

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, and (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.

\$27,755,000
SANTA FE COUNTY, NEW MEXICO
GENERAL OBLIGATION IMPROVEMENT AND REFUNDING BONDS
SERIES 2017

Dated: Date of Delivery

Due: July 1, as shown below

The Bonds are issuable as fully registered bonds and when initially purchased will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). Purchases of the Bonds will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof, through brokers and dealers who are, or who act through, DTC Participants. Beneficial owners of the Bonds will not be entitled to receive physical delivery of bond certificates so long as DTC or a successor securities depository acts as the securities depository with respect to the Bonds. Interest on the Bonds is payable on each January 1 and July 1, commencing January 1, 2018. As long as DTC or its nominee is the registered owner of the Bonds, reference in this Official Statement to the registered owner will mean Cede & Co., and payments of principal or interest on the Bonds will be made directly to DTC by the Paying Agent. Disbursements of such payments to DTC Participants is the responsibility of DTC. See “The Bonds – Book-Entry-Only System” herein. The Santa Fe County Treasurer is the Registrar and Paying Agent for the Bonds.

The Bonds are issuable only as fully registered bonds in denominations of \$5,000 each or any integral multiple thereof. The Bonds will bear interest from the delivery date.

The Bonds are general obligations of Santa Fe County, New Mexico (the “County”), payable from general (*ad valorem*) taxes which shall be levied against all taxable property in the County without limitation as to rate or amount.

The County has undertaken, for the benefit of the owners of the Bonds, to provide certain annual and periodic disclosures described under the caption “CONTINUING DISCLOSURE INFORMATION” herein.

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

The Bonds are being issued pursuant to the powers of the Board of County Commissioners under Section 4-49-1 through 4-49-21, inclusive, and Sections 6-15-1 through 6-15-22, NMSA 1978 as amended and supplemented, the Constitution and other laws of the State for the purpose of providing funds to (1) acquire, construct, design, equip and improve roads within the County, (2) acquire, construct, design, equip and improve water and wastewater projects within the County, (3) acquire, construct, design, equip and improve fire and other public safety facilities within the County, (4) acquire, construct, design, equip, improve and restore open space, trails and parks within the County, (5) acquire, construct, design, equip and improve community health facilities within the County, (6) advance refund, refinance, pay, and redeem the County’s outstanding General Obligation Bonds, Series 2009 maturing on and after July 1, 2020 and (7) pay the costs of issuance of the Bonds. The Bonds are offered when, as and if issued by the County, subject to the approval of Modrall, Sperling, Roehl, Harris & Sisk, P.A., as Bond Counsel, and certain other conditions. It is expected that the Bonds will be available for delivery on or about September 12, 2017, through the facilities of the Depository Trust Company, New York, New York.

Dated: August 8, 2017.

[INSIDE COVER]

MATURITIES, INTEREST RATES AND YIELDS OR PRICES

\$27,755,000
SANTA FE COUNTY, NEW MEXICO
GENERAL OBLIGATION IMPROVEMENT AND REFUNDING BONDS
SERIES 2017

Year (July 1)	Principal	Interest Rate	Price	CUSIP
2018	\$1,250,000	5.000%	103.352	801889PR1
2019	1,100,000	5.000%	107.351	801889PS9
2020	975,000	2.000%	102.756	801889PT7
2021	1,960,000	5.000%	114.484	801889PU4
2022	1,430,000	5.000%	117.579	801889PV2
2023	1,910,000	5.000%	120.180	801889PW0
2024	1,655,000	5.000%	122.263	801889PX8
2025	1,280,000	5.000%	123.934	801889PY6
2027	2,300,000	5.000%	126.581	801889PZ3
2028	2,300,000	3.000%	107.474*	801889QA7
2029	2,300,000	3.000%	106.290*	801889QB5
2030	2,300,000	2.625%	99.083	801889QC3
2031	2,300,000	2.750%	99.315	801889QD1
2032	2,300,000	2.875%	99.698	801889QE9
2033	2,395,000	3.000%	100.081*	801889QF6

* Priced to first optional redemption date of July 1, 2027.

USE OF INFORMATION IN THIS OFFICIAL STATEMENT

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

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

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

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.

SANTA FE COUNTY, NEW MEXICO

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

BOARD OF COUNTY COMMISSIONERS

Chair	Henry Roybal
Vice-Chair	Anna Hansen
Commissioner	Robert A. Anaya
Commissioner	Anna Hamilton
Commissioner	Ed Moreno

OTHER ELECTED OFFICIALS

County Assessor	Gus Martinez
County Clerk	Geraldine Salazar
County Treasurer	Patrick J. Varela

ADMINISTRATION

County Manager	Katherine Miller
County Finance Director	Don Moya
County Attorney	Gregory S. Shaffer

FINANCIAL ADVISOR

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

BOND COUNSEL

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

PAYING AGENT/REGISTRAR

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

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OFFICIAL STATEMENT

\$27,755,000

SANTA FE COUNTY, NEW MEXICO GENERAL OBLIGATION IMPROVEMENT AND REFUNDING BONDS SERIES 2017

INTRODUCTION AND SUMMARY

This Official Statement is furnished to prospective purchasers of the Santa Fe County, New Mexico General Obligation Improvement and Refunding Bonds, Series 2017 (the “Bonds”), issued in the aggregate principal amount of \$27,755,000 by Santa Fe County, New Mexico (the “County”). The offering of the Bonds is made only by way of this Official Statement and the Official Notice of Bond Sale, authorized by a resolution adopted by the Board of County Commissioners (the “Board”) on July 11, 2017 (the “Notice of Sale Resolution”). Additional information concerning the County, the Bonds and other aspects of this offering may be obtained either from the County or from RBC Capital Markets, LLC (the “Financial Advisor”) at the addresses set forth in the section entitled “ADDITIONAL INFORMATION.”

The following material is qualified in its entirety by the more complete information contained throughout this Official Statement, and detachment or other use of this “INTRODUCTION AND SUMMARY” without the entire Official Statement, including the cover page and the appendices, is unauthorized.

All terms used in this Official Statement that are not defined herein shall have the meanings given such terms in the Notice of Sale Resolution.

The Issuer

The County is located in north central New Mexico, with a land area of 1,909 square miles and a population of 144,170 (estimated 2016). The City of Santa Fe is the State capital and County seat. The economy is based primarily upon government and related activities, retail trade, tourism, and cultural and recreational activities and facilities.

Authority for Issuance and Purpose

The Bonds are issued in accordance with the Constitution and laws of the State of New Mexico, in particular, Sections 4-49-1 through 4-49-21 and Sections 6-15-1 through 6-15-22 NMSA 1978, as amended and supplemented. \$22,015,000 in principal amount of the Bonds (the “Improvement Bonds”), representing the first series of general obligation bonds approved by the qualified electors of the County at an election held on November 8, 2016, to provide funds (1) to acquire, construct, design, equip, and improve roads within the County, (2) to acquire, construct, design, equip, and improve water and wastewater projects within the County, (3) to acquire, construct, design, equip, and improve fire and other public safety facilities within the County, (4) to acquire, construct, design, equip, improve, and restore open space, trails and parks within the County, and (5) to acquire, construct, design, equip, and improve community health facilities within the County, will be allocated among those purposes and to pay a portion of the costs of issuance of the Bonds. \$5,740,000 in principal amount of the Bonds (the “Refunding Bonds” and, together with the Improvement Bonds, the “Bonds”) will be issued to provide funds to advance refund, refinance, pay, and redeem the County’s outstanding General Obligation Bonds, Series 2009 maturing on and after July 1, 2020, and to pay a portion of the costs of issuance of the Bonds.

The Bonds

The Bonds will be registered as to principal and interest, issued in denominations of \$5,000 each, or integral multiples thereof, in conformance with the Constitution and laws of the State and pursuant to the Resolution. The Bonds shall mature in the principal amounts and on the dates shown on the cover page hereof. Interest shall be payable semiannually on January 1 and July 1 of each year, commencing January 1, 2018 to registered owners shown on the books of the Registrar on the 15th day of the month preceding each regularly scheduled interest payment date thereafter (a “Record Date”). The Bonds will be issued only in fully registered form and will be initially registered and delivered to Cede & Co., the nominee of The Depository Trust Company, pursuant to the book-entry-only system described herein.

Security

The Bonds are secured by the County’s full faith and credit and are general obligations of the County payable from *ad valorem* taxes to be levied, without limitation as to rate or amount, against all taxable property within the County. See “SECURITY AND REMEDIES.”

Financial Statements

Excerpts of the County’s audited financial statements as of and for the year ended June 30, 2016, including the opinions rendered thereon of certified public accountants, are attached as Appendix B.

Selected Debt Ratios

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

2017 Assessed Valuation ⁽¹⁾	\$6,970,747,909
2017 Estimated Actual Valuation ⁽²⁾	\$21,495,235,674
County Net Debt as a Percentage of	
Assessed Valuation	1.83%
Estimated Actual Valuation	0.59%
Direct and Overlapping Debt as a % of	
Assessed Valuation	5.99%
Estimated Actual Valuation	1.94%
Estimated Population	144,170
County General Obligation	
Current Outstanding Debt	\$101,665,000
Series 2017 General Obligation Bonds	\$27,755,000
Minus Debt Service Fund Balance	\$2,132,481
County Net General Obligation Debt	<u>\$127,287,519</u>
Estimated Direct & Overlapping GO Debt	\$417,821,939
County Net Debt Per Capita	\$882.90
Direct & Overlapping Debt Per Capita	\$2,898.12

⁽¹⁾ Preliminary. Excludes certain protested property. Subject to change.

⁽²⁾ Estimated actual valuation is computed by adding 2016 actual exemptions to the preliminary assessed valuation and multiplying the result by three.

See “DEBT AND OTHER FINANCIAL OBLIGATIONS – General Obligation Debt” herein.

Tax Matters

In the opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A. (“Bond Counsel”), the interest on the Bonds (a) will be excludable from gross income for federal income tax purposes under existing law, and (b) is not a specific preference item for purposes of the federal alternative minimum tax on individuals and corporations, subject to the matters described under the caption “TAX EXEMPTION” herein. 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.

Agents and Advisors

The County Treasurer will serve as Paying Agent and Registrar.

REDW LLC has audited the County’s general purpose financial statements as of and for the year ended June 30, 2016.

Modrall, Sperling, Roehl, Harris & Sisk, P.A., Albuquerque, New Mexico, has acted as bond counsel for the issuance of the Bonds and has also acted as special counsel to the County in connection with the preparation of this Official Statement and the sale of the Bonds. See “LEGAL MATTERS” herein.

RBC Capital Markets, LLC, Albuquerque New Mexico, has acted as Financial Advisor to the County for the issuance of the Bonds. RBC Capital Markets, LLC is employed as Financial Advisor to the County in connection with the issuance of the Bonds. The Financial Advisor’s fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

Additional Information

This Official Statement is accurate only as of its date, and no representation is made that the information contained herein has not changed since that date. This Official Statement is intended to be made available to investors through the Financial Advisor.

The quotations from, and summaries and explanations of, the statutes, regulations and documents contained herein do not purport to be complete, and reference is made to those statutes, regulations and documents for full and complete statements of their provisions. Copies, in reasonable quantity, of those statutes, regulations and documents may be obtained upon request directed to the County, and upon payment to the County of a charge for copying, mailing and handling, at the Santa Fe County Administration Building, 102 Grant Avenue, Santa Fe, New Mexico 87501, telephone number (505) 986-6200, Attention: County Manager.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract between the County and the purchasers or holders of any of the Bonds.

THE BONDS

Description

The Bonds are general obligation bonds to be issued by the County in the total principal amount of \$27,755,000 and will be dated the Date of Delivery, which is expected to be on or about September 12, 2017. The Bonds will be issued as fully registered bonds in denominations of \$5,000 or integral multiples thereof, bearing interest from their date to maturity at the rates specified on the cover page of this Official Statement payable semiannually on January 1 and July 1 each year, commencing on January 1, 2018, and maturing serially, as set forth on the cover page of this Official Statement.

The Bonds will be issued only in fully registered form and will be initially registered and delivered only to Cede & Co., the nominee of The Depository Trust Company (“DTC”), pursuant to the book-entry-only system described herein. No physical delivery of the Bonds will be made to the owners hereof. Principal of, premium, if any, and interest on the Bonds will be payable by the Paying Agent/Registrar to Cede & Co., which will make distribution of the amounts so paid to the beneficial owners of the Bonds. See “THE BONDS – Book-Entry-Only System” herein.

Authorization

The Bonds are being issued pursuant to the Board’s powers under Article IX, Section 10 of the Constitution of the State of New Mexico, and Sections 4-49-1 through 4-49-21 and 6-15-1 through 6-15-22 NMSA 1978, as amended and supplemented, the Notice of Sale Resolution and the resolution of the Board awarding the Bonds to the successful bidder for the Bonds adopted by the Board on August 8, 2017 (together, the “Resolution”).

Bond Registrar and Paying Agent

The County Treasurer will serve as the Bond Registrar (the “Registrar”) and Paying Agent (the “Paying Agent”) for the Bonds.

Payment of Principal and Interest; Record Date

The principal of the Bonds is payable to the registered owners of the Bonds at the principal office of the Paying Agent. Interest on the Bonds is payable by check or draft of the Paying Agent mailed on or before each interest payment date to the registered owners of the Bonds as of the close of business on the 15th day of the calendar month preceding the interest payment date (the “Regular Record Date”) at the addresses appearing in the registration books maintained by the Registrar; but any such interest not so timely paid or duly provided for shall cease to be payable to the person who is the registered owner thereof at the close of business on the Regular Record Date and shall be payable to the person who is the registered owner thereof at the close of business on the date to be fixed by the Registrar whenever moneys become available for the payment of defaulted interest (the “Special Record Date”).

Optional Redemption of Bonds

The Bonds maturing on and after July 1, 2028, are subject to prior redemption at the County’s option in one or more units of principal of \$5,000 on and after July 1, 2027, in whole or in part at any time, in such order of maturities as the County may determine (and by lot if less than all Bonds of such maturity is called, such selection by lot to be made by the Registrar in such manner as considered appropriate and fair) for the principal amount of each \$5,000 unit of principal so redeemed plus accrued interest to the redemption date.

Redemption Procedures

Notice of redemption shall be given by the Registrar by sending a copy of such notice by first-class, postage prepaid mail at least thirty (30) days prior to the redemption date to the registered owner of each Bond, or portion thereof, to be redeemed at the address shown as of the close of business of the Registrar on the fifth 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 sufficient to pay the optional redemption price of the Bonds to be called for optional redemption is 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.

Exchange or Transfer of Bonds

The Registrar/Paying Agent will maintain the books of the County for the registration of ownership of the Bonds. Upon the surrender for transfer of any Bond at the principal office of the Registrar/Paying Agent, duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner or his attorney duly authorized in writing, the Registrar/Paying Agent shall authenticate and deliver not more than three business days after receipt of the Bond to be transferred in the name of the transferee or transferees a new Bond or Bonds in fully registered form of the same aggregate principal amount of authorized denominations, and of the same maturity, interest rate and series, bearing a number or numbers not contemporaneously outstanding. Bonds may be exchanged at the principal office of the Registrar/Paying Agent for an equal aggregate principal amount of Bonds of other

authorized denominations, and of the same maturity, series and interest rate. The Registrar/Paying Agent shall authenticate and deliver not more than three business days after receipt of the Bond to be exchanged a Bond or Bonds which the registered owner making the exchange is entitled to receive, bearing a number or numbers not contemporaneously outstanding. Exchanges and transfers of Bonds as herein provided shall be without charge to the owner or any transferee, but the Registrar/Paying Agent may require the payment by the owner of any Bond requesting exchange or transfer of any tax or other governmental charge required to be paid with respect to such exchange or transfer. See “THE BONDS – Book-Entry-Only System” herein for a description of the system to be utilized initially in regard to ownership and transferability of the Bonds.

Tax Covenants

In the Resolution, the County covenants for the benefit of the owners of the Bonds 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 Internal Revenue Code of 1986, as amended (the “Code”).

The County further 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, as required, on investment property acquired with those proceeds, (iii) make timely rebate payments, if required, to the federal government, (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. See “TAX EXEMPTION” herein.

Book-Entry-Only System

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

The Depository Trust Company, New York, New York (“DTC”), will act as securities depository for the Bonds. One fully registered bond for each maturity, in the aggregate principal amount of such maturity, will be 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, and will be deposited with DTC.

DTC 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, as amended. DTC holds securities that its participants (“Direct Participants”) deposit with DTC. DTC also facilitates the settlement among Direct Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Direct Participants’ accounts, thereby eliminating the need for physical movement of securities certificates. Direct Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its Direct Participants and by the New York Stock Exchange, Inc.; the American Stock Exchange, LLC; and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others, such as securities brokers and dealers, banks and trust companies that clear through or maintain a

custodial relationship with a Direct Participant, either directly or indirectly, (the “Indirect Participants”). The rules applicable to DTC and its Direct and Indirect Participants are on file with the Securities and Exchange Commission.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC’s records. The ownership interest of each actual purchaser of each Bond (“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, but Beneficial Owners are 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 interest in the Bonds, except in the event that 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 nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds. DTC’s records reflect only the identity of the Direct Participants to whose such accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct Participants will remain responsible for keeping account of their holdings on behalf of their customers.

For every transfer and exchange of Bonds or an interest therein, the Beneficial Owner may be charged a service charge together with a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

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

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

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy). Principal and interest payments on the Bonds will be made to DTC or such other nominee as may be requested by an authorized representative of DTC. DTC’s practice is to credit Direct Participants’ accounts, upon DTC’s receipt of funds and corresponding detail information from the County or the Paying Agent on the payment date in accordance with their respective holdings shown on DTC’s records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in “street name,” and will be the responsibility of such Participant and not of DTC or the County, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to DTC or such other nominee as may be requested by an authorized representative of DTC is the responsibility of the County, disbursement of such payments to

Direct Participants is the responsibility of DTC, and disbursements of such payments to the Beneficial Owners is the responsibility of Direct Participants and Indirect Participants.

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

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

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

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

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

SECURITY AND REMEDIES

General

The Bonds are general obligations of the County payable from *ad valorem* taxes, which may be levied against all taxable property within the County without limitation of rate or amount. The Bonds are secured by the obligation of the Board of County Commissioners of the County to levy and collect upon all taxable property within the County a tax rate levy sufficient, together with other legally available revenues, to pay the debt service on the Bonds. Such annual levy for debt service creates a personal obligation which is enforceable against the owner of the property on the date on which the property was subject to valuation for property taxation purposes and a statutory tax lien that can be enforced by sale of the property. Neither the State nor any other political subdivision has any responsibility to pay the debt service on the Bonds.

Legal Matters

Various State laws and constitutional provisions apply to the assessment and collection of *ad valorem* property taxes. There is no assurance that there will not be any amendment, change in the interpretation of, or addition to the applicable laws, provisions and regulations that would have a material effect, directly or indirectly, on the affairs of the County.

Limitations on Remedies Available to Owners of Bonds

There is no provision for acceleration of maturity of the principal of the Bonds in the event of a default in the payment of principal of or interest on the Bonds. Consequently, remedies available to the owners of the Bonds may have to be enforced from year to year.

The enforceability of the rights and remedies of the owners of the Bonds, and the obligations incurred by the County in issuing the Bonds, are subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect; usual equity principles, which may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

PURPOSE AND PLAN OF FINANCING

The Bonds will be issued in a principal amount of \$27,755,000. \$22,015,000 in principal amount of the Bonds (the "Improvement Bonds"), representing the first series of general obligation bonds approved by the qualified electors of the County at an election held on November 8, 2016, to provide funds to provide funds (1) to acquire, construct, design, equip, and improve roads within the County, (2) to acquire, construct, design, equip, and improve water and wastewater projects within the County, (3) to acquire, construct, design, equip, and improve fire and other public safety facilities within the County, (4) to acquire, construct, design, equip, improve, and restore open space, trails and parks within the County, and (5) to acquire, construct, design, equip, and improve community health facilities within the County, will be allocated among those purposes and to pay a portion of the costs of issuance of the Bonds. \$5,740,000 in principal amount of the Bonds (the "Refunding Bonds" and, together with the Improvement Bonds, the "Bonds") will be issued to provide funds to advance refund, refinance, pay, and redeem the County's outstanding General Obligation Bonds, Series 2009 maturing on and after July 1, 2020, and to pay a portion of the costs of issuance of the Bonds.

The principal and interest due on the Refunded Bonds are to be paid on the scheduled interest payment dates and the redemption date of such Refunded Bonds, from funds to be deposited pursuant to a certain Escrow Agreement (the "Escrow Agreement") between the County and BOKF, N.A. ("Escrow Agent"). The Bond Resolution provides that from the proceeds of the sale of the Bonds and County cash, if necessary, the County will deposit with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Refunded Bonds on the redemption date. Such funds will be held by the Escrow Agent in a special escrow account (the "Escrow Fund") and used to purchase direct obligations of the United States of America (the "Federal Securities"). Under the Escrow Agreement the Escrow Fund is irrevocably pledged to the payment of the principal of and interest on the Refunded Bonds.

Causey, Demgen & Moore P.C., a nationally recognized accounting firm, will verify at the time of delivery of the Bonds to the County, the mathematical accuracy of the schedules that demonstrate the Federal Securities will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Escrow Fund, will be sufficient to pay, when due, the principal of and interest on the Refunded

Bonds. Such maturing principal of and interest on the Federal Securities will not be available to pay any of the Bonds (see “Verification of Arithmetical and Mathematical Computations”).

By the deposit of the Federal Securities and cash, if necessary, with the Escrow Agent pursuant to the Escrow Agreement, the County will have effected the defeasance of the Refunded Bonds in accordance with the law.

SOURCES AND USES OF FUNDS

The sources and uses of funds relating to the Bonds, other than accrued interest, are set forth in the following table.

SOURCES OF FUNDS

Bond proceeds	\$27,755,000.00
Reoffering Premium	<u>2,631,226.90</u>
TOTAL SOURCE OF FUNDS	<u>\$30,386,226.90</u>

USES OF FUNDS

Deposit to Capital Projects Improvement Fund	\$23,535,685.50
Deposit to Defeasance Escrow	6,601,320.35
Costs of Issuance	211,750.00
Underwriter’s Discount	35,581.91
Additional Proceeds	<u>1,889.14</u>
TOTAL USES OF FUNDS	<u>\$30,386,226.90</u>

DEBT AND OTHER FINANCIAL OBLIGATIONS

General Obligation Debt

Article IX, Section 13, of the New Mexico Constitution limits the powers of a county to incur general obligation debt in an aggregate amount, including existing indebtedness, exceeding four percent of the value of the taxable property within such county as shown by the last preceding general assessment. A test for maximum general obligation bonds outstanding of the county follows:

2017 Assessed Valuation ⁽¹⁾	\$6,970,747,909
2017 Estimated Actual Valuation ⁽²⁾	\$21,495,235,674
Bonded Debt	
Current Outstanding Debt	\$101,665,000
Series 2017 Bonds	\$27,755,000
Less Debt Service Fund Balance ⁽³⁾	\$2,132,481
NET DEBT	<u><u>\$127,287,519</u></u>
Ratio of Estimated Net Debt to 2017 Assessed Valuation	1.83%
Ratio of Estimated Net Debt to 2017 Estimated Actual Valuation	0.59%
Per Capita Net Bonded Debt:	\$882.90
Estimated Population	144,170

⁽¹⁾ Preliminary. Excludes certain protested property. Subject to change.

⁽²⁾ Estimated actual valuation is computed by adding 2016 actual exemptions to the preliminary assessed valuation and multiplying the result by three. 2017 exemptions are unavailable.

⁽³⁾ As of 6/30/2017, the debt service cash balance for the Bonds was \$13,938,515. \$2,132,481 represents the estimated amount after payment of July 1 principal and interest.

Debt Service Requirements to Maturity

The following represents annual debt service expenses on the County's outstanding general obligation debt.

Year	Present Requirement ⁽¹⁾			Series 2017 Bonds			Total Requirements		
	Principal (July 1)	Interest	Total	Principal (July 1)	Interest	Total	Principal (July 1)	Interest	Total
2018	\$ 9,625,000	\$ 3,901,169	\$ 13,526,169	\$ 1,250,000	\$ 853,634	\$ 2,103,634	\$ 10,875,000	\$ 4,754,803	\$ 15,629,803
2019	9,225,000	3,539,369	12,764,369	1,100,000	1,000,850	2,100,850	10,325,000	4,540,219	14,865,219
2020	8,655,000	3,233,119	11,888,119	975,000	945,850	1,920,850	9,630,000	4,178,969	13,808,969
2021	8,795,000	2,827,869	11,622,869	1,960,000	926,350	2,886,350	10,755,000	3,754,219	14,509,219
2022	9,515,000	2,413,119	11,928,119	1,430,000	828,350	2,258,350	10,945,000	3,241,469	14,186,469
2023	9,515,000	1,959,869	11,474,869	1,910,000	756,850	2,666,850	11,425,000	2,716,719	14,141,719
2024	10,425,000	1,504,119	11,929,119	1,655,000	661,350	2,316,350	12,080,000	2,165,469	14,245,469
2025	11,160,000	1,028,119	12,188,119	1,280,000	578,600	1,858,600	12,440,000	1,606,719	14,046,719
2026	13,000,000	724,594	13,724,594	-	514,600	514,600	13,000,000	1,239,194	14,239,194
2027	4,955,000	332,094	5,287,094	2,300,000	514,600	2,814,600	7,255,000	846,694	8,101,694
2028	4,010,000	189,444	4,199,444	2,300,000	399,600	2,699,600	6,310,000	589,044	6,899,044
2029	1,100,000	75,144	1,175,144	2,300,000	330,600	2,630,600	3,400,000	405,744	3,805,744
2030	1,100,000	44,894	1,144,894	2,300,000	261,600	2,561,600	3,400,000	306,494	3,706,494
2031	585,000	13,894	598,894	2,300,000	201,225	2,501,225	2,885,000	215,119	3,100,119
2032	-	-	-	2,300,000	137,975	2,437,975	2,300,000	137,975	2,437,975
2033	-	-	-	2,395,000	71,850	2,466,850	2,395,000	71,850	2,466,850
	<u>\$101,665,000</u>	<u>\$21,786,816</u>	<u>\$123,451,816</u>	<u>\$27,755,000</u>	<u>\$8,983,884</u>	<u>\$36,738,884</u>	<u>\$129,420,000</u>	<u>\$30,770,700</u>	<u>\$160,190,700</u>

⁽¹⁾ Excludes refunded amount of 2009A Bonds and related debt service.

Statement of Estimated Direct and Overlapping Debt

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	2017 Assessed Valuation⁽¹⁾	GO Debt Outstanding	Percent Applicable	Amount
State of New Mexico ⁽²⁾	\$56,922,567,412	\$403,170,000	12.25%	\$ 49,372,271
Santa Fe County	6,970,747,909	127,287,519	100.00%	127,287,519
City of Santa Fe	4,022,772,806	24,800,000	100.00%	24,800,000
Town of Edgewood	107,952,307	3,415,000	99.94%	3,412,853
City of Española	178,840,087	-	27.39%	-
Española Schools	586,574,089	27,415,000	19.25%	5,277,956
Moriarty Schools	564,989,518	20,650,000	48.36%	9,986,340
Pojoaque Schools	176,808,029	5,945,000	100.00%	5,945,000
Santa Fe Community College	6,407,792,288	18,215,000	100.00%	18,215,000
Santa Fe Schools	6,407,792,288	173,525,000	100.00%	173,525,000
Total Direct and Overlapping Debt				\$417,821,939
Ratio of Estimated Direct & Overlapping Debt to 2017 Assessed Valuation:				6.16%
Ratio of Estimated Direct & Overlapping Debt to 2017 Estimated Actual Valuation:				2.00%
Per Capita Direct & Overlapping Debt:				\$2,898.12

⁽¹⁾ Preliminary. Excludes certain protested property.

⁽²⁾ 2016 Actual Assessed Valuation.

Other Obligations of the County

The table below summarizes all outstanding revenue bonds and other obligations of the County as of June 30, 2016, except as otherwise noted.

Type and Series of Revenue Obligations	Original Principal Amount	Interest Rate	Date of Final Maturity	Amount Outstanding as of 6/30/16	Pledged Revenues
Gross Receipts Tax Improvement and Refunding Revenue Bonds, Series 2016	\$30,365,000	2.00-5.00%	6/1/2035	\$30,365,000	5/16 of one percent gross receipts tax and 1/8 of one percent HHGRT
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	\$24,755,000	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	\$8,995,000	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	\$1,255,000	5/16 of one percent gross receipts tax
Correctional System Revenue Bonds, Series 1997	\$30,000,000	5.00-6.00%	2/1/2027	\$18,905,000	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	\$3,555,000	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	\$354,814	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.

** 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.

Analysis of Assessed Valuation

Assessed Valuation of property within the County is calculated as follows: Of the total assessed valuation of all taxable property in the County, 33 1/3% is legally subject to *ad valorem* taxes. After deduction of certain personal exemptions, the 2017 preliminary assessed valuation is \$6,970,747,909*. The actual value of personal property within the County (see "Assessments" below) is determined by the County Assessor. The actual value of certain corporate property within the County (see "Centrally

* Preliminary, subject to change.

Assessed” below) is determined by the State of New Mexico, Taxation and Revenue Department, Property Tax Division. The analysis of Assessed Valuation follows:

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017*</u>
Assessments						
Value of Land	\$2,202,382,329	\$2,179,391,621	\$2,214,329,809	\$2,242,151,343	\$2,253,958,275	\$ 0
Improvements	4,615,982,628	4,624,028,218	4,244,058,320	4,305,944,881	4,489,599,036	0
Personal Property	62,480,943	63,434,470	59,422,089	58,817,507	60,493,390	0
Mobile Homes	33,738,479	31,148,062	25,038,114	25,603,035	25,742,442	0
Livestock	1,569,237	1,686,888	1,356,690	1,747,281	2,038,102	0
Assessors Total Taxable Value	<u>\$6,916,153,616</u>	<u>\$6,899,689,259</u>	<u>\$6,544,205,022</u>	<u>\$6,634,264,047</u>	<u>\$6,831,831,245</u>	<u>\$ 0</u>
Less Exemptions						
Head of Family	\$ 38,692,370	\$ 40,024,500	\$ 41,202,720	\$ 42,631,183	\$42,922,247	\$ 0
Veterans	58,369,621	60,341,905	60,100,559	62,078,877	65,400,016	0
Other	42,342,346	41,514,375	47,750,621	54,144,928	86,008,386	0
Total Exemptions	<u>\$139,404,337</u>	<u>\$141,880,780</u>	<u>\$149,053,900</u>	<u>\$158,854,988</u>	<u>\$194,330,649</u>	<u>\$ 0</u>
Assessors Net Taxable Value	<u>\$6,776,749,279</u>	<u>\$6,757,808,479</u>	<u>\$6,395,151,122</u>	<u>\$6,475,409,059</u>	<u>\$6,637,500,596</u>	<u>\$6,823,558,703</u>
Centrally Assessed	119,745,937	120,107,484	127,536,772	135,438,597	142,451,206	147,189,206
Total Assessed Valuation	<u><u>\$6,896,495,216</u></u>	<u><u>\$6,877,915,963</u></u>	<u><u>\$6,522,687,894</u></u>	<u><u>\$6,610,847,656</u></u>	<u><u>\$6,779,951,802</u></u>	<u><u>\$6,970,747,909</u></u>

* Preliminary.

Source: Santa Fe County Assessor’s Office.

History of Assessed Valuation

In 2011 the County Assessor hired an outside consultant firm to assist in a 3-year detailed revaluation of all taxable parcels of real property within County for the purpose of bringing such parcels to current and correct values. The revaluation resulted in the identification of both new parcels and new construction which had not previously been included on the tax rolls, which increased valuation has been offset by significant declines in existing property values stemming from the housing crisis that impacted much of the United States and for which prior year assessed values had not accounted. As reflected in the following table, the revaluation resulted in a total reduction in assessed value by approximately 5.69% for tax year 2014.

<u>Tax Year</u>	<u>City of Santa Fe</u>	<u>Santa Fe County</u>
2012	\$3,710,979,288	\$6,896,495,216
2013	3,723,985,725	6,877,915,963
2014	3,721,987,667	6,522,687,894
2015	3,830,361,250	6,610,847,656
2016	3,930,466,905	6,779,951,802
2017*	4,022,772,806	6,970,747,909

Source: Santa Fe County Assessor’s Office.

* Preliminary

The total assessed value growth for 2017 was approximately 2.81%.

Tax Rates

Article VIII, Section 2 of the New Mexico Constitution limits the total *ad valorem* taxes for operational purposes levied by all overlapping governmental units within the County to \$20.00 per \$1,000 of assessed value. This limitation does not apply to levies for public debt and levies for additional taxes if authorized at an election by a majority of the qualified voters of the County voting on the question. The following table summarizes the tax situation on residential property located within the County for 2015 and the previous four years. Except as required to meet debt service on general obligation bonds and as a result of application of the yield control statute, Section 7-37-7.1 NMSA 1978, the County expects no change in the level of its taxes in the foreseeable future but is unable to predict what overlapping entities might do. See “DEBT AND OTHER FINANCIAL OBLIGATIONS – Yield Control Limitation” herein. A high level of taxation may adversely impact the County’s ability to repay bonds.

RESIDENTIAL TAX RATES – Per \$1,000 Assessed Valuation – Tax Years

Within 20 Mill Limit for General Purposes					
	2012	2013	2014	2015	2016
State of New Mexico	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
Santa Fe County	5.022	5.219	5.911	6.065	5.893
City of Santa Fe	1.165	1.206	1.308	1.327	1.282
Santa Fe Schools	0.128	0.133	0.152	0.156	0.151
Total	\$6.315	\$6.558	\$7.371	\$7.548	\$7.326
Over 20 Mill Limit – Interest, Principal, Judgment, etc.					
	2012	2013	2014	2015	2016
State of New Mexico	\$ 1.360	\$ 1.360	\$ 1.360	\$ 1.360	\$1.360
Santa Fe County	1.640	1.641	1.731	1.974	1.971
Santa Fe Community College	3.292	3.386	3.625	3.776	3.690
City of Santa Fe	0.564	0.876	0.843	1.045	1.160
Santa Fe Schools	6.920	6.916	8.433	8.416	8.466
Total	\$13.776	\$14.179	\$15.992	\$16.571	\$16.647
Total Levy					
	2012	2013	2014	2015	2016
State of New Mexico	\$1.360	\$1.360	\$1.360	\$1.360	\$1.360
Santa Fe County	6.662	6.860	7.642	8.039	7.864
Santa Fe Community College	3.292	3.386	3.625	3.776	3.690
City of Santa Fe	1.729	2.082	2.151	2.372	2.442
Santa Fe Schools	7.048	7.049	8.585	8.572	8.617
Total Residential in City of Santa Fe	\$20.091	\$20.737	\$23.363	\$24.119	\$23.973
Total Non-Residential in City of Santa Fe	\$29.581	\$29.890	\$31.447	\$31.737	\$32.212
Total Residential in Unincorporated County	\$18.362	\$18.655	\$21.212	\$21.747	\$21.531
Total Non-Residential in Unincorporated County	\$26.200	\$26.197	\$27.804	\$27.983	\$28.256

Source: New Mexico Department of Finance and Administration.

Major Taxpayers

The ten largest taxpayers in Santa Fe County have a combined valuation of \$171,795,390, representing 2.53% of the total assessed valuation within the County.

<u>Name</u>	<u>Type of Business</u>	<u>2016 Assessed Valuation</u>	<u>% of Assessed Valuation</u>
Public Service Company of NM	Electric Utility	\$57,338,301	0.85%
Mid-America Pipeline Co	Pipeline	15,415,263	0.23%
Truzaf Limited Partnership	Real Estate	14,930,524	0.22%
New Mexico Gas Company	Gas Utility	14,770,502	0.22%
Qwest Corporation	Telecommunications	14,530,740	0.21%
Guadalupe Hotel Investment LLC	Hotel	13,769,343	0.20%
C & Z LLC	Real Estate	12,840,821	0.19%
BNSF	Railroad	12,299,967	0.18%
La Fonda Holdings LLC	Real Estate	10,075,371	0.15%
Comcast	Cable	5,824,558	0.09%
	Total	\$171,795,390	2.53%

Source: Santa Fe County Assessor's Office; as of March 2017.

Yield Control Limitation

State law limits property tax increases from the prior property tax year. Specifically, no taxing entity may set a rate or impose a tax (excluding oil and gas production *ad valorem* taxes, oil and gas production equipment *ad valorem* taxes, and copper mineral property *ad valorem* taxes) or assessment that will produce revenues that taxes exceed the prior year's tax revenues from residential and non-residential property multiplied by a "growth control factor." The growth control factor is the percentage equal to the sum of (a) "percent change I" plus (b) the prior property tax year's total taxable property value plus "net new value," as defined by Statute, divided by such prior property tax year's total taxable property value; but if that percentage is less than 100 percent, then the growth control factor is (a) "percent change I" plus (b) 100%. "Percent change I" is based upon the annual implicit price deflator index for state and local government purchases of goods and services (as published in the United States Department of Commerce monthly publication entitled "Survey of Current Business," or any successor publication) and is a percent (not to exceed 5%) that is derived by dividing the increase in the prior calendar year's index over the index for the calendar year next preceding the prior calendar year (unless there was a decrease, in which case zero is used) by the index for such calendar year next preceding the prior calendar year.

The growth control factor applies to authorized operating levies and to any capital improvements levies, but does not apply to levies for paying principal and interest on public general obligation debt.

Limitations on Residential Property Tax Increases

A 1998 amendment to the State Constitution allows the State Legislature to enact legislation providing for the assessment of residential properties at levels different than the current estimated market value of a home on the basis of age, income, or home ownership. Section 7-36-21.2 NMSA 1978, as amended, limits increases in the value of residential property for taxation purposes beginning with Tax Year 2001 (the "Statutory Valuation Cap"). The statute provides that, with respect to properties within a county assessing properties in the aggregate at or greater than 85% of their market value, a property's new valuation shall not exceed 103% of the previous year's valuation or 106.1% of the valuation two years prior to the tax year in which the property is being valued. This does not apply to residential properties in

their first year of valuation, physical improvements made to the property or instances where the owner or the zoning of the property has changed in the year prior to the tax year for which the value of the property is being determined.

The constitutionality of the property tax limitation has been challenged in a number of venues. On March 28, 2012, the New Mexico Court of Appeals upheld the statutory valuation cap and its application under Section 7-36-21.2 NMSA 1978, which ruling was affirmed by the New Mexico Supreme Court in June, 2014.

Other amendments to State laws affecting residential property taxes are proposed from time to time and may be proposed in the future by the Legislature. Such amendments, if enacted, could result in an increase to the tax rate imposed on residential property tax within the County in order to pay the principal of and interest on general obligation bonds issued by the County, including the Bonds.

Tax Collections on Locally Assessed and Centrally Assessed Property

General (*ad valorem*) taxes for all units of government are collected by the county treasurer and distributed monthly to the State and various political subdivisions to which they are due. Property taxes are due in two installments. The first half installment is due on November 10 and becomes delinquent on December 10. The second half installment is due on April 10 and becomes delinquent on May 10. Collection statistics for all political subdivisions for which the county treasurer collects taxes are presented here:

Property Tax Collections for Santa Fe County

Tax Year	Fiscal Year	Net Taxes Charged to Treasurer	Current Tax Collections ⁽¹⁾	Current Collections as a % of Net Levied	Current/Delinquent Tax Collections ⁽²⁾	Current/Delinquent Collections as a % of Net Levied ⁽²⁾
2016	16/17	\$168,550,771	\$162,656,064	96.50%	\$162,656,064	96.50%
2015	15/16	164,860,837	158,750,208	96.29%	162,362,740	98.48%
2014	14/15	159,054,302	152,201,398	95.69%	159,079,485	100.02%
2013	13/14	150,684,994	143,534,371	95.25%	147,239,997	97.71%
2012	12/13	148,116,681	140,793,416	95.06%	146,269,676	98.75%
2011	11/12	150,685,186	142,374,476	94.48%	149,493,217	99.21%
2010	10/11	148,919,734	140,663,676	94.46%	148,412,314	99.66%
2009	09/10	142,298,704	132,269,257	92.95%	141,917,595	99.73%
2008	08/09	133,476,019	124,332,592	93.15%	133,227,293	99.81%
2007	07/08	121,777,496	114,182,071	93.76%	121,080,857	99.43%

Source: Santa Fe County Treasurer's Office.

⁽¹⁾ As of June 30 each year.

⁽²⁾ As of June 2016.

Interest on Delinquent Taxes

Pursuant to Section 7-38-49 NMSA 1978, if property taxes are not paid for any reason within thirty days after the date they are due, interest on the unpaid taxes shall accrue from the thirtieth day after they are due until the date they are paid. Interest accrues at the rate of one percent (1%) per month or any fraction of a month.

Penalty for Delinquent Taxes

Pursuant to Section 7-38-50 NMSA 1978, if property taxes become delinquent, a penalty of one percent of the delinquent tax for each month, or any portion of a month, they remain unpaid shall be imposed, but the total penalty shall not exceed five percent (5%) of the delinquent taxes. The minimum penalty imposed is \$5.00. A county can suspend application of the minimum penalty requirement for any tax year.

If property taxes become delinquent because of an intent to defraud by the property owner, 50% of the property taxes due or \$50.00, whichever is greater, shall be added as a penalty.

Remedies Available for Non-Payment of Taxes

Pursuant to Section 7-38-47 NMSA 1978, property taxes are the personal obligation of the person owning the property on the date on which the property was subject to valuation for property taxation purposes. A personal judgment may be rendered against the taxpayer for payment of taxes that are delinquent, together with any penalty and interest on the delinquent taxes.

Taxes on real property are a lien against the real property. A lien runs in favor of the State and secures the payment of property taxes and any penalty and interest until such payments are made. Such lien is a first lien and paramount to any other interest in the property, perfected or unperfected. Pursuant to Section 7-38-65 NMSA 1978, delinquent taxes on real property may be collected by selling the real property on which taxes are delinquent.

Pursuant to Section 7-38-53 NMSA 1978, delinquent property taxes on personal property may be collected by asserting a claim against the owner(s) of the personal property for which taxes are delinquent.

Protest

Pursuant to Section 7-38-39 NMSA 1978, after receiving his or her property tax bill and after making payment prior to the delinquency date of all property taxes due in accordance with the bill, a property owner may protest the value or classification determined for his or her property for property taxation purposes, the allocation of value of his or her property to a particular governmental unit, the application to his or her property of an administrative fee adopted pursuant to Section 7-38-36.1 NMSA 1978 or a denial of a claim for an exemption by filing a claim for refund in the district court. Pursuant to Section 7-38-41 NMSA 1978, the portion of any property taxes paid to the County Treasurer that is not admitted to be due and is the subject of a claim for refund will be deposited in a "property tax suspense fund." Moneys in the property tax suspense fund may not be used for the payment of debt service on the Bonds.

FINANCES OF THE COUNTY

Budget Process

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.

Financial Statement

The following Statement of Revenues, Expenditures and Changes in Fund Balances has been included herein for informational purposes only. Figures were taken from the audit reports prepared by the County's independent auditors. Audited figures are excerpts of the audit reports and do not purport to be complete. Reference is made to the complete audit reports which are available upon request. The County has not requested the consent of REDW LLC, which performed the audit of the County's Financial Statements for the fiscal year ended June 30, 2016, to the inclusion of the fiscal year 2016 audit report and excerpts thereof in this Official Statement, and the auditor has not conducted a post-audit review of those Financial Statements.

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balances Fiscal Years Ended June 30, 2012 through 2017

	2012	2013	2014	2015	2016	2017*
REVENUES						
Property taxes	\$28,008,593	\$45,631,432	\$48,196,257	\$49,591,262	\$50,589,623	\$50,302,866
Gross receipts taxes	7,882,901	8,291,976	8,572,788	7,965,027	8,860,000	14,172,928
Other taxes & assessments	1,303,214	992,488	1,262,783	1,208,574	1,359,218	1,396,993
Licenses, permits & fees	503,423	587,595	703,243	704,766	694,899	682,121
Charges for services	1,938,303	1,923,265	1,849,949	1,643,483	1,220,900	1,276,271
Fines & forfeitures	1,705	1,518	660	300	160	100
Interest income	1,608,197	1,886,843	1,576,111	1,754,926	2,175,770	1,103,328
Grants (federal and state)	862,173	939,382	477,289	134,429	371,736	263,193
Other	301,856	224,575	845,126	184,856	191,758	-
Intergovernmental	741,488	682,763	668,483	698,926	845,349	914,782
Total Revenues	\$43,151,853	\$61,161,837	\$64,152,689	\$63,886,549	\$66,309,413	\$70,112,582
EXPENDITURES						
Current						
General government	\$18,558,010	\$20,404,024	\$21,102,917	\$23,262,055	\$24,051,047	\$24,313,233
Public safety	-	395,226	212,281	34,395	49,984	14,410
Culture & recreation	931,569	1,102,763	910,187	1,011,500	1,190,550	1,289,013
Public works	4,287,209	5,227,894	5,693,737	5,084,907	4,666,662	4,924,609
Highways & streets	555,547	166,315	-	-	-	-
Health & welfare	2,207,956	1,984,886	1,804,825	1,772,798	1,874,476	1,935,582
Housing	47,256	54,114	173,059	147,686	84,481	83,272
Capital Outlays	1,841,533	1,943,334	916,729	501,217	1,644,674	241
Total expenditures	\$28,429,080	\$31,278,556	\$30,813,735	\$31,814,558	\$33,561,874	\$32,560,360
Excess (deficiency) of revenues over expenditures	\$14,722,773	\$29,883,281	\$33,338,954	\$32,071,991	\$32,747,539	\$37,552,222
Other financing sources (uses):						
Transfers from other funds	2,376,100	341,490	640,520	658,000	672,440	670,289
Transfers to other funds	(3,706,891)	(32,290,271)	(30,512,822)	(30,970,649)	(28,900,401)	(32,343,443)
Net other financing sources (uses)	(1,330,791)	(31,948,781)	(29,872,302)	(30,312,649)	(28,227,961)	(31,673,154)
Net Change in Fund Balance	13,391,982	(2,065,500)	3,466,652	1,759,342	4,519,578	5,879,068
Restatement	-	(96,353)	-	-	-	-
Fund balance beginning of year	58,210,406	71,602,388	69,440,535	72,907,187	74,666,529	79,186,107
Fund balance, end of year	\$71,602,388	\$69,440,535	\$72,907,187	\$74,666,529	\$79,186,107	\$85,065,175

* Unaudited; estimated, subject to change.

The audited figures for fiscal years ended June 30, 2016, 2015, 2014, 2013 and 2012 were taken from audit reports prepared by the County's independent auditors and are presented for informational purposes only. Reference is made to the complete audit reports, which are available upon request. The figures for the fiscal year ending June 30, 2017 are based on estimated actual revenues and expenditures and are unaudited.

General Fund - Balance Sheet, Fiscal Years Ended June 30, 2012 through 2016

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
ASSETS					
Cash and investments	\$55,378,765	\$54,372,546	\$62,719,467	\$64,883,357	\$71,120,321
Cash and investments - restricted	8,315,290	6,500,000	8,099,490	7,873,099	7,718,777
Receivables	819,060	626,366	587,429	543,843	215,394
Taxes receivable	7,494,690	7,243,583	6,950,608	6,854,870	6,105,611
Interest receivable	-	-	-	-	281,486
Grantor agencies receivable	-	-	-	-	37,867
Prepays & other	-	48,450	122,035	130,298	211,881
Due from other funds	6,395,766	8,491,887	1,345,930	1,475,458	130,629
Total assets	<u>\$78,403,571</u>	<u>\$77,282,832</u>	<u>\$79,824,959</u>	<u>\$81,760,925</u>	<u>\$85,821,966</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 1,084,000	\$ 1,128,867	\$ 907,243	\$ 1,089,211	\$ 987,012
Accrued payroll (wages & benefits)	649,361	679,394	828,959	955,737	1,178,532
Due to other funds	-	-	6,062	6,062	-
Deferred revenue	4,911,836	5,868,456	5,033,410	4,844,498	4,308,829
Deposits held for others	131,477	142,589	119,671	192,423	143,179
Other current liabilities	24,509	22,991	22,427	6,465	18,307
Total Liabilities	<u>6,801,183</u>	<u>7,842,297</u>	<u>6,917,772</u>	<u>7,094,396</u>	<u>6,635,859</u>
FUND BALANCE					
Nonspendable	-	48,450	112,035	130,298	211,881
Restricted	27,022,089	30,269,798	28,659,177	21,136,967	20,494,028
Committed	21,000,000	33,800,000	37,800,000	20,468,186	25,351,705
Assigned	-	-	-	26,834,420	27,630,343
Unassigned	23,580,299	5,322,287	6,325,975	6,096,658	5,498,150
Total fund balances	<u>71,602,388</u>	<u>69,440,535</u>	<u>72,907,187</u>	<u>74,666,529</u>	<u>79,186,107</u>
Total liabilities and fund balances	<u>\$78,403,571</u>	<u>\$77,282,832</u>	<u>\$79,824,959</u>	<u>\$81,760,925</u>	<u>\$85,821,966</u>

THE COUNTY

General

Santa Fe County (pop. 144,170, estimated 2016) 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.

Board of County Commissioners and Other Elected Officials

The Board of County Commissioners consists of five individuals elected for four-year terms. The County is divided into five districts, each represented by an elected Commissioner. The function of the County is briefly addressed in the grant of powers provided all New Mexico counties pursuant to Section

4-37-1 NMSA 1978. The function is “to provide for the safety, preserve the health, promote the prosperity and improve the morals, order, comfort and convenience of the county or its inhabitants.” The Board and other elected officials noted oversee:

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 ambulance service by County and Volunteer Fire Departments;
5. road construction and maintenance by the Public Works Department;
6. managerial and administrative services by an appointed County Manager; and
7. planning, health, welfare, recreation and cultural affairs by County staff and appointed citizen advisory boards.

The members of the Board of County Commissioners, other elected officials of the County, and their respective terms are as follows:

Member	Position	Term Expires
Henry Roybal	Chair	12/31/18
Anna Hansen	Vice-Chair	12/31/20
Robert A. Anaya	Commissioner	12/31/18
Anna Hamilton	Commissioner	12/31/20
Ed Moreno	Commissioner	12/31/20
Gus Martinez	County Assessor	12/31/18
Geraldine Salazar	County Clerk	12/31/20
Patrick J. Varela	County Treasurer	12/31/20

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.

Don Moya joined Santa Fe County in April of 2016 as the Budget Administrator. He served as Interim Finance Director from November 2016 through January of 2017 when he was selected as the Finance Director. From 2010 through 2016 Mr. Moya was the Chief Financial Officer for the Albuquerque Municipal School District where he oversaw a \$1.3 billion annual operating budget and \$1.1 billion capital program. Mr. Moya brings over 20 years of diverse experience in government finance and policy to his leadership role having served for seven years as Deputy Cabinet Secretary for Finance and Operations and Chief Financial Officer for the New Mexico Public Education Department under Governor Richardson. Mr. Moya has also served the New Mexico State Legislature, Children Youth and

Families Department and the Santa Fe Public School District. Mr. Moya has a BA in Business Administration from the College of Santa Fe.

Gregory S. Shaffer has served as County Attorney since May 5, 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.

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, 2016, 2015 and 2014 were approximately \$8.9M, \$8.7M and \$8.3M, 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 2016 audited financial statements, the County’s proportionate share of PERA’s net pension liability was \$36,409,439 at June 30, 2016. These amounts were reported in the County’s audited financial statements for Fiscal Year 2016 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, as of June 30, 2016 is shown below:

**State of New Mexico Public Employees Retirement Fund
Summary Information as of June 30, 2016**

Membership ⁽¹⁾	100,974
Actuarial Information	
Actuarial Accrued Liability ⁽²⁾	\$19,474,241,384
Actuarial Value of Assets	14,654,814,373
Unfunded Actuarial Accrued Liability	4,819,427,011

Source: PERA Annual Actuarial Valuation

⁽¹⁾ Includes active, inactive and retired members from all divisions.

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

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 2016, PERA reported an audited Net Pension Liability (“NPL”) of \$6.2 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 2016, 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, 2016, 2015 and 2014 were \$816,514, \$799,879 and \$780,883, respectively, which equal the required contributions for each of those years.

County Insurance Coverage

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 workers compensation, general liability, auto damage, errors and omissions coverage, emergency medical and law enforcement liability primarily with the New Mexico County Insurance Authority Workers' Compensation Pool and Multi-Line Pool, and accident coverage for volunteer fire fighters through a private carrier. In addition, the County maintains medical malpractice liability insurance for medical providers employed at the Adult Detention Facility and Youth Development Program, environmental pollution insurance for specified locations, and builders' risk insurance through private carriers. 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.

THE ECONOMY

General

Santa Fe County is located in the north-central part of New Mexico in the Rio Grande corridor. The area's economy is based primarily on government and related activities, retail trade, tourism, arts and entertainment, and recreation.

State Government

The State Government is one of the largest employers in the County, employing approximately 8,968. Government offices, including the Office of the Governor and the State Legislature, occupy the State Capitol Building, known as the Roundhouse. The majority of major state offices and agencies, including the Office of the Treasurer, Office of the Attorney General, Office of the State Engineer, and the Departments of Finance and Administration, Health, Environment, Transportation, Energy, Minerals and Natural Resources, General Services, Corrections, Public Education and Higher Education, are located in the City of Santa Fe.

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 2016-2017 enrollment of 13,275 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 5,921 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. The University is expected to close in the spring of 2018 and is not accepting applications for admission at this time.

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.

Institute Of American Indian Arts

The Institute of American Indian Arts ("IAIA") is a tribal college chartered by the U.S. Congress, offering Associate of Arts, Associate of Fine Arts, Bachelor of Arts and Bachelor of Fine Arts degrees to both native and non-native students. IAIA also offers numerous certificate programs, including Business and Entrepreneurship. IAIA operates the Museum of Contemporary Native Arts in Santa Fe, which maintains a collection of nearly 8,000 pieces of artwork. As a 1994 Tribal and Land Grant Institution, IAIA is also responsible for promoting New Mexico tribal programs in the area of food and agricultural science. The school enrolls approximately 700 students.

Santa Fe Indian School

The Santa Fe Indian School ("SFIS") is owned by the 19 pueblos of New Mexico and enrolls approximately 700 middle- and high school students, including day students and dorm students who live on campus. SFIS offers academic preparation for both college and career readiness, while maintaining Native American Cultural values.

Trade

The County's major retail products include furniture, jewelry, publishing, technology transfer, clothing, and accessories. Approximately 14.44% of the County's workforce was employed in the retail trade sector as of the end of the third quarter of 2016.

Tourism

The tourism industry plays a significant role in the County economy due, in part, to the historic City of Santa Fe and its proximity to national parks and monuments, state parks and recreation areas, and numerous museums and cultural facilities.

Indian Arts and Crafts

Indian arts and crafts, both production and marketing, have always played a significant role in the County's economy where large amounts of turquoise and silver jewelry are crafted. Numerous shops and galleries in Santa Fe make the City a center in the Southwest for original Native American art and southwest arts and crafts.

Health

The County is served by Christus St. Vincent Regional Medical Center, a 501(c)(3) organization. The Medical Center serves a 7-county region and is the largest hospital facility north of Albuquerque and south of Pueblo, Colorado. The Medical Center is the only Level III Trauma Center in northern New Mexico. The Center maintains 268 licensed beds, 380 staff physicians representing 34 medical specialties, and treats over 52,000 emergency/fast track patients annually and more than 5,500 outpatient surgery patients annually.

ECONOMIC AND DEMOGRAPHIC STATISTICS

This section contains general information concerning the economic and demographic conditions in and surrounding the County. The information presented was obtained from the sources indicated, and the County makes no representation as to the accuracy or completeness of the data presented. All data in this subsection is presented on a calendar year basis.

Population

The following chart sets forth historical population data for the City of Santa Fe, Santa Fe Metropolitan Statistical Area (“MSA”), and the State.

Census Year	City of Santa Fe	Santa Fe MSA	State of New Mexico
1940	20,325	30,826	531,818
1950	27,998	38,153	681,187
1960	33,394	44,970	951,023
1970	41,167	53,756	1,017,055
1980	49,160	75,360	1,303,303
1990	57,605	98,928	1,515,069
2000	62,203	129,292	1,819,046
2010	67,947	144,170	2,065,826
2020*	n/a	164,006	2,351,724
2030*	n/a	178,124	2,613,332

Source: U.S. Department of Commerce, Bureau of the Census.

* Projected.

Age Distribution

The following table sets forth the age distribution profile for the Santa Fe MSA, the State and the United States.

Percentage of Population

Age Group	Santa Fe MSA	New Mexico	United States
0 - 17	19.18%	23.91%	22.77%
18 - 24	7.80%	9.80%	9.75%
25 - 34	11.06%	13.28%	13.43%
35 - 44	11.58%	11.87%	12.62%
45 - 54	12.90%	11.91%	13.09%
55 and Older	37.48%	29.23%	28.34%

Source: The Nielsen Company, 2017.

Employment

The following table provides a ten-year history of employment in the County, the State and the United States.

Year	Santa Fe County		State of New Mexico		United States
	Labor Force	Percent Unemployed	Labor Force	Percent Unemployed	Percent Unemployed
2017*	72,802	5.3%	930,766	6.6%	4.6%
2016	72,512	5.1%	927,355	6.7%	4.9%
2015	71,658	5.4%	924,114	6.6%	5.3%
2014	71,564	5.6%	922,388	6.7%	6.2%
2013	72,592	5.6%	923,571	7.0%	7.4%
2012	73,156	5.8%	927,795	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%

Source: New Mexico Department of Workforce Solutions.

* Average for January-May, 2017.

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.

<u>Employer</u>	<u>Business Type</u>	<u>Number of Employees</u>
State of New Mexico	Government	19,655
Los Alamos National Laboratory	Government	9,543
Christus St. Vincent Hospital	Health Care	2,021
Santa Fe Public Schools	Education	1,763
City of Santa Fe	Government	1,500
Santa Fe Community College	Education	909
Santa Fe County	Government	846
Peters Corporation	Real Estate	730
Buffalo Thunder	Casino	700
Santa Fe Opera	Fine Arts	630
Total		38,297

Source: Santa Fe Chamber of Commerce, 2015.

Wage and Salary Employment

The New Mexico Department of Workforce Solutions publishes quarterly and annual reports of covered employment and wages according to the North American Industry Classification System (NAICS).

Sector	2012	2013	2014	2015	2016 ⁽¹⁾
Grand Total	60,249	60,681	60,426	61,229	61,358
Total Private	43,312	43,774	43,496	44,481	45,661
Agriculture, Forestry, Fishing & Hunting	156	157	172	166	185
Mining	99	86	102	146	134
Utilities	125	124	125	131	127
Construction	2,662	2,789	2,566	2,588	2,639
Manufacturing	776	828	839	865	846
Wholesale Trade	913	947	921	985	1,010
Retail Trade	8,884	8,934	8,799	8,648	8,711
Transportation & Warehousing	525	559	602	558	559
Information	745	846	785	816	887
Finance & Insurance	1,776	1,781	1,649	1,583	1,547
Real Estate & Rental & Leasing	747	799	815	798	857
Professional & Technical Services	2,468	2,389	2,342	2,432	2,429
Management of Companies & Enterprises	192	194	182	230	231
Administrative & Waste Services	1,733	1,830	1,754	1,845	1,915
Educational Services	1,411	1,492	1,561	1,624	1,822
Health Care & Social Assistance	8,434	8,220	8,288	8,693	8,912
Arts, Entertainment & Recreation	924	969	1,060	1,116	1,060
Accommodation & Food Services	8,296	8,379	8,444	8,703	9,289
Other Services, Ex. Public Administration	2,446	2,452	2,491	2,555	2,501
Total Government	16,938	16,907	16,930	16,748	15,697
Federal	980	958	945	943	964
State	8,747	8,782	8,903	8,792	7,584
Local	7,211	7,167	7,082	7,013	7,149

Source: New Mexico Department of Workforce Solutions.

⁽¹⁾ Average, Fourth Quarter 2016.

The following table reflects median household Effective Buying Income (“EBI”) and the percent of households by EBI groups as reported by The Nielsen Company. EBI is personal income less personal tax and non-tax payments. Personal income includes wages and salaries, other labor income, proprietors’ income, rental income, dividends, personal interest income and transfer payments. Deductions are made for federal, state and local taxes, non-tax payments such as fines and penalties, and personal contributions for social security insurance.

Effective Buying Income Group	Santa Fe MSA	New Mexico	United States
Under \$25,000	22.03%	27.94%	21.90%
\$25,000 - \$34,999	10.61%	10.75%	9.70%
\$35,000 - \$49,999	12.71%	14.08%	13.20%
\$50,000 - \$74,999	17.98%	16.63%	17.40%
\$75,000 and over	36.67%	30.60%	37.80%
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
2017 Est. Median Household Income	\$56,475	\$47,043	\$56,671

Source: The Nielson Company, 2017.

Gross Receipts

The following table shows the total reported gross receipts and total reported retail gross receipts generated in Santa Fe County and the State of New Mexico for the past ten years. For the purposes of these tables, gross receipts means the total amount of money received from selling goods and services in the State of New Mexico, from leasing property employed 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.

Calendar Year	Santa Fe County		State of New Mexico	
	Retail Trade	Total	Retail Trade	Total
2016	\$1,962,554,053	\$5,729,375,018	\$22,482,505,329	\$ 98,244,656,248
2015	2,044,992,624	6,053,019,578	24,112,463,895	107,453,457,101
2014	2,221,772,493	6,175,973,341	25,072,496,013	110,639,143,254
2013	1,941,541,077	5,876,040,030	24,116,215,735	108,239,126,926
2012	1,859,420,700	5,953,009,319	23,910,163,876	106,632,199,576
2011	1,836,341,592	6,084,796,929	23,855,318,981	105,936,319,986
2010	1,797,277,395	6,381,191,771	23,403,179,267	99,473,361,994
2009	1,876,521,470	6,100,659,339	24,033,507,374	95,490,408,754
2008	2,154,370,796	7,043,378,575	25,028,647,037	114,741,598,593
2007	2,202,020,641	7,101,914,301	25,229,534,306	106,729,488,766

Source: New Mexico Taxation and Revenue Department.

Services Available to County Residents

The County provides its residents with police and fire protection. Water service and sanitary sewer service are provided in certain unincorporated areas of the County, while other areas are served by private or community water systems. The largest supplier and distributor of electricity is the Public Service Company of New Mexico. CenturyLink is the largest provider of telephone service. Comcast is the largest provider of cable television services. The County operates a solid waste collection and disposal system.

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 individuals or 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 Resolution and other documents, instruments and certificates to comply with certain guidelines designed 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 the 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 will render an opinion 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 will render 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 to be rendered by Bond Counsel will be based upon existing legislation as of the date of issuance and delivery of the Bonds, and Bond Counsel will express no opinion as of any date subsequent thereto or with respect to any pending legislation.

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

Original Issue Discount

Certain maturities of the Bonds were sold at a discount (“original issue discount”) equal generally to the difference between the public offering price and principal amount of such Bonds. 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 maturities 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.

Verification of Arithmetical Computations

With respect to an escrow to be established to pay the bonds being refunded by the Series 2017 Bonds, the arithmetical accuracy of certain computations included in the schedules provided by RBC Capital Markets, LLC on behalf of the County regarding computation of the sufficiency of the anticipated receipts from the Federal Securities, together with the initial cash deposit, if any, to pay, when due, the principal, interest and early redemption premium requirements, if any, of the Refunded Bonds, are examined by Causey, Demgen & Moore. Such computations were completed using certain assumptions and information provided by RBC Capital Markets, LLC on behalf of the County. Causey, Demgen & Moore has restricted its procedures to examining the arithmetical accuracy of certain computations and has not made any study or evaluation of the assumptions and information on which the computations are based and, accordingly, has not expressed an opinion on the data used, the reasonableness of the assumptions, or the achievability of the forecasted outcome. The report will be relied upon by Bond Counsel in rendering its opinion with respect to the tax exemption of interest on the Bonds and with respect to the defeasance of the Refunded Bonds.

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 Resolution not to take any action that would cause the interest on the Bonds to lose its exclusion from gross income except to the extent described above for the owners thereof for federal income tax purposes. Neither the County, the Financial Advisor nor 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.

CONTINUING DISCLOSURE INFORMATION

In connection with the issuance of the Bonds, the County will execute a Continuing Disclosure Undertaking, in the form attached hereto as Appendix C, under which it will agree for the benefit of the owners of the Bonds to provide audited annual financial statements of the County when available after the end of each Fiscal Year, and to provide certain annual financial information and operating data relating to the County and timely notice of certain events.

Compliance with Prior Undertakings

The County has previously entered into continuing disclosure agreements in accordance with SEC Rule 15c2-12. 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. The County did not timely file audited financial statements for Fiscal Years 2011 through 2015 related to its Correctional System Revenue Bonds, Series 1997 and Gross Receipts Tax Revenue Bonds, Subordinate Series 1997A. The County filed the audited financial statements for those years with respect to the Series 1997 Bonds and Subordinate Series 1997 Bonds on July 11, 2016, as well as a notice of failure to file. The County adopted a Continuing Disclosure compliance procedure policy on April 14, 2015. Except as indicated in this 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.

LITIGATION

At the time of the original delivery of the Bonds, the County will deliver a no-litigation certificate to the effect that no litigation or administrative action or proceeding is pending or, to the knowledge of the appropriate County officials, threatened, restraining or enjoining, or seeking to restrain or enjoin, the issuance and delivery of the Bonds, effectiveness of the Resolution, 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.

RATINGS

The Bonds have received a rating of "AA+" from Standard & Poor's Ratings Services ("S&P"). An explanation of the significance of the rating given by S&P may be obtained from S&P at 55 Water Street, New York, New York 10041.

Such rating reflects only the views of S&P, and there is no assurance that such rating will continue for any given period of time after obtained or that such rating will not be revised downward or withdrawn entirely by the S&P if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds. Neither the County (including its employees, advisors, and attorneys) nor the initial purchasers of the Bonds have undertaken any responsibility to bring to the attention of the owners of the Bonds any proposed change in or withdrawal of such rating once received or to oppose any such proposed revision.

FINANCIAL ADVISOR

RBC Capital Markets, LLC (“RBC CM”) is employed as Financial Advisor to the County in connection with the issuance of the Bonds. The Financial Advisor’s fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. RBC CM may also receive a fee for conducting a competitive bidding process regarding the investment of certain proceeds of the Bonds. RBC CM, in its capacity as Financial Advisor, has relied on the opinion of Bond Counsel and does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor to the County has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the County and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

LEGAL MATTERS

The legality of the Bonds will be approved by Modrall, Sperling, Roehl, Harris & Sisk, P.A., Albuquerque, New Mexico, Bond Counsel, whose unqualified opinion approving the legality of the Bonds will be furnished at the closing.

TRANSCRIPT AND CLOSING DOCUMENTS

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

ADDITIONAL INFORMATION

All summaries of the statutes, 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 documents, copies of which are either publicly available or available for inspection during normal business hours at the offices of the County located at the County Administration Building, 102 Grant Avenue, Santa Fe, New Mexico 87504-0276 or at the offices of RBC Capital Markets, LLC, 6301 Uptown Blvd. NE, Suite 110, Albuquerque, New Mexico 87110.

APPENDIX A

OPINION OF BOND COUNSEL

_____, 2017

Board of County Commissioners
Santa Fe County, New Mexico

We have acted as bond counsel to Santa Fe County, New Mexico (the “County”) in connection with the issuance of its \$27,755,000 General Obligation Improvement and Refunding Bonds, Series 2017 (the “Bonds”) dated _____, 2017, with interest payable on January 1, 2018, and semi-annually thereafter on each January 1 and July 1 until maturity, and being bonds in registered form maturing on July 1 in the years 2018 through 2033, inclusive.

\$22,015,000 in principal amount of the Bonds, representing the first series of general obligation bonds approved by the qualified electors of the County at an election held on November 8, 2016 to provide funds to (1) acquire, construct, design, equip and improve roads within the County, (2) acquire, construct, design, equip and improve water and wastewater projects within the County, (3) acquire, construct, design, equip and improve fire and other public safety facilities within the County, (4) acquire, construct, design, equip, improve and restore open space, trails and parks within the County, (5) acquire, construct, design, equip and improve community health facilities within the County, and will be issued and allocated among those purposes and to pay a portion of the costs of issuance of the Bonds. \$5,740,000 in principal amount of the Bonds will be issued to provide funds to advance refund, refinance, pay, and redeem the County’s outstanding General Obligation Bonds, Series 2009 maturing on and after July 1, 2020 and to pay a portion of the costs of issuance of the Bonds.

We have examined the transcript of proceedings (the “Transcript”) relating to the issuance of the Bonds and the law under authority of which the Bonds are issued. Based on our examination, we are of the opinion that, under the law existing on the date of this opinion, subject to the provisions of federal bankruptcy law and other laws affecting creditors’ rights:

1. The Bonds constitute valid and binding general obligations of the County, and the principal of and interest on the Bonds, unless paid from other sources, are to be paid from the proceeds of the levy of *ad valorem* taxes on all property within the County subject to *ad valorem* taxes levied by the County, which levy is unlimited as to rate or amount.

2. Assuming continuing compliance by the County with the requirements of the Internal Revenue Code of 1986, as amended (the “Code”), and with the covenants of the County regarding the use, expenditure and investment of Bond proceeds, interest on the Bonds is excludable from the gross income of the owners of the Bonds for purposes of federal income taxation. Interest on the Bonds is not treated as an item of tax preference for purposes of the alternative minimum tax imposed on individuals and corporations. However, interest on the Bonds is included as an adjustment in calculating corporate alternative minimum taxable income and may therefore affect a corporation’s alternative minimum tax. Failure of the County to comply with its covenants and with the requirements of the Code may cause interest on the Bonds to become includable in gross income for federal income tax purposes retroactive to their date of issuance.

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

The opinions set forth above in paragraph 2 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 laws as of the date of issuance and delivery of the Bonds. We express no opinion as of any date subsequent hereto, and our engagement with respect to the Bonds has concluded with their issuance. We disclaim any obligation to update this opinion.

The obligations of the County related to the Bonds are subject to the reasonable exercise in the future by the State and its governmental bodies of the police power inherent in the sovereignty of the State and to the exercise by the United States of the powers (including bankruptcy powers) delegated to it by the United States Constitution. The obligations of the County and the security provided therefor, as contained in the Bond Resolution, 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 express no opinion with respect to any pending legislation.

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 or interest on, or the ownership of, the Bonds except those specifically addressed in paragraphs 2 and 3 above.

Respectfully,

APPENDIX B

AUDITED FINANCIAL STATEMENTS – JUNE 30, 2016

The County has not requested the consent of REDW 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, 2016 | WITH AUDITORS' REPORTS THEREON



**SANTA FE COUNTY
NEW MEXICO
COMPREHENSIVE ANNUAL
FINANCIAL REPORT
JUNE 30, 2016**



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

STATE OF NEW MEXICO
SANTA FE COUNTY
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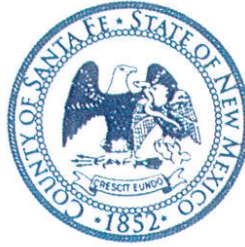
INTRODUCTORY SECTION



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 1, 2016

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, 2016. The financial statements and supporting schedules have been prepared in conformity with generally accepted accounting principles 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 REDW LLC (REDW), 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 16 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.

REDW has audited the County's financial statements for the fiscal year ended June 30, 2016. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for fiscal year ended June 30, 2016, 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. REDW 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, 2016 are fairly presented in conformity with accounting principles generally accepted in the United States of America. The report may be found on pages 13-15 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 2015 population estimates, Santa Fe County had a population of 148,686 and remains the 5th highest population growth rate in the State (behind Sandoval, Lea, Curry, Eddy and McKinley) and the 3rd most populous County (behind Bernalillo and Dona Ana). The average unemployment rate in July, 2015 was 5.4% which is 1.2% less than the State rate of 6.6%.

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 2016 marks the fourth 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 focusing on four specific countywide outcomes/goals: provide a safe community, support a healthy community, promote a sustainable community, be a proficient, efficient and transparent government. Staff was further instructed to leave budgets flat to the extent possible. The FY 2016 budget contemplated modest increases to some revenue sources, increases to staff compensation and the cost of benefits, expanded programming in priority areas, significant one-time expenditures for large maintenance and repair items, 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, expanding the utility into a self-sustaining enterprise, economic development, youth program funding, as well as ongoing investment in employees remained priorities in FY 2016. As part of the public safety focus, additional support was given to the wildland fire prevention and suppression program. New funding was also provided for development of management plans for several additional open space properties, public information activities, and sustainability programs including alternative energy programs and watershed restoration. Finally, additional funding was budgeted for operating costs associated with new facilities scheduled to go “on line” during fiscal year 2016.

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 27.4% of the workforce with 16,748 employees out of 61,229 total employees as reported by the New Mexico Department of Workforce Solutions. The largest non-governmental employer in Santa Fe County is the local hospital which employs a total of 2,021 employees. The County is the 7th largest employer with 914 employees as of June 30, 2016.

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 2016 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 \$6.6 billion. In FY 2013 the County Assessor completed a County-wide reappraisal. This reappraisal was 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 2015 taxable valuation (the tax year applicable to fiscal year 2016) experienced an increase of \$48.0 million or 0.7% when compared to tax year 2014. Property tax collections continued to be strong in FY 2016 with a slight increase up to 96.29 percent.

In FY 2016 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 2016. While the unincorporated GRTs have been slower to rebound experiencing declines from FY 2009 through FY 2013, they have begun to rebound allowing for the modest 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 include 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 maintains a \$3.0 million budgeted contingency reserve to assist, if necessary, in times of economic distress. Thus far the County has not had to make use of the contingency reserve which has been in place at varying levels of funding since FY 2011.

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, written 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, 2015. 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 2016 Final Budget. This is the eighth year that the County has received this GFOA budget award.

Acknowledgments

The preparation of this report could not have been accomplished without the dedication of staff within the Finance Division. A special thanks to Lynette Kennard, accounting and financial reporting manager. Ms. Kennard displayed interminable commitment and professionalism coordinating the audit process and in preparing these financial statements.

We wish to express our sincere appreciation to all staff members whose efforts 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, 2015

Executive Director/CEO

STATE OF NEW MEXICO
SANTA FE COUNTY

OFFICIAL ROSTER

JUNE 30, 2016

COUNTY COMMISSIONERS



Henry Roybal
Member, District 1



Miguel M. Chavez
Chair, District 2



Robert Anaya
Member, 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



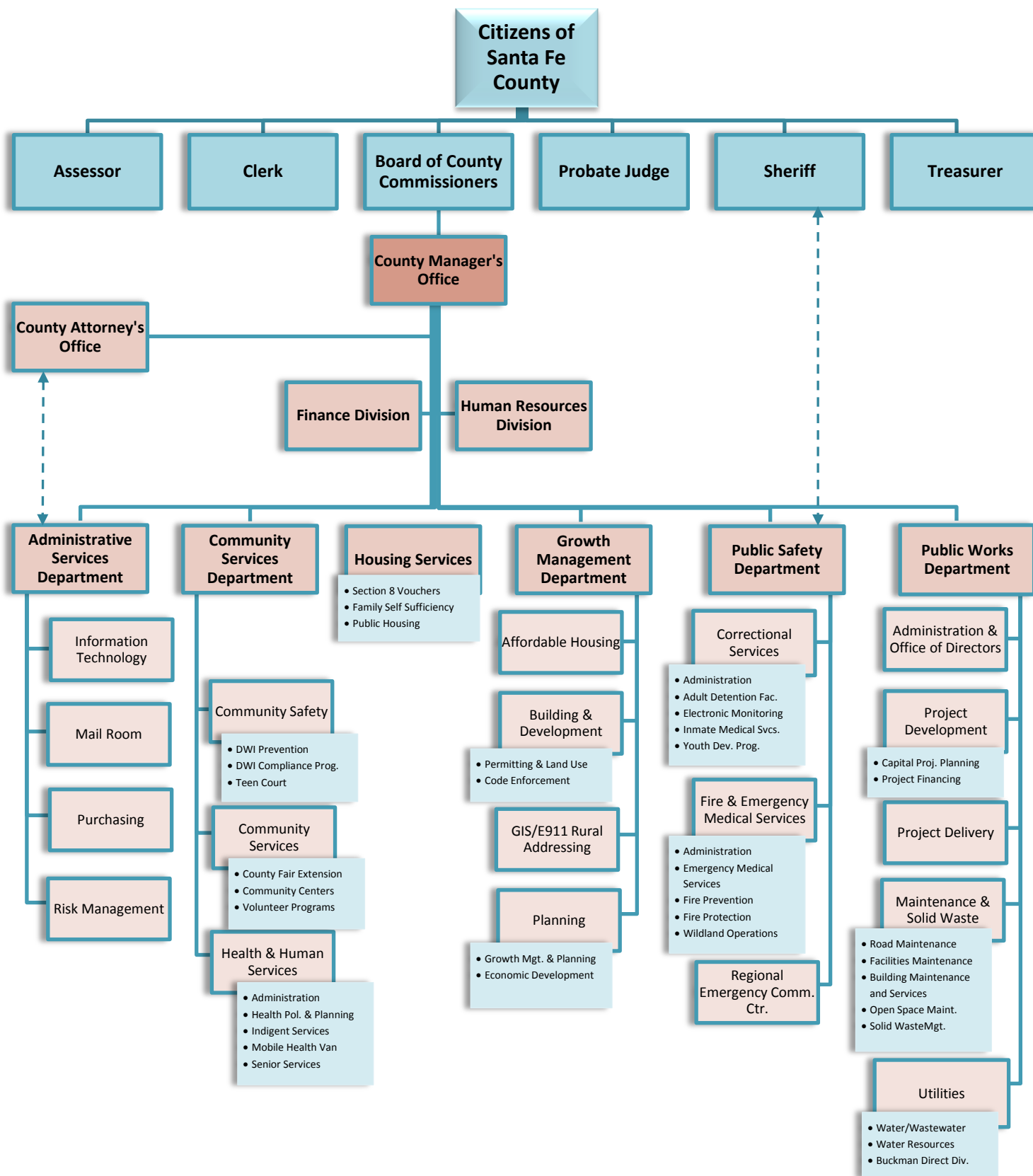
Katherine Miller

County Manager

Rachel O'Connor
Jeff Trujillo
Penny Ellis-Green
Pablo Sedillo III
Greg Shaffer
Michael Kelley
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, 2016



FINANCIAL SECTION



Independent Auditor's Report

Mr. Timothy Keller, New Mexico State Auditor
and
To the Honorable Members of the Board of County Commissioners
Santa Fe County, New Mexico

Report on the Financial Statement

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison for the general fund and major special revenue funds of the Santa Fe County, New Mexico (the "County"), as of and for the year ended June 30, 2016, 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 also have audited the financial statements of each of the County's nonmajor governmental, nonmajor enterprise, fiduciary funds and the budgetary comparisons for the major capital project funds, debt service funds, 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, 2016, as listed in the table of contents.

Management's Responsibility

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 responsibility 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and the 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, nonmajor enterprise, and fiduciary funds of the County as of June 30, 2016, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the major capital project funds, debt service funds, and all nonmajor funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, Schedule of the County's Proportionate Share of the Net Pension Liability, and the Schedule of County Contributions, as listed in the table of contents, 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 Matters

Our audit was conducted for the purpose of forming opinions on the basic financial statements, the combining and individual fund financial statements, and the budgetary comparisons (2.2.2.10(R)(1)NMAC). The introductory section, statistical section, Schedule of Vendor Information, Schedule of Changes in Assets and Liabilities for Agency Funds, Financial Data Schedule, and other supplementary information required by Section 2.2.2.10 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 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The Schedule of Changes in Assets and Liabilities for Agency Funds, Financial Data Schedule, other supplementary information required by Section 2.2.2.10 NMAC, and schedule of expenditures of federal awards 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 Changes in Assets and Liabilities for Agency Funds, Financial Data Schedule, other supplementary information required by Section 2.2.2 NMAC, and schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections and the Schedule of Vendor Information 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 1, 2016, 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 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.

REDW LLC

Albuquerque, New Mexico
November 1, 2016

**STATE OF NEW MEXICO
SANTA FE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
YEAR ENDED JUNE 30, 2016**

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, 2016.

FINANCIAL HIGHLIGHTS

The financial statements, which follow Management's Discussion and Analysis, provide the significant key financial highlights for fiscal year 2016 as follows:

- In the Statement of Net Position the County's total net position of governmental activities increased \$22.2 million and business-type activities decreased by \$0.2 million. In total, the net change of \$22.0 million represents an increase of 6.1 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 \$65.0 million in net pension liability, \$6.6 million in deferred outflows, and \$1.8 million in deferred inflows in accordance with the requirements of GASB Statement No. 68 (GASB 68).
- In the Statement of Activities, the total governmental activities revenue totaled \$144.1 million, of which general revenues from governmental activities accounted for \$125.2 million or 86.9 percent of all revenues from governmental activities. Program specific revenues in the form of charges for services and grants and contributions accounted for \$18.9 million or 13.1 percent of total revenue from governmental activities.
- In the Statement of Activities, the total business-type activities revenue totaled \$7.1 million, of which general revenues from business-type activities accounted for \$1.5 million or 21.1 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 \$5.6 million or 78.9 percent of business-type activities.
- In the Statement of Activities the County had \$120.6 million in expenses related to governmental activities, of which \$18.9 million were offset by program specific charges for services or grants and contributions. General revenues of \$125.2 million were adequate to provide for the remaining costs of these programs. The County had \$7.3 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 \$5.6 million.
- The General Fund had \$66.3 million in revenue, which primarily consisted of taxes, charges for services and interest earnings. The total expenditures of the General Fund were \$33.6 million. The General Fund's fund balance increased by \$4.5 million compared to a fiscal year 2015 increase in the fund balance of \$1.8 million. Overall revenue increased, by \$2.4 million, which is the net result of increases in property tax collections, gross receipts taxes, other taxes, interest earnings and grants and intergovernmental revenue and decreases in

**STATE OF NEW MEXICO
SANTA FE COUNTY
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
YEAR ENDED JUNE 30, 2016**

FINANCIAL HIGHLIGHTS (Continued)

charges for services and licenses and permits. Expenses increased by \$1.7 million as the net result of increases in general government, culture and recreation, public safety, health and welfare and capital outlays and decreases in public works and housing. Additionally, the transfers to other funds decreased by \$2.0 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, 2016**

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, and Corrections Operations 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 48-89) 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
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YEAR ENDED JUNE 30, 2016**

OVERVIEW OF THE FINANCIAL STATEMENTS (Continued)

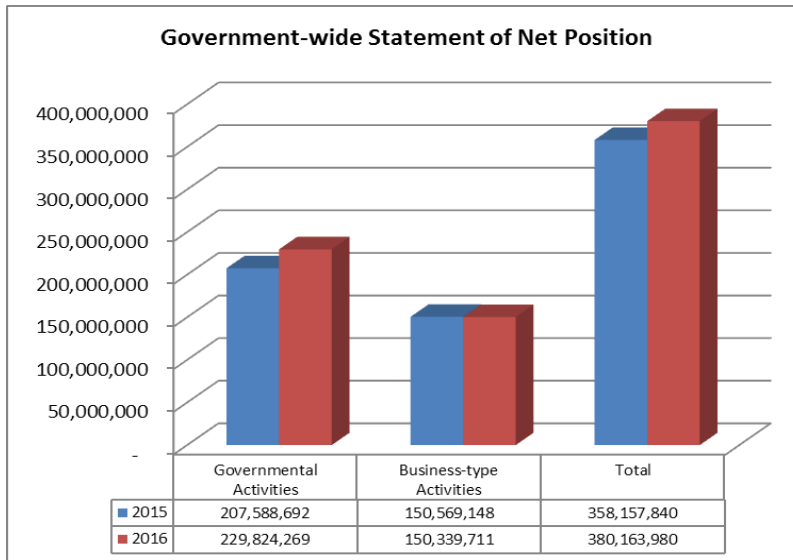
comparison statement for the General Fund as well as major special revenue fund data as a component of the fund financial statements within the basic financial statements.

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 \$380.2 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, \$79.1 million of the County's net position 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 \$12.1 million of current assets, primarily cash and investments, an increase of \$2.2 million of current liabilities, and the addition of \$3.7 million of long-term liabilities. Net pension liability increased by \$15.3 million, deferred outflows decreased by \$2.8 million and deferred inflows decreased by \$14.4 million. The following chart and table present comparative information of the County's net position for the fiscal years ending June 30, 2016, and June 30, 2015.



**STATE OF NEW MEXICO
SANTA FE COUNTY
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YEAR ENDED JUNE 30, 2016**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

	Government-Wide Statement of Net Position					
	2016			2015		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
ASSETS						
Current and other assets	\$ 252,392,607	\$ 19,425,877	271,818,484	\$ 241,662,353	18,036,784	\$ 259,699,137
Capital assets, net	257,784,446	133,422,467	391,206,913	252,168,893	134,830,541	386,999,434
Total Assets	<u>510,177,053</u>	<u>152,848,344</u>	<u>663,025,397</u>	<u>493,831,246</u>	<u>152,867,325</u>	<u>646,698,571</u>
DEFERRED OUTFLOWS	8,482,509	193,052	8,675,561	11,170,851	268,404	11,439,255
LIABILITIES						
Current and other liabilities	13,660,772	761,248	14,422,020	11,540,762	650,776	12,191,538
Long-term liabilities	273,397,692	1,887,293	275,284,985	270,098,335	1,444,009	271,542,344
Total Liabilities	<u>287,058,464</u>	<u>2,648,541</u>	<u>289,707,005</u>	<u>281,639,097</u>	<u>2,094,785</u>	<u>283,733,882</u>
DEFERRED INFLOWS	1,776,829	53,144	1,829,973	15,774,308	471,796	16,246,104
NET POSITION						
Net Investment in capital assets	90,599,612	133,422,467	224,022,079	76,764,029	134,830,541	211,594,570
Restricted						
Restricted for:						
Contractual & Statutory requirements	67,285,978	-	67,285,978	58,561,585	-	58,561,585
Debt service	15,737,946	-	15,737,946	13,570,196	-	13,570,196
Capital outlay	63,323,044	-	63,323,044	67,187,332	-	67,187,332
Unrestricted (Deficit)	(7,122,311)	16,917,244	9,794,933	(8,494,450)	15,738,607	7,244,157
Total net position	<u>\$ 229,824,269</u>	<u>\$ 150,339,711</u>	<u>\$ 380,163,980</u>	<u>\$ 207,588,692</u>	<u>\$ 150,569,148</u>	<u>\$ 358,157,840</u>

Changes in net position. The County's total revenues for the fiscal year 2016 were \$149.9 million. The total cost of all programs and services was \$127.9 million. The following table presents a summary of the changes in net position for the fiscal years ended June 30, 2016 and June 30, 2015.

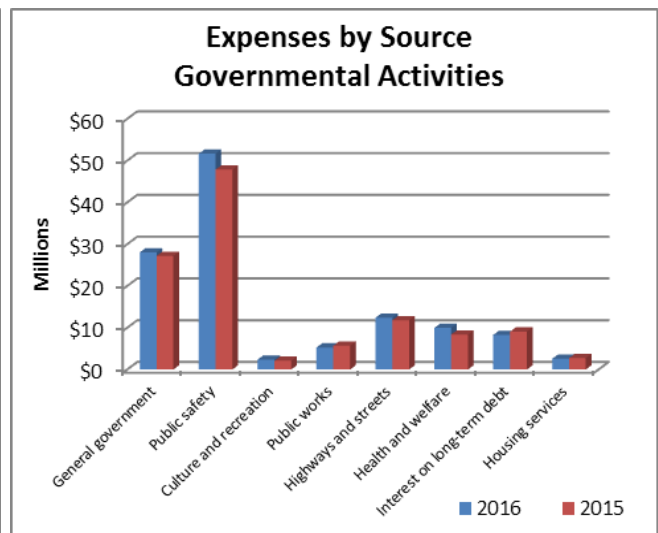
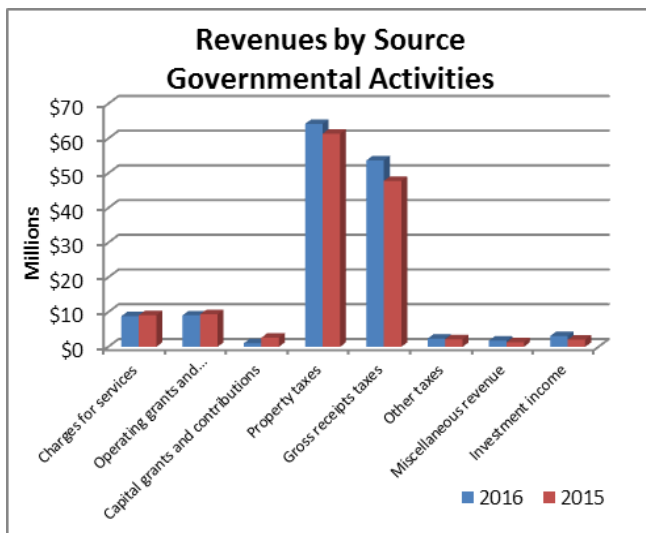
	2016			2015		
	Changes in Net Position			Changes in Net Position		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues						
Program revenues						
Charges for services	\$ 8,836,183	\$ 5,114,694	\$ 13,950,877	\$ 9,072,068	\$ 4,927,801	\$ 13,999,869
Operating grants and contributions	8,979,999	478,713	9,458,712	9,379,709	523,288	9,902,997
Capital grants and contributions	1,032,777	-	1,032,777	2,651,061	-	2,651,061
General revenues						
Property taxes, levied for debt svc.	12,896,717	-	12,896,717	50,003,374	-	50,003,374
Property taxes, levied for general	51,324,207	-	51,324,207	11,373,993	-	11,373,993
Gross receipts taxes	53,712,221	-	53,712,221	47,801,199	-	47,801,199
Other taxes	2,368,087	-	2,368,087	2,185,022	-	2,185,022
Miscellaneous revenue	1,877,949	-	1,877,949	1,298,075	-	1,298,075
Investment income	3,117,041	149,263	3,266,304	2,049,343	112,131	2,161,474
Total revenues	<u>144,145,181</u>	<u>5,742,670</u>	<u>149,887,851</u>	<u>135,813,844</u>	<u>5,563,220</u>	<u>141,377,064</u>
Expenses						
General government	28,036,400	-	28,036,400	27,191,186	-	27,191,186
Public safety	51,658,671	-	51,658,671	47,837,664	-	47,837,664
Culture and recreation	2,387,033	-	2,387,033	2,113,464	-	2,113,464
Public works	5,283,281	-	5,283,281	5,706,823	-	5,706,823
Highways and streets	12,390,623	-	12,390,623	11,799,859	-	11,799,859
Health and welfare	9,958,877	-	9,958,877	8,376,767	-	8,376,767
Interest on long-term debt	8,280,066	-	8,280,066	9,087,710	-	9,087,710
Home Sales	-	1,312	1,312	-	9,781	9,781
Regional Planning Authority	-	-	-	-	-	-
Utilities Department	-	6,228,714	6,228,714	-	8,592,558	8,592,558
Housing Services	2,596,101	1,060,633	3,656,734	2,720,326	1,093,347	3,813,673
Total expenses	<u>120,591,052</u>	<u>7,290,659</u>	<u>127,881,711</u>	<u>114,833,799</u>	<u>9,695,686</u>	<u>124,529,485</u>
Increase (decrease) in net position before transfers	23,554,129	(1,547,989)	22,006,140	20,980,045	(4,132,466)	16,847,579
Transfers	(1,318,552)	1,318,552	-	-	-	-
Change in net position	<u>\$ 22,235,577</u>	<u>\$ (229,437)</u>	<u>\$ 22,006,140</u>	<u>\$ (4,132,466)</u>	<u>\$ (4,132,466)</u>	<u>\$ 16,847,579</u>

**STATE OF NEW MEXICO
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MANAGEMENT'S DISCUSSION AND ANALYSIS (MD & A)
YEAR ENDED JUNE 30, 2016**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

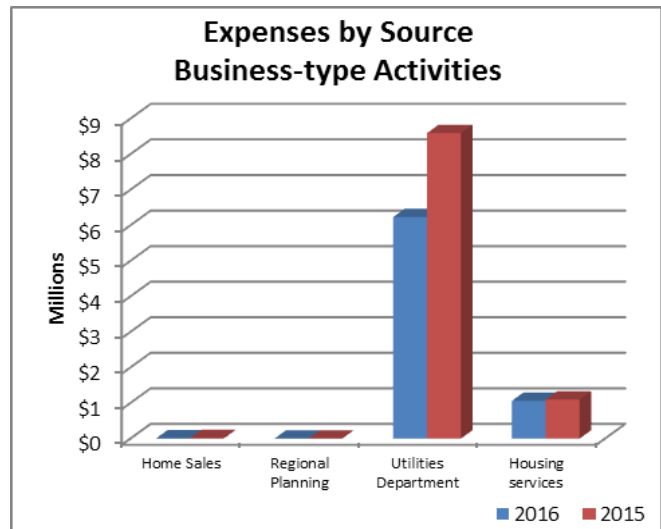
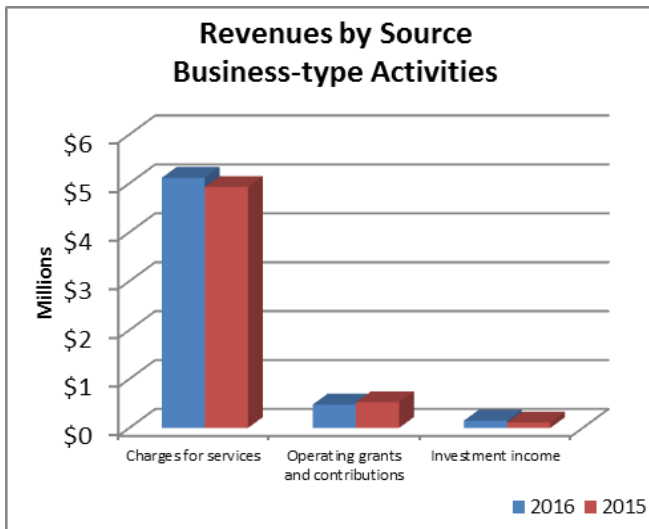
Governmental and Business-type activities. The following table presents the cost of the twelve (12) major County functional activities. The table also shows each function's net cost (total cost less charges for services generated by the activities and intergovernmental aid provided for specific programs).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

	2016		2015	
	Total Expenses	Net (Expense)/ Revenue	Total Expenses	Net (Expense)/ Revenue
Governmental Activities				
Expenses				
General government	\$ 28,036,400	\$ (24,704,803)	\$ 27,191,186	\$ (23,830,223)
Public safety	51,658,671	(41,318,838)	47,837,664	(37,270,239)
Culture and recreation	2,387,033	(1,961,161)	2,113,464	(200,088)
Public works	5,283,281	(5,068,805)	5,706,823	(5,449,752)
Highways and streets	12,390,623	(11,810,666)	11,799,859	(11,046,247)
Health and welfare	9,958,877	(8,706,674)	8,376,767	(6,318,792)
Interest on long-term debt	8,280,066	(8,280,066)	9,087,710	(9,087,710)
Housing Services	2,596,101	108,920	2,720,326	(527,910)
Total	\$ 120,591,052	\$ (101,742,093)	\$ 114,833,799	\$ (93,730,961)
Business-type Activities				
Home Sales	\$ 1,312	\$ 58,114	\$ 9,781	\$ (9,781)
Utilities Department	6,228,714	(1,708,240)	8,592,558	(4,126,012)
Housing Services	1,060,633	(47,126)	1,093,347	(108,804)
Total	\$ 7,290,659	\$ (1,697,252)	\$ 9,695,686	\$ (4,244,597)



**STATE OF NEW MEXICO
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YEAR ENDED JUNE 30, 2016**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)



- The cost of all governmental activities this year was \$120.6 million; the increase of \$5.8 million from the prior year was primarily due to increases in expenses related to general government, public safety, highways and streets, culture and recreation and health and welfare which were offset by decreases in expenses related to public works, housing and interest on long-term debt. The most significant increase, \$3.8 million, was seen in public safety and is attributable to a change in the pension expense recorded in fiscal years 2015 and 2016 and increased operating expenses at the adult detention facility. The balance of the increase is due to increased operating expenses due to investments in employees.
- The cost of all business-type activities this year was \$7.3 million, a net decrease of \$2.4 million from the prior year. The decrease was primarily in the Utilities Department which accounts for \$2.36 million of the total net decrease. The year over year decrease in the Utilities Department is the result of recognition of a loss on the sale of land in fiscal year 2015 of \$4.1 million in combination with an increase in administrative expenses associated with operating the utility in fiscal year 2016 of \$1.7 million.
- Charges for services and contributions subsidized certain governmental programs and business-type programs with revenues of \$24.5 million, a net decrease of \$2.0 million from the prior year. The decrease can be found in governmental activities which experienced decreases in charges for services of \$0.2 million, operational grants and contributions of \$0.3 million, and capital grants and contributions of \$1.6 million. Charges for services in business-type programs increased by \$0.2 million.
- Net cost of governmental activities of \$101.7 million was financed by general revenues, which are made up primarily of property taxes and gross receipts taxes of \$117.9 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
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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 \$225.5 million, an increase of \$11.5 million. This increase is attributable to the net of increases in assets totaling \$9.4 million and decreases in liabilities and deferred inflows totaling \$2.2 million. The increase in assets is net of increases in the cash and investments categories of \$13.0 million and a smaller amount net of increases and decreases in other asset categories. The primary decreases in assets are in accounts receivable and due from other funds while small increases were experienced in mortgages receivable, down payment assistance receivable and prepaids and other. The decreases in liabilities and deferred inflows can primarily be seen in the property taxes and unavailable revenue categories with an increase in mortgages and down payment assistance.

The General Fund is the principal operating fund of the County. The General Fund's fund balance increased \$4.5 million to \$79.2 million at year end. In fiscal year 2015 the fund balance increased by \$1.8 million. Overall revenue increased by \$2.4 million, which is the net result of increases in property tax collections, gross receipts tax collections, other taxes and assessments, intergovernmental revenue, federal and state grants, and interest earnings and decreases in licenses and fees, charges for services, grants and other revenue. Expenses increased by \$1.7 million as the net result of increases in general government, public safety, culture and recreation, health and welfare and capital outlays, and decreases in public works, and housing. Additionally, the transfers to other funds decreased by \$2.1 million.

Major special revenue funds include the Developer Fees Fund which reflects a slight increase in fund balance of \$48,050 attributable to client payment of affordable mortgages. Another major fund, the Corrections Operations Fund saw a decrease of \$1.4 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 \$1.4 million in fund balance. The increase is due to increased gross receipt taxes, ambulance fee collections and grants as well as other financing sources.

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 \$0.3 million. This increase in fund balance is a result of an increase in gross receipts taxes greater than the increase in expenses caused by various capital projects moving forward.

**STATE OF NEW MEXICO
SANTA FE COUNTY
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FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS (Continued)

Proprietary funds. The Enterprise Funds net position decreased by \$0.2 million to \$150.3 million at year end. The decrease can be attributed to a reduction in investments in capital assets and changes in the net pension liability, deferred inflows and deferred outflows in accordance with GASB 68.

BUDGETARY HIGHLIGHTS

The fiscal year 2016 original budget was developed using a results-accountable, performance-based budgeting methodology and marked the fourth 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 while leaving the budget as flat as possible due to somewhat flat revenue projections.

The fiscal year 2016 original budget totaled \$297.9 million of which \$54.9 million represented interfund transfers. Excluding these transfers the total fiscal year 2016 budget was \$243.0 million. This represents a \$61 million increase from the fiscal year 2015 budget. Most of this increase lies within the capital improvement funds which increased by \$35.7 million. Debt service also increased by \$10.8 million for payment of the refunded 2005A general obligation bonds.

The vast majority of the County's budget was within its special revenue funds totaling \$104.4 million. A distant second majority was the General Fund totaling \$85.0 million. The remainder of the budget was comprised of capital improvement funds (\$66.8 million), debt service funds (\$29.9 million) and enterprise funds (\$11.9 million).

Many of the funding priorities remained from fiscal year 2015 to fiscal year 2016. Public safety, road maintenance, improvement and construction, and expanding the utility into a self-sustaining enterprise were priorities that carried over from FY 15 to FY 16 as were economic development, the expansion of youth programs and library programs, and completing management plans for key open space properties remained 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 increased by \$0.3 million from \$5.6 million in FY 15 to \$5.9 million in FY16. The increase resulted from an increase in the goods and services needed for maintenance of the roads. The increase was reflected in the General Fund support which increased from \$4.9 million in FY 15 to \$5.2 million in FY16.

**STATE OF NEW MEXICO
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BUDGETARY HIGHLIGHTS (Continued)

Expanding the Water and Wastewater Utility to become a self-sustaining enterprise is ongoing. In FY 16 the Utility continued to expand its customer base and seek ways to increase its service area. The budget also included new and reclassified positions and additional compensation in FY 16 which totaled more than \$1.4 million across all funds. Funding was approved for cost of living increases, a merit pool, a wellness program, education benefits, improvement to the physical work environment and capital funding to provide better equipment with which employees do their work.

Other new initiatives that received funding were targeted economic development initiatives (\$0.4 million), expanded youth programs (\$50K), and development of open space management plans for three key open space properties (\$150K), operation of new community facilities (\$159K), employee wellness program (\$100K), and a countywide re-branding effort (\$150K). The County also established local economic development project funding (\$1.0 million), community improvement district funding (\$3.0 million), and a renewable energy/energy efficiency program (\$0.5 million).

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets. For fiscal year ended June 30, 2016, the County invested \$16.9 million in capital assets, including buildings, water systems, facilities, vehicles, computers, equipment, and infrastructure assets. The investment net of deletions represents an increase of \$14.5 million prior to depreciation. Total depreciation expense for the current fiscal year was \$12.6 million. The following schedule presents capital asset balances for the fiscal years ended June 30, 2016, and June 30, 2015.

<u>Governmental Activities</u>	As of June 30, 2016	As of June 30, 2015
Land	\$ 37,678,241	\$ 37,036,236
Buildings and improvements	185,700,696	183,034,048
Infrastructure	79,574,442	77,562,040
Vehicles, Furn. Fixtures & Equip.	65,033,801	62,971,173
Construction in progress	10,701,854	4,925,257
Right of way land	10,109,940	10,109,940
Less: Accumulated Depreciation	(131,014,528)	(123,469,801)
Total	<u>\$ 257,784,446</u>	<u>\$ 252,168,893</u>
<u>Business-type Activities</u>		
Land	\$ 876,119	\$ 876,119
Buildings and improvements	7,858,297	7,808,937
Water systems	124,132,020	122,974,821
Vehicles, Furn. Fixtures & Equip.	1,197,048	1,240,169
Construction in progress	784,081	607,074
Water rights	17,808,069	17,808,069
Less: Accumulated Depreciation	(19,233,167)	(16,484,648)
Total	<u>\$ 133,422,467</u>	<u>\$ 134,830,541</u>

Additional information on the County's capital assets can be found in Note 5 Capital Assets, pages 65 through 67.

**STATE OF NEW MEXICO
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CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

Debt Administration. At year end, the County had \$198.8 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, 2016, and June 30, 2015. Additional information on the County's debt can be found in Note 9 Bonds Payable, pages 69 through 71.

	2016	2015
Bonds payable	\$118,410,000	\$125,545,000
Revenue bonds payable	\$ 80,405,000	\$ 84,030,000
TOTAL	\$198,815,000	\$ 209,575,000

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 general obligation debt limitation for general purposes for the County as of June 30, 2016 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 2016 totals \$136.82; \$84.77 for general obligation debt service and \$52.05 for revenue bond and other debt service. Outstanding debt per capita totals \$1,344.25; \$799.18 for general obligation debt and \$545.07 for revenue bonds and other debt.

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 2016 (which closed after June 30, 2016). 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 2017 Santa Fe County continued with its transition to a performance-based budget. With the formal approval of four population goals – Provide a Safe Community, Promote a Sustainable Community, Support a Healthy Community, and Be a Proficient, Transparent, and Accessible Government -- and priorities revealed by the citizen survey conducted during FY 2014, as well as 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, and senior services. 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 2017 and additional health services.

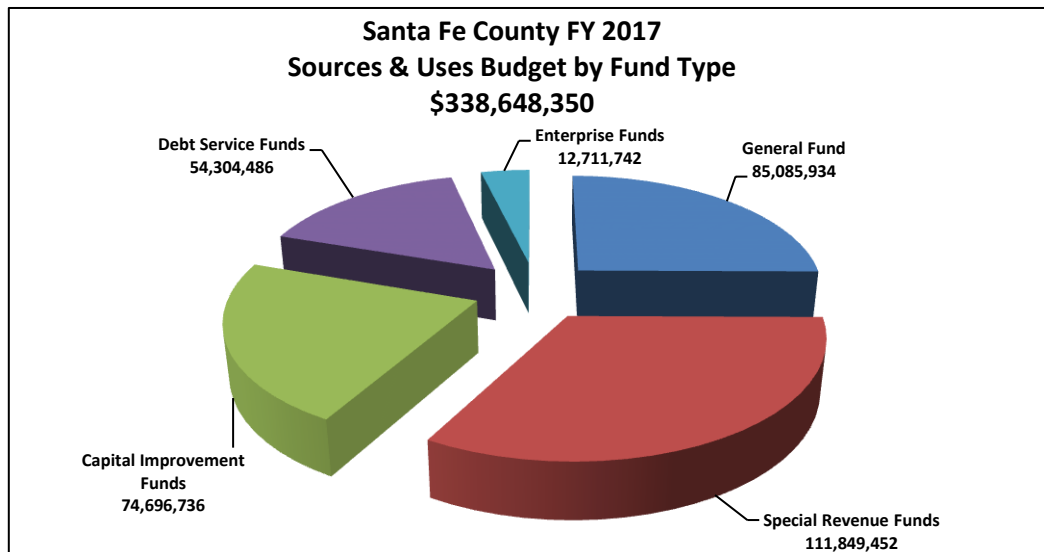
The fiscal year 2017 established budget totaled \$338.6 million, or \$281.0 million excluding inter-fund transfers. The most significant increase from the fiscal year 2016 budget can be found in the capital improvement funds. In fiscal year 2016 the County moved away from budgeting capital improvement projects "on time," or budgeting projects only when they were ready to

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YEAR ENDED JUNE 30, 2016**

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

move forward, and began to budget projects as they were approved by the Board regardless of their readiness to proceed. With the sale of additional general obligation bonds, revenue bonds as well as cash from capital outlay and other gross receipts taxes the County increased the size of its capital budget in fiscal year 2017 from fiscal year 2016.

The other significant increase is in the general obligation debt service fund which includes \$35.5 million to pay off two bond series which were advance 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 2 percent increase for previously imposed gross receipts taxes plus a full year of collections for most recently imposed gross receipts tax which was had revenue distributions for only 10 months in FY2016 (special revenue funds).



Changes from the fiscal year 2016 budget resulted in an increase in most funds from fiscal year 2016 to fiscal year 2017. 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) (\$0.1 M).
- Decreased General Fund support of the Road Fund (\$0.7 M).
- Decreased General Fund support of the Law Enforcement Operations Fund (\$0.6 M).
- Rededication of a 1/8% gross receipts tax from special revenue to general purposes increased general fund revenue and expenses. Revenue from this rededicated gross receipts tax is transferred to support health programs and Fire/EMS operations (\$4.6 M).
- Decreased General Fund support of the Corrections Operations Fund (\$1.2 M).
- Elimination of a set-aside for support of Capital Improvement Districts (\$3.0M).
- Addition of Health Insurance Reserve Set-Aside (\$2.0M).

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

- In FY 2017 all capital improvement funds totaled \$74.7 million versus FY 2016 with total capital improvement funding of \$66.8 million. The increase was due to the addition of two funds for new bond issuances scheduled to close in early FY 2017 totaling \$14.7 million and decreases primarily in the 2011 GOB (\$4.4 million) and 2013 GOB (\$2.2 million) funds which were spent down during FY 2016.
- In FY 2017 the Hold Harmless Gross Receipts Tax FY 2016 fund increased by \$0.7 million. This 1/8% gross receipts tax increment went into effect on July 1, 2015 thus the County began receiving revenue from this tax in September, 2015. The increase is due to receiving a full year of revenue in FY 2017.
- The Lodger's Tax Facilities Fund increased by \$0.8 million.
- The Indigent Hospital Fund increased by \$2.8 million.
- The Indigent Services Fund increased by \$3.2 million.
- The Economic Development increased by \$0.3 million.
- The Regional Emergency Communications Center (RECC) Operations Fund increased by \$0.3 million. Since this fund has no significant funding of its own, it is reliant upon transfers from other funds. In FY 2017 the Fire Operations fund will transfer \$3.4 M to the RECC.
- The General Obligation Debt Service Fund increased by \$24.2 million. The budget for the 2015 GOB Series bonds which refunded the 2005A Series GOB and advance refunded the 2007A and 2007 B GOB Series bonds are responsible for the large year over year change. In FY 2016 budgeted proceeds from the 2015 GOB Series for refunding the 2005A Series GOB equaled \$9.4 million. In FY 2017 the proceeds from the advance refunding of the 2007A and 2007B GOB Series bonds is \$35.5 million. The remaining difference is a net decrease in the debt service payments of all other debt totaling \$1.9 million.
- The Water Enterprise Fund (505) increased by \$0.8 million. The increase resulted from an increase in funds set aside for addressing structural problems with the Buckman Direct Diversion facility operation of which the County and the City of Santa Fe partners.

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, 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, 2016

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 160,199,392	18,765,838	178,965,230
Cash and investments - restricted	60,993,806	84,552	61,078,358
Accounts receivable, net of allowance for uncollectibles	30,191,976	551,786	30,743,762
Prepaid and other assets	1,007,433	23,701	1,031,134
Capital assets, not depreciated	58,490,035	19,468,269	77,958,304
Capital assets, net of accumulated depreciation	<u>199,294,411</u>	<u>113,954,198</u>	<u>313,248,609</u>
Total Assets	<u>510,177,053</u>	<u>152,848,344</u>	<u>663,025,397</u>
DEFERRED OUTFLOWS			
Pension related	6,454,630	193,052	6,647,682
Advance refunding of bonds	<u>2,027,879</u>	<u>-</u>	<u>2,027,879</u>
Total Deferred Outflows	<u>8,482,509</u>	<u>193,052</u>	<u>8,675,561</u>
LIABILITIES			
Accounts payable	5,300,437	198,497	5,498,934
Accrued wages and benefits	3,292,926	90,030	3,382,956
Deposits held for others	243,107	312,924	556,031
Due to other governments	-	153,700	153,700
Other current liabilities	74,040	6,097	80,137
Unearned revenue	504,311	-	504,311
Good faith deposit on bonds payable	555,700	-	555,700
Accrued interest payable	3,690,251	-	3,690,251
Long-term liabilities, due in one year	16,426,535	-	16,426,535
Long-term liabilities, due in more than one year	193,870,219	-	193,870,219
Net pension liability	<u>63,100,938</u>	<u>1,887,293</u>	<u>64,988,231</u>
Total Liabilities	<u>287,058,464</u>	<u>2,648,541</u>	<u>289,707,005</u>
DEFERRED INFLOWS			
Pension related	<u>1,776,829</u>	<u>53,144</u>	<u>1,829,973</u>
NET POSITION			
Net investment in capital assets	90,599,612	133,422,467	224,022,079
Restricted for:			
Contractual & Statutory requirements	67,285,978	-	67,285,978
Debt service	15,737,946	-	15,737,946
Capital outlay	63,323,044	-	63,323,044
Unrestricted (Deficit)	<u>(7,122,311)</u>	<u>16,917,244</u>	<u>9,794,933</u>
Total Net Position	<u>\$ 229,824,269</u>	<u>150,339,711</u>	<u>380,163,980</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, 2016

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Primary Government							
Governmental activities:							
General government	\$ 28,036,400	2,113,618	1,217,979	-	(24,704,803)	-	(24,704,803)
Public safety	51,658,671	6,194,046	4,145,787	-	(41,318,838)	-	(41,318,838)
Culture & recreation	2,387,033	-	-	425,872	(1,961,161)	-	(1,961,161)
Public works	5,283,281	-	-	214,476	(5,068,805)	-	(5,068,805)
Highways & streets	12,390,623	7,132	180,396	392,429	(11,810,666)	-	(11,810,666)
Health & welfare	9,958,877	148,012	1,104,191	-	(8,706,674)	-	(8,706,674)
Housing	2,596,101	373,375	2,331,646	-	108,920	-	108,920
Interest on long-term debt	8,280,066	-	-	-	(8,280,066)	-	(8,280,066)
Total governmental activities	120,591,052	8,836,183	8,979,999	1,032,777	(101,742,093)	-	(101,742,093)
Business-type activities:							
Home sales	1,312	59,426	-	-	-	58,114	58,114
Regional planning authority	-	-	-	-	-	-	-
Utilities	6,228,714	4,520,474	-	-	-	(1,708,240)	(1,708,240)
Housing services	1,060,633	534,794	478,713	-	-	(47,126)	(47,126)
Total business-type activities	7,290,659	5,114,694	478,713	-	-	(1,697,252)	(1,697,252)
Total primary government	\$ 127,881,711	13,950,877	9,458,712	1,032,777	(101,742,093)	(1,697,252)	(103,439,345)

General revenues:

Taxes:

Property taxes, levied for general purposes	\$ 51,324,207	-	51,324,207
Property taxes, levied for debt service	12,896,717	-	12,896,717
Gross receipts taxes	53,712,221	-	53,712,221
Other taxes	2,368,087	-	2,368,087
Investment income	3,117,041	149,263	3,266,304
Miscellaneous revenues	1,877,949	-	1,877,949
Transfers	(1,318,552)	1,318,552	-
Total general revenues and transfers	123,977,670	1,467,815	125,445,485

Change in net position

22,235,577 (229,437) 22,006,140

Net position, beginning of year

207,588,692 150,569,148 358,157,840

Net position, end of year

\$ 229,824,269 150,339,711 380,163,980

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, 2016**

	Major Funds						
	Special Revenue			Capital Projects		Non-Major Other Governmental Funds	Total Governmental Funds
	General	Developer Fees	Fire Operations	Corrections Operations	Capital Outlay GRT		
ASSETS							
Cash and investments	\$ 71,120,321	-	8,227,323	-	32,771,251	48,080,497	160,199,392
Cash and investments - restricted	7,718,777	1,383,425	1,156	7,333,094	-	44,557,354	60,993,806
Accounts receivable, net	215,394	-	289,395	264,100	-	95,964	864,853
Taxes receivable	6,105,611	-	1,601,540	-	1,768,257	5,680,680	15,156,088
Interest receivable	281,486	-	-	65,662	-	44,725	391,873
Grantor agencies receivable	37,867	-	16,585	-	-	1,651,639	1,706,091
Mortgages receivable, net	-	11,525,478	-	-	-	-	11,525,478
Down Payment Assistance receivable	-	547,593	-	-	-	-	547,593
Prepays & other	211,881	-	132,219	342,887	-	320,446	1,007,433
Due from other funds	130,629	-	-	-	-	219,792	350,421
Total Assets	\$ 85,821,966	13,456,496	10,268,218	8,005,743	34,539,508	100,651,097	252,743,028
LIABILITIES							
Accounts payable	\$ 987,012	-	139,059	524,621	503,676	3,146,069	5,300,437
Accrued wages and benefits	1,178,532	-	492,464	721,853	-	900,077	3,292,926
Deposits held for others	143,179	-	-	-	-	99,928	243,107
Other current liabilities	18,307	-	165	33,772	-	21,796	74,040
Due to other funds	-	-	1,002	1,295	-	348,124	350,421
Total Liabilities	2,327,030	-	632,690	1,281,541	503,676	4,515,994	9,260,931
DEFERRED INFLOWS							
Property taxes	3,450,773	-	-	-	-	739,375	4,190,148
Mortgages and down payment assistance	-	12,073,071	-	-	-	-	12,073,071
Unavailable revenue	858,056	-	112,233	133,206	-	77,997	1,181,492
Unearned revenue	-	-	40,367	-	-	463,944	504,311
Total Deferred Inflows	4,308,829	12,073,071	152,600	133,206	-	1,281,316	17,949,022
FUND BALANCE							
Nonspendable	211,881	-	132,219	342,887	-	320,446	1,007,433
Restricted	20,494,028	1,383,425	7,828,822	3,703,011	34,035,832	90,774,391	158,219,509
Committed	25,351,705	-	1,521,887	2,545,098	-	3,781,763	33,200,453
Assigned	27,630,343	-	-	-	-	-	27,630,343
Unassigned (Deficit)	5,498,150	-	-	-	-	(22,813)	5,475,337
Total Fund Balance	79,186,107	1,383,425	9,482,928	6,590,996	34,035,832	94,853,787	225,533,075
Total Liabilities, Deferred Inflows, and Fund Balance	\$ 85,821,966	13,456,496	10,268,218	8,005,743	34,539,508	100,651,097	252,743,028

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, 2016**

Total fund balance governmental funds **\$ 225,533,075**

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	388,798,974	
Less accumulated depreciation	<u>(131,014,528)</u>	257,784,446

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	4,190,148	
Mortgages and down payment assistance	12,073,071	
Receivables not available to pay for current period expenditures	<u>1,181,492</u>	17,444,711

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

Pending legal action	(1,152,749)	
Accrued interest payable	(3,690,251)	
Compensated absences payable	(3,221,065)	
Loans payable	(354,814)	
Good faith deposit on bonds payable	(555,700)	
Bonds payable	(198,815,000)	
Premium on bonds payable	(5,677,451)	
Landfill closure and post closure costs payable	(1,075,675)	
Net pension liability	<u>(63,100,938)</u>	(277,643,643)

Defined benefit pension plan deferred outflows are not financial resources and, therefore, are not reported in the funds. 6,454,630

Defined benefit pension plan deferred inflows are not due and payable in the current period and, therefore, are not reported in the funds. (1,776,829)

Bond refunding deferred outflows are not financial resources and, therefore, are not reported in the funds. 2,027,879

Net position of governmental activities **\$ 229,824,269**

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, 2016

	Major Funds						Total Governmental Funds	
	General	Special Revenue			Capital Projects			Non-Major Other Governmental Funds
		Developer Fees	Fire Operations	Corrections Operations	Capital Outlay GRT			
REVENUES								
Property taxes	\$ 50,589,623	-	-	-	-	14,325,094	64,914,717	
Gross receipts taxes	8,860,000	-	8,994,601	-	9,999,293	25,858,327	53,712,221	
Other taxes & assessments	1,359,218	-	-	-	-	1,008,869	2,368,087	
Licenses, permits & fees	694,899	-	42,314	-	-	7,258	744,471	
Charges for services	1,220,900	103,650	1,034,819	4,495,814	-	775,892	7,631,075	
Fines & forfeitures	160	-	-	-	-	460,477	460,637	
Investment income	2,175,770	2,394	51,982	143,827	247,030	496,038	3,117,041	
Federal grants	87,842	-	96,517	27,082	-	1,212,865	1,424,306	
State grants	283,894	-	746,503	-	-	3,942,963	4,973,360	
Other	191,758	-	146,800	89,360	-	2,502,259	2,930,177	
Intergovernmental	845,349	-	342,307	32,828	-	2,394,626	3,615,110	
Total Revenues	66,309,413	106,044	11,455,843	4,788,911	10,246,323	52,984,668	145,891,202	
EXPENDITURES								
Current								
General Government	24,051,047	-	-	-	-	1,734,212	25,785,259	
Public Safety	49,984	-	10,471,358	19,511,490	-	16,272,971	46,305,803	
Culture & Recreation	1,190,550	-	-	-	-	710,595	1,901,145	
Public Works	4,666,662	-	-	-	-	-	4,666,662	
Highways & Streets	-	-	-	-	-	9,124,663	9,124,663	
Health & Welfare	1,874,476	-	-	-	-	7,211,856	9,086,332	
Housing	84,481	57,994	-	-	-	2,432,196	2,574,671	
Capital Outlays	1,644,674	-	-	-	6,569,604	8,599,515	16,813,793	
Debt Service - Principal	-	-	-	-	-	10,760,000	10,760,000	
Debt Service - Interest	-	-	-	-	-	7,877,350	7,877,350	
Commitments & other fees	-	-	-	-	-	3,791	3,791	
Total Expenditures	33,561,874	57,994	10,471,358	19,511,490	6,569,604	64,727,149	134,899,469	
Excess (deficiency) of revenues over expenditures	32,747,539	48,050	984,485	(14,722,579)	3,676,719	(11,742,481)	10,991,733	
Other Financing Sources (Uses)								
Proceeds of refunding bonds	-	-	-	-	-	10,808,938	10,808,938	
Payment to refunded bond escrow agent	-	-	-	-	-	(10,808,938)	(10,808,938)	
Issuance of debt	-	-	-	-	-	555,700	555,700	
Transfers from other funds	672,440	-	3,843,659	15,622,237	-	30,734,048	50,872,384	
Transfers to other funds	(28,900,401)	-	(3,418,604)	(2,253,100)	(3,348,613)	(12,951,666)	(50,872,384)	
Net Other Financing Sources (Uses)	(28,227,961)	-	425,055	13,369,137	(3,348,613)	18,338,082	555,700	
Net Change in Fund Balance	4,519,578	48,050	1,409,540	(1,353,442)	328,106	6,595,601	11,547,433	
<i>Fund Balance, beginning of period</i>	74,666,529	1,335,375	8,073,388	7,944,438	33,707,726	88,258,186	213,985,642	
Fund Balance, end of period	\$ 79,186,107	1,383,425	9,482,928	6,590,996	34,035,832	94,853,787	225,533,075	

**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, 2016**

Net changes in fund balances - total governmental funds **\$ 11,547,433**

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	16,813,793	
Less current year depreciation	<u>(9,879,688)</u>	6,934,105

Transfers of capital assets from governmental capital assets to proprietary funds are not recorded in governmental funds. (1,318,552)

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.
Change in pending legal action (459,318)

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	(693,793)	
Mortgages and down payment assistance	334,381	
Other receivables	<u>(1,386,609)</u>	(1,746,021)

Amortization of deferred amounts related to advance refunding of long-term debt is not recorded in the governmental funds, but is included in the government-wide statement of activities.

Deferred outflows - advance refunding of bonds		(168,990)
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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 transaction relates to current year issuance of debt in process.

Good faith deposit on bonds payable		(555,700)
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The following table represents the changes in long-term debt for the fiscal year:

Change in general obligation bonds payable	7,135,000	
Change in revenue bonds payable	3,625,000	
Change in loans payable	-	
Change in compensated absences payable	7,285	
Change in accrued interest on long-term debt	(635,467)	
Landfill closure and post-closure	808,157	
Premium on bonds payable	405,532	
Net pension expense	<u>(3,342,887)</u>	<u>8,002,620</u>

Change in net position in governmental activities **\$ 22,235,577**

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, 2016

	<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	\$ 45,273,700	45,273,700	50,738,603	5,464,903
Gross Receipts Taxes	7,463,240	7,463,240	8,857,246	1,394,006
Other Taxes & Assessments	1,175,000	1,175,000	1,367,071	192,071
Licenses, Permits, & Fees	351,219	351,219	693,015	341,796
Charges for Services	1,580,518	1,523,094	1,253,771	(269,323)
Fines & Forfeitures	-	-	160	160
Interest Earnings	1,600,000	1,600,000	1,628,663	28,663
Grants	-	20,191	346,146	325,955
Other	-	-	197,938	197,938
Intergovernmental	-	64,924	845,349	780,425
Total Revenues	<u>57,443,677</u>	<u>57,471,368</u>	<u>65,927,962</u>	<u>8,456,594</u>
Cash balance carryforward	<u>26,834,420</u>	<u>31,034,015</u>		
Total	<u>\$ 84,278,097</u>	<u>88,505,383</u>		
Expenditures				
General Government	\$ 40,022,392	42,593,425	26,276,453	16,316,972
Public Safety	14,556	50,271	49,984	287
Culture & Recreation	1,485,997	1,991,841	1,575,666	416,175
Public Works	5,676,575	6,503,854	4,890,681	1,613,173
Highways & Streets	-	-	-	-
Health & Welfare	1,818,037	2,005,720	1,920,025	85,695
Housing	207,521	84,745	84,481	264
Capital Outlays	2,320,045	2,311,546	1,688,720	622,826
Total Expenditures	<u>\$ 51,545,123</u>	<u>55,541,402</u>	<u>36,486,010</u>	<u>19,055,392</u>
Other Financing Sources (Uses)				
Transfers from other funds	\$ 672,440	672,440	672,440	-
Transfers to other funds	<u>(33,405,414)</u>	<u>(33,636,421)</u>	<u>(28,900,401)</u>	<u>4,736,020</u>
Total Other Financing Sources (Uses)	<u>\$ (32,732,974)</u>	<u>(32,963,981)</u>	<u>(28,227,961)</u>	<u>4,736,020</u>
Net Change in Fund Balance - Budgetary Basis			\$ 1,213,991	
Reconciliation to change in fund balance - GAAP Basis				
Revenue accruals, net of prior year revenue reversals			\$ (165,649)	
Adjustments to expenditures for modified accrual purposes			268,229	
To reflect fair market value adjustment not budgeted			547,100	
Outstanding encumbrances recorded as budgetary expenditures - not for GAAP purposes			<u>2,655,907</u>	
Change in fund balance - GAAP basis			<u>\$ 4,519,578</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, 2016

	<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	-	-	103,650	103,650
Fines & Forfeitures	-	-	-	-
Interest Earnings	-	-	2,394	2,394
Grants	-	-	-	-
Other	-	-	-	-
Intergovernmental	-	-	-	-
Total Revenues	<u>-</u>	<u>-</u>	<u>106,044</u>	<u>106,044</u>
Cash balance carryforward	587,200	600,625		
Total	<u>\$ 587,200</u>	<u>600,625</u>		
Expenditures				
General Government	\$ -	-	-	-
Public Safety	-	-	-	-
Culture & Recreation	-	-	-	-
Public Works	-	-	-	-
Highways & Streets	-	-	-	-
Housing	-	-	-	-
Capital Outlays	-	-	-	-
Health & Welfare	-	-	-	-
Housing	587,200	600,625	71,419	529,206
Total Expenditures	<u>\$ 587,200</u>	<u>600,625</u>	<u>71,419</u>	<u>529,206</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			\$ 34,625	
Reconciliation to change in fund balance - GAAP Basis				
Revenue accruals, net of prior year revenue reversals			\$ -	
Adjustments to expenditures for modified accrual purposes			-	
Outstanding encumbrances recorded as budgetary expenditures - not for GAAP purposes			<u>13,425</u>	
Change in fund balance - GAAP basis			<u>\$ 48,050</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, 2016

	<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		8,080,350	8,969,659	889,309
Other Taxes and Assessments		-	-	-
Licenses, Permits & Fees		30,000	42,136	12,136
Charges for Services		750,000	965,970	215,970
Fines and Forfeitures		-	-	-
Interest Earnings		-	-	-
Grants		153,044	1,129,766	207,773
Other		-	146,801	4,117
Intergovernmental		295,000	342,307	47,307
Total Revenues		<u>9,308,394</u>	<u>11,596,639</u>	<u>1,376,612</u>
Cash balance carryforward		<u>2,075,177</u>	<u>2,735,950</u>	
Total	\$	<u><u>11,383,571</u></u>	<u><u>12,955,977</u></u>	
Expenditures				
General Government	\$	-	-	-
Public Safety		11,808,626	11,484,860	1,896,172
Culture & Recreation		-	-	-
Public Works		-	-	-
Highways & Streets		-	-	-
Capital Outlays		-	-	-
Health & Welfare		-	-	-
Housing		-	-	-
Total Expenditures	\$	<u>11,808,626</u>	<u>11,484,860</u>	<u>1,896,172</u>
Other Financing Sources (Uses)				
Transfers from other funds	\$	3,843,659	3,843,659	-
Transfers to other funds		(3,418,604)	(3,418,604)	-
Total Other Financing Sources (Uses)	\$	<u>425,055</u>	<u>425,055</u>	<u>-</u>
Net Change in Fund Balance - Budgetary Basis			\$ 536,834	
Reconciliation to change in fund balance - GAAP Basis				
Revenue accruals, net of prior year revenue reversals			\$ (192,779)	
Adjustments to expenditures for modified accrual purposes			56,594	
To reflect fair market value adjustment not budgeted			51,983	
Outstanding encumbrances recorded as budgetary expenditures - not for GAAP purposes			<u>956,908</u>	
Change in fund balance - GAAP basis	\$		<u><u>1,409,540</u></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, 2016

	<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	4,446,080	4,446,080	4,735,692	289,612
Fines & Forfeitures	-	-	-	-
Interest Earnings	150,000	150,000	143,833	(6,167)
Grants	27,000	27,000	27,082	82
Other	50,000	50,000	89,359	39,359
Intergovernmental			52,336	52,336
Total Revenues	<u>4,673,080</u>	<u>4,673,080</u>	<u>5,048,302</u>	<u>375,222</u>
Cash balance carryforward	<u>3,000,000</u>	<u>5,517,194</u>		
Total	<u>\$ 7,673,080</u>	<u>10,190,274</u>		
Expenditures				
General Government	\$ -	-	-	-
Public Safety	23,339,162	26,182,555	21,256,706	4,925,849
Culture & Recreation	-	-	-	-
Public Works	-	-	-	-
Highways & Streets	-	-	-	-
Capital Outlays	-	-	-	-
Health & Welfare	-	-	-	-
Housing	-	-	-	-
Capital Outlays	-	-	-	-
Total Expenditures	<u>\$ 23,339,162</u>	<u>26,182,555</u>	<u>21,256,706</u>	<u>4,925,849</u>
Other Financing Sources (Uses)				
Transfers from other funds	\$ 17,919,182	18,245,381	15,622,237	(2,623,144)
Transfers to other funds	<u>(2,253,100)</u>	<u>(2,253,100)</u>	<u>(2,253,100)</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>\$ 15,666,082</u>	<u>15,992,281</u>	<u>13,369,137</u>	<u>(2,623,144)</u>
Net Change in Fund Balance - Budgetary Basis			\$ (2,839,267)	
Reconciliation to change in fund balance - GAAP Basis				
Revenue accruals, net of prior year revenue reversals			\$ (259,391)	
Adjustments to expenditures for modified accrual purposes			74,824	
Outstanding encumbrances recorded as budgetary expenditures - not for GAAP purposes			<u>1,670,392</u>	
Change in fund balance - GAAP basis			<u>\$ (1,353,442)</u>	

STATE OF NEW MEXICO
SANTA FE COUNTY
Statement of Net Position
Proprietary Funds
June 30, 2016

Business-type Activities-Enterprise Funds

	Home Sales	Regional Planning Authority	Utilities	Housing Services	Total Enterprise Funds
ASSETS					
Current assets:					
Cash and investments	\$ 4,622,370	211,107	13,084,524	847,837	18,765,838
Cash and investments - restricted	-	-	375	84,177	84,552
Grantor agencies receivable	-	-	-	93,938	93,938
Accounts receivable, net	-	-	395,218	62,630	457,848
Prepaid and other assets	-	-	6,557	17,144	23,701
Total current assets	4,622,370	211,107	13,486,674	1,105,726	19,425,877
Noncurrent assets:					
Capital assets, not depreciated	-	-	18,739,854	728,415	19,468,269
Capital assets, net of accumulated depreciation	-	-	109,712,347	4,241,851	113,954,198
Total noncurrent assets	-	-	128,452,201	4,970,266	133,422,467
Total Assets	4,622,370	211,107	141,938,875	6,075,992	152,848,344
DEFERRED OUTFLOWS					
Pension related	-	-	122,783	70,269	193,052
LIABILITIES					
Current liabilities:					
Accounts payable	-	-	183,988	14,509	198,497
Accrued wages and benefits	-	-	68,884	21,146	90,030
Deposits held for others	-	-	191,947	120,977	312,924
Other current liabilities	5,722	-	375	-	6,097
Due to other Governments	-	-	153,700	-	153,700
Total current liabilities	5,722	-	598,894	156,632	761,248
Noncurrent liabilities:					
Net pension liability	-	-	1,200,333	686,960	1,887,293
Total Liabilities	5,722	-	1,799,227	843,592	2,648,541
DEFERRED INFLOWS					
Pension related	-	-	33,800	19,344	53,144
NET POSITION					
Investment in capital assets	-	-	128,452,201	4,970,266	133,422,467
Unrestricted	4,616,648	211,107	11,776,430	313,059	16,917,244
Total Net Position	\$ 4,616,648	211,107	140,228,631	5,283,325	150,339,711

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, 2016

	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	\$ 59,426	-	4,510,911	530,935	5,101,272
Miscellaneous	-	-	9,563	3,859	13,422
Total Operating Revenues	<u>59,426</u>	<u>-</u>	<u>4,520,474</u>	<u>534,794</u>	<u>5,114,694</u>
Operating Expenses					
Housing	1,312	-	-	844,455	845,767
Administrative expenses	-	-	3,679,038	-	3,679,038
Depreciation expense	-	-	2,549,676	216,178	2,765,854
Total Operating Expenses	<u>1,312</u>	<u>-</u>	<u>6,228,714</u>	<u>1,060,633</u>	<u>7,290,659</u>
Operating Income (Loss)	<u>58,114</u>	<u>-</u>	<u>(1,708,240)</u>	<u>(525,839)</u>	<u>(2,175,965)</u>
Non-Operating Revenues (Expenses)					
Earnings on cash & investments	37,447	1,585	103,042	7,189	149,263
HUD operating subsidy & other intergovernmental	-	-	-	478,713	478,713
Gain on sale of assets held for sale	-	-	-	-	-
Net Non-Operating Revenues (Expenses)	<u>37,447</u>	<u>1,585</u>	<u>103,042</u>	<u>485,902</u>	<u>627,976</u>
Income Before Contributions & Transfers	95,561	1,585	(1,605,198)	(39,937)	(1,547,989)
Capital Contributions					
Capital contributions from governmental funds	-	-	1,318,351	201	1,318,552
Transfers					
Transfers from other funds	-	-	-	-	-
Transfers to other funds	-	-	-	-	-
Change in Net Position	95,561	1,585	(286,847)	(39,736)	(229,437)
Net position, beginning of year	4,521,087	209,522	140,515,478	5,323,061	150,569,148
Net position, end of year	<u>\$ 4,616,648</u>	<u>211,107</u>	<u>140,228,631</u>	<u>5,283,325</u>	<u>150,339,711</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, 2016

Business-type Activities-Enterprise Funds					
	Home Sales	Regional Planning Authority	Utilities	Housing Services	Total Enterprise Funds
<u>Increase (Decrease) in Cash and Cash Equivalents</u>					
Cash flows from operating activities:					
Cash received from customers	\$ 251,614	-	4,643,302	426,430	5,321,346
Cash received from land sale	-	-	-	-	-
Cash payments to vendors for goods and services	(48,419)	-	(2,191,734)	(293,028)	(2,533,181)
Cash payments to employees for services	-	-	(1,328,873)	(569,567)	(1,898,440)
Net cash provided by (used for) operating activities	203,195	-	1,122,695	(436,165)	889,725
Cash flows from noncapital and related financing activities:					
Operating grants received	-	-	-	478,713	478,713
Net cash provided by noncapital financing activities	-	-	-	478,713	478,713
Cash flows from capital and related financing activities:					
Purchases of capital assets	-	-	(39,228)	-	(39,228)
Net cash provided by capital financing activities	-	-	(39,228)	-	(39,228)
Cash flows from investing activities:					
Investment earnings	37,447	1,585	103,042	7,189	149,263
Net cash provided by (used for) investing activities	37,447	1,585	103,042	7,189	149,263
Net increase in cash and cash equivalents	240,642	1,585	1,186,509	49,737	1,478,473
Cash and cash equivalents, beginning of year	4,381,728	209,522	11,898,390	882,277	17,371,917
Cash and cash equivalents, end of year	\$ 4,622,370	211,107	13,084,899	932,014	18,850,390
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities</u>					
Operating income (loss)	\$ 58,114	-	(1,708,240)	(525,839)	(2,175,965)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:					
Depreciation expense	-	-	2,549,676	216,178	2,765,854
Net pension expense	-	-	63,590	36,394	99,984
Change in assets and liabilities:					
Prepaid and other assets	-	-	(946)	(4,303)	(5,249)
Receivables	-	-	33,016	(130,575)	(97,559)
Capital assets and assets held for sale	192,188	-	-	-	192,188
Accounts payable	(52,829)	-	126,406	(3,916)	69,661
Accrued payroll and employee benefits	-	-	10,292	(9,921)	371
Due to other governments	-	-	22,304	-	22,304
Deposits held for others	-	-	26,222	(14,183)	12,039
Other liabilities	5,722	-	375	-	6,097
Total Adjustments	145,081	-	2,830,935	89,674	3,065,690
Net cash provided by (used for) operating activities	\$ 203,195	-	1,122,695	(436,165)	889,725
Schedule of Non Cash Capital and Financing Activities					
Non cash transactions					
Contributed capital assets-governmental activities	\$ -	-	1,318,351	201	1,318,552
Allocation of fair value adjustment for investments	-	-	91,200	6,426	97,626
Total non cash transactions	\$ -	-	1,409,551	6,627	1,416,178

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, 2016

ASSETS

Cash and investments - held in trust	\$ 4,636,471
Property taxes receivable	7,897,264
<i>Total Assets</i>	<u>\$ 12,533,735</u>

LIABILITIES

Deposits held for others	\$ 788,826
Taxes paid in advance	968,453
Due to other Governments	7,897,264
Undistributed taxes to other Governments	2,879,192
<i>Total Liabilities</i>	<u>\$ 12,533,735</u>

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, 2016

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 administrative 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 County's basic financial statements include the accounts of all County operations. GASB Statement No. 14 as amended by GASBS 39 and 61, *The Financial Reporting Entity*, establishes the standards for defining and reporting on the financial reporting entity. GASBS 14 defines the financial reporting entity as consisting of the primary government, organizations for which the primary government is financially accountable, and other organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A primary government is any state government or general-purpose local government, consisting of all organizations that make up its legal entity. 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, the County has not identified any component units for the fiscal year ended June 30, 2016.

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. 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, 2016

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 revenues when the underlying exchange transaction has occurred. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service

STATE OF NEW MEXICO
SANTA FE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 unavailable revenue. Receivables that will not be collected within the available period have also been reported as unavailable 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.

Presentation of Funds

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

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

STATE OF NEW MEXICO
SANTA FE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The County reports the following major governmental funds. The County elected to report the Fire Operations Fund as major although it did not qualify using the basic criteria established by GASB Statement No. 34.

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.

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 Operations 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.

The County has elected to report all of its enterprise funds as major funds although only the Utilities Fund met the basic criteria of a major fund established by GASB Statement No. 34. 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.

STATE OF NEW MEXICO
SANTA FE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 collection of property taxes billed on behalf of the County and other taxing entities, and distribution of those taxes, plus any interest and penalties assessed, to the County and other recipient entities.

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

STATE OF NEW MEXICO
SANTA FE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

The County reports unearned revenue on its governmental fund balance sheets and the government-wide statement of net position. Unearned revenues reported by the County represent resources received by the County before it has legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods the County will reimburse unearned revenue amounts and remove the liability from the balance sheet and statement of net position. Additionally, the County may remove the liability for unearned revenue from the balance sheet and statement of net position and recognize revenue when it meets both revenue recognition criteria methods and the County has a legal claim to the resources.

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. As of June 30, 2016, the County had closed all LGIP accounts.

A significant portion of the cash and investment of funds of the County is pooled for investment

STATE OF NEW MEXICO
SANTA FE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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/ 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 the following 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 accounts. Refunds related to the settlement of property tax protests are only recorded when the case is completed.

**STATE OF NEW MEXICO
SANTA FE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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:

**STATE OF NEW MEXICO
SANTA FE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

<u>Assets</u>	<u>Utilities</u>	<u>Housing Services</u>
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 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.

STATE OF NEW MEXICO
SANTA FE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 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 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.

STATE OF NEW MEXICO
SANTA FE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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 2016:

- Recreation Special Revenue Fund
- Linkages Program Fund
- VASH Voucher Fund
- Equipment Loan Debt Service Fund
- Regional Planning Authority Enterprise Fund
- Fire Tax Revenue Bond Proceeds
- 2016 Series General Obligation Refunding and Improvement Bonds Fund
- 2016 Series Gross Receipts Tax Improvement and Refunding Bonds Fund

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 Contingent Liabilities 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

**STATE OF NEW MEXICO
SANTA FE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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, 2016, the County had \$1.0 million 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, 2016, the County had approximately \$158.2 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 \$5.9 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, 2016, the County had \$609,927 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

**STATE OF NEW MEXICO
SANTA FE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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

those governmental funds that directly support County operations and personnel totaling approximately \$3.8 million in non-major governmental funds, and approximately \$4.1 million in major funds excluding the General Fund. In the General Fund, there is a contingency reserve of approximately \$8.3 million equal to 10% of the general fund operating budget (including transfers), a disaster recovery reserve equal to 10% - 15% of unassigned fund balance, an uninsured loss reserve equal to 5% - 10% of unassigned fund balance, and a major infrastructure repair and replacement reserve equal to 10% - 15% of unassigned fund balance. For purposes of committing fund balance, the unassigned fund balance is the General Fund unassigned fund balance reflected at June 30 in the prior year 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 \$27.6 million at June 30, 2016.

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, 2016, was approximately \$5.5 million and represents residual fund balance undesignated by other classifications.

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 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.

The following schedule presents fund balance classifications at June 30, 2016:

	General Fund	Developer Fees	Fire Operations	Corrections Operations	Capital Outlay GRT	Non-Major Funds
FUND BALANCE						
Nonspendable:						
Prepaid Insurance	\$ 211,881	\$ -	\$ 132,219	\$ 342,887	\$ -	\$ 320,446

**STATE OF NEW MEXICO
SANTA FE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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

	General Fund	Developer Fees	Fire Operations	Corrections Operations	Capital Outlay GRT	Non-Major Funds
Restricted:						
Debt Service	2,245,606	-	-	2,250,600	3,420,407	12,485,196
Capital Projects	-	-	-	-	30,615,425	29,310,025
Loan guarantee-Santa Fe Studios	5,901,082	-	-	-	-	-
Statutory budget reserve	12,347,340	-	-	-	-	-
Other contractual & statutory requirements	-	1,383,425	7,828,822	1,452,411	-	48,979,170
Subtotal:	20,494,028	1,383,425	7,828,822	3,703,011	34,035,832	90,774,391
Committed:						
Contingency reserve above requirement	8,263,940	-	1,521,887	2,545,098	-	3,531,763
Uninsured Losses	4,271,941	-	-	-	-	-
Disaster recovery	6,407,912	-	-	-	-	-
Facility/infrastructure	6,407,912	-	-	-	-	-
Emergency Communication Operations	-	-	-	-	-	250,000
Subtotal:	25,351,705	-	1,521,887	2,545,098	-	3,781,763
Assigned:						
Budget Requirements	21,630,343	-	-	-	-	-
Other Budgetary Contingency	6,000,000	-	-	-	-	-
Subtotal:	27,630,343	-	-	-	-	-
Unassigned (Deficit):	5,498,150	-	-	-	-	(22,813)
Total Fund Balance	\$ 79,186,107	\$ 1,383,425	\$ 9,482,928	\$ 6,590,996	\$ 34,035,832	\$ 94,853,787

NOTE 3 – CASH AND INVESTMENTS

At year end, the carrying amount of the County’s deposits was \$74,967,162 and the bank balance was \$77,749,956. 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%.

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.

**STATE OF NEW MEXICO
SANTA FE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 3 – CASH AND INVESTMENTS (Continued)

No security is required for the deposit of public money that is insured by the Federal Deposit Insurance Corporation (FDIC). At year end, \$76,251,956 of the County’s bank balance was exposed to custodial credit risk as uninsured. Pledged securities totaling \$99,550,682 collateralized the uninsured amount exceeding the collateralization requirement by \$61,424,704.

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

	<i>50%</i>
	<i>Requirement</i>
Deposits	\$ 77,749,956
Less FDIC coverage	1,498,000
Total unsecured public funds	<u>76,251,956</u>
Collateral requirement	38,125,978
Pledged securities, fair value	99,550,682
Pledged in excess of requirement	<u>\$ 61,424,704</u>

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	\$ 69,328,200	\$ 69,328,200	\$ -	\$ -	\$ -
Municipal Bonds	10,235,386	-	10,235,386	-	-
U.S Treasuries	12,913,009	12,913,009	-	-	-
U.S. Agencies:					
Federal Farm Credit Banks	5,004,500	-	3,004,500	1,000,000	1,000,000
Federal National Mortgage Association	20,849,172	1,000,400	15,849,672	2,999,000	1,000,100
Federal Home Loan Mortgage Corporation	21,529,600	501,800	21,027,800	-	-
Federal Home Loan Bank	24,893,840	2,000,300	14,392,840	4,500,600	4,000,100
Fing Corp FICO	4,959,190	1,994,560	2,964,630	-	-
Total	<u>\$ 169,712,897</u>	<u>\$ 87,738,269</u>	<u>\$ 67,474,828</u>	<u>\$ 8,499,600</u>	<u>\$ 6,000,200</u>

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 AA+ by Standard & Poor’s. All of the County’s investments in Municipal Bonds, except for one Not Rated Bond, were rated A+ or better by Standard & Poor’s.

**STATE OF NEW MEXICO
SANTA FE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 3 – CASH AND INVESTMENTS (Continued)

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	\$ 69,328,200	41%
Municipal Bonds	10,235,386	6%
U.S. Agencies		
Federal National Mortgage Association	20,849,172	12%
Federal Home Loan Mortgage Corporation	21,529,600	13%
Federal Home Loan Bank	24,893,840	15%

The County categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets, Level 2 inputs are significant other observable inputs, Level 3 inputs are significant unobservable inputs.

The County has the following recurring fair value measurements as of June 30, 2016:

- U.S. Treasury securities of approximately \$12.9 million are valued using quoted market prices (Level 1 inputs)
- Municipal Bonds of approximately \$10.2 million and U.S. Agencies of approximately \$77.2 million are valued using a matrix pricing model (Level 2 inputs)

The County did not have any investments at June 30, 2016, valued using nonrecurring fair value measurements (Level 3 inputs).

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	Non-Major Governmental Funds
Accounts	\$ 262,547	\$ -	\$ 11,165,844	\$ 3,453,623	\$ -	\$ 164,672
Taxes	6,105,611	-	1,601,540	-	1,768,257	5,680,680
Interest	281,486	-	-	65,662	-	44,725

**STATE OF NEW MEXICO
SANTA FE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 4 – RECEIVABLES (Continued)

	General Fund	Developer Fees*	Fire Operations	Corrections Operations	Capital Outlay GRT	Non-Major Governmental Funds
Grantor & other	74,257	-	60,805	-	-	1,827,397
Mortgage Notes	-	14,454,504	-	-	-	-
Down Payment Assistance	-	547,593	-	-	-	-
Less: Allowance for uncollectible	<u>(83,543)</u>	<u>(2,929,026)</u>	<u>(10,920,669)</u>	<u>(3,189,523)</u>	<u>-</u>	<u>(244,466)</u>
Net receivables	<u>\$ 6,640,358</u>	<u>\$12,073,071</u>	<u>\$ 1,907,520</u>	<u>\$ 329,762</u>	<u>\$ 1,768,257</u>	<u>\$ 7,473,008</u>

*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 and Housing Services funds are the only proprietary funds with allowances as follows:

	Utilities	Housing Services
Rentals and charges for services & sales	\$ 4,854,834	\$ 564,297
Allowance for accounts receivable	(343,923)	(33,362)
Rentals and charges for services & sales, net	<u>\$ 4,510,911</u>	<u>\$ 530,935</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)	\$ 3,450,773	\$ -
Charges for services receivable and grants receivable (General Fund)	858,056	-
Mortgages receivable (Developer Fees Fund)	12,073,071	-
Charges for services receivables and grants receivables (Fire Operations Fund)	112,233	40,367
Charges for services receivables (Corrections Ops. Fund)	133,206	-
Delinquent property taxes receivable (Non-Major Governmental Funds)	739,375	-
Charges for services receivable and grants receivables (Non-Major Governmental Funds)	77,997	463,944
Total deferred inflows for governmental funds	<u>\$ 17,444,711</u>	<u>\$ 504,311</u>

**STATE OF NEW MEXICO
SANTA FE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 5 – CAPITAL ASSETS

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

Governmental Activities:

	Balance June 30, 2015	Additions	Deletions	Transfers	Balance June 30, 2016
Land	\$ 37,036,236	642,005	-	-	37,678,241
Right of Way Land	10,109,940	-	-	-	10,109,940
Construction in progress	4,925,257	7,396,369	-	(1,619,772)	10,701,854
Total	<u>52,071,433</u>	<u>8,038,374</u>	<u>-</u>	<u>(1,619,772)</u>	<u>58,490,035</u>
Assets being depreciated:					
Buildings & Improvements	183,034,048	1,189,728	-	1,476,920	185,700,696
Infrastructure	77,562,040	1,869,550	-	142,852	79,574,442
Vehicles, Furniture, Fixtures & Equipment	62,971,173	4,397,589	(2,334,961)	-	65,033,801
Total	<u>323,567,261</u>	<u>7,456,867</u>	<u>(2,334,961)</u>	<u>1,619,772</u>	<u>330,308,939</u>
Less: Accumulated Depreciation					
Buildings & Improvements	(48,371,393)	(3,555,057)	-	-	(51,926,450)
Infrastructure	(26,697,864)	(2,249,855)	-	-	(28,947,719)
Vehicle, Furniture, Fixtures, & Equipment	(48,400,544)	(4,074,776)	2,334,961	-	(50,140,359)
Total	<u>(123,469,801)</u>	<u>(9,879,688)</u>	<u>2,334,961</u>	<u>-</u>	<u>(131,014,528)</u>
Net Capital Assets	<u>\$ 252,168,893</u>	<u>5,615,553</u>	<u>-</u>	<u>-</u>	<u>257,784,446</u>

Business Type Activities:

REGIONAL PLANNING AUTHORITY

	Balance June 30, 2015	Additions	Deletions	Transfers	Balance June 30, 2016
Vehicles, Furniture, Fixtures, & Equipment	\$ 3,629	-	(2,265)	-	1,364
Total	<u>3,629</u>	<u>-</u>	<u>(2,265)</u>	<u>-</u>	<u>1,364</u>
Less: Accumulated Depreciation					
Vehicle, Furniture, Fixtures, & Equipment	(3,629)	-	2,265	-	(1,364)
Total	<u>(3,629)</u>	<u>-</u>	<u>2,265</u>	<u>-</u>	<u>(1,364)</u>
Net Capital Assets	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**STATE OF NEW MEXICO
SANTA FE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 5 – CAPITAL ASSETS (Continued)

UTILITIES DEPARTMENT

	Balance June 30, 2015	Additions	Deletions	Transfers	Balance June 30, 2016
Land	\$ 147,704	-	-	-	147,704
Water Rights	17,808,069	-	-	-	17,808,069
Construction in progress	607,074	177,007	-	-	784,081
Total	<u>18,562,847</u>	<u>177,007</u>	<u>-</u>	<u>-</u>	<u>18,739,854</u>
Assets being depreciated:				-	
Buildings & Improvements	21,751	-	-	-	21,751
Water Systems	122,974,821	1,157,199	-	-	124,132,020
Vehicles, Furniture, Fixtures & Equipment	800,657	23,373	(21,399)	-	802,631
Total	<u>123,797,229</u>	<u>1,180,572</u>	<u>(21,399)</u>	<u>-</u>	<u>124,956,402</u>
Less: Accumulated Depreciation				-	
Buildings & Improvements	(14,802)	(2,886)	-	-	(17,688)
Water Systems	(12,180,737)	(2,462,931)	-	-	(14,643,668)
Vehicle, Furniture, Fixtures, & Equipment	(520,239)	(83,859)	21,399	-	(582,699)
Total	<u>(12,715,778)</u>	<u>(2,549,676)</u>	<u>21,399</u>	<u>-</u>	<u>(15,244,055)</u>
Net Capital Assets	<u>\$ 129,644,298</u>	<u>(1,192,097)</u>	<u>-</u>	<u>-</u>	<u>128,452,201</u>

HOUSING SERVICES

	Balance June 30, 2015	Additions	Deletions	Transfers	Balance June 30, 2016
Land	\$ 728,415	-	-	-	728,415
Assets being depreciated:					
Buildings & Improvements	7,836,345	201	-	-	7,836,546
Vehicles, Furniture, Fixtures & Equipment	435,883	-	(42,830)	-	393,053
Total	<u>8,272,228</u>	<u>201</u>	<u>(42,830)</u>	<u>-</u>	<u>8,229,599</u>
Less: Accumulated Depreciation					
Buildings & Improvements	(3,413,809)	(205,413)	-	-	(3,619,222)
Vehicle, Furniture, Fixtures, & Equipment	(400,591)	(10,765)	42,830	-	(368,526)
Total	<u>(3,814,400)</u>	<u>(216,178)</u>	<u>42,830</u>	<u>-</u>	<u>(3,987,748)</u>
Net Capital Assets	<u>5,186,243</u>	<u>(215,977)</u>	<u>-</u>	<u>-</u>	<u>4,970,266</u>
Business-type activities capital assets, net	<u>\$ 134,830,541</u>	<u>(1,408,074)</u>	<u>-</u>	<u>-</u>	<u>133,422,467</u>

**STATE OF NEW MEXICO
SANTA FE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 5 – CAPITAL ASSETS (Continued)

Depreciation expense was charged to functions/programs as follows:

Governmental Activities:	
General government	\$ 2,117,291
Public safety	3,389,160
Culture and recreation	477,563
Highways and streets	3,170,270
Health and welfare	725,404
Total depreciation expense – governmental activities	<u>\$ 9,879,688</u>
Business-Type Activities:	
Regional Planning Authority	\$ -
Utilities	2,549,676
Housing Services	216,178
Total depreciation expense – business-type activities	<u>\$ 2,765,854</u>

Construction Commitments – At year end, the County had contractual commitments related to capital projects for the construction of the Ken and Patty Adams Senior Center, the Stanley Cyclone Center and other various projects. At year end the County had spent approximately \$16.4 million on the projects and had estimated remaining contractual commitments of approximately \$8.7 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 \$496,872 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:	
2017	\$ 503,160
2018	394,707
2019	100,196
2020	101,381
2021	103,565
2022-26	545,336
2027-31	327,708
2032-36	338,244
2037-39	226,534
Total minimum payments required	<u>\$ 2,640,831</u>

STATE OF NEW MEXICO
SANTA FE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

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 \$1,075,675 reported as landfill closure and post-closure care liability at year end represents management's estimate of the costs for standard monitoring and compliance to 2027.

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 \$7,435 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 2016. 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 \$10,090,000.

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 \$2,740,000.

The County issued \$7,400,000 of tax-exempt variable rate and \$2,965,000 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 \$7,655,000.

Total conduit debt outstanding at June 30, 2016, was \$20,485,000. 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.

**STATE OF NEW MEXICO
SANTA FE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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.

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:

<u>Purpose</u>	<u>Original Amount Issued</u>	<u>Interest Rates</u>	<u>Maturity</u>	<u>Outstanding Principal June 30, 2016</u>	<u>Due Within One Year</u>
Governmental activities:					
General Obligation Bonds:					
GOB Series 2005 - Refunding 97 GOB	\$ 8,490,000	3.75% to 4.192%	7/1/16	\$ 1,040,000	\$ 1,040,000
GOB Series 2007A - Judicial Center	25,000,000	4% to 4.5%	7/1/26	750,000	750,000
GOB Series 2007B – Roads & Water	20,000,000	4% to 5.5%	7/1/27	500,000	500,000
GOB Series 2008 - Buckman Direct Diversion Water	32,500,000	3% to 4.25%	7/1/24	23,900,000	1,000,000
GOB Series 2009 - Road, Fire, Water, OS, Transfer Stations	17,000,000	3% to 4.3%	7/1/24	10,250,000	1,000,000
GOB Series 2010 - Refund 2001A & 1999 Series	13,505,000	2.125% to 3%	7/1/18	5,270,000	955,000
GOB Series 2011 – Refund 2001A & Road, Fire, Water, OS, Transfer Stations	17,500,000	2.5% to 4%	7/1/26	11,105,000	1,175,000
GOB Series 2013-Roads, Public Works, Water	19,000,000	2.0% to 4.0%	7/1/28	18,375,000	650,000
GOB Series 2015-Refunding 2005A, 2007A & B, and Improvements	47,220,000	2.75% to 5.0%	7/1/30	47,220,000	695,000
Total				<u>118,410,000</u>	<u>7,765,000</u>

**STATE OF NEW MEXICO
SANTA FE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 9 – BONDS PAYABLE (Continued)

Purpose	Original Amount Issued	Interest Rates	Maturity	Outstanding Principal June 30, 2016	Due Within One Year
Revenue Bonds:					
Correctional System 1997	30,000,000	5.0% to 6.0%	2/1/27	17,755,000	1,205,000
Sheriff's Facility - 1997A	6,000,000	5.0% to 6.0%	2/1/27	3,340,000	225,000
Subordinate Judicial Center – 2008	30,000,000	3.5% to 5%	6/1/33	25,560,000	590,000
2009 Series Capital Outlay GRT - Water Rights	12,090,000	2% to 5%	6/1/29	8,995,000	535,000
2010A Series Capital Outlay GRT - Buckman Direct Diversion	21,215,000	2% to 5%	6/1/30	16,620,000	880,000
2010B Series Capital Outlay GRT - Buckman Direct Diversion	10,195,000	2% to 4.25%	6/1/30	8,135,000	395,000
Total				80,405,000	3,830,000
Grand Total				\$ 198,815,000	\$ 11,595,000

Pledged revenues – governmental activities. The County has pledged future gross receipts tax revenues to repay outstanding revenue bonds of approximately \$80.4 million as of June 30, 2016. 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 5/16^{ths} 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 \$4,756,153 per year over the next 10 years. Thus, the total pledge requirement is approximately \$6,658,514 per year or 53.3% of the 5/16^{ths} tax increments annually (based on FY 2016 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 \$3,244,137 per year over the next 10 years. Thus, the total pledge requirement is approximately \$6,488,274 or 65.0% of the capital outlay gross receipts tax annually (based on FY 2016 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.

**STATE OF NEW MEXICO
SANTA FE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 9 – BONDS PAYABLE (Continued)

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>
2017	\$ 11,595,000	\$ 8,966,852
2018	12,630,000	7,803,699
2019	13,540,000	7,289,549
2020	13,435,000	6,720,924
2021	14,105,000	6,126,231
2022-26	82,050,000	20,056,133
2027-31	46,105,000	5,091,464
2032-33	<u>5,355,000</u>	<u>407,000</u>
Total	<u>\$ 198,815,000</u>	<u>\$ 62,461,852</u>

In fiscal year 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.

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:

**STATE OF NEW MEXICO
SANTA FE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 10 – LOANS PAYABLE (Continued)

Year ending June 30:	<u>Principal</u>
2017	\$ 52,189
2018	26,095
2019	26,095
2020	26,095
2021	26,095
2022-26	130,479
2027-29	67,766
Total	<u>\$ 354,814</u>

NOTE 11 - CHANGES IN LONG-TERM LIABILITIES

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

	<u>Balance June 30, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2016</u>	<u>Due Within One Year</u>
Governmental Activities:					
General obligation bonds	\$ 125,545,000	-	(7,135,000)	118,410,000	7,765,000
Revenue bonds	84,030,000	-	(3,625,000)	80,405,000	3,830,000
Loan payable	354,814	-	-	354,814	52,189
Landfill closure and post-closure costs	1,883,832	-	(808,157)	1,075,675	-
Compensated absences	3,228,350	3,901,870	(3,909,155)	3,221,065	3,221,065
Premium on bonds payable	6,082,983	-	(405,532)	5,677,451	405,532
Pending legal action	693,431	459,318	-	1,152,749	1,152,749
Net pension liability	48,279,924	14,821,014	-	63,100,938	-
Total	<u>\$ 270,098,334</u>	<u>19,182,202</u>	<u>(15,882,844)</u>	<u>273,397,692</u>	<u>16,426,535</u>

Long-term liability activity for business-type activities consists of net pension liability beginning balance of \$1,444,009 with an increase of \$443,284 and an ending balance of \$1,887,293.

NOTE 12 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

At year end, eleven 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:

**STATE OF NEW MEXICO
SANTA FE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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

	<u>Receivables</u>	<u>Payables</u>
General Fund	\$ 130,629	\$ -
Corrections Operations	-	1,295
Fire Operations	-	1,002
Total Major Funds	<u>130,629</u>	<u>2,297</u>
Non-Major Funds:		
Housing Choice Voucher Sec 8	-	26,219
Road Maintenance	-	94
Indigent Services	-	175
EMS Healthcare	-	598
Alcohol Programs	-	590
Emergency Communication Operations	-	275
Capital Projects-Federal	-	100,000
GOB Debt Service	219,792	-
GOB Series 2011	-	219,792
Equipment Loan Proceeds	-	368
Fire Tax Revenue Bond Proceeds	-	13
Total Non-Major Funds	<u>219,792</u>	<u>348,124</u>
Total County	<u>\$ 350,421</u>	<u>\$ 350,421</u>

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, 2016, are listed as follows:

Transfers from General Fund to:	
Law Enforcement Operations	\$ 12,250,000
Correction Operations	10,000,038
Road Maintenance	4,400,000
Alcohol Programs	60,000
Farm & Range	7,350
GRT Revenue Bond	<u>2,183,013</u>
	28,900,401

**STATE OF NEW MEXICO
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NOTES TO FINANCIAL STATEMENTS
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NOTE 12 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

Transfers from Environmental GRT to General Fund	642,440
Transfers from Corrections Fund to Corrections Operations	275,000
Transfer from Capital Outlay GRT to:	
Revenue Bond Debt Service	3,245,921
WTB Loan/Grant Debt Service	102,692
	3,348,613
Transfer from Correctional GRT to Corrections Operations	5,047,200
Transfer from Indigent Hospital to:	
Indigent Services	1,816,609
Corrections Operations	300,000
	2,116,609
Transfer from EMS Hospital to:	
EMS Health Care	902,067
Fire Operations	3,843,659
	4,745,726
Transfer from Alcohol Programs to:	
General Fund	30,000
Law Enforcement Operations Fund	75,000
	105,000
Transfer from Fire Operations to Emergency Communications	3,418,604
Transfer from GOB 2007 Series to General Obligation Bond Debt Service	6,635
Transfer from 2008 Series GRT Bond to Revenue Bond Debt Service	8,782
Transfer from GOB 2005 Series to General Obligation Bond Debt Service	1,384
Transfer GOB 2007B Series Bond to General Obligation Bond Debt Service	1,316

**STATE OF NEW MEXICO
SANTA FE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

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

Transfer 2009 Capital Outlay GRT Revenue Bonds to Revenue Bond Debt Service	1
Transfer GOB 2001 Series to General Obligation Bond Debt Service	391
Transfer Facility Bond 97 to Revenue Bond Debt Service	160
Transfer GOB Series Open Space to General Obligation Bond Debt Service	1,022
Transfer from Corrections Operations to Jail Revenue Bond Debt Service	2,253,100
Total Transfers Government and Enterprise Funds	\$ 50,872,384

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, 2016, are listed as follows:

Purpose	Major Funds	Non-Major Funds	Total
Construction of Arroyo Hondo Trail	\$ 334,844	-	334,844
Santa Fe County's share of the Buckman Direct Diversion Project	465,831	-	465,831
Stanley Cyclone Center Arena	233,941	-	233,941
Upgrade Youth Development Facility	241,800	-	241,800
Rail Trail Project	96,798	360,092	456,890
Electronic Health Records System	600,000	-	600,000
Water Transmission Line – various projects	-	210,180	210,180
Fire Training Tower	100,000	199,950	299,950

**STATE OF NEW MEXICO
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NOTES TO FINANCIAL STATEMENTS
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NOTE 13 – CONTINGENT LIABILITIES (Continued)

New Fire/EMS Apparatus	200,000	768,362	968,362
Construction of a New Fire Station	276,856	-	276,856
Road Paving – various projects	762,741	632,623	1,395,364
Mutual Domestic Water Conservation	-	1,250,000	1,250,000
Administration Building Upgrades/Grant Street Complex Construction	1,775,105	-	1,775,105
	<hr/>	<hr/>	<hr/>
Total Significant Encumbrances	<u>\$ 5,087,916</u>	<u>3,421,207</u>	<u>8,509,123</u>

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.

Lawsuits – The County is a defendant in a number of lawsuits as of June 30, 2016. It is the opinion of management and County counsel that the amount of losses resulting from these remaining litigations at June 30, 2016, 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, 2016, in which the County has accrued \$1,152,749 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 Agency has the authority to adopt revenue bond ordinances so long as such an ordinance is duly ratified by the governing bodies of the

STATE OF NEW MEXICO
SANTA FE COUNTY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 14 – JOINT POWERS AGREEMENTS AND MEMORANDUM OF UNDERSTANDING (Continued)

County and the City. The Agency is managed by a Board of Directors comprised of four City Councilors and four County Commissioners. 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. The staff advisory committee makes recommendations to the Board on issues of regulatory compliance, budget and facility costs, and any facility expansions or proposed closure. 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 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 2016 fiscal year. A final reconciliation has been done to ensure costs have been split equally between the County and City. The facility opened in May of 1997.

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

The Agency has its own financial statements as a separate entity, audited on an annual basis. Complete financial statements for the Agency may be obtained at the Santa Fe Solid Waste Management Agency, 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

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)

Diversification 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 after treatment. 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, 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.

Regional Emergency Communications Center (RECC) – The County and the City of Santa Fe entered into a joint powers agreement to define the terms and conditions for operating, administering and maintaining a joint enhanced 911 dispatch center to provide emergency telephone access for citizens to request emergency services such as fire and law enforcement, as well as to provide for emergency communications needs of public safety agencies in the County and the City. The agreement was first made in 2001 and established a Board which consists of the County Sheriff and City Police Chief, the Fire Chiefs of the County and City, the County and City Managers, and one community at-large member appointed by agreement of the County and City Managers. The Board is responsible for administrative oversight and direction of the RECC and shall advise the governing bodies of the County and City on its operation.

In the original agreement the City of Santa Fe functioned as the fiscal agent of the RECC and was responsible to pay for 69% of its operating cost with the County paying 31% for the first two years and then the operating cost would be assessed proportionate to the call volume of each government.

The joint powers agreement was amended and restated in 2007 and in so doing transferred responsibility for the operation of the RECC to Santa Fe County. On July 1, 2007, Santa Fe County took over operating the RECC, employed its employees as County employees, and

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NOTE 14 – JOINT POWERS AGREEMENTS AND MEMORANDUM OF UNDERSTANDING (Continued)

became solely response for the costs of the day to day operation of the RECC. In addition the County agreed to provide space for the RECC and share equally in the cost of capital expenditures. The Board's composition and purpose was not changed.

Fire Suppression, Fire Prevention, Rescue, Emergency Medical Services and Emergency Communications – The Town of Edgewood and Santa Fe County entered into a joint powers agreement the purpose of which is the provision of emergency services (fire, medical, and emergency communications) to residents of the incorporated Town of Edgewood. The County agreed to provide emergency services to the Town of Edgewood via the County's Edgewood Fire District. In consideration for this service the Town of Edgewood agreed to pay the County an amount equal to a .25% gross receipts tax collected within that portion of the Town that lies within the boundaries of Santa Fe County as well as impact fees collected from within that portion of the Town that lies within the boundaries of Santa Fe County less a 3% administrative fee.

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, excess 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 \$250,000 for property to \$1,000,000 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

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

(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 that can be obtained at <http://saonm.org/> using the Audit Report Search function for agency 366.

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, 2015.

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 2016 for the various PERA coverage options, for both Tier I and Tier II, refer to Note 1C in PERA's FY 2015 financial statements for a table of all retirement plans and required contribution rates. 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 \$4.6 million and employer paid member benefits that were "picked up" by the employer were approximately \$4.3 million for the year ended June 30, 2016.

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, 2014. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2015.

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

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

ended June 30, 2015. Only employer contributions for the pay period end dates that fell within the period of July 1, 2014, to June 30, 2015, were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to fiscal year 2015 are included in the total contribution amounts. In the event that an employer is behind in reporting 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, 2016, the County reported a liability of \$36,409,439 for its proportionate share of the net pension liability. At June 30, 2015, the County’s proportion was 3.5710 percent, which was .0406 percent more than its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the County recognized PERA Fund Division Municipal General pension expense of \$1,468,183. At June 30, 2016, 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	\$ -	\$ 806,486
Changes of assumptions	-	14,184
Net difference between projected and actual earnings on pension plan investments	-	115,175
Changes in proportion and differences between the County’s contributions and proportionate share of contributions	241,848	-
County’s contributions subsequent to the measurement date	-	-
Total	<u>\$ 241,848</u>	<u>\$ 935,845</u>

\$2,846,702 reported as deferred outflows of resources related to pensions resulting from the County contributions subsequent to the measurement date June 30, 2015, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

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

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

Year ended June 30:	
2017	\$ (964,341)
2018	(964,341)
2019	(964,341)
2020	1,957,180
2021	-
Total	\$ (935,843)

For PERA Fund Division Municipal Police at June 30, 2016, the County reported a liability of \$10,989,484 for its proportionate share of the net pension liability. At June 30, 2015, the County’s proportion was 2.2854 percent, which .0357 percent less than its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the County recognized PERA Fund Division Municipal Police pension expense of \$700,225. At June 30, 2016, 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	\$ 767,900	\$ -
Changes of assumptions	-	454,658
Net difference between projected and actual earnings on pension plan investments	-	30,484
Changes in proportion and differences between the County’s contributions and proportionate share of contributions	-	88,865
County’s contributions subsequent to the measurement date	-	-
Total	\$ 767,900	\$ 574,007

\$876,791 reported as deferred outflows of resources related to pensions resulting from the County’s contributions subsequent to the measurement date June 30, 2015, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

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

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

Year ended June 30:	
2017	\$ (93,574)
2018	(93,574)
2019	(93,574)
2020	563,479
2021	-
Total	<u>\$ 282,757</u>

For PERA Fund Division Municipal Fire at June 30, 2016, the County reported a liability of \$17,589,308 for its proportionate share of the net pension liability. At June 30, 2015, the County’s proportion was 3.4080 percent, a .0938 percent decrease its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the County recognized PERA Fund Division Municipal Fire pension expense of \$1,593,302. At June 30, 2016, 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	\$ 692,704	\$ -
Changes of assumptions	370,976	-
Net difference between projected and actual earnings on pension plan investments	-	21,158
Changes in proportion and differences between the County’s contributions and proportionate share of contributions	-	298,963
County’s contributions subsequent to the measurement date	-	-
Total	<u>\$ 1,063,680</u>	<u>\$ 320,121</u>

\$850,761 reported as deferred outflows of resources related to pensions resulting from the County’s contributions subsequent to the measurement date June 30, 2015, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

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

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

Year ended June 30:	
2017	\$ 208,869
2018	208,869
2019	208,869
2020	415,915
2021	-
Total	\$ 1,042,522

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, 2014, 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, 2015, 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, 2015. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2015, actuarial valuation.

Actuarial valuation date	June 30, 2014
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
• Projected benefit payment	100 years
• Payroll growth	3.5% annual rate
• Projected salary increases	3.5% to 14.25% annual rate
• Includes inflation at	3.00% annual rate
• Mortality Assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirements, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA
• Experience Study Dates	July 1, 2008 to June 30, 2013

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

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. 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 GASB 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.

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**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	61,990,828	36,409,439	15,140,253
PERA Fund Municipal Police Division			
County's proportionate share of the net pension liability	18,148,471	10,989,484	5,116,691
PERA Fund Municipal Fire Division			
County's proportionate share of the net pension liability	23,855,458	17,589,308	12,425,151

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued fiscal year 2015 PERA financial report.

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.

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

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

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, 2016, 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, 2016, 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, 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.

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

The County's contributions to the RHCA for the years ended June 30, 2016, 2015, and 2014 were \$816,514, \$799,879 and \$780,883 respectively, which equal the required contributions for each year.

NOTE 18 – RECENT AND NEW ACCOUNTING PRONOUNCEMENTS

In June 2015, the GASB issued Statement 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. GASB Statement No. 76 is effective for fiscal year beginning after June 15, 2015. The County had adopted GASB Statement No. 76 during fiscal year 2015, with no significant impact to the County's financial statements.

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*, aims to clarify the definition of fair value for reporting purposes, provide additional fair value application guidance and improve fair value disclosures. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The County adopted GASB Statement No. 76 during fiscal year 2016 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, 2016.

- 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*
- GASB Statement No. 77, *Tax Abatement Disclosures*
- GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73*

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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 Fire Tax Revenue Bond Proceeds and the 2016 GRT Bond fund had an unassigned deficit fund balance in the amount of \$13 and \$22,800, respectively, as of June 30, 2016.

NOTE 20 – SUBSEQUENT EVENTS

In July, 2016, the County issued \$24,860,000 in Series 2016 General Obligation Refunding and Improvement Bonds to advance refund the Series 2008 General Obligation bonds and to pay for roads, open space and trails, and water/wastewater projects. Payments will be made January 1 and July 1, beginning on January 1, 2017 with an interest rate range of 2.0% to 5.0%. The final bond payment will be due July 1, 2031.

In August, 2016 the County issued \$30,365,000 in Series 2016 Gross Receipts Tax Revenue Improvement and Refunding Bonds to advance refund the Series 2008 Gross Receipts Tax Revenue Bond and partially fund expenses related to construction of the Grant Street Complex (New County Administrative Building) and restoration of the current administrative building. Payments will be made June 1 and December 1, beginning on December, 2016 with an interest rate range of 2% to 5.0%. The final bond payments will be due on June 1, 2035.

APPENDIX C

FORM OF CONTINUING DISCLOSURE AGREEMENT

CONTINUING DISCLOSURE AGREEMENT

Section 1. Recitals. This Continuing Disclosure Agreement (the “Agreement”) is executed and delivered by Santa Fe County, New Mexico (the “County”) in connection with the issuance of the Santa Fe County, New Mexico General Obligation Improvement and Refunding Bonds, Series 2017 (the “Bonds”). The Bonds are being issued pursuant to the Notice of Sale Resolution adopted on July 11, 2017 (the “Notice of Sale Resolution”) and the Award Resolution adopted on August 8, 2017 (the “Award Resolution,” and together with the Notice of Sale Resolution, the “Bond Resolution”). Pursuant to the Bond Resolution, to allow the purchaser of the Bonds to comply with the Rule (defined below), the County is required to make certain continuing disclosures for the benefit of owners (including beneficial owners) of the Bonds (the “Owners”). This Agreement is intended to satisfy the requirements of the Rule.

Section 2. Definitions.

(a) “Annual Financial Information” means the financial information or operating data with respect to the County, delivered at least annually pursuant to Sections 3(a) and 3(b) of this Agreement, consisting of information of the type set forth in “DEBT AND OTHER FINANCIAL OBLIGATIONS - History of Assessed Valuation” and “FINANCES OF THE COUNTY” in the Official Statement. Annual Financial Information will include Audited Financial Statements if available.

(b) “Audited Financial Statements” means the County’s annual 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”), 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” means any of the following events with respect to the Bonds:

1. principal and interest payment delinquencies;
2. non-payment related defaults, if material;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions, 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 Bonds, or other material events affecting the tax status of the Bonds;

7. modifications to the rights of the holders of the Bonds, if material;
8. bond calls, if material, or tender offers;
9. defeasances;
10. release, substitution or sale of property securing repayment of the securities, if material;
11. rating changes;
12. bankruptcy, insolvency, receivership or a similar event with respect to the County or an obligated person;
13. 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
14. appointment of a successor or additional trustee, or a change of name of a trustee, if material.

(e) “Event Notice” means written or electronic notice of an Event.

(f) “MSRB” means the Municipal Securities Rulemaking Board.

(g) “Official Statement” means the Official Statement dated August 8, 2017, delivered in connection with the original issue and sale of the Bonds.

(h) “Report Date” means March 31 of each year, beginning in 2018.

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

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

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

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

(a) The County shall, while any Bonds are Outstanding, provide the Annual Financial Information on or before March 31 of each year (the “Report Date”), beginning in 2018, to EMMA. The County may adjust the Report Date if the County changes its fiscal year by providing written notice of the change of fiscal year and the new Report Date to EMMA, provided that the new

Report Date shall be 270 days after the end of the new fiscal year and provided further that the period between the final Report Date relating to the former fiscal year and the initial Report Date relating to the new fiscal year shall not exceed one year in duration. It shall be sufficient if the County provides to EMMA the Annual Financial Information by specific reference to documents previously provided to EMMA or filed with the Securities and Exchange Commission and, if such a document is a final official statement within the meaning of the Rule, available from the MSRB.

(b) If not provided as part of the Annual Financial Information, the County shall provide the Audited Financial Statements when and if available while any Bonds are Outstanding to EMMA.

(c) If an Event occurs while any Bonds are outstanding, the County will provide an Event Notice in a timely manner not more than 10 business days after the Event to EMMA. Each Event Notice shall be so captioned and shall prominently state the date, title and CUSIP numbers of the Bonds.

(d) The County shall provide notice to EMMA, in a timely manner not more than 10 business days after the occurrence, of any failure by the County while any Bonds are Outstanding to provide Annual Financial Information on or before the Report Date.

Section 4. Method of Transmission. The County shall employ such methods of information transmission as shall be requested or recommended by EMMA, the MSRB or the Securities and Exchange Commission.

Section 5. Termination of Continuing Disclosure Obligation. The continuing obligation hereunder of the County to provide Annual Financial Information, Audited Financial Statements, if any, and Event Notices shall terminate immediately once Bonds no longer are Outstanding. This undertaking or any provision hereof, shall be null and void in the event that the County delivers to EMMA an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require this undertaking, or any such provision, are invalid, have been repealed retroactively or otherwise do not apply to the Bonds. This undertaking may be amended without the consent of the Owners, but only upon the delivery by the County to EMMA of the proposed amendment and an opinion of nationally recognized bond counsel to the effect that such amendment, and giving effect thereto, will not adversely affect the compliance of this undertaking by the County with the Rule.

Section 6. Beneficiaries. This agreement shall inure solely to the benefit of the County and the Owners from time to time of the Bonds, and shall create no rights in any other persons or entity.

Section 7. Enforcement. 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 Agreement, which action will be the exclusive remedy available to it or any other Owner. The County's breach of its obligations under this Agreement will not constitute an event of default under the Bond Resolution, and none of the rights and remedies provided by the Bond Resolution will be available to the Owners with respect to such a breach.

Section 8. Term. The County's obligations under this Agreement 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 Resolution; (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 Agreement 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 9. Amendments. The County may amend this Agreement 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 Agreement, 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 10. Governing Law. This Agreement is governed by and is to be construed in accordance with the law of the State.

Dated: _____, 2017

SANTA FE COUNTY, NEW MEXICO

By: _____
Henry Roybal, Chair
Board of County Commissioners