipts Taxes | 7,465,500 | 7,465,500 | 8,658,130 | 1,192,630 |
| Other Taxes & Assessments | 1,000,000 | 1,000,000 | 1,101,504 | 101,504 |
| Licenses, Permits, & Fees | 533,592 | 533,592 | 703,211 | 169,619 |
| Charges for Services | 1,703,604 | 1,716,604 | 1,619,926 | (96,678) |
| Fines & Forfeitures | - | - | 280 | 280 |
| Interest Earnings | 1,530,000 | 1,530,000 | 1,754,926 | 224,926 |
| Grants | - | 5,000 | 20,547 | 15,547 |
| Other | 80,875 | 80,875 | 332,161 | 251,286 |
| Intergovernmental | 635,000 | 710,000 | 732,684 | 22,684 |
| Total Revenues | <u>57,551,571</u> | <u>57,779,571</u> | <u>63,875,220</u> | <u>6,095,649</u> |
| Cash balance carryforward | <u>23,023,116</u> | <u>25,594,948</u> | | |
| Total | <u>\$ 80,574,687</u> | <u>83,374,519</u> | | |
| Expenditures | | | | |
| General Government | \$ 39,076,198 | 40,407,553 | 23,594,208 | 16,813,345 |
| Public Safety | 38,960 | 38,960 | 34,395 | 4,565 |
| Culture & Recreation | 1,327,491 | 1,527,550 | 1,011,500 | 516,050 |
| Public Works | 6,267,016 | 6,645,896 | 5,084,907 | 1,560,989 |
| Highways & Streets | - | - | - | - |
| Health & Welfare | 1,861,979 | 1,924,226 | 1,773,354 | 150,872 |
| Housing | 183,581 | 183,581 | 147,686 | 35,895 |
| Capital Improvements | 20,373 | 847,664 | 501,217 | 346,447 |
| Total Expenditures | <u>\$ 48,775,598</u> | <u>51,575,430</u> | <u>32,147,267</u> | <u>19,428,163</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers from other funds | \$ 658,000 | 658,000 | 658,000 | - |
| Transfers to other funds | <u>(32,457,089)</u> | <u>(32,457,089)</u> | <u>(30,970,649)</u> | <u>1,486,440</u> |
| Total Other Financing Sources (Uses) | <u>\$ (31,799,089)</u> | <u>(31,799,089)</u> | <u>(30,312,649)</u> | <u>1,486,440</u> |
| Net Change in Fund Balance - Budgetary Basis | | | \$ 1,415,304 | |
| Reconciliation to change in fund balance - GAAP Basis | | | | |
| Revenue accruals, net of prior year revenue reversals | | | \$ 11,329 | |
| Adjustments to expenditures for modified accrual purposes | | | (3,910,433) | |
| To reflect fair market value adjustment not budgeted | | | 413,756 | |
| Outstanding encumbrances recorded as budgetary expenditures - not for GAAP purposes | | | <u>3,829,386</u> | |
| Change in fund balance - GAAP basis | | | <u>\$ 1,759,342</u> | |

STATE OF NEW MEXICO
SANTA FE COUNTY
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget to Actual
Developer Fees
For the Fiscal Year Ended June 30, 2015

| | <u>Budgeted Amounts</u> | | <u>Non - GAAP Actual</u> | <u>Variance Favorable (Unfavorable) Final to Actual</u> |
|---|-------------------------|----------------|------------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Property Taxes | \$ - | - | - | - |
| Gross Receipts Taxes | - | - | - | - |
| Other Taxes & Assessments | - | - | - | - |
| Licenses, Permits, & Fees | - | - | - | - |
| Charges for Services | - | - | 189,460 | 189,460 |
| Fines & Forfeitures | - | - | - | - |
| Interest Earnings | - | - | 161 | 161 |
| Grants | - | - | - | - |
| Other | - | - | 12,463 | 12,463 |
| Intergovernmental | - | - | - | - |
| Total Revenues | <u>-</u> | <u>-</u> | <u>202,084</u> | <u>202,084</u> |
| Cash balance carryforward | <u>580,700</u> | <u>580,700</u> | | |
| Total | <u>\$ 580,700</u> | <u>580,700</u> | | |
| Expenditures | | | | |
| General Government | \$ - | - | - | - |
| Public Safety | - | - | - | - |
| Culture & Recreation | - | - | - | - |
| Public Works | - | - | - | - |
| Highways & Streets | - | - | - | - |
| Housing | - | - | - | - |
| Capital Improvements | - | - | - | - |
| Health & Welfare | - | - | - | - |
| Housing | <u>580,700</u> | <u>580,700</u> | <u>168,821</u> | <u>411,879</u> |
| Total Expenditures | <u>\$ 580,700</u> | <u>580,700</u> | <u>168,821</u> | <u>411,879</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers from other funds | \$ - | - | - | - |
| Transfers to other funds | - | - | - | - |
| Total Other Financing Sources (Uses) | <u>\$ -</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net Change in Fund Balance - Budgetary Basis | | | \$ 33,263 | |
| Reconciliation to change in fund balance - GAAP Basis | | | | |
| Revenue accruals, net of prior year revenue reversals | | | \$ - | |
| Adjustments to expenditures for modified accrual purposes | | | (13,425) | |
| Outstanding encumbrances recorded as budgetary expenditures - not for GAAP purposes | | | <u>13,425</u> | |
| Change in fund balance - GAAP basis | | | <u>\$ 33,263</u> | |

STATE OF NEW MEXICO
SANTA FE COUNTY
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget to Actual
Fire Operations
For the Fiscal Year Ended June 30, 2015

| | <u>Budgeted Amounts</u> | | <u>Non - GAAP Actual</u> | <u>Variance Favorable (Unfavorable) Final to Actual</u> |
|---|-------------------------|-------------------|------------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Property Taxes | \$ - | - | - | - |
| Gross Receipts Taxes | 7,845,000 | 7,906,400 | 8,635,691 | 729,291 |
| Other Taxes and Assessments | - | - | - | - |
| Licenses, Permits & Fees | 37,000 | 37,000 | 32,965 | (4,035) |
| Charges for Services | 750,000 | 750,000 | 1,023,148 | 273,148 |
| Fines and Forfeitures | - | - | - | - |
| Interest Earnings | - | - | - | - |
| Grants | 557,285 | 1,143,663 | 894,341 | (249,322) |
| Other | - | 41,734 | 50,591 | 8,857 |
| Intergovernmental | 300,000 | 300,000 | 292,900 | (7,100) |
| Total Revenues | <u>9,489,285</u> | <u>10,178,797</u> | <u>10,929,636</u> | <u>750,839</u> |
| Cash balance carryforward | <u>1,549,133</u> | <u>2,037,186</u> | | |
| Total | <u>\$ 11,038,418</u> | <u>12,215,983</u> | | |
| Expenditures | | | | |
| General Government | \$ - | - | - | - |
| Public Safety | 11,241,767 | 12,419,332 | 10,566,600 | 1,852,732 |
| Culture & Recreation | - | - | - | - |
| Public Works | - | - | - | - |
| Highways & Streets | - | - | - | - |
| Capital Improvements | - | - | - | - |
| Health & Welfare | - | - | - | - |
| Housing | - | - | - | - |
| Total Expenditures | <u>\$ 11,241,767</u> | <u>12,419,332</u> | <u>10,566,600</u> | <u>1,852,732</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers from other funds | \$ 3,627,600 | 3,627,600 | 3,627,600 | - |
| Transfers to other funds | (3,424,251) | (3,424,251) | (3,424,251) | - |
| Total Other Financing Sources (Uses) | <u>\$ 203,349</u> | <u>203,349</u> | <u>203,349</u> | <u>-</u> |
| Net Change in Fund Balance - Budgetary Basis | | | \$ 566,385 | |
| Reconciliation to change in fund balance - GAAP Basis | | | | |
| Revenue accruals, net of prior year revenue reversals | | | \$ 224,936 | |
| Adjustments to expenditures for modified accrual purposes | | | (450,861) | |
| To reflect fair market value adjustment not budgeted | | | 36,936 | |
| Outstanding encumbrances recorded as budgetary expenditures - not for GAAP purposes | | | <u>558,993</u> | |
| Change in fund balance - GAAP basis | | | <u>\$ 936,389</u> | |

STATE OF NEW MEXICO
SANTA FE COUNTY
Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget to Actual
Corrections Operations
For the Fiscal Year Ended June 30, 2015

| | <u>Budgeted Amounts</u> | | <u>Non - GAAP Actual</u> | <u>Variance Favorable (Unfavorable) Final to Actual</u> |
|---|-------------------------|--------------------|------------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Property Taxes | \$ - | - | - | - |
| Gross Receipts Taxes | - | - | - | - |
| Other Taxes & Assessments | - | - | - | - |
| Licenses, Permits, & Fees | - | - | - | - |
| Charges for Services | 6,975,631 | 6,895,631 | 4,465,239 | (2,430,392) |
| Fines & Forfeitures | - | - | - | - |
| Interest Earnings | 125,000 | 125,000 | 142,880 | 17,880 |
| Grants | - | 30,000 | 106,836 | 76,836 |
| Other | 40,000 | 40,000 | 66,432 | 26,432 |
| Intergovernmental | - | 50,000 | 152,217 | 102,217 |
| Total Revenues | <u>7,140,631</u> | <u>7,140,631</u> | <u>4,933,604</u> | <u>(2,207,027)</u> |
| Cash balance carryforward | <u>1,821,745</u> | <u>3,931,101</u> | | |
| Total | <u>\$ 8,962,376</u> | <u>11,071,732</u> | | |
| Expenditures | | | | |
| General Government | \$ - | - | - | - |
| Public Safety | 23,033,952 | 24,434,806 | 18,706,874 | 5,727,932 |
| Culture & Recreation | - | - | - | - |
| Public Works | - | - | - | - |
| Highways & Streets | - | - | - | - |
| Capital Improvements | - | - | - | - |
| Health & Welfare | - | - | - | - |
| Housing | - | - | - | - |
| Capital Improvements | 661,021 | 1,369,523 | 352,592 | 1,016,931 |
| Total Expenditures | <u>\$ 23,694,973</u> | <u>25,804,329</u> | <u>19,059,466</u> | <u>6,744,863</u> |
| Other Financing Sources (Uses) | | | | |
| Transfers from other funds | \$ 16,985,447 | 16,985,447 | 15,985,447 | (1,000,000) |
| Transfers to other funds | <u>(2,252,850)</u> | <u>(2,252,850)</u> | <u>(2,252,850)</u> | <u>-</u> |
| Total Other Financing Sources (Uses) | <u>\$ 14,732,597</u> | <u>14,732,597</u> | <u>13,732,597</u> | <u>(1,000,000)</u> |
| Net Change in Fund Balance - Budgetary Basis | | | \$ (393,265) | |
| Reconciliation to change in fund balance - GAAP Basis | | | | |
| Revenue accruals, net of prior year revenue reversals | | | \$ (177,621) | |
| Adjustments to expenditures for modified accrual purposes | | | (2,057,294) | |
| Outstanding encumbrances recorded as budgetary expenditures - not for GAAP purposes | | | <u>2,180,191</u> | |
| Change in fund balance - GAAP basis | | | <u>\$ (447,989)</u> | |

STATE OF NEW MEXICO
SANTA FE COUNTY
Statement of Net Position
Proprietary Funds
June 30, 2015

| | Business-type Activities-Enterprise Funds | | | | |
|---|--|--|--------------------|-----------------------------|-----------------------------------|
| | Home Sales | Regional Planning Authority | Utilities | Housing Services | Total Enterprise Funds |
| ASSETS | | | | | |
| Current assets: | | | | | |
| Cash and investments | \$ 4,381,728 | 209,522 | 11,898,390 | 783,247 | 17,272,887 |
| Cash and investments - restricted | - | - | - | 99,030 | 99,030 |
| Accounts receivable, net | - | - | 428,234 | 25,993 | 454,227 |
| Prepaid and other assets | - | - | 5,611 | 12,841 | 18,452 |
| Held For Sale - Land | 35,000 | - | - | - | 35,000 |
| Held For Sale - Buildings/Improvements | 157,188 | - | - | - | 157,188 |
| Total current assets | 4,573,916 | 209,522 | 12,332,235 | 921,111 | 18,036,784 |
| Noncurrent assets: | | | | | |
| Capital assets, not depreciated | - | - | 18,562,847 | 728,415 | 19,291,262 |
| Capital assets, net of accumulated depreciation | - | - | 111,081,451 | 4,457,828 | 115,539,279 |
| Total noncurrent assets | - | - | 129,644,298 | 5,186,243 | 134,830,541 |
| Total Assets | 4,573,916 | 209,522 | 141,976,533 | 6,107,354 | 152,867,325 |
| DEFERRED OUTFLOWS | | | | | |
| Pension related | - | - | 170,707 | 97,697 | 268,404 |
| LIABILITIES | | | | | |
| Current liabilities: | | | | | |
| Accounts payable | 52,829 | - | 57,582 | 18,425 | 128,836 |
| Accrued wages and benefits | - | - | 58,592 | 31,067 | 89,659 |
| Deposits held for others | - | - | 165,725 | 135,160 | 300,885 |
| Other current liabilities | - | - | - | - | - |
| Due to other Governments | - | - | 131,396 | - | 131,396 |
| Total current liabilities | 52,829 | - | 413,295 | 184,652 | 650,776 |
| Noncurrent liabilities: | | | | | |
| Net pension liability | - | - | 918,401 | 525,608 | 1,444,009 |
| Total Liabilities | 52,829 | - | 1,331,696 | 710,260 | 2,094,785 |
| DEFERRED INFLOWS | | | | | |
| Pension related | - | - | 300,066 | 171,730 | 471,796 |
| NET POSITION | | | | | |
| Investment in capital assets | - | - | 129,644,298 | 5,186,243 | 134,830,541 |
| Unrestricted | 4,521,087 | 209,522 | 10,871,180 | 136,818 | 15,738,607 |
| Total Net Position | \$ 4,521,087 | 209,522 | 140,515,478 | 5,323,061 | 150,569,148 |

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

STATE OF NEW MEXICO
SANTA FE COUNTY
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For Fiscal Year Ended June 30, 2015

| | Business-type Activities-Enterprise Funds | | | | Total Enterprise Funds |
|--|---|-----------------------------|--------------------|------------------|------------------------|
| | Home Sales | Regional Planning Authority | Utilities | Housing Services | |
| Operating Revenues | | | | | |
| Rentals and charges for services & sales, net | \$ - | - | 4,464,827 | 459,683 | 4,924,510 |
| Miscellaneous | - | - | 1,719 | 1,572 | 3,291 |
| Total Operating Revenues | <u>-</u> | <u>-</u> | <u>4,466,546</u> | <u>461,255</u> | <u>4,927,801</u> |
| Operating Expenses | | | | | |
| Housing | 9,781 | - | - | 876,479 | 886,260 |
| Administrative expenses | - | - | 1,986,322 | - | 1,986,322 |
| Depreciation expense | - | - | 2,531,984 | 216,868 | 2,748,852 |
| Total Operating Expenses | <u>9,781</u> | <u>-</u> | <u>4,518,306</u> | <u>1,093,347</u> | <u>5,621,434</u> |
| Operating Income (Loss) | <u>(9,781)</u> | <u>-</u> | <u>(51,760)</u> | <u>(632,092)</u> | <u>(693,633)</u> |
| Non-Operating Revenues (Expenses) | | | | | |
| Earnings on cash & investments | 37,187 | 1,481 | 67,708 | 5,755 | 112,131 |
| HUD operating subsidy & other intergovernmental | - | - | - | 523,288 | 523,288 |
| Loss on sale of land | - | - | (4,074,252) | - | (4,074,252) |
| Net Non-Operating Revenues (Expenses) | <u>37,187</u> | <u>1,481</u> | <u>(4,006,544)</u> | <u>529,043</u> | <u>(3,438,833)</u> |
| Income Before Contributions & Transfers | 27,406 | 1,481 | (4,058,304) | (103,049) | (4,132,466) |
| Transfers from other funds | - | - | - | - | - |
| Transfers to other funds | - | - | - | - | - |
| Change in Net Position | <u>27,406</u> | <u>1,481</u> | <u>(4,058,304)</u> | <u>(103,049)</u> | <u>(4,132,466)</u> |
| Net position, beginning of year | 4,493,681 | 208,041 | 145,653,036 | 6,043,775 | 156,398,533 |
| Restatement - GASB 68 (Note 20) | - | - | (1,079,254) | (617,665) | (1,696,919) |
| Net position, beginning of year, as restated | <u>4,493,681</u> | <u>208,041</u> | <u>144,573,782</u> | <u>5,426,110</u> | <u>154,701,614</u> |
| Net position, end of year | <u>\$ 4,521,087</u> | <u>209,522</u> | <u>140,515,478</u> | <u>5,323,061</u> | <u>150,569,148</u> |

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

STATE OF NEW MEXICO
SANTA FE COUNTY
Statement of Cash Flows
Proprietary Funds
For Fiscal Year Ended June 30, 2015

| | <u>Business-type Activities-Enterprise Funds</u> | | | | <u>Total Enterprise Funds</u> |
|---|--|------------------------------------|-------------------|-------------------------|-------------------------------|
| | <u>Home Sales</u> | <u>Regional Planning Authority</u> | <u>Utilities</u> | <u>Housing Services</u> | |
| <u>Increase (Decrease) in Cash and Cash Equivalents</u> | | | | | |
| Cash flows from operating activities: | | | | | |
| Cash received from customers | \$ - | - | 4,278,131 | 440,524 | 4,718,655 |
| Cash received from land sale | - | - | - | - | - |
| Cash payments to vendors for goods and services | (9,781) | - | (928,680) | (218,200) | (1,156,661) |
| Cash payments to employees for services | - | - | (1,177,317) | (652,523) | (1,829,840) |
| Net cash provided by (used for) operating activities | (9,781) | - | 2,172,134 | (430,199) | 1,732,154 |
| Cash flows from noncapital and related financing activities: | | | | | |
| Operating grants received | - | - | - | 523,288 | 523,288 |
| Net cash provided by noncapital financing activities | - | - | - | 523,288 | 523,288 |
| Cash flows from investing activities: | | | | | |
| Investment Earnings | 37,187 | 1,481 | 67,708 | 5,755 | 112,131 |
| Purchases of assets | - | - | (1,095,982) | (3,210) | (1,099,192) |
| Sale of land | - | - | 1,170,000 | - | 1,170,000 |
| Net cash provided by (used for) investing activities | 37,187 | 1,481 | 141,726 | 2,545 | 182,939 |
| Net increase in cash and cash equivalents | 27,406 | 1,481 | 2,313,860 | 95,634 | 2,438,381 |
| Cash and cash equivalents, beginning of year | 4,354,322 | 208,041 | 9,584,530 | 786,643 | 14,933,536 |
| Cash and cash equivalents, end of year | \$ 4,381,728 | 209,522 | 11,898,390 | 882,277 | 17,371,917 |
| <u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</u> | | | | | |
| Operating income (loss) | \$ (9,781) | - | (51,760) | (632,092) | (693,633) |
| Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities: | | | | | |
| Depreciation expense | - | - | 2,531,984 | 216,868 | 2,748,852 |
| Net pension expense | - | - | (31,494) | (18,024) | (49,518) |
| Change in assets and liabilities: | | | | | |
| Prepaid and other assets | - | - | (631) | (1,489) | (2,120) |
| Receivables | - | - | (180,828) | (8,616) | (189,444) |
| Capital assets and assets held for sale | (49,159) | - | - | - | (49,159) |
| Accounts payable | 49,159 | - | (148,902) | 2,542 | (97,201) |
| Accrued payroll and employee benefits | - | - | 11,167 | 4,703 | 15,870 |
| Due to other governments | - | - | 18,774 | - | 18,774 |
| Deposits held for others | - | - | 23,907 | 5,909 | 29,816 |
| Other liabilities | - | - | (83) | - | (83) |
| Total Adjustments | - | - | 2,223,894 | 201,893 | 2,425,787 |
| Net cash provided by (used for) operating activities | \$ (9,781) | - | 2,172,134 | (430,199) | 1,732,154 |

Non-cash capital and financing activities

The County Law Enforcement fund transferred a fully depreciated computer with original cost of \$1,200 to the Housing Services Fund.

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

STATE OF NEW MEXICO
SANTA FE COUNTY
Statement of Fiduciary Assets and Liabilities-Agency Funds
June 30, 2015

| | <u>Agency</u> |
|--|---------------|
| | <u>Totals</u> |
| ASSETS | |
| Cash and investments - held in trust | \$ 4,212,457 |
| Property taxes receivable | 9,000,624 |
| <i>Total Assets</i> | \$ 13,213,081 |
| LIABILITIES | |
| Deposits held for others | \$ 745,663 |
| Taxes paid in advance | 863,119 |
| Due to other Governments | 9,000,624 |
| Undistributed taxes to other Governments | 2,603,675 |
| <i>Total Liabilities</i> | \$ 13,213,081 |

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

STATE OF NEW MEXICO
SANTA FE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 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 financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The County's significant accounting policies are described below.

Reporting Entity

The County's major operations include public safety - sheriff and fire protection, emergency communication operations, adult and juvenile detention operations; public works – roads, solid waste, projects and facilities management, utilities (water and wastewater operations); certain health, social and community services, general administrative services, planning and zoning, low income housing assistance, and the collection of and distribution of property taxes.

The financial reporting entity consists of a primary government and its component units. The County is a primary government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. Furthermore, component units combined with the County for financial statement presentation purposes, and the County, are not included in any other governmental reporting entity. Consequently, the County's financial statements include only the financial activity of those organizational entities for which its elected governing body is financially accountable.

During July 1996, the Housing Authority's Board resigned and day to day operations became a County responsibility. The Authority's 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).

A. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) present financial information about the County as a whole. The reported information includes all of the non-fiduciary activities of the County. For the most part, the effect of internal activity has been removed from these statements. These statements distinguish

STATE OF NEW MEXICO
SANTA FE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

between governmental and business-type activities of the County. Governmental activities normally are supported by taxes and intergovernmental revenues, and are reported separately from business-type activities, which rely to a significant extent on fees and charges for service.

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

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

B. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. In addition, the fiduciary fund financial statements are reported on the accrual basis of accounting. 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 as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. As a general rule the effect of internal activity has been eliminated from the government-wide financial statements, however the effect of interfund services provided and used between functions are reported as expenses and program revenues at amounts approximating their exchange value. The County does not allocate indirect expenses to functions in the statement of activities.

Fund Financial Statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of 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. In addition, derived tax revenues, such as gross receipts and gasoline taxes, are recognized as

STATE OF NEW MEXICO
SANTA FE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

revenues when the underlying exchange transaction has occurred. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, gross receipts taxes, state shared taxes, charges for services, and investment income associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Miscellaneous revenue is not susceptible to accrual because generally they are not measurable until received.

Grants and similar awards are recognized as revenue as soon as all eligibility requirements imposed by the grantor or provider have been met. Deferred inflows of resources also arise when resources are received by the County before it has legal claim to them, as when grant monies are received prior to meeting all eligibility requirements imposed by the provider.

The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column.

Property taxes recognized are net of estimated refunds and uncollectible amounts. Delinquent property taxes have been recorded as deferred revenue. Receivables that will not be collected within the available period have also been reported as deferred revenue on the governmental fund financial statements.

Customer contributions owed to the Utilities Division for the extension of the water system to their property are recorded as revenue when the customer begins to receive water service. Customer contributions owed to the Utilities Division are recorded as notes receivable and deferred revenue if water service has not yet been extended to the customer. Mortgage receivables owed to the 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 or the mortgage receivable is paid off.

The County reports the following major governmental funds.

General Fund – This fund accounts for all financial activities except those required to be accounted for in other funds. It is funded primarily through property, gross receipts and other miscellaneous taxes.

STATE OF NEW MEXICO
SANTA FE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Developer Fees Fund – This fund accounts for funds contributed by Las Campanas Limited Partnership and others for affordable housing programs and other projects. The fund was created by the Board of County Commissioners. In prior years this fund had received approximately \$2.0 million in payments from the private Las Campanas housing development project and the Affordable Housing program, which assists low income persons in the purchase of homes. Current revenue is from interest on the cash balance of this fund and developer funds to assist the affordable housing program. Mortgages funded by developers as part of an affordable housing program are recorded to this fund.

Fire Operations Fund – This fund accounts for the funding and expenses of the County’s career fire and emergency medical services, and the volunteer stipend program. It is funded primarily through gross receipts taxes, charges for ambulance services, and revenue from various grants.

Corrections Operations Fund – This fund accounts for the funding and expense of the County Adult and Juvenile Detention Facilities, through charges for care of prisoners from outside jurisdictions, property taxes, along with gross receipts taxes. This fund also accounts for expenditures associated with the care of Santa Fe County adult and juvenile inmates. This fund was identified as the Jail Facility Fund in prior years.

Capital Outlay GRT Fund – This fund accounts for a 1/4 cent gross receipt tax to be used for various capital projects.

GOB Debt Service – To establish and account for the pledged property taxes and payment of principal and interest related to the County’s General Obligation Bonds.

The County has elected to report all of its enterprise funds as major funds. The following are major proprietary (enterprise) funds:

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

Regional Planning Authority Fund – This enterprise 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.

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

Housing Services Fund – This enterprise 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.

STATE OF NEW MEXICO
SANTA FE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 are charges to customers for sales and services. Operating expenses for this fund include sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Additionally, the County reports the following fund type:

Fiduciary Funds – The Fiduciary Funds are agency funds which account for resources held by the County on behalf of others including inmates, bail money posted, seized and/or forfeited amounts, court ordered writs of execution, and funds utilized by the multi-jurisdictional narcotic task force. In addition, the County Treasurer Fund accounts for collections and payments to the County and other recipient entities of property taxes, interest and penalties, billed and collected by the County on their behalf.

C. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The County reports a deferred outflow of resources related to advance refunding of bonds. The County also records deferred outflows of resources related to its participation in the New Mexico Public Employees Retirement Association (PERA) pension plan.

Also, in addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The County records deferred inflows of resources related to its participation in the PERA pension plan.

Deferred outflows of resources and deferred inflows of resources related to pensions are the result of the changes in the net pension liability not included in pension expense.

Additionally, the County has three types of items, which arise only under modified accrual basis of accounting, that qualify for reporting in the deferred inflows of resources category. Those amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Accordingly, the items under the deferred inflows category (*property taxes, mortgages and down payment assistance, and unavailable revenue*) are reported only in the governmental funds balance sheet.

STATE OF NEW MEXICO
SANTA FE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Cash and Investments

For purposes of the Statement of Cash Flows, the County considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents at year end were cash in bank and investments held by the County.

New Mexico Statutes Annotated (NMSA) authorizes the County to invest public monies in the State Treasurer's Local Government Investment Pool, interest-bearing savings accounts, certificates of deposit, and repurchase agreements in eligible depositories; bonds or other obligations of the U.S. government that are guaranteed as to principal and interest by the U.S. government; and bonds of the State of New Mexico, counties, cities, school districts, and special districts as specified by statute.

The State of New Mexico Local Government Investment Pool is a pool that is not registered with the United States Securities Exchange Commission. Section 6-10-101, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money for short-term investment in securities that 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 faith and credit of the United States government or are agencies sponsored by the United States government. 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 investments. 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 the 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. The investment in the State of New Mexico Local Government Investment Pool approximates the value of the participant's pool share.

A significant portion of the cash and investment of funds of the County is pooled for investment purposes. 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. Repurchase agreements are recorded at fair market value. Interest earned is allocated to the applicable County funds based on the County's policy of allocating interest to those funds which is required by law or by debt covenants. The remaining interest income is recorded in the General Fund.

Nonparticipating interest-earning investment contracts are stated at cost. Money market investments and participating interest investment contracts with a remaining maturity of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value.

Certain resources set aside for the repayment of debt, State of NM and County required contingency are classified as cash and investments – restricted on the statement of net position/

**STATE OF NEW MEXICO
SANTA FE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

balance sheet, because their use is limited by applicable bond covenants or statutory and other contractual requirements. Trust accounts, recorded in the Debt Service Funds, are used to segregate resources accumulated for future debt service payments.

E. Investment Income

Investment income is composed of interest, dividends, and net changes in the fair value of applicable investments.

F. Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” All receivables are shown net of allowance for uncollectible.

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 no 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 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 Fund in the governmental fund financial statements are net of an allowance for uncollectible. Refunds related to the settlement of property tax protests are only recorded when the case is completed.

G. Inventory

Inventories on hand at year end were immaterial and therefore not included on the fund or government-wide financial statements.

H. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

I. Capital Assets

Capital assets, which include land and improvements; buildings and improvements; plant; vehicles, furniture, and equipment; construction in progress; computer software; and

**STATE OF NEW MEXICO
SANTA FE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. The County defines capital assets as assets with an initial, individual cost of \$3,000 or more and an estimated useful life of more than one year. Effective July 1, 2006, State law requires capitalization of assets greater than \$5,000. The County has elected to use the more conservative threshold of \$3,000 for internal tracking purposes. Such assets are recorded at historical cost or estimated historical cost if actual historical cost is not available. 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 asset lives are not capitalized. 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. Governmental capital assets of the County are depreciated using the straight-line method over the following estimated useful lives:

| Assets | Years |
|--------------------------------------|-------|
| Buildings and structures | 40 |
| Improvements other than buildings | 25-40 |
| Infrastructure | 25-30 |
| Machinery and equipment | 3-10 |
| Furniture, vehicles and other assets | 3-5 |

All additions to the infrastructure have been capitalized. The Utilities Fund consists of engineering costs and other expenses to plan and build a water system. Depreciation expense is recorded by the Utilities Fund over the estimated 50 year life of the water system. Proprietary capital assets of the County are depreciated using the straight-line method over the following estimated useful lives:

| Assets | Utilities | Housing Services |
|-----------------------------------|-----------|------------------|
| Water system | 50 years | - |
| Buildings | 40 years | 40 years |
| Machinery and equipment | 10 years | 10 years |
| Furniture, vehicles, other assets | 3-5 years | 3-5 years |

J. Compensated Absences

The County’s employee vacation and sick leave policies generally provide for granting vacation and sick leave with pay. Accumulated sick leave benefits in excess of 240 hours are eligible to be “sold back” to the County upon an employee’s retirement at a rate of 50% of the excess leave. Sick leave that is eligible to be sold back and vested or accumulated vacation leave is expected to be liquidated with available financial resources and is recorded as an expenditure and fund liability of those funds that will pay it. No liability is recorded for sick leave benefits that are estimated or will be taken prior to retirement. In the entity-wide statements vested or

**STATE OF NEW MEXICO
SANTA FE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

accumulated vacation and sick leave eligible to be sold back to the County are recorded as an expense and liability as the benefits accrue to employees. The General Fund has been used in prior years to liquidate the liability for compensated absences. The total amount of compensated absences is estimated due within one year because of the uncertainty of when the amounts will be paid.

K. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

L. Long-term Obligations

In the government-wide financial statements and proprietary fund types, long-term debt and other long-term obligations are reported as liabilities on the statement of net position. Bond premiums and discounts and the difference between the reacquisition price and net carrying amount of the old debt are deferred and amortized over the life of the bonds using the straight line method, which approximates the effective interest method, over the term of the related debt. Bond issuance costs are recognized as expenditures in both the governmental fund types and entity-wide financial statements when bonds are issued.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, and similar items when bonds are issued. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses.

M. Interfund Activity

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund statements are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds.

N. Budgets

Budgets are adopted on a basis inconsistent with generally accepted accounting principles (GAAP). Appropriations of funds unused or underspent during the fiscal year may be carried

STATE OF NEW MEXICO
SANTA FE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

over into the next fiscal year by budgeting those amounts in the subsequent year's budget. For the current fiscal year actual to budget comparisons, the actual amounts are reported on the budgetary basis, which differs 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 projects, and the enterprise funds. Department heads and elected officials are required to complete budget request forms for each organizational unit. The County Manager's Office prepares a management budget recommendation based upon budget requests as well as Board of County Commissioner and community priorities. The Commission reviews the management budget recommendations and makes changes as needed. The amended budget is then adopted and approved by resolution. The Finance Division 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 August, 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: 1) budget increases; 2) transfers of budget or cash between funds; and 3) 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 Division to ensure that DFA and County policy are being followed. Additionally, a mid-year budget review is conducted with each organizational unit which includes a hearing with the County Manager or designee, Finance Division 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.

STATE OF NEW MEXICO
SANTA FE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 fiscal year 2015:

- Hold Harmless Gross Receipts Tax Fund
- Recreation Special Revenue Fund
- Linkages Program Fund
- Equipment Loan Debt Service Fund
- Regional Planning Authority Enterprise Fund
- 2009 Series Capital Outlay GRT Bond

O. 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 monies to reserve that portion of the applicable appropriation, as an extension of formal budgetary integration. In governmental fund types, encumbrances outstanding at year-end do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year. Significant encumbrances, those greater than \$200,000, are disclosed in the Commitments and Contingencies Note 13.

P. Net Position

In the government-wide financial statements, net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds and deferred outflow of resources related to refunding of bonds. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the County or through external restrictions imposed by creditors, grantors, laws or regulations of other governments. Unrestricted net position represents assets of the County not restricted for any other project or purpose.

Q. 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

STATE OF NEW MEXICO
SANTA FE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 2 – CLASSIFICATION OF NET POSITION AND FUND BALANCES

Fund Balance Classifications:

Nonspendable – Represents amounts that are not in a spendable form, cannot be spent, or required by legal or other contractual reasons to be maintained intact. This classification includes permanent fund principal, inventory, assets held for sale, prepaids, and long-term receivables net of deferred revenue. At June 30, 2015, the County had \$758,358 in nonspendable fund balance made up of prepaid insurance for general liability and law enforcement liability, automobile, property, and boiler and machinery.

Restricted – Represents amounts that have been constrained by specific purposes stipulated by external providers, creditors, grantors and other governments, constitutionally, or through enabling legislation. At June 30, 2015, the County had approximately \$151.6 million in restricted fund balance. Restrictions included bond covenants restricted for capital projects, debt service restrictions, grantor agency restrictions, and other contractual amounts statutorily restricted by State or Federal law. Restricted fund balance also includes approximately \$6.1 million set aside for a loan guarantee with Santa Fe Film and Media Studios for the construction of a film and multi-media production studio.

Committed – Includes amounts that have been committed by formal action by the highest level of authority for specific purposes (via Board of County Commissioners [BCC] action, resolution or adopted ordinance-both equally binding) and can only be changed or lifted by the same formal action. At June 30, 2015, the County had \$344,697 in committed fund balance in the Emergency Communications Operations Fund, which represents \$250,000 in capital contingency and the remaining fund balance in excess of statutory restrictions formally committed by the Board of County Commissioners during the budget adoption for the operation of the Regional Emergency Communication Center (RECC). Other committed amounts include a 10% expense reserve in those governmental funds that directly support County operations and personnel totaling approximately \$4.2 million in non-major governmental funds, and approximately \$4.0 million in major funds excluding the General Fund. In the General Fund, there is a contingency reserve of approximately \$7.7 million equal to 10% of the general fund operating budget (including transfers), a disaster recovery reserve equal to 10% - 15% of unrestricted fund balance, an uninsured loss reserve equal to 5% - 10% of unrestricted fund balance, and a major infrastructure repair and replacement reserve equal to 10% - 15% of unrestricted fund balance. For purposes of committing fund balance, the unrestricted fund balance is the general fund unrestricted fund balance as of the prior fiscal year end as reflected in the Comprehensive Annual Financial Report (CAFR).

Assigned – Amounts that are intended to be used for specific purposes by the County, but do not meet the definition of other fund balance classifications. The general fund is the only fund that has assigned fund balance due to the restricted nature of other fund types. The authority to assign fund balance can be that of the Board of County Commissioners, or by an official (usually the County Manager or County Finance Director) that has been delegated that authority. The County had assigned fund balance in the general fund of approximately \$26.8 million at June 30, 2015.

**STATE OF NEW MEXICO
SANTA FE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 – CLASSIFICATION OF NET POSITION AND FUND BALANCES (Continued)

Unassigned – This is the fund balance that is the residual classification for the General Fund not contained in other classifications. Only the General Fund can report a positive unassigned fund balance. Other governmental funds may have a negative unassigned fund balance after all restrictions or commitments have been accounted for via other classifications. In the General Fund, the unassigned fund balance at June 30, 2015, was approximately \$6.1 million and represents residual fund balance undesignated by other classifications.

The following schedule presents fund balance classifications at June 30, 2015:

| | General Fund | Developer Fees | Fire Operations | Corrections Operations | Capital Outlay GRT | GOB Debt Service | Non-Major Funds |
|--|----------------------|---------------------|---------------------|---------------------------|--------------------------|----------------------|----------------------|
| FUND BALANCE | | | | | | | |
| Nonspendable: | | | | | | | |
| Prepaid Insurance | \$ 130,298 | \$ - | \$ 95,475 | \$ 253,738 | \$ - | \$ - | \$ 278,847 |
| Restricted: | | | | | | | |
| Debt Service | 2,191,956 | - | - | - | 3,272,013 | 10,451,694 | 3,118,502 |
| Capital Projects | - | - | - | - | 30,435,713 | - | 33,677,280 |
| Loan guarantee-Santa Fe Studios | 6,058,730 | - | - | - | - | - | - |
| Statutory budget reserve | 12,886,281 | - | - | - | - | - | - |
| Other contractual & statutory requirements | - | 1,335,375 | 6,465,240 | 5,243,596 | - | - | 36,441,411 |
| Subtotal: | 21,136,967 | 1,335,375 | 6,465,240 | 5,243,596 | 33,707,726 | 10,451,694 | 73,237,193 |
| Committed: | | | | | | | |
| Contingency reserve above requirement | 7,671,654 | - | 1,512,673 | 2,447,104 | - | - | 4,273,742 |
| Uninsured Losses | 3,088,818 | - | - | - | - | - | - |
| Disaster recovery | 4,853,857 | - | - | - | - | - | - |
| Facility/infrastructure | 4,853,857 | - | - | - | - | - | - |
| Emergency Communication Operations | - | - | - | - | - | - | 250,000 |
| Subtotal: | 20,468,186 | - | 1,512,673 | 2,447,104 | - | - | 4,523,742 |
| Assigned: | | | | | | | |
| Budget Requirements | 26,834,420 | - | - | - | - | - | - |
| Unassigned (Deficit): | 6,096,658 | - | - | - | - | - | (233,290) |
| Total Fund Balance | \$ 74,666,529 | \$ 1,335,375 | \$ 8,073,388 | \$ 7,944,438 | \$ 33,707,726 | \$ 10,451,694 | \$ 77,806,492 |

The County applies restricted resources first when expenditures are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first

**STATE OF NEW MEXICO
SANTA FE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 2 – CLASSIFICATION OF NET POSITION AND FUND BALANCES (Continued)

followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

NOTE 3 – CASH AND INVESTMENTS

At year end, the carrying amount of the County’s deposits was \$53,399,027 and the bank balance was \$55,186,352. The difference represents outstanding checks, deposits, and other reconciling items.

Custodial Credit Risk – Investments - To control custody risk, State law and the County adopted Investment Policy requires all securities and all collateral for time and demand deposits, as well as repurchase agreement collateral, be transferred delivery versus payment and held by an independent party required to provide original safekeeping receipts. Repurchase agreements must be collateralized to 102%.

The County’s investment in the New Mexico State Treasurer’s Investment Pool represents a proportionate interest in the Pool’s portfolio. The County’s portion is not identified with specific investments and is not subject to custodial risk; however, separately issued financial statements of the Office of the State Treasurer disclose the collateral pledged to secure the State Treasurer’s cash and investments. The most recent report may be obtained by contacting the Office of the State Treasurer, PO Box 608, Santa Fe, NM 87504-0608.

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank failure, the County’s deposits may not be returned. The County has a deposit policy for custodial credit risk; which follows New Mexico law. All deposits with financial institutions must be collateralized in an amount not less than 50% of the uninsured balance.

No security is required for the deposit of public money that is insured by the Federal Deposit Insurance Corporation (FDIC). At year end, \$53,938,352 of the County’s bank balance was exposed to custodial credit risk as uninsured. Pledged securities totaling \$80,124,274 collateralized the uninsured amount exceeding the collateralization requirement by \$53,155,097.

The pledged collateral by bank at year end consists of the following:

| | 50% Requirement |
|----------------------------------|----------------------|
| Deposits | \$ 55,186,352 |
| Less FDIC coverage | 1,248,000 |
| Total unsecured public funds | <u>53,938,352</u> |
| Collateral requirement | 26,969,177 |
| Pledged securities, fair value | 80,124,274 |
| Pledged in excess of requirement | <u>\$ 53,155,097</u> |

**STATE OF NEW MEXICO
SANTA FE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 3 – CASH AND INVESTMENTS (Continued)

At year end the County’s investments consisted of the following:

| Investment Type | Fair Value | Investment Maturities (in Years) | | | |
|--|-----------------------|----------------------------------|----------------------|----------------------|----------------------|
| | | Less than 1 | 1-5 | 6-10 | More than 10 |
| Money market-investments | \$ 83,081,575 | \$ 83,081,575 | \$ - | \$ - | \$ - |
| State Treasurer’s Investment Pool | 26,913 | 26,913 | - | - | - |
| Municipal Bonds | 9,264,094 | - | 9,264,094 | - | - |
| U.S Treasuries | 1,069,902 | 569,672 | 500,230 | - | - |
| U.S. Agencies: | | | | | |
| Federal Farm Credit Banks | 7,740,664 | - | 2,921,183 | 2,918,052 | 1,901,429 |
| Federal National Mortgage Association | 25,706,656 | 1,002,501 | 19,454,890 | 4,316,489 | 932,776 |
| Federal Home Loan Mortgage Corporation | 15,984,289 | - | 14,566,317 | - | 1,417,972 |
| Federal Home Loan Bank | 28,609,132 | 2,168,416 | 10,864,176 | 7,324,155 | 8,252,385 |
| Fing Corp FICO | 4,903,474 | - | 4,903,474 | - | - |
| Total | \$ 176,386,699 | \$ 86,849,077 | \$ 62,474,364 | \$ 14,558,696 | \$ 12,504,562 |

Interest Rate Risk - The County does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The weighted average maturity of the State Treasurer’s local government investment pool was 54.6 days at year end.

Credit Quality Risk - The County has an investment policy that would further limit its investment choices. Risk classifications are limited to primary capital asset ratio of 6.1 percent for “Class A”, 5 percent for “Class B”, less than 5 percent for “Class C”, and less than 2.5 percent for “Class D”. All of the County’s investments in U.S. Agencies in the preceding table were rated Aaa by Moody’s Investors Service and AAA by Standard & Poor’s. The *New MexiGROW* Local Government Investment Pool (LGIP), a government investment pool is rated AAAM by Standard & Poor’s and is authorized by the New Mexico State statute.

Concentration of Credit Risk – Investments in securities of any issues, other than U.S. Treasury Securities, mutual funds, local government investment pool, that represent 5% or more of the total investments at year end are as follows:

| | Amount | % of Investments |
|--|---------------|------------------|
| Treasury Money Market | \$ 83,081,575 | 47% |
| Municipal Bonds | 9,264,094 | 5% |
| U.S. Agencies | | |
| Federal National Mortgage Association | 25,706,656 | 15% |
| Federal Home Loan Mortgage Corporation | 15,984,289 | 9% |
| Federal Home Loan Bank | 28,609,132 | 16% |

**STATE OF NEW MEXICO
SANTA FE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 4 – RECEIVABLES

Governmental receivable balances, net of allowance for uncollectible accounts, as of year-end for the County’s individual major governmental funds and non-major governmental funds in the aggregate, were as follows:

| | General Fund | Developer Fees* | Fire Operations | Corrections Operations | Capital Outlay GRT | GOB Debt Service | Non-Major Governmental Funds |
|-----------------------------------|--------------|-----------------|-----------------|------------------------|--------------------|------------------|------------------------------|
| Accounts | \$ 237,446 | \$ 141,520 | \$ 9,422,111 | \$ 3,547,790 | \$ - | \$ - | \$ 1,916,997 |
| Taxes | 6,854,870 | - | 1,576,598 | - | 1,749,383 | 1,114,271 | 3,889,760 |
| Interest | 262,619 | - | - | 65,267 | - | - | 12,358 |
| Grantor & other | 80,124 | - | 260,612 | 32,827 | - | - | 2,380,089 |
| Mortgage Notes | - | 13,861,868 | - | - | - | - | - |
| Down Payment Assistance | - | 552,220 | - | - | - | - | - |
| Less: Allowance for uncollectible | (36,346) | (2,816,918) | (9,147,704) | (3,189,468) | - | - | (65,651) |
| Net receivables | \$ 7,398,713 | \$ 11,738,690 | \$ 2,111,617 | \$ 456,416 | \$ 1,749,383 | \$ 1,114,271 | \$ 8,133,553 |

*Developer fees receivable fund accounts receivable are not expected to be collected within 1 year; therefore, are considered long term assets.

Proprietary funds report revenues net of allowances. The Utilities fund is the only proprietary fund with an allowance as follows:

| | <u>Revenues</u> |
|---|---------------------|
| Rentals and charges for services & sales | \$ 4,794,112 |
| Allowance for accounts receivable | (329,285) |
| Rentals and charges for services & sales, net | <u>\$ 4,464,827</u> |

Governmental funds report deferred inflows in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also report deferred inflows in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred inflows reported in the governmental funds were as follows:

| | Unavailable | Unearned |
|---|----------------------|-------------|
| Delinquent property taxes receivable (General Fund) | \$ 4,045,953 | \$ - |
| Charges for services receivable and grants receivable (General Fund) | 798,545 | - |
| Mortgages receivable (Developer Fees Fund) | 11,738,690 | - |
| Charges for services receivables (Fire Operations Fund) | 124,999 | - |
| Delinquent property taxes receivable (GOB Debt Service Fund) | 837,988 | - |
| Charges for services receivable and grants receivables (Non-Major Governmental Funds) | 1,644,558 | - |
| Total deferred revenue for governmental funds | <u>\$ 19,190,733</u> | <u>\$ -</u> |

**STATE OF NEW MEXICO
SANTA FE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5 – CAPITAL ASSETS

A summary of capital asset activity for the current fiscal year follows:

Governmental Activities:

| | <u>Balance June 30, 2014</u> | <u>Additions</u> | <u>Deletions</u> | <u>Transfers</u> | <u>Balance June 30, 2015</u> |
|---|----------------------------------|---------------------|--------------------|--------------------|----------------------------------|
| Land | \$ 36,435,442 | 607,818 | (7,024) | - | 37,036,236 |
| Right of Way Land | 10,109,940 | - | - | - | 10,109,940 |
| Construction in progress | <u>5,495,935</u> | <u>3,015,898</u> | <u>-</u> | <u>(3,586,576)</u> | <u>4,925,257</u> |
| Total | <u>52,041,317</u> | <u>3,623,716</u> | <u>(7,024)</u> | <u>(3,586,576)</u> | <u>52,071,433</u> |
| Assets being depreciated: | | | | | |
| Buildings & Improvements | 180,608,832 | 1,972,414 | - | 452,802 | 183,034,048 |
| Infrastructure | 70,213,172 | 4,215,094 | - | 3,133,774 | 77,562,040 |
| Vehicles, Furniture, Fixtures & Equipment | <u>61,076,417</u> | <u>3,735,963</u> | <u>(1,840,007)</u> | <u>(1,200)</u> | <u>62,971,173</u> |
| Total | <u>311,898,421</u> | <u>9,923,471</u> | <u>(1,840,007)</u> | <u>3,585,376</u> | <u>323,567,261</u> |
| Less: Accumulated Depreciation | | | | | |
| Buildings & Improvements | (43,707,548) | (4,663,845) | - | - | (48,371,393) |
| Infrastructure | (24,384,018) | (2,313,846) | - | - | (26,697,864) |
| Vehicle, Furniture, Fixtures, & Equipment | <u>(46,328,994)</u> | <u>(3,912,757)</u> | <u>1,840,007</u> | <u>1,200</u> | <u>(48,400,544)</u> |
| Total | <u>(114,420,560)</u> | <u>(10,890,448)</u> | <u>1,840,007</u> | <u>1,200</u> | <u>(123,469,801)</u> |
| Net Capital Assets | <u>\$ 249,519,178</u> | <u>2,656,739</u> | <u>(7,024)</u> | <u>-</u> | <u>252,168,893</u> |

**STATE OF NEW MEXICO
SANTA FE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5 – CAPITAL ASSETS (Continued)

Business Type Activities:

REGIONAL PLANNING AUTHORITY

| | Balance June 30, 2014 | Additions | Deletions | Transfers | Balance June 30, 2015 |
|--|--------------------------|-----------|-----------|-----------|--------------------------|
| Vehicles, Furniture, Fixtures, & Equipment | \$ 3,629 | - | - | - | 3,629 |
| Total | 3,629 | - | - | - | 3,629 |
| Less: Accumulated Depreciation Vehicle, Furniture, Fixtures, & Equipment | (3,629) | - | - | - | (3,629) |
| Total | (3,629) | - | - | - | (3,629) |
| Net Capital Assets | \$ - | - | - | - | - |

UTILITIES DEPARTMENT

| | Balance June 30, 2014 | Additions | Deletions | Transfers | Balance June 30, 2015 |
|--|--------------------------|-------------|-------------|-----------|--------------------------|
| Land | \$ 1,440,327 | 55,002 | (1,347,625) | - | 147,704 |
| Water Rights | 21,704,696 | - | (3,896,627) | - | 17,808,069 |
| Construction in progress | 428,419 | 266,941 | - | (88,286) | 607,074 |
| Total | 23,573,442 | 321,943 | (5,244,252) | (88,286) | 18,562,847 |
| Assets being depreciated: | | | | | |
| Buildings & Improvements | 21,751 | - | - | - | 21,751 |
| Water Systems | 122,210,296 | 676,239 | - | 88,286 | 122,974,821 |
| Vehicles, Furniture, Fixtures & Equipment | 702,858 | 97,799 | - | - | 800,657 |
| Total | 122,934,905 | 774,038 | - | 88,286 | 123,797,229 |
| Less: Accumulated Depreciation Buildings & Improvements | (11,916) | (2,886) | - | - | (14,802) |
| Water Systems | (9,728,125) | (2,452,612) | - | - | (12,180,737) |
| Vehicle, Furniture, Fixtures, & Equipment | (443,754) | (76,485) | - | - | (520,239) |
| Total | (10,183,795) | (2,531,983) | - | - | (12,715,778) |
| Net Capital Assets | \$ 136,324,552 | (1,436,002) | (5,244,252) | - | 129,644,298 |

**STATE OF NEW MEXICO
SANTA FE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5 – CAPITAL ASSETS (Continued)

Business Type Activities (Continued):

HOUSING SERVICES

| | Balance June 30, 2014 | Additions | Deletions | Transfers | Balance June 30, 2015 |
|---|--------------------------|--------------------|--------------------|-----------|--------------------------|
| Land | \$ 725,205 | 3,210 | - | - | 728,415 |
| Assets being depreciated: | | | | | |
| Buildings & Improvements | 7,836,345 | - | - | - | 7,836,345 |
| Vehicles, Furniture, Fixtures & Equipment | 437,236 | - | (2,553) | 1,200 | 435,883 |
| Total | 8,273,581 | - | (2,553) | 1,200 | 8,272,228 |
| Less: Accumulated Depreciation | | | | | |
| Buildings & Improvements | (3,209,792) | (204,017) | - | - | (3,413,809) |
| Vehicle, Furniture, Fixtures, & Equipment | (389,093) | (12,851) | 2,553 | (1,200) | (400,591) |
| Total | (3,598,885) | (216,868) | 2,553 | (1,200) | (3,814,400) |
| Net Capital Assets | 5,399,901 | (164,499) | - | - | 5,186,243 |
| Business-type activities capital assets, net | <u>\$141,724,453</u> | <u>(1,600,501)</u> | <u>(5,244,252)</u> | <u>-</u> | <u>134,830,541</u> |

Depreciation expense was charged to functions/programs as follows:

| | |
|---|----------------------|
| Governmental Activities: | |
| General government | \$ 2,493,477 |
| Public safety | 3,944,555 |
| Health and welfare | 671,111 |
| Culture and recreation | 807,864 |
| Highways and streets | 2,973,441 |
| Total depreciation expense – governmental activities | <u>\$ 10,890,448</u> |
| Business-Type Activities: | |
| Regional Planning Authority | \$ - |
| Utilities | 2,531,983 |
| Housing Services | 216,868 |
| Total depreciation expense – business-type activities | <u>\$ 2,748,851</u> |

**STATE OF NEW MEXICO
SANTA FE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 5 – CAPITAL ASSETS (Continued)

Construction Commitments – At year end, the County had contractual commitments related to capital projects for the construction of the Santa Fe Rail Trail, the La Cienega Fire Station/Community Center, the Pojoaque Sports Complex and other various projects. At year end the County had spent approximately \$10.4 million on the projects and had estimated remaining contractual commitments of approximately \$8.9 million. These projects are being funded primarily with bond proceeds and capital outlay gross receipts taxes.

NOTE 6 – OPERATING LEASES

The County leases equipment and office space under the provisions of long-term lease agreements classified as operating leases for accounting purposes. Expenditures under the terms of the operating leases totaled \$419,677 for the current fiscal year. The operating leases are subject to future appropriation and, as such, cancelable by the County at the end of a fiscal year. The future minimum rental payments required under the operating leases at year end, were as follows:

| | | |
|---------------------------------|----|----------------|
| Year Ending June 30: | | |
| 2016 | \$ | 48,928 |
| 2017 | | 50,020 |
| 2018 | | 51,486 |
| 2019 | | 52,121 |
| 2020 | | 52,012 |
| 2021-25 | | 277,750 |
| 2026-30 | | 93,975 |
| 2031 | | 1,930 |
| Total minimum payments required | \$ | <u>628,222</u> |

NOTE 7 – LANDFILL CLOSURE AND POST-CLOSURE COSTS

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 post-closure care costs will be incurred after the date the landfill stops accepting waste, the County reports these closure and post-closure care costs as a liability as of each balance sheet date. The County closed the landfill during fiscal year 1997. The \$1,883,832 reported as landfill closure and post-closure care liability at year end represents management's estimate based on an expert hired to estimate the costs for standard monitoring and compliance to 2027.

STATE OF NEW MEXICO
SANTA FE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 7 – LANDFILL CLOSURE AND POST-CLOSURE COSTS (Continued)

Annual ground water monitoring has demonstrated the County is in compliance with ground 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 post-closure costs in the next fiscal year. Current year expenditures of \$16,016 were paid by the General Fund. These amounts are based on what it would cost to perform all closure and post-closure care in fiscal year 2015. Actual costs may be higher due to inflation, changes in technology, or changes in regulations; therefore, an amount due within one year is not recorded.

NOTE 8 – 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. At year end, there were two series of Project Revenue Bonds outstanding, with an aggregate principal amount payable of \$10,370,000.

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. At year end, the amounts of bonds outstanding were \$2,780,000.

The County issued \$7,400,000 of tax-exempt variable rate and \$2,650,000 of taxable fixed rate Education Facility Revenue Bonds in April 2008 to provide assistance for building an elementary school for the Archdiocese of Santa Fe. The bonds are secured by Education Facility Revenues. At year end, the amounts of bonds outstanding were \$8,105,000.

Total conduit debt outstanding at June 30, 2015, was \$21,255,000. 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.

NOTE 9 – BONDS PAYABLE

Bonds payable at year end consisted of the following outstanding general obligation and revenue bonds. The bonds are both callable and non-callable with interest payable semiannually. Property taxes or gross receipts taxes as applicable from the respective debt service funds are used to pay bonded debt.

**STATE OF NEW MEXICO
SANTA FE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 9 – BONDS PAYABLE (Continued)

Sinking fund requirements for the Correctional System and GRT Revenue Bonds are: 1) 10% of the original principal amount of the bonds; or 2) the maximum annual debt service of the bonds; or 3) 125% of the average annual debt service of the bonds. The County has chosen option 2.

Revenue and general obligation bonds outstanding as reported in governmental-type activities at year end were as follows:

| Purpose | Original Amount Issued | Interest Rates | Maturity | Outstanding Principal June 30, 2015 | Due Within One Year |
|---|---------------------------|-------------------|----------|---|------------------------|
| Governmental activities: | | | | | |
| General Obligation Bonds: | | | | | |
| GOB Series 2005A - Roads, Public Works, Water | \$ 20,000,000 | 4.0% to 4.375% | 7/1/25 | \$ 750,000 | \$ 750,000 |
| GOB Series 2005 - Refunding 97 GOB | 8,490,000 | 3.75% to 4.192% | 7/1/16 | 2,030,000 | 990,000 |
| GOB Series 2007A - Judicial Center | 25,000,000 | 4% to 4.5% | 7/1/26 | 1,250,000 | 500,000 |
| GOB Series 2007B – Roads & Water | 20,000,000 | 4% to 5.5% | 7/1/27 | 1,000,000 | 500,000 |
| GOB Series 2008 - Buckman Direct Diversion Water | 32,500,000 | 3% to 4.25% | 7/1/24 | 24,900,000 | 1,000,000 |
| GOB Series 2009 - Road, Fire, Water, OS, Transfer Stations | 17,000,000 | 3% to 4.3% | 7/1/24 | 11,250,000 | 1,000,000 |
| GOB Series 2010 - Refund 2001A & 1999 Series | 13,505,000 | 2.125% to 3% | 7/1/18 | 6,220,000 | 950,000 |
| GOB Series 2011 – Refund 2001A & Road, Fire, Water, OS, Transfer Stations | 17,500,000 | 2.5% to 4% | 7/1/26 | 12,275,000 | 1,170,000 |
| GOB Series 2013-Roads, Public Works, Water | 19,000,000 | 2.0% to 4.0% | 7/1/28 | 18,650,000 | 275,000 |
| GOB Series 2015-Refunding 2005A, 2007A & B, and Improvements | 47,220,000 | 2.75% to 5.0% | 7/1/30 | 47,220,000 | - |
| Total | | | | <u>125,545,000</u> | <u>7,135,000</u> |
| Revenue Bonds: | | | | | |
| Correctional System 1997 | 30,000,000 | 5.0% to 6.0% | 2/1/27 | 18,905,000 | 1,150,000 |
| Sheriff's Facility - 1997A | 6,000,000 | 5.0% to 6.0% | 2/1/27 | 3,555,000 | 215,000 |
| Subordinate Judicial Center – 2008 | 30,000,000 | 3.5% to 5% | 6/1/33 | 26,075,000 | 515,000 |
| 2009 Series Capital Outlay GRT - Water Rights | 12,090,000 | 2% to 5% | 6/1/29 | 9,510,000 | 515,000 |
| 2010A Series Capital Outlay GRT - Buckman Direct Diversion | 21,215,000 | 2% to 5% | 6/1/30 | 17,470,000 | 850,000 |
| 2010B Series Capital Outlay GRT - Buckman Direct Diversion | 10,195,000 | 2% to 4.25% | 6/1/30 | 8,515,000 | 380,000 |
| Total | | | | <u>84,030,000</u> | <u>3,625,000</u> |
| Grand Total | | | | <u>\$ 209,575,000</u> | <u>\$ 10,760,000</u> |

**STATE OF NEW MEXICO
SANTA FE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 9 – BONDS PAYABLE (Continued)

Pledged revenues – governmental activities. The County has pledged future gross receipts tax revenues to repay outstanding revenue bonds of approximately \$84.0 million as of June 30, 2015. Proceeds from the original bond issuances provided financing for the acquisition and construction of major capital facilities and water systems.

The revenue bonds described in the schedule above are secured by pledged revenue as outlined in the bond covenants associated with the each issuance. The 1997 Correctional Facility Bond, the 1997A Sheriff’s Facility Bond and the 2008 Judicial Center Revenue bond have pledged revenue totaling a 5/16th cent gross receipts tax (two 1/8th cent increments and a 1/16th cent increment) dedicated to general purposes which includes debt service. The pledged revenue is 1.4 times the amount of debt service in the subsequent fiscal year for the bonds which averages \$4,969,410 per year. Thus, the total pledge requirement is approximately \$6,957,174 per year or 57.7% of the 5/16th tax increments annually (based on FY 2015 collections). The revenue pledge will remain in place until the bonds mature or they are called, if callable. Both the 1997 Series and the 1997A Series mature in fiscal year 2027 and are not callable. The 2008 Series will mature in fiscal year 2033 with an optional call date of 6/1/18.

The three other revenue bonds described above, the 2009 Series, 2010A Series and 2010B Series are secured by pledged capital outlay gross receipts tax. This tax is a 1/4th cent tax increment dedicated to capital projects or debt service thereon. The pledged revenue is 2.0 times the amount of debt service for the bonds in the subsequent fiscal year which averages \$3,303,937 per year. Thus, the total pledge requirement is approximately \$6,607,874 or 68.6% of the capital outlay gross receipts tax annually (based on FY 2015 collections). The revenue pledge will remain in place until the bonds mature or they are called. The 2009 Series matures in fiscal year 2029 with an optional call date of 6/1/19. The 2010A and 2010B Series mature in fiscal year 2030 with an optional call date of 6/1/2020.

Annual debt service requirements to maturity on revenue and general obligation bonds for governmental activities at year end are summarized as follows:

| Year ending June 30: | <u>Principal</u> | <u>Interest</u> |
|----------------------|-----------------------|----------------------|
| 2016 | \$ 10,760,000 | \$ 9,486,288 |
| 2017 | 11,595,000 | 8,966,854 |
| 2018 | 12,630,000 | 7,803,699 |
| 2019 | 13,540,000 | 7,289,549 |
| 2020 | 13,435,000 | 6,720,924 |
| 2021-25 | 79,090,000 | 23,649,738 |
| 2026-30 | 60,300,000 | 7,229,090 |
| 2031-33 | <u>8,225,000</u> | <u>802,000</u> |
| Total | <u>\$ 209,575,000</u> | <u>\$ 71,948,139</u> |

**STATE OF NEW MEXICO
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 9 – BONDS PAYABLE (Continued)

During the year ended June 30, 2015, the County issued \$39,220,000 in refunding bonds, with an effective interest rate of 2.152% to refund the 2005A GOB Series and advance refund the 2007A and 2007B GOB Series general obligation bonds. The 2005A, 2007A and 2007B GOB Series bonds had average interest rates of 4.240%, 4.452% and 4.222% respectively. The total refunded principal was \$42,050,000. The net proceeds of \$44,246,869 of the refunding bonds, which includes \$5,026,869 net bond premium, were deposited with an escrow agent and invested in open market securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for payment of the refunded bonds on their call dates of July 1, 2015 (2005A Series) and July 1, 2016 (2007A and 2007B Series). As a result, the refunded general obligation bonds are considered to be defeased, and the liability for those bonds has been removed from the government-wide financial statements. The refunding/advance refunding was undertaken to reduce the total debt service payments over the next 8 years by an average of \$440,000 per year with a net present value savings to the County of \$5,127,489.

Of the three refunded/advance refunded bonds noted above, one, the 2005A GOB Series was considered a current refunding with the call date and subsequent redemption occurring on July 1, 2015, within 90 days of the bond refunding bond issuance. The 2007A and 2007B GOB Series were advance refunded with the call date and subsequent redemption to occur on July 1, 2016. At year end, \$42,050,000 of these defeased bonds was still outstanding. No other previously defeased bonds remained outstanding.

NOTE 10 – LOANS PAYABLE

During the year ended June 30, 2012, the County entered into an agreement with the City of Santa Fe to repay a portion of non-interest loan/grant agreements with the Water Trust Board in connection with the Buckman Direct Diversion Project. The annual payments of principal are the responsibility of the Capital Outlay GRT Fund. Annual debt service requirements to maturity are summarized as follows:

| Year ending June 30: | Principal |
|----------------------|------------|
| 2016 | \$ 26,095 |
| 2017 | 26,094 |
| 2018 | 26,095 |
| 2019 | 26,095 |
| 2020 | 26,095 |
| 2021-25 | 130,478 |
| 2026-29 | 93,863 |
| Total | \$ 354,815 |

**STATE OF NEW MEXICO
SANTA FE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 11 - CHANGES IN LONG-TERM LIABILITIES

Long-term liability activity for the current fiscal year was as follows:

| | Balance June 30, 2014 | Additions | Reductions | Balance June 30, 2015 | Due Within One Year |
|---|--------------------------|--------------------|---------------------|--------------------------|------------------------|
| Governmental Activities: | | | | | |
| General obligation bonds | \$ 127,010,000 | 47,220,000 | (48,685,000) | 125,545,000 | 7,135,000 |
| Revenue bonds | 87,460,000 | - | (3,430,000) | 84,030,000 | 3,625,000 |
| Loan payable | 380,908 | - | (26,093) | 354,815 | 26,095 |
| Landfill closure and post-closure costs | 1,899,848 | - | (16,016) | 1,883,832 | 16,016 |
| Compensated absences | 3,093,389 | 3,174,593 | (3,039,632) | 3,228,350 | 3,228,350 |
| Premium on bonds payable | - | 6,082,983 | - | 6,082,983 | 405,532 |
| Pending legal action | - | 693,431 | - | 693,431 | 693,431 |
| Net pension liability | - | 48,279,924 | - | 48,279,924 | - |
| Total | \$ 219,844,145 | 105,450,931 | (55,196,741) | 270,098,335 | 15,129,424 |

NOTE 12 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

At year end, sixteen governmental funds were involved in borrowing arrangements with the General Fund due to the existence of a negative cash balance. All interfund balances are expected to be paid within one year.

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

| | <u>Receivables</u> | <u>Payables</u> |
|------------------------|--------------------|-----------------|
| General Fund | \$ 1,475,458 | \$ 6,062 |
| Corrections Operations | - | 1,295 |
| GOB Series 2015 | 219,792 | - |
| Fire Operations | - | 1,002 |
| Total Major Funds | <u>1,695,250</u> | <u>8,359</u> |

Non-Major Funds:

| | | |
|-----------------------------|---|--------|
| Housing Capital Improvement | - | 35,013 |
| Road Maintenance | - | 94 |
| Indigent Services | - | 175 |
| EMS Healthcare | - | 598 |

**STATE OF NEW MEXICO
SANTA FE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 12 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

Non-Major Funds (continued):

| | | |
|---|---------------------|---------------------|
| Alcohol Programs | - | 590 |
| Emergency Communication Operations | - | 275 |
| Community Development Block Grant | - | 206,415 |
| Capital Projects-Federal | - | 781,113 |
| Roads Projects | - | 112,894 |
| Special Appropriations & Other Projects | - | 319,811 |
| GOB Series 2011 | - | 219,792 |
| Equipment Loan Proceeds | - | 10,108 |
| Fire Tax Revenue Bond Proceeds | - | 13 |
| Total Non-Major Funds | - | 1,686,891 |
| Total County | \$ 1,695,250 | \$ 1,695,250 |

The County records transfers to fund the operations and projects of other funds, to provide debt service, and as otherwise needed and required. All transfers made during the year were considered routine and were consistent with County transfer policy and adopted budget statements.

Interfund transfers for the year ended June 30, 2015, are listed as follows:

Transfers from General Fund to:

| | | |
|----------------------------|----|------------|
| Law Enforcement Operations | \$ | 12,100,000 |
| Correction Operations | | 11,300,447 |
| Road Maintenance | | 4,872,585 |
| Economic Development | | 460,261 |
| Alcohol Programs | | 90,000 |
| Farm & Range | | 7,350 |
| GRT Revenue Bond | | 2,140,006 |
| | | 30,970,649 |

**STATE OF NEW MEXICO
SANTA FE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 12 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

| | |
|---|-----------------------------|
| Transfer from Corrections Fund to Correction Operations | 240,000 |
| Transfers from Environmental GRT to General Fund | 628,000 |
| Transfers from Capital Outlay GRT to GRT Revenue Bond Debt Svc | 3,246,268 |
| WTB Loan/Grant Debt Svc | 26,095 |
| | <hr/> 3,272,363 |
| Transfer from Correctional GRT to Corrections Operations | 4,445,000 |
| Transfer from Indigent Hospital to Indigent Services | 1,851,022 |
| Transfer from EMS Hospital to EMS Health Care | 817,400 |
| Fire Operations | 3,627,600 |
| | <hr/> 4,445,000 |
| Transfers from Alcohol Programs to General Fund | 30,000 |
| Law Enforcement Operations | 75,000 |
| | <hr/> 105,000 |
| Transfer from Fire Operations to Emergency Communications | 3,424,251 |
| Transfer from Corrections Operations to Jail Revenue Bond Debt Service | 2,252,850 |
| | <hr/> 2,252,850 |
| Total Transfers Government and Enterprise Funds | \$ <u>51,634,135</u> |

NOTE 13 – CONTINGENT LIABILITIES

Encumbrances - In accordance with GASB 54, encumbrances are no longer presented on the face of the fund financials. Santa Fe County's significant encumbrances, those greater than \$200,000, for fiscal year ended June 30, 2015, are listed as follows:

**STATE OF NEW MEXICO
SANTA FE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 13 – CONTINGENT LIABILITIES (Continued)

| Purpose | Major Funds | Non-Major Funds | Total |
|---|---------------------|--------------------|------------------|
| GIS Aerial Photography | \$ 380,465 | - | 380,465 |
| Santa Fe County's share of the Buckman Direct Diversion Project | 1,085,946 | - | 1,085,946 |
| Sole Community Provider Payments | - | 1,317,565 | 1,317,565 |
| Open Space-various projects | 626,371 | 997,661 | 1,624,032 |
| Northern NM Recreational Fields | 364,039 | - | 364,039 |
| Senior Center Improvements | 1,013,173 | - | 1,013,173 |
| Water Transmission Line – various projects | 334,273 | 239,270 | 573,543 |
| Upgrade Youth Development Facility | 691,800 | - | 691,800 |
| New Fire/EMS Apparatus | - | 600,331 | 600,331 |
| Construction of a New Fire Station | 421,596 | 388,404 | 810,000 |
| Road Paving – various projects | - | 797,303 | 797,303 |
| Emergency Behavioral Health Services | - | 229,167 | 229,167 |
| Influent Screen Facility at Adult Detention | 297,095 | - | 297,095 |
| Total Significant Encumbrances | \$ 5,214,758 | 4,569,701 | 9,784,459 |

NOTE 13 – CONTINGENT LIABILITIES

Compliance – Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures/expenses that may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

**STATE OF NEW MEXICO
SANTA FE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

NOTE 13 – CONTINGENT LIABILITIES (Continued)

Lawsuits – The County is a defendant in a number of lawsuits as of June 30, 2015. It is the opinion of management and County counsel that the amount of losses resulting from these remaining litigations at June 30, 2015, would not be material to the financial position of the County. The County is, however, involved in a case for fiscal year ended June 30, 2015, in which the County has accrued \$693,431 for probable payment of a pending legal action.

NOTE 14 – JOINT POWERS AGREEMENTS AND MEMORANDUM OF UNDERSTANDING

Significant JPAs and MOUs are as follows:

Santa Fe Solid Waste Management Agency - Under authorization of the New Mexico State Statute 11-1-1, Santa Fe County joined the City of Santa Fe to 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 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 \$6.0 million. The County did not contribute any funds to the Agency in the 2015 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.

STATE OF NEW MEXICO
SANTA FE COUNTY
NOTES TO FINANCIAL STATEMENTS
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NOTE 14 – JOINT POWERS AGREEMENTS AND MEMORANDUM OF UNDERSTANDING (Continued)

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, 149 Wildlife Way, Santa Fe, New Mexico 87506

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.

Buckman Direct Diversion (BDD) Water Project – The City of Santa Fe and the County established a joint powers agreement for the Buckman Direct Diversion (BDD) water project. The BDD project was 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. Total construction costs for the project were approximately \$224.2 million. The Buckman Direct Diversion allows for full access to the San Juan/Chama water rights and/or other native Rio Grande water rights held by the City and County. The system routes Rio Grande surface water directly from the river through a conveyance system to a new water treatment facility where water is conveyed to the various users. Costs incurred have been recorded to the Utilities Department enterprise fund as additions to water rights and the water system.

La Luz Holdings, LLC, and Santa Fe Film and Media Studios Inc. (Studios) – The County and La Luz Holdings, LLC, a New Mexico limited liability company, and Santa Fe Film and Media Studios Inc., a New Mexico corporation, entered into a Memorandum of Understanding (MOU) on January 14, 2009, to participate in an economic development project pursuant to the Local Economic Development Act, NMSA 1978 Sections 5-10-1 through 5-10-13 (1993) (as amended). Prior to the MOU, the County enacted Santa Fe County Ordinance No. 1996-07, which provides for economic development projects within the County, and Ordinance No. 2008-07 approving an economic development project with the Studios. Under the terms of Ordinance No. 2008-07 and a Project Participation and Land Transfer Agreement dated October 26, 2010, the County contributed to the economic development project of the film and multi-media production studio by providing water, sewer, broadband and road infrastructure improvements,

STATE OF NEW MEXICO
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NOTES TO FINANCIAL STATEMENTS
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NOTE 14 – JOINT POWERS AGREEMENTS AND MEMORANDUM OF UNDERSTANDING (Continued)

and an annual water allotment sufficient to develop and operate the project without cost to the Studios. The County entered into a grant agreement with the NM Department of Finance and Administration and the NM Economic Development Department to plan, design, construct, equip and furnish the Studios in the amount of \$10 million. There were no current fiscal year costs capitalized.

NOTE 15 – RISK MANAGEMENT

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 division of New Mexico Association of Counties (NMAC), 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 its general and law enforcement liability, automobile, property 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. The County carries commercial insurance for employee health and accident insurance as well as for medical malpractice, builders risk, pollution and temporary use liability.

NOTE 16 – PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan description. The Public Employees Retirement Fund (PERA Fund) is a **cost-sharing, multiple employer defined benefit pension plan**. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal Fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund.

PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at <http://saonm.org/> using the Audit Report Search function for agency 366.

STATE OF NEW MEXICO
SANTA FE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

**NOTE 16 – PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
(Continued)**

Benefits provided. For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2014 available at:

http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2014.pdf.

Contributions. The contribution requirements of defined benefit plan members and the County are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for fiscal year 2014 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA fiscal year 2014 annual audit report at http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2014.pdf. The PERA coverage options that apply to the County are: Municipal Plan 3 (Municipal General), Municipal Police Plan 5 (Municipal Police) and Municipal Fire Plan 5 (Municipal Fire). Statutorily required contributions to the pension plan from the County were approximately \$4.5 million and employer paid member benefits that were “picked up” by the employer were approximately \$4.2 million for the year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2013. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2014, using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date June 30, 2014.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The County’s proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity’s percentage of that membership group’s total employer contributions for the fiscal year ended June 30, 2014. Only employer contributions for the pay period end dates that fell within the period of July 1, 2013, to June 30, 2014, were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to fiscal year 2014 are included in the total contribution amounts. In the event that an employer is behind in reporting

**STATE OF NEW MEXICO
SANTA FE COUNTY
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JUNE 30, 2015**

**NOTE 16 – PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
(Continued)**

to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For PERA Fund Division Municipal General, at June 30, 2015, the County reported a liability of \$27,540,909 for its proportionate share of the net pension liability. At June 30, 2014, the County's proportion was 3.5304 percent, which was unchanged from its proportion measured as of June 30, 2013, due to the insignificance of the difference.

For the year ended June 30, 2015, the County recognized PERA Fund Division Municipal General pension expense of (\$1,810,042). At June 30, 2015, the County reported PERA Fund Division Municipal General deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual experience | \$ - | \$ - |
| Changes of assumptions | - | 18,666 |
| Net difference between projected and actual earnings on pension plan investments | - | 10,774,730 |
| Changes in proportion and differences between the County's contributions and proportionate share of contributions | - | - |
| County's contributions subsequent to the measurement date | 6,077,459 | - |
| Total | \$ 6,077,459 | \$ 10,793,396 |

\$6,077,459 reported as deferred outflows of resources related to pensions resulting from the County contributions subsequent to the measurement date June 30, 2014, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

**STATE OF NEW MEXICO
SANTA FE COUNTY
NOTES TO FINANCIAL STATEMENTS
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**NOTE 16 – PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
(Continued)**

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | |
|---------------------|-----------------|
| Year ended June 30: | |
| 2016 | \$ (2,698,326) |
| 2017 | (2,698,326) |
| 2018 | (2,698,326) |
| 2019 | (2,698,326) |
| 2020 | (92) |
| Total | \$ (10,793,396) |

For PERA Fund Division Municipal Police at June 30, 2015, the County reported a liability of \$7,566,533 for its proportionate share of the net pension liability. At June 30, 2014, the County’s proportion was 2.3211 percent, which was unchanged from its proportion measured as of June 30, 2013, due to the insignificance of the difference.

For the year ended June 30, 2015, the County recognized PERA Fund Division Municipal Police pension expense of (\$344,591). At June 30, 2015, the County reported PERA Fund Division Municipal Police deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual experience | \$ - | \$ - |
| Changes of assumptions | - | 614,660 |
| Net difference between projected and actual earnings on pension plan investments | - | 2,813,571 |
| Changes in proportion and differences between the County’s contributions and proportionate share of contributions | - | - |
| County’s contributions subsequent to the measurement date | 1,301,497 | - |
| Total | \$ 1,301,497 | \$ 3,428,231 |

\$1,301,497 reported as deferred outflows of resources related to pensions resulting from the County’s contributions subsequent to the measurement date June 30, 2014, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

**STATE OF NEW MEXICO
SANTA FE COUNTY
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JUNE 30, 2015**

**NOTE 16 – PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
(Continued)**

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | |
|---------------------|----------------|
| Year ended June 30: | |
| 2016 | \$ (856,293) |
| 2017 | (856,293) |
| 2018 | (856,293) |
| 2019 | (856,293) |
| 2020 | (3,059) |
| Total | \$ (3,428,231) |

For PERA Fund Division Municipal Fire at June 30, 2015, the County reported a liability of \$14,616,491 for its proportionate share of the net pension liability. At June 30, 2014, the County’s proportion was 3.5018 percent, which was unchanged from its proportion measured as of June 30, 2013, due to the insignificance of the difference.

For the year ended June 30, 2015, the County recognized PERA Fund Division Municipal Fire pension expense of \$449,489. At June 30, 2015, the County reported PERA Fund Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual experience | \$ - | \$ - |
| Changes of assumptions | 507,407 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 2,024,477 |
| Changes in proportion and differences between the County’s contributions and proportionate share of contributions | - | - |
| County’s contributions subsequent to the measurement date | 1,356,023 | - |
| Total | \$ 1,863,430 | \$ 2,024,477 |

\$1,356,023 reported as deferred outflows of resources related to pensions resulting from the County’s contributions subsequent to the measurement date June 30, 2014, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

**STATE OF NEW MEXICO
SANTA FE COUNTY
NOTES TO FINANCIAL STATEMENTS
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**NOTE 16 – PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
(Continued)**

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | |
|---------------------|----------------|
| Year ended June 30: | |
| 2016 | \$ (379,899) |
| 2017 | (379,899) |
| 2018 | (379,899) |
| 2019 | (377,373) |
| 2020 | - |
| Total | \$ (1,517,070) |

Actuarial assumptions. As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2013, for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014, using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2014. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2014, actuarial valuation.

| | |
|------------------------------|--|
| Actuarial valuation date | June 30, 2013 |
| Actuarial cost method | Entry age normal |
| Amortization method | Level percentage of pay |
| Amortization period | Solved for based on statutory rates |
| Asset valuation method | Fair value |
| Actuarial assumptions: | |
| • Investment rate of return | 7.75% annual rate, net of investment expense |
| • Payroll growth | 3.5% annual rate |
| • Projected salary increases | 3.5% to 14.25% annual rate |
| • Includes inflation at | 3.00% annual rate |

The long-term expected rate of return on pension plan investments was determined using a statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

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SANTA FE COUNTY
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JUNE 30, 2015**

**NOTE 16 – PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
(Continued)**

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| ALL FUNDS – Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|------------------------------|-------------------|---|
| US Equity | 21.1% | 5.00% |
| International Equity | 24.8 | 5.20 |
| Private Equity | 7.0 | 8.20 |
| Core and Global Fixed Income | 26.1 | 1.85 |
| Fixed Income Plus Sectors | 5.0 | 4.80 |
| Real Estate | 5.0 | 5.30 |
| Real Assets | 7.0 | 5.70 |
| Absolute Return | <u>4.0</u> | 4.15 |
| Total | 100.0% | |

Discount rate: The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan’s fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67. Therefore, the 7.75% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the County’s proportionate share of the net pension liability to changes in the discount rate. The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the County’s net pension liability in each PERA Fund Division that the County participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

**STATE OF NEW MEXICO
SANTA FE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015**

**NOTE 16 – PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION
(Continued)**

| | 1% Decrease (6.75%) | Current Discount Rate (7.75%) | 1% Increase (8.75%) |
|--|------------------------|-------------------------------------|------------------------|
| PERA Fund Municipal General Division | | | |
| County's proportionate share of the net pension liability | <u>51,920,806</u> | <u>27,540,909</u> | <u>8,706,271</u> |
| PERA Fund Municipal Police Division | | | |
| County's proportionate share of the net pension liability | <u>14,429,391</u> | <u>7,566,533</u> | <u>2,442,130</u> |
| PERA Fund Municipal Fire Division | | | |
| County's proportionate share of the net pension liability | <u>20,652,006</u> | <u>14,616,491</u> | <u>10,165,065</u> |

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued fiscal year 2014 Restated PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

**NOTE 17 – POSTEMPLOYMENT BENEFITS – STATE RETIREE HEALTHCARE
PLAN**

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

**STATE OF NEW MEXICO
SANTA FE COUNTY
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NOTE 17 – POSTEMPLOYMENT BENEFITS – STATE RETIREE HEALTHCARE PLAN (Continued)

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

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

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (municipal police member coverage plan 5 and municipal fire member coverage plan 5) during the fiscal year ended June 30, 2015, the statutes required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013,

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NOTE 17 – POSTEMPLOYMENT BENEFITS – STATE RETIREE HEALTHCARE PLAN (Continued)

the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The County's contributions to the RHCA for the years ended June 30, 2015, 2014, and 2013 were \$799,879, \$780,883, \$733,493 respectively, which equal the required contributions for each year.

NOTE 18 – RECENT AND NEW ACCOUNTING PRONOUNCEMENTS

In August 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions — an amendment of GASB Statement 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. The County provides substantially all of its employees with pension benefits through the State's multiple employer cost-sharing defined-benefit retirement plan administered by the Public Employees Retirement Association of New Mexico (PERA). GASB Statement 68 requires cost-sharing employers participating in the PERA program, such as the County, to record their proportionate share, as defined in GASB Statement 68, of County's unfunded pension liability. The County has no legal obligation to fund this shortfall nor does it have any ability to affect funding, benefit, or annual required contribution decisions made by PERA. GASB Statement 68 is effective for periods beginning after June 15, 2014. The County adopted GASB Statement 68 during fiscal year 2015. The requirement of GASB Statement 68 to record a portion of PERA's unfunded liability has negatively impacted the County's unrestricted net position. Information regarding PERA's current funding status can be found in their financial report.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combination includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This Statement improves the decision usefulness of financial reporting by requiring that disclosures be made by governments about combination arrangements in which they engage and for disposals of government operations. GASB Statement 69 is effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis. The County was not a party to any combinations or disposals in the current year and therefore the adoption of GASB Statement 69 does not have any impact on the County's financial statements.

STATE OF NEW MEXICO
SANTA FE COUNTY
NOTES TO FINANCIAL STATEMENTS
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NOTE 18 – RECENT AND NEW ACCOUNTING PRONOUNCEMENTS (Continued)

In November 2013, the GASB issued statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Statement No. 68 requires a state or local government employer to recognize a net pension liability measured as of the measurement date, no earlier than the end of its prior fiscal year. If a state or local government employer makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement No. 68 requires that the government recognize its contribution as a deferred outflow of resources. If it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability could not have been reported as deferred outflows of resources at transition.

Accordingly, Statement No. 71 amends paragraph 137 of Statement No. 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The County adopted GASB Statement No.71 during fiscal year 2015.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. Statement No. 76, which supersedes Statement No. 55, aims to identify, in the context of the current governmental financial reporting environment, the hierarchy of U.S. GAAP, which consists of the sources of accounting principles used to prepare the financial statements of state and local governments entities in conformity with U.S. GAAP, as well as the framework for selecting those principles. The County adopted GASB Statement No. 76 during fiscal year 2015, with no significant impact to the County's financial statements.

The following GASB pronouncements have been issued, but are not yet effective at June 30, 2015.

- GASB Statement No. 72, *Fair Value Measurement and Application*
- GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*
- GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*

**STATE OF NEW MEXICO
SANTA FE COUNTY
NOTES TO FINANCIAL STATEMENTS
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NOTE 18 – RECENT AND NEW ACCOUNTING PRONOUNCEMENTS (Continued)

The County will implement the new GASB pronouncements in the fiscal year no later than the required effective date. The County believes that the above listed new GASB pronouncements will not have a significant financial impact to the County or in issuing its financial statements.

NOTE 19 – DEFICIT FUND BALANCE

Generally accepted accounting principles require disclosure of deficit fund balance of individual funds. The Capital Projects-Federal fund, Housing Capital Improvement fund and Fire Tax Revenue Bond Proceeds fund had an unassigned deficit fund balance in the amount of \$197,661, \$35,616 and \$13, respectively, as of June 30, 2015.

NOTE 20 – RESTATEMENT

Governmental activities net position at June 30, 2014 was restated in the net amount of approximately \$56.7 million and Enterprise activities net position at June 30, 2014, was restated in the net amount of approximately \$1.7 million as a result of implementation of GASB 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*.

APPENDIX B

FORM OF BOND COUNSEL OPINION

_____, 2016

\$30,365,000

Santa Fe County, New Mexico

Gross Receipts Tax Improvement and Refunding Revenue Bonds

Series 2016

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 \$30,365,000 Gross Receipts Tax Improvement and Refunding Revenue Bonds, Series 2016 (the “Bonds”). The Bonds are issued pursuant to the Constitution and laws of the State of New Mexico (the “State”) and Bond Ordinance No. 2016-5, adopted on June 28, 2016, as supplemented by County Resolution No. 2016-61, adopted by the Board of County Commissioners of the County on July 12, 2016 (collectively, 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 the laws of the State and the United States of America relevant to the opinions herein, and other proceedings and documents relevant to the issuance by the County of the Bonds. As to the questions of fact material to our opinion, we have relied upon representations of the County contained in the certified proceedings and other certifications furnished to us, without undertaking to verify the same by independent investigation.

Based upon such examination, we are of the opinion that:

1. The Bonds are 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, interest and any prior redemption premium, solely from, and are secured by a first lien (but not an exclusive first lien) on certain Pledged Revenues, as defined and more fully described in the Bond Ordinance. The owners of the Bonds have no right to have ad valorem property 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. Based on existing laws of the State of New Mexico as enacted and construed, the Bonds and income from the Bonds are exempt from all taxation by the State of New Mexico or any political subdivision thereof.

The opinions set forth above in paragraph 5 are subject to continuing compliance by the County with covenants regarding federal tax law contained in 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 therefore, 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.

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,

APPENDIX C

FORM OF CONTINUING DISCLOSURE UNDERTAKING

CONTINUING DISCLOSURE UNDERTAKING

Section 1. Recitals. This Continuing Disclosure Undertaking (the “Undertaking”) is executed and delivered by the Board of County Commissioners of Santa Fe County, New Mexico (the “County”), in connection with the issuance of the Santa Fe County, New Mexico Gross Receipts Tax Improvement and Refunding Revenue Bonds, Series 2016 (the “Bonds”). The Bonds are being issued pursuant to County Ordinance No. 2016-5, adopted by the Board of County Commissioner on June 28, 2016, as supplemented by County Resolution No. 2016-61, adopted by the Board of County Commissioners on July 12, 2016 (collectively, the “Bond Ordinance”). Pursuant to the Bond Ordinance, to allow the underwriter of the Bonds to comply with the Rule (defined below), the County is required to make certain continuing disclosure undertakings for the benefit of owners (including beneficial owners) of the Bonds (the “Owners”). This Undertaking is intended to satisfy the requirements of the Rule.

Section 2. Definitions.

(a) “Annual Financial Information” means the financial information (which will be based on financial statements prepared in accordance with generally accepted accounting principles, as in effect from time to time (“GAAP”), for governmental units as prescribed by the Governmental Accounting Standards Board (“GASB”)) and operating data with respect to the County, delivered at least annually pursuant to Sections 3(a) and 3(b) of this Undertaking, consisting of information of the type set forth under the captions “PLEDGED REVENUES,” “ADDITIONAL OBLIGATIONS PAYABLE FROM PLEDGED REVENUES,” and “THE COUNTY – Historical General Fund Balance Sheet” in the Official Statement.

(b) “Audited Financial Statements” means the County’s annual financial statements which financial statements have been audited as may then be required or permitted by the laws of the State.

(c) “EMMA” means the MSRB’s Electronic Municipal Market Access system located on its website at emma.msrb.org.

(d) “Event Information” means the information delivered pursuant to Section 3(d) of this Undertaking.

(e) “MSRB” means the Municipal Securities Rulemaking Board. The current address of the MSRB is 1900 Duke Street, Suite 600, Alexandria, Virginia 22314, telephone (703) 797-6600, fax (703) 797-6708.

(f) “Official Statement” means the Official Statement dated July 12, 2016, delivered in connection with the original issue and sale of the Bonds.

(g) “Report Date” means March 31 of each year, beginning in 2017.

(h) “Rule” means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934, as amended (17 C.F.R. Part 240, Section 240.15c2-12), as the same may be amended from time to time.

(i) “SEC” means the Securities and Exchange Commission.

(j) “State” means the State of New Mexico.

Section 3. Provision of Annual Financial Information and Reporting of Event Information.

(a) The County, or its designated agent, will provide the Annual Financial Information for the preceding fiscal year to EMMA on or before each Report Date while the Bonds are outstanding.

(b) If Audited Financial Statements are not provided as a part of the Annual Financial Information, the County will provide Audited Financial Statements to EMMA when and if available.

(c) The County, or its designated agent, may provide Annual Financial Information by specific reference to other documents, including information reports and official statements relating to other debt issues of the County, which have been submitted to EMMA or filed with the SEC; provided, however, that if the document so referenced is a “final official statement” within the meaning of the Rule, such final official statement must also be available from the MSRB.

(d) At any time the Bonds are outstanding and the County obtains knowledge of the occurrence of any of the following events with respect to the Bonds, the County shall file, in a timely manner not in excess of ten (10) business days after the occurrence of the event, a notice of such occurrence with EMMA:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults, if material;

(iii) unscheduled draws on debt service reserves reflecting financial difficulties;

(iv) unscheduled draws on credit enhancements reflecting financial difficulties;

(v) substitution of credit or liquidity providers, or their failure to perform;

(vi) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;

(vii) modifications to rights of Bondholders, if material;

(viii) bond calls, if material, or tender offers;

(ix) defeasances;

if material;

- (x) release, substitution or sale of property securing repayment of the Bond,

- (xi) rating changes;

- (xii) bankruptcy, insolvency, receivership or a similar event with respect to the District or an obligated person;

- (xiii) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

- (xiv) appointment of a successor or additional trustee, or a change of name of a trustee, if material.

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

Section 4. Method of Transmission. Unless otherwise required by law and subject to technical and economic feasibility, the County, or its designated agent, will employ such methods of electronic or physical information transmission as is requested or recommended from time to time by EMMA, the MSRB, and the SEC.

Section 5. Enforcement. The obligations of the County under this Undertaking are for the benefit of the Owners. Each Owner is authorized to take action to seek specific performance by court order to compel the County to comply with its obligations under this Undertaking, which action will be the exclusive remedy available to it or any other Owner. The County's breach of its obligations under this Undertaking will not constitute an event of default under the Bond Ordinance or the Bonds and none of the rights and remedies provided by the Bond Ordinance will be available to the Owners with respect to such a breach.

Section 6. Term. The County's obligations under this Undertaking will be in effect from and after the issuance and delivery of the Bonds and will extend to the earliest of (i) the date all principal and interest on the Bonds has been paid or legally defeased pursuant to the terms of the Bond Ordinance; (ii) the date on which the County is no longer an "obligated person" with respect to the Bonds within the meaning of the Rule; or (iii) the date on which those portions of the Rule which require this Undertaking are determined to be invalid or unenforceable by a court of competent jurisdiction in a non-appealable action, have been repealed retroactively or otherwise do not apply to the Bonds.

Section 7. Amendments. The County may amend this Undertaking from time to time, without the consent of any Owner, upon the County's receipt of an opinion of independent counsel experienced in federal securities laws to the effect that such amendment:

- (a) is made in connection with a change in circumstances that arises from a change in legal requirements, a change in law or a change in the identity, nature or status of the County;

(b) this Undertaking, as amended, would have complied with the Rule at the time of the initial issue and sale of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any changes in circumstances; and

(c) the amendment does not materially impair the interests of the Owners.

Any Annual Financial Information containing amended operating data or financial information will explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided. If an amendment changes the accounting principles to be followed in preparing financial statements, the Annual Financial Information and Audited Financial Statements for the year in which the change is made will present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 8. Beneficiaries. This Undertaking binds and inures to the sole benefit of the County and the Owners and creates no rights in any other person or entity.

Section 9. Requesting Information. Persons seeking to obtain the Annual Financial Information, including the Audited Financial Statements, may obtain such information by contacting the County Manager at 102 Grant Avenue, Santa Fe, NM 87501.

Section 10. Special Funds. This Undertaking is subject to the availability of necessary funds from annual Pledged Revenues (as defined in the Bond Ordinance) and shall not constitute a general obligation of the County.

Section 11. Governing Law. This Undertaking is governed by and is to be construed in accordance with the law of the State.

Date: _____, 2016

SANTA FE COUNTY, NEW MEXICO

By _____
Chairman, Board of County Commissioners