

NEW ISSUE – Book-Entry-Only

RATING: Moody's: "Aaa" insured
Underlying: "Aa1"

\$20,000,000
SANTA FE COUNTY, NEW MEXICO
General Obligation Bonds
Series 2007B

Dated: September 11, 2007

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, ("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 July 1, 2008. 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.

MATURITIES, INTEREST RATES AND YIELDS OR PRICES

Year (July 1)	Principal	Interest Rate	Price/Yield	Year (July 1)	Principal	Interest Rate	Price/Yield
2008	\$1,700,000	5.000%	3.500%	2018	\$ 750,000	4.000%	3.690%
2009	500,000	4.250%	3.500%	2019	750,000	4.000%	3.800%
2010	500,000	4.250%	3.500%	2020	1,250,000	4.500%	4.050%
2011	500,000	4.000%	3.550%	2021	1,250,000	4.000%	4.010%
2012	500,000	4.500%	3.560%	2022	1,250,000	4.125%	4.180%
2013	500,000	4.000%	3.380%	2023	1,250,000	4.250%	4.230%
2014	500,000	4.000%	3.420%	2024	2,000,000	4.250%	4.270%
2015	500,000	5.500%	3.630%	2025	2,000,000	4.250%	4.310%
2016	500,000	5.500%	3.690%	2026	2,000,000	4.250%	4.340%
2017	750,000	4.000%	3.590%	2027	1,050,000	4.250%	4.280%

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 scheduled payment of principal of and interest on the Bonds, when due is insured by a financial guaranty insurance policy to be issued by MBIA Insurance Corporation concurrently with the delivery of the Bonds. See "BOND INSURANCE" herein.

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 County Commission's powers under Section 4-49-1 through 4-49-21, inclusive, and Section 6-15-1 through 6-15-10, NMSA 1978 as amended and supplemented, the Constitution and other laws of the State, for the purpose of providing funds for the acquisition, construction, design, equipping, and improvement of roads within the County and related public works facilities to house, maintain and service road improvement equipment and for the acquisition of real property for, and construction, design, equipping, rehabilitation and improvement of water improvement projects within Santa Fe County, New Mexico.

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 October 16, 2007, through the facilities of the Depository Trust Company, New York, New York.



Dated: September 11, 2007.

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. A number of such risks and uncertainties are described under the heading "SPECIAL FACTORS RELATING TO THE BONDS."

SANTA FE COUNTY, NEW MEXICO

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

COUNTY COMMISSION

Chairperson	Virginia Vigil
Vice-Chair	Jack Sullivan
Commissioner	Paul Campos
Commissioner	Mike D. Anaya
Commissioner	Harry B. Montoya

ADMINISTRATION

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

FINANCIAL ADVISOR

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

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RBC Capital Markets is the name under which RBC Dain Rauscher Inc., a broker-dealer, conducts investment banking business.

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

\$20,000,000
Santa Fe County, New Mexico
General Obligation Bonds
Series 2007B

INTRODUCTION AND SUMMARY

This Official Statement is furnished to prospective purchasers of the Santa Fe County, New Mexico, General Obligation Bonds, Series 2007B (the "Bonds"), issued in the aggregate principal amount of \$20,000,000 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 Meeting and Bond Sale, authorized by a resolution adopted by the Board of County Commissioners (the "Board") on August 14, 2007 (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 (the "Financial Advisor") at the address 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 147,000 (estimated 2007). 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 6-15-10 NMSA 1978, as amended and supplemented. The Bonds are the second series of general obligation bonds approved by the qualified electors of the County at an election held on November 2, 2004 to provide funds for the acquisition, construction, design, equipping, and improvement of roads within the County and related public works facilities to house, maintain and service road improvement equipment, for the acquisition of real property for, and construction, design, equipping, rehabilitation and improvement of water improvement projects and for the acquisition, construction, design, equipping and improvement of necessary public buildings within the County to house, maintain and service fire protection equipment in Santa Fe, New Mexico.

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 July 1, 2008 and on January 1 and July 1 of each year thereafter 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."

Purpose

The Bonds are being issued to provide funds for the acquisition, construction, design, equipping, and improvement of roads within the County and related public works facilities to house, maintain and service road improvement equipment and for the acquisition of real property for, and construction, design, equipping, rehabilitation and improvement of water improvement projects in Santa Fe, New Mexico.

Financial Statements

The County's audited financial statements as of and for the year ended June 30, 2006 including the opinions rendered thereon of certified public accountants, are attached as Appendix B.

Selected Debt Ratios

	<u>2007*</u>
2007 Preliminary Assessed Valuation	\$6,074,890,750
2007 Estimated Actual Valuation	\$18,442,087,545
District Net Debt as a Percentage of	
Assessed Valuation	1.44%
Estimated Actual Valuation	0.47%
Direct and Overlapping Debt as a % of	
Assessed Valuation	3.20%
Estimated Actual Valuation	1.05%
Estimated Population	147,000
District General Obligation	
Current Outstanding Debt	\$68,518,998
Series 2007 General Obligation Bonds	\$20,000,000
District Net General Obligation Debt	\$87,192,368
Estimated Direct & Overlapping G/O Debt	\$194,547,325
District Net Debt Per Capita	\$593.15
Direct & Overlapping Debt Per Capita	\$1,323.45

** Preliminary*

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

Tax Matters

In the opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A., the interest on the Bonds will be excludable from gross income for federal income tax purposes under existing law, subject to the matters described under the caption "TAX EXEMPTION" herein, including the alternative minimum tax on corporations.

Agents and Advisors

The County Treasurer will serve as Paying Agent and Registrar. Barraclough & Associates has audited the County's general purpose financial statements as of and for the year ended June 30, 2007.

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, Albuquerque New Mexico, has acted as Financial Advisor to the County for the issuance of the Bonds.

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 \$20,000,000 and will be dated the Date of Delivery, which is expected to be on or about October 16, 2007. 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 July 1, 2008, 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 in the public sale held on September 11, 2007 (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 or after July 1, 2017 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, 2016, 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 are not on deposit with the Paying Agent prior to the giving of notice of optional redemption referred to above, such notice shall state such Bonds will be redeemed in whole or in part on the optional redemption date in a principal amount equal to that part of the optional redemption price received by the Paying Agent on the applicable optional redemption date. If the full amount of the optional redemption price is not received as set forth in the preceding sentence, the notice shall be effective only for those Bonds for which the optional redemption price is on deposit with the Paying Agent. If all Bonds called for optional redemption cannot be redeemed, the Bonds to be redeemed shall be selected in the manner deemed reasonable and fair by the County and the Registrar shall give notice, in the manner in which the original notice of optional redemption was given, that such money was not received. In that event, the Registrar shall promptly return to the Owners thereof the Bonds or certificates which it has received evidencing the part thereof which have not been optionally redeemed.

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 or 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.

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 Santa Fe 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 statutory tax lien that can be enforced personally against the owner of the property or 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 are being offered for the purpose of providing funds for the acquisition, construction, design, equipping, and improvement of roads within the County and related public works facilities to house, maintain and service road improvement equipment and for the acquisition of real property for, and construction, design, equipping, rehabilitation and improvement of water improvement projects in Santa Fe, New Mexico.

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	\$20,000,000
Reoffering Premium	<u>45,151</u>
TOTAL SOURCE OF FUNDS	<u><u>\$20,045,151</u></u>

USES OF FUNDS

Deposit to Acquisition Fund	<u>\$20,045,151</u>
TOTAL USES OF FUNDS	<u><u>\$20,045,151</u></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:

2007 Preliminary Assessed Valuation	\$6,074,890,750
2007 Estimated Actual Valuation (1)	\$18,442,087,545
Bonded Debt	
Current Outstanding Debt	\$68,518,998
Series 2007B General Obligation Bonds	20,000,000
Less Debt Service Fund Balance (2)	<u>1,326,630</u>
NET DEBT	<u>\$87,192,368</u>
Ratio of Estimated Net Debt to 2007 Preliminary Assessed Valuation	1.44%
Ratio of Estimated Net Debt to 2007 Estimated Actual Valuation	0.47%
Per Capita Net Bonded Debt:	\$593.15
Est. Population:	147,000

(1) Actual valuation is computed by adding 2006 exemptions to the 2007 assessed valuation and multiplying by three.

(2) The cash balance as of September 4, 2007 was \$1,948,330. The amount attributable to principal reduction is 68%.

On November 2, 2004, the voters of Santa Fe County approved the issuance of up to \$72,500,000 in general obligation bonds. The Bonds are the second series of general obligation bonds issued pursuant to that authorization.

Debt Service Requirements to Maturity

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

TYE	<u>Present Requirement</u>			<u>Series 2007B</u>				<u>Total Requirements</u>
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Principal</u>	<u>Coupon</u>	<u>Interest</u>	<u>Total</u>	
31-Oct								
2007	\$6,420,000	\$2,535,814	\$8,955,814	\$ -	- %	\$ -	\$ -	\$ 8,955,814
2008	6,023,998	2,982,209	9,006,207	1,700,000	5.000%	613,106.77	2,313,106.77	11,319,313.77
2009	3,860,000	2,693,114	6,553,114	500,000	4.250%	780,562.50	1,280,562.50	7,833,676.50
2010	3,750,000	2,514,608	6,264,608	500,000	4.250%	759,312.50	1,259,312.50	7,523,920.50
2011	3,645,000	2,346,968	5,991,968	500,000	4.000%	738,062.50	1,238,062.50	7,230,030.50
2012	3,780,000	2,189,451	5,969,451	500,000	4.500%	718,062.50	1,218,062.50	7,187,513.50
2013	3,930,000	2,024,244	5,954,244	500,000	4.000%	695,562.50	1,195,562.50	7,149,806.50
2014	3,245,000	1,874,238	5,119,238	500,000	4.000%	675,562.50	1,175,562.50	6,294,800.50
2015	3,855,000	1,732,813	5,587,813	500,000	5.500%	655,562.50	1,155,562.50	6,743,375.50
2016	4,220,000	1,565,163	5,785,163	500,000	5.500%	628,062.50	1,128,062.50	6,913,225.50
2017	4,405,000	1,356,575	5,761,575	750,000	4.000%	600,562.50	1,350,562.50	7,112,137.50
2018	3,805,000	1,162,488	4,967,488	750,000	4.000%	570,562.50	1,320,562.50	6,288,050.50
2019	1,500,000	1,050,625	2,550,625	750,000	4.000%	540,562.50	1,290,562.50	3,841,187.50
2020	1,500,000	990,625	2,490,625	1,250,000	4.500%	510,562.50	1,760,562.50	4,251,187.50
2021	2,000,000	928,937	2,928,937	1,250,000	4.000%	454,312.50	1,704,312.50	4,633,249.50
2022	2,650,000	844,875	3,494,875	1,250,000	4.125%	404,312.50	1,654,312.50	5,149,187.50
2023	2,650,000	730,500	3,380,500	1,250,000	4.250%	352,750.00	1,602,750.00	4,983,250.00
2024	2,700,000	614,375	3,314,375	2,000,000	4.250%	299,625.00	2,299,625.00	5,614,000.00
2025	1,900,000	494,438	2,394,438	2,000,000	4.250%	214,625.00	2,214,625.00	4,609,063.00
2026	9,100,000	409,500	9,509,500	2,000,000	4.250%	129,625.00	2,129,625.00	11,639,125.00
2027	-	-	-	1,050,000	4.250%	44,625.00	1,094,625.00	1,094,625.00
	<u>\$74,938,998</u>	<u>\$31,041,560</u>	<u>\$105,980,558</u>	<u>\$20,000,000</u>		<u>\$10,385,981.77</u>	<u>\$30,385,981.77</u>	<u>\$136,366,539.77</u>

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.

<u>Governmental Entity</u>	<u>2007 Valuation</u>	<u>GO Debt Outstanding</u>	<u>Applicable Percentage</u>	<u>Amount</u>
State of New Mexico	\$46,947,501,994	\$353,220,000	12.94%	\$45,705,795
City of Santa Fe	3,221,060,817	-	100.00%	-
Town of Edgewood	65,655,513	-	99.85%	-
Espanola Schools	478,412,485	14,865,000	22.56%	3,353,877
Moriarty Schools	412,600,240	17,055,000	47.60%	8,118,654
Pojoaque Schools	164,017,196	6,550,000	100.00%	6,550,000
Santa Fe Community College	5,606,523,788	4,200,000	100.00%	4,200,000
Santa Fe Schools	5,606,523,788	58,100,000	100.00%	58,100,000
Santa Fe County	<u>6,074,890,750</u>	<u>68,518,998</u>	<u>100.00%</u>	<u>68,518,998</u>
Total Direct & Overlapping Debt				\$191,547,325
Ratio of Estimated Direct & Overlapping Debt to 2007 Assessed Valuation:				3.47%
Ratio of Estimated Direct & Overlapping Debt to 2007 Estimated Actual Valuation:				1.05%
Per Capita Direct & Overlapping Debt:				\$ 1,323.45

Analysis of Assessed Valuation

Assessed Valuation of property within the County is calculated as follows: Of the total estimated actual 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 2007 Preliminary Assessed Valuation is \$6,074,890,750. 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 Assessed" below) is determined by the State of New Mexico, Taxation and Revenue Department, Property Tax Division.

The analysis of Assessed Valuation follows*:

Analysis of Assessed Valuation					
	<u>2007**</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Assessments					
Value of Land	\$	\$1,819,334,132	\$1,654,986,091	\$1,489,737,116	\$1,385,161,475
Improvements		3,437,082,333	3,088,794,100	2,744,373,252	2,518,258,081
Personal Property		83,859,044	77,731,177	74,865,780	71,435,563
Mobile Homes		45,489,768	45,944,803	45,069,390	43,748,312
Livestock		1,466,907	1,758,318	1,492,914	1,126,856
Assessors Total Taxable Value	\$	\$5,387,232,184	\$4,869,214,489	\$4,355,538,452	\$4,019,730,287
Less Exemptions					
Head of Family	33,262,500	33,262,500	32,737,066	32,395,000	31,832,000
Veterans	39,209,265	39,209,265	33,942,618	27,367,372	20,187,329
Other	----	----	----	----	----
Total	\$72,471,765	\$72,471,765	\$ 66,679,684	\$ 59,762,372	\$ 52,019,329
Assessors Net Taxable Value	5,975,404,613	5,314,760,419	4,802,534,805	4,295,776,080	3,967,710,958
Centrally Assessed	99,486,137	90,254,347	84,806,674	78,818,625	85,532,236
Total Assessed Valuation	<u>\$6,074,890,750</u>	<u>\$5,405,014,766</u>	<u>\$4,887,341,479</u>	<u>\$4,374,594,705</u>	<u>\$4,053,243,194</u>

Source: State of New Mexico, Taxation and Revenue Department, Property Tax Division, and Office of the Santa Fe County Assessor.

* The foregoing information is derived from the Abstract of Value of personal property within the County. The Abstract of Value for the 2007 Tax Year was not available from the Office of the Santa Fe County Assessor as of the date of this Official Statement.

** Preliminary

A further analysis of Assessed Valuation classified as Residential and Non-Residential for the last five years follows:

	<u>2007*</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Residential	\$4,477,871,022	\$4,034,418,958	\$3,637,538,336	\$3,228,093,487	\$2,940,472,255
Non-Residential	<u>1,597,019,728</u>	<u>1,370,595,808</u>	<u>1,249,803,143</u>	<u>1,146,501,218</u>	<u>1,112,770,939</u>
Total	<u>\$6,074,890,750</u>	<u>\$5,405,014,766</u>	<u>\$4,887,341,479</u>	<u>\$4,374,594,705</u>	<u>\$4,053,243,194</u>
Growth	12.39%	10.59%	11.72%	7.93%	6.95%

Source: State of New Mexico, Taxation and Revenue Department, Property Tax Division, and Office of the Santa Fe County Assessor.

* Preliminary

History of Assessed Valuation

The following is a history of assessed valuation for the City of Santa Fe and the County. Since 2001, the tax base of the City has increased 45.1% and the tax base of the County has increased 49.4%.

<u>Tax Year</u>	<u>City of Santa Fe</u>	<u>Santa Fe County</u>
2007*	\$3,221,060,817	\$6,074,890,750
2006	2,934,789,574	5,405,014,763
2005	2,667,165,858	4,887,341,479
2004	2,415,092,247	4,374,594,705
2003	2,222,507,281	4,053,243,194

* Preliminary

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 2006-2007 Fiscal Year and the previous four years. 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. A high level of taxation may adversely impact the County's ability to repay bonds.

Total Non-Residential in					
City of Española	\$24.097	\$24.894	\$25.119	\$22.117	\$23.183
Total Residential in					
Town of Edgewood	\$16.994	\$18.148	\$17.204	\$17.578	\$16.803
Total Non-Residential in					
Town of Edgewood	\$22.940	\$23.812	\$22.615	\$22.471	\$21.197

Source: State of New Mexico, Department of Finance & Administration and Office of the Santa Fe County Assessor.

Major Taxpayers

The ten largest taxpayers in Santa Fe County have a combined valuation of \$109,494,678, representing 1.80% of the total assessed valuation within the County.

<u>Name</u>	<u>Business</u>	<u>2006 Assessed Valuation</u>	<u>Percentage of Assessed Valuation</u>
Public Service Company of New Mexico	Electric Utility	\$24,962,297	0.41%
Qwest Corporation	Telephone Utility	24,621,972	0.41%
La Posada, Inc.	Hotel	11,173,194	0.18%
NM Mall Partners	Shopping Center	10,142,421	0.17%
Public Service Company of New Mexico	Gas Utility	6,696,271	0.11%
Corporation de la Fonda	Hotel	6,333,333	0.10%
Eldorado Partnership	Hotel	6,098,167	0.10%
Zorro Ranch	Real Estate	6,048,466	0.10%
Burlington Northern & Santa Fe	Railroad	4,658,459	0.08%
Truzaf Limited Partnership	Real Estate	4,539,782	0.07%
James F. Kirkpatrick	Developer	4,220,316	0.07%

Source: New Mexico Taxation & Revenue Department, Property Tax Division.

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 and oil and gas production equipment ad valorem taxes) or assessment that will produce revenues that 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 if 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

In an effort to limit large annual increases in residential property taxes in some areas of the State (particularly the Santa Fe and Taos areas which have experienced large increases in residential property values in recent years), an amendment to the uniformity clause (Article VIII, Section 1) of the New Mexico Constitution was proposed during the 1997 Legislative Session. The amendment was submitted to voters of the State at the general election held on November 3, 1998 and was approved by a wide margin.

The amendment directs the Legislature to provide for valuation of residential property in a manner that limits annual increases in valuation. The limitation may be applied to classes of residential property taxpayers based on occupancy, age or income. Further, the limitations may be authorized statewide or at the option of a local jurisdiction and may include conditions for applying the limitations.

A bill implementing the constitutional amendment was adopted by the Legislature during the 2001 Legislative Session and signed by the Governor on April 5, 2001. Section 7-36-21.2, NMSA 1978 establishes a statewide limitation on residential property valuation increases beginning in tax year 2001. Annual valuation increases will be limited to 3% over the prior year's valuation or 6.1% over the valuation from two years prior. These limitations do not apply under the following exceptions:

1. When property is being valued for the first time;
2. When physical improvements are made to the property;
3. When a change of ownership outside the family occurs;
4. When a change in zoning or use of property occurs; and
5. To property that is subject to the valuation limitations under Section 7-36-21.3 NMSA 1978.

Section 7-36-21.3 NMSA 1978 places a limitation on the increase in value for property taxation purpose for single-family dwellings occupied by low-income owners who are sixty-five years of age or older or who are disabled. The statute fixes the valuation of the property to the valuation in the year that the owner turned 65 or became disabled. The Section 7-36-21.3 limitation does not apply:

1. To property that is being valued for the first time;
2. To a change in valuation resulting from physical improvements made to the property in the preceding year; and
3. To a change in valuation resulting from a change in the zoning or permitted use of the property in the preceding year.

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 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 each 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
2006	06/07	\$105,207,519	\$99,380,102	94.46%	\$99,380,102	94.46%
2005	05/06	100,907,356	95,003,813	94.15%	99,307,934	98.41%
2004	04/05	84,616,678	79,824,052	94.34%	83,821,066	99.06%
2003	03/04	81,972,179	76,896,688	93.81%	81,552,703	99.49%
2002	02/03	73,501,059	68,439,359	93.11%	73,360,514	99.81%
2001	01/02	72,022,736	67,646,004	93.92%	71,751,801	99.62%
2000	00/01	65,033,293	60,917,969	93.67%	65,021,268	99.98%
1999	99/00	59,644,251	52,442,772	87.93%	59,522,103	99.80%
1998	98/99	49,209,616	45,836,214	93.14%	49,235,248	100.05%
1997	97/98	46,942,001	43,623,262	92.93%	46,922,747	99.96%

(1) As of June 30 of each year

(2) As of June, 2007

Source: Office of the Santa Fe County Treasurer.

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 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 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 within a fund 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 Year 2005 Budget presentation.

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 Barraclough & Associates, P.C., which performed the audit of

the County's Financial Statements, to the inclusion of the audit report and excerpts thereof in this Official Statement, and the auditor has not conducted a post-audit review of those Financial Statements.

General Fund

Combined Statement of Revenues, Expenditures and Changes in Fund Balance

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Revenues					
Grants	\$ 1,754,243	\$ 2,100,757	\$ 3,934,134	\$ 2,369,177	\$ 2,593,719
Taxes and special assessments	36,313,562	33,008,259	30,865,339	29,545,100	28,625,024
Interest earnings	2,904,858	1,280,136	729,306	1,062,548	1,255,025
Charges for services, fines and penalties	1,906,418	1,772,133	1,869,938	1,356,491	1,331,281
Licenses and permits	-	-	-	383,893	1,383,859
Other	320,587	423,254	154,522	1,216,516	421,517
Total revenues	<u>\$43,199,668</u>	<u>\$38,584,539</u>	<u>\$37,553,239</u>	<u>\$35,933,725</u>	<u>\$35,610,425</u>
Expenditures:					
Current					
General government services	\$14,906,976	\$14,018,320	\$11,541,007	\$12,825,000	\$13,129,586
Public safety	7,809,025	6,553,023	5,707,233	6,317,307	9,191,042
Highways and streets	4,771,030	3,096,024	3,778,284	3,966,134	4,186,458
Health and welfare	571,966	1,643,085	1,711,716	1,356,366	2,147,689
Culture and recreation	282,550	391,700	509,421	369,699	169,419
Economic development	-	-	-	-	-
Capital outlay	2,379,668	2,694,732	3,978,924	-	-
Debt service (principal and interest)	-	-	-	-	-
Total expenditures	<u>\$30,721,215</u>	<u>\$28,396,884</u>	<u>\$27,226,585</u>	<u>\$24,834,511</u>	<u>\$28,824,194</u>
Excess (Deficiency) or Revenues over Expenditures	<u>\$12,478,453</u>	<u>\$10,187,655</u>	<u>\$10,326,654</u>	<u>\$11,099,214</u>	<u>\$ 6,786,231</u>
Other Financing Sources (Uses):					
Operating transfers, in	2,461,464	1,068,058	1,295,709	719,867	479,742
Operating transfers, out	(9,291,168)	(10,300,316)	(9,945,566)	(9,097,246)	(9,481,846)
Total other financing sources (uses)	<u>(\$6,829,704)</u>	<u>(\$9,232,258)</u>	<u>(8,649,857)</u>	<u>(8,377,379)</u>	<u>(9,002,104)</u>
Excess (Deficiency) of Revenues and other Financing Sources over expenditures and other financing uses	\$ 5,648,745	\$ 955,397	\$ 1,676,797	\$ 2,721,835	(\$ 2,215,873)
Fund balance, beginning of year	21,932,392	20,976,995	19,133,595	16,411,760	18,627,633
Prior period corrections	-	-	166,603	-	-
Fund balance, as restated	-	-	19,300,198	-	-
Fund balance, end of year	<u>\$27,581,141</u>	<u>\$21,932,392</u>	<u>\$20,976,995</u>	<u>\$19,133,595</u>	<u>\$16,411,760</u>

The audited figures for fiscal years ended June 30, 2006, 2005, 2004, 2003 and 2002 were taken from audit reports prepared by the County's independent auditor and are presented for informational purposes only. Reference is made to the complete audit reports, which are available upon request.

General Fund - Historical Balance Sheets

<u>Fiscal Year Ended</u> <u>June 30</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
ASSETS					
Equity in pooled cash and investments – Unrestricted	\$23,713,215	\$19,671,694	\$16,618,483	\$11,722,169	\$12,604,463
Equity in pooled cash and investments - Restricted	1,815,290	1,815,290	1,815,290	-	-
Receivables, net of allowance for uncollectable					
Accounts	67,344	25,965	44,090	350,530	1,563,414
Taxes	4,637,536	3,634,953	4,093,888	3,572,557	1,256,505
Interest	336,208	145,322	86,805	-	-
Grantor agencies and other	564,364	395,737	977,454	-	-
Due from other funds	1,012,293	827,631	2,144,421	7,958,239	5,462,935
Due from other governments	-	-	-	937,716	934,411
Total Assets	<u>\$32,146,250</u>	<u>\$26,516,592</u>	<u>\$25,780,431</u>	<u>\$24,541,211</u>	<u>\$21,821,728</u>
LIABILITIES AND FUND BALANCE					
Liabilities					
Accounts payable and accrued expenditures	\$1,178,059	\$1,858,404	\$1,664,756	\$1,081,862	\$1,485,421
Due to other funds	-	-	-	-	4,376
Deferred revenue	3,387,050	2,725,796	3,088,559	4,325,754	3,920,171
Deposits held for others	-	-	50,121	-	-
Total Liabilities	<u>\$4,565,109</u>	<u>\$4,584,200</u>	<u>\$4,803,436</u>	<u>\$5,407,616</u>	<u>\$5,409,968</u>
Fund Balance					
Reserved for					
Encumbrances	\$2,231,266	\$1,915,499	\$1,533,395	\$ 28,243	\$1,949,193
Subsequent year expenditures	-	-	-	9,427,906	7,206,049
Debt service	-	-	-	-	-
Total reserved fund balance	<u>\$2,231,266</u>	<u>\$1,915,499</u>	<u>\$1,533,395</u>	<u>\$9,456,149</u>	<u>\$9,155,242</u>
Unreserved – Designated for					
Contingency	1,815,290	1,815,290	1,815,290	-	-
Unreserved – Undesignated	<u>23,534,585</u>	<u>18,201,603</u>	<u>17,628,310</u>	<u>9,677,446</u>	<u>7,256,518</u>
Total unreserved fund balance	<u>25,349,875</u>	<u>20,016,893</u>	<u>19,443,600</u>	<u>9,677,446</u>	<u>7,256,518</u>
Total fund balance	<u>27,581,141</u>	<u>21,932,392</u>	<u>20,976,995</u>	<u>19,133,595</u>	<u>16,411,760</u>
Total liabilities and fund balance	<u>\$32,146,250</u>	<u>\$26,516,592</u>	<u>\$25,780,431</u>	<u>\$24,541,211</u>	<u>\$21,821,728</u>

The audited figures for fiscal years ended June 30, 2006, 2005, 2004, 2003, and 2002 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 from the County upon request.

THE COUNTY

General

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

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

Board of County Commissioners

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

1. the assessment, collection and distribution of ad valorem taxes by an elected Assessor and Treasurer;
2. law enforcement by an elected Sheriff;
3. recording and filing by an elected County Clerk;
4. fire protection by Volunteer Fire Departments;
5. road maintenance by an appointed Road Manager;
6. managerial and administrative services by an appointed County Manager; and
7. planning, health, welfare, recreation and cultural affairs by appointed citizen advisory boards.

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

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

The current members of the County Administration are as follows:

Roman Abeyta, County Manager since September 29, 2006. Mr. Abeyta has held several positions over the past 15 years with Santa Fe County as well as the City of Santa Fe. Mr. Abeyta

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

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

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

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

Retirement

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

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

County 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 general liability insurance, auto damage and workers compensation with the New Mexico County Insurance Authority for its errors and omissions coverage, emergency medical, volunteer fire fighters and law enforcement liability coverage. There can be no assurance, however, that the County will continue to maintain the present level of coverage or that the insurance maintained will be sufficient.

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 9,443. Government offices, including the Office of the Governor and the State Legislature, occupy the State Capital Building, known as the Roundhouse. All 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 4th largest school district in the State with a 2006-07 enrollment of 13,632 students. The District operates 30 school sites - 20 elementary schools, 4 middle schools, 2 high schools, 1 alternative school and 3 charter schools. The District's educational program includes vocational, technical and occupational training.

Santa Fe Community College

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

St. John's College

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

College of Santa Fe

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

New Mexico School for the Deaf

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

Retail Trade

The County's retail sales were over \$1.0 billion through the second quarter of fiscal year 2007 and over \$2.0 in fiscal year 2006. Major products include furniture, jewelry, publishing, technology transfer, clothing and accessories. Approximately 12 percent of the County's population is employed in the retail trade sector.

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 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, 250 staff physicians representing 22 medical specialties, and treats over 55,000 emergency/first care patients annually, and more than 5,500 outpatient surgery patients annually. A second hospital is planned for the area.

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 Santa Fe County, the City of Santa Fe and the State.

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

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

* Projected.

Age Distribution

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

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

Source: Claritas, Inc., June, 2007

Income

The following table sets forth annual per capita personal income levels for the County, the State and the United States.

Per Capita Personal Income

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

Source: Bureau of Business and Economic Research.

Employment

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

<u>Year</u>	<u>Santa Fe MSA</u>		<u>State of New Mexico</u>		<u>United States</u>
	<u>Labor Force</u>	<u>Percent Unemployed</u>	<u>Labor Force</u>	<u>Percent Unemployed</u>	<u>Percent Unemployed</u>
2007*	76,975	2.90%	934,099	3.50%	4.50%
2006	77,191	3.60%	951,287	4.10%	4.70%
2005	78,046	4.60%	934,667	5.80%	5.60%
2004	84,069	2.90%	910,502	4.80%	5.70%
2003	79,356	3.00%	878,749	6.10%	5.80%
2002	79,317	2.50%	882,103	5.00%	6.00%
2001	75,758	2.80%	854,818	5.50%	4.70%
2000	76,911	3.00%	839,500	5.80%	4.50%
1999	71,000	2.90%	809,713	5.60%	3.70%
1998	74,777	3.10%	831,052	6.20%	4.30%
1997	74,408	3.50%	814,749	6.20%	4.70%

Source: New Mexico Department of Labor and Bureau of Business and Economic Research.

* As of May, 2007

Major Employers

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

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

Source: Santa Fe Chamber of Commerce, 2006

Wage and Salary Employment

The New Mexico Dept. of Labor publishes quarterly reports of covered employment and wages. Beginning with 2002 data, employment was classified according to the new North American Industry Classification System (NAICS).

<u>Industry</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>	<u>2002</u>
Agriculture, Forestry & Hunting	130	120	132	145	147
Mining	161	100	88	99	143
Utilities	118	n/a	n/a	132	135
Construction	4,739	4,412	4,393	4,396	4,244
Manufacturing	1,112	1,207	1,211	1,165	1,253
Wholesale Trade	1,146	1,105	986	948	985
Retail Trade	8,766	8,549	8,517	8,475	8,354
Transportation & Warehousing	543	539	565	536	559
Information	1,191	1,050	876	928	891
Finance & Insurance	1,853	1,805	1,790	1,737	1,746
Real Estate & Rental & Leasing	1,221	1,000	1,076	1,030	997
Professional & Technical Services	2,772	2,753	2,750	2,598	2,531
Management of Companies and Enterprises	269	360	248	203	205
Administrative & Waste Services	2,063	2,215	2,103	1,955	1,769
Educational Services	1,551	1,565	1,419	1,387	1,270
Health Care & Social Assistance	6,162	6,242	6,100	5,946	5,625
Arts, Entertainment & Recreation	948	1,012	891	1,033	1,075
Accommodation & Food Services	8,183	8,025	7,926	7,783	7,642
Other Services, Except Public Administration	2,331	2,345	2,411	2,324	2,283
Non-classifiable	19	32	n/a	56	47
Total Private Sector	45,276	44,536	43,624	42,874	41,899
Public Administration	18,630	18,249	17,362	17,326	16,840
Federal	1,124	1,148	1,208	1,231	1,301
State	10,186	10,043	9,772	9,883	9,504
Local	7,320	7,059	6,382	6,212	6,035
Grand Total	<u>63,906</u>	<u>62,785</u>	<u>60,986</u>	<u>60,200</u>	<u>58,739</u>

Source: New Mexico Department of Labor, Economic Research and Analysis Bureau

The following two tables reflect median household Effective Buying Income ("EBI") and the percent of households by EBI groups as reported in Sales and Marketing Management's annual surveys of buying power. EBI, a classification developed by Sales and Marketing Management Magazine, 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.

Median Household Effective Buying Income

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

Source: Claritas, Inc., June, 2007

* Estimated

The following table shows effective buying income by income group for Santa Fe County, the State of New Mexico and the United States.

Percent of Household by Effective Buying Income Groups

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

Source: Claritas, Inc., June, 2007

Gross Receipts

The following table shows the total reported 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.

<u>Year</u>	<u>Santa Fe County</u>		<u>New Mexico</u>	
	<u>Retail</u>	<u>Total</u>	<u>Retail</u>	<u>Total</u>
2007*	\$1,099,533,232	\$3,417,278,753	\$13,683,650,925	\$51,998,105,411
2006	2,050,261,047	6,446,608,971	24,014,746,059	94,347,408,225
2005	1,795,306,236	5,876,248,291	20,454,852,088	78,771,700,292
2004	1,774,969,478	5,585,654,362	18,414,335,199	70,477,791,653
2003	1,773,716,030	5,029,969,082	18,700,756,931	63,358,239,874
2002	1,693,609,017	4,895,295,541	19,094,649,339	62,280,612,865
2001	1,773,491,569	4,795,046,131	20,743,109,632	65,894,850,915
2000	1,731,892,982	4,852,403,190	17,648,495,366	59,397,663,620
1999	1,513,158,345	4,230,955,790	15,759,691,923	54,260,304,216
1998	1,408,140,361	3,922,233,542	15,395,163,122	55,101,530,145

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

* Through Second Quarter of Fiscal Year 2007

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. Electricity is supplied and distributed by Public Service Company of New Mexico. Telephone service is provided by Qwest Corporation. 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, interest on the Bonds is excludable from gross income for federal income tax purposes. Additionally, interest on the Bonds is excludable from net income for purposes of certain State of New Mexico taxes imposed on individuals, estates, trust and corporations.

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

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

Original Issue Premium

The Bonds may be sold to the initial purchaser of the Bonds 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.

Financial Institution Interest Deduction

The County has not designated the Bonds as qualified tax-exempt obligations for the purposes of Section 265(b)(3)(B) of the Code.

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 Bondowners may have no right to participate in such procedure. Neither the initial purchasers of the Bonds nor Bond Counsel is obligated to defend the tax-exempt status of the Bonds. The County has covenanted in the 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

Annual Reports

The County will provide certain updated financial information and operating data to certain information vendors annually. The information to be updated includes all quantitative financial information and operating data with respect to the County of the general type included in this Official Statement, under the headings "DEBT AND OTHER FINANCIAL OBLIGATIONS," "TAX BASE," and "FINANCES OF THE COUNTY." The County will update and provide this information within nine months after the end of each fiscal year ending on or after June 30, 2007. The County will provide the updated information to each nationally recognized municipal securities information repository ("NRMSIR") and to any state information depository ("SID") that is designated by the State of New Mexico and approved by the staff of the United States Securities and Exchange Commission (the "SEC").

The County may provide updated information in full text or may incorporate by reference certain other publicly available documents, as permitted by SEC Rule 15c2-12. The updated information will include audited financial statements, if the County commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the County will provide unaudited financial statements by the required time, and will provide audited financial statements when and if an audit report becomes available. Any such financial statements will be prepared in accordance with the accounting principles described in APPENDIX B – "AUDITED FINANCIAL

STATEMENTS - June 30, 2006" herein or such other accounting principles as the County may be required to employ from time to time pursuant to state law or regulation.

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

Material Event Notices

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

Availability of Information from NRMSIRs and SID

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

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

Limitations and Amendments

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

The continuing disclosure agreement may be amended by the County from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the County, but only if (1) the provisions, as so amended, would have permitted an underwriter or purchaser to purchase or sell Bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the registered owners of a majority in aggregate principal amount (or any greater amount required by any other

provision of the Resolution that authorizes such an amendment) of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the County (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the registered owners and beneficial owners of the Bonds. The County may also amend or repeal the provisions of the continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter or other purchaser from lawfully purchasing or selling Bonds in the primary offering of the Bonds.

Compliance with Prior Undertakings

The County has previously entered into continuing disclosure agreements in accordance with SEC Rule 15c2-12. While the County has provided audited financial statements on an annual basis pursuant to the continuing disclosure agreements, the County determined that certain information required to be updated under agreements entered into in connection with outstanding general obligation bonds had not been filed for the fiscal years ending June 30, 1999, 2000, 2001, 2002, 2003 and 2004. The County has notified the MSRB of its failure to file the required information and, as of the date of this Official Statement, has provided updated information for the years 2000 through 2006.

The County believes that it is now in material compliance with the requirements of outstanding continuing disclosure agreements entered into in connection with general obligation bonds issued by the County. The County believes that it is currently, and since 2005, has been, in material compliance with the requirements of outstanding continuing disclosure agreements entered into in connection with outstanding County revenue bonds.

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 "Aaa" from Moody's Investors Service ("Moody's") based on a municipal bond insurance policy issued by MBIA Insurance Corporation concurrently with the delivery of the Bonds. In addition, Moody's has assigned an underlying rating (i.e. without regard to the municipal bond insurance policy) of "Aa1". An explanation of the significance of the rating given by Moody's may be obtained from Moody's at 99 Church Street, New York, New York 10007.

Such ratings reflect only the view of the Moody's, and there is no assurance that such rating will continue for any given period of time after obtained or that such ratings will not be revised downward or withdrawn entirely by the rating agencies if, in their judgment, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds. Neither the County 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.

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, 6301 Uptown Blvd. NE, Suite 110, Albuquerque, New Mexico 87110.

BOND INSURANCE

The MBIA Insurance Corporation Insurance Policy

The following information has been furnished by MBIA Insurance Corporation ("MBIA") for use in this Official Statement. Reference is made to Appendix C for a specimen of MBIA's policy (the "Policy").

MBIA does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding the Policy and MBIA set forth under the heading "BOND INSURANCE." Additionally, MBIA makes no representation regarding the Bonds or the advisability of investing in the Bonds.

The MBIA Policy unconditionally and irrevocably guarantees the full and complete payment required to be made by or on behalf of the Issuer to the Paying Agent or its successor of an amount equal to (i) the principal of (either at the stated maturity or by an advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Bonds as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed by the MBIA Policy shall be made in such amounts and at such times as such payments of principal would have

been due had there not been any such acceleration, unless MBIA elects in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any Owner of the Bonds pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such Owner within the meaning of any applicable bankruptcy law (a “Preference”).

MBIA's Policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Bonds. MBIA's Policy does not, under any circumstance, insure against loss relating to: (i) optional or mandatory redemptions (other than mandatory sinking fund redemptions); (ii) any payments to be made on an accelerated basis; (iii) payments of the purchase price of the Bonds upon tender by an owner thereof; or (iv) any Preference relating to (i) through (iii) above. MBIA's Policy also does not insure against nonpayment of principal of or interest on the Bonds resulting from the insolvency, negligence or any other act or omission of the Paying Agent or any other paying agent for the Bonds.

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by MBIA from the Paying Agent or any owner of a Bond the payment of an insured amount for which is then due, that such required payment has not been made, MBIA on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such insured amounts which are then due. Upon presentment and surrender of such Bonds or presentment of such other proof of ownership of the Bonds, together with any appropriate instruments of assignment to evidence the assignment of the insured amounts due on the Bonds as are paid by MBIA, and appropriate instruments to effect the appointment of MBIA as agent for such owners of the Bonds in any legal proceeding related to payment of insured amounts on the Bonds, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners or the Paying Agent payment of the insured amounts due on such Bonds, less any amount held by the Paying Agent for the payment of such insured amounts and legally available therefor.

MBIA Insurance Corporation

MBIA Insurance Corporation (“MBIA”) is the principal operating subsidiary of MBIA Inc., a New York Stock Exchange listed company (the “Company”). The Company is not obligated to pay the debts of or claims against MBIA. MBIA is domiciled in the State of New York and licensed to do business in and subject to regulation under the laws of all 50 states, the District of Columbia, the Commonwealth of Puerto Rico, the Commonwealth of the Northern Mariana Islands, the Virgin Islands of the United States and the Territory of Guam. MBIA, either directly or through subsidiaries, is licensed to do business in the Republic of France, the United Kingdom and the Kingdom of Spain and is subject to regulation under the laws of those jurisdictions. In February 2007, MBIA Corp. incorporated a new subsidiary, MBIA México, S.A. de C.V. (“MBIA Mexico”), through which it intends to write financial guarantee insurance in Mexico beginning in 2007.

The principal executive offices of MBIA are located at 113 King Street, Armonk, New York 10504 and the main telephone number at that address is (914) 273-4545.

Regulation

As a financial guaranty insurance company licensed to do business in the State of New York, MBIA is subject to the New York Insurance Law which, among other things, prescribes minimum capital

requirements and contingency reserves against liabilities for MBIA, limits the classes and concentrations of investments that are made by MBIA and requires the approval of policy rates and forms that are employed by MBIA. State law also regulates the amount of both the aggregate and individual risks that may be insured by MBIA, the payment of dividends by MBIA, changes in control with respect to MBIA and transactions among MBIA and its affiliates.

The Policy is not covered by the Property/Casualty Insurance Security Fund specified in Article 76 of the New York Insurance Law.

Financial Strength Ratings of MBIA

Moody's Investors Service, Inc. rates the financial strength of MBIA "Aaa."

Standard & Poor's, a division of The McGraw-Hill Companies, Inc., rates the financial strength of MBIA "AAA."

Fitch Ratings rates the financial strength of MBIA "AAA."

Each rating of MBIA should be evaluated independently. The ratings reflect the respective rating agency's current assessment of the creditworthiness of MBIA and its ability to pay claims on its policies of insurance. Any further explanation as to the significance of the above ratings may be obtained only from the applicable rating agency.

The above ratings are not recommendations to buy, sell or hold the Bonds, and such ratings may be subject to revision or withdrawal at any time by the rating agencies. Any downward revision or withdrawal of any of the above ratings may have an adverse effect on the market price of the Bonds. MBIA does not guaranty the market price of the Bonds nor does it guaranty that the ratings on the Bonds will not be revised or withdrawn.

MBIA Financial Information

As of December 31, 2006, MBIA had admitted assets of \$10.9 billion (audited), total liabilities of \$6.9 billion (audited), and total capital and surplus of \$4.0 billion (audited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities. As of June 30, 2007, MBIA had admitted assets of \$10.8 billion (unaudited), total liabilities of \$6.8 billion (unaudited), and total capital and surplus of \$4.0 billion (unaudited) determined in accordance with statutory accounting practices prescribed or permitted by insurance regulatory authorities.

For further information concerning MBIA, see the consolidated financial statements of MBIA and its subsidiaries as of December 31, 2006 and December 31, 2005 and for each of the three years in the period ended December 31, 2006, prepared in accordance with generally accepted accounting principles, included in the Annual Report on Form 10-K of the Company for the year ended December 31, 2006 and the consolidated financial statements of MBIA and its subsidiaries as of June 30, 2007 and for the six month periods ended June 30, 2007 and June 30, 2006 included in the Quarterly Report on Form 10-Q of the Company for the quarter ended June 30, 2007, which are hereby incorporated by reference into this Official Statement and shall be deemed to be a part hereof.

Copies of the statutory financial statements filed by MBIA with the State of New York Insurance Department are available over the Internet at the Company's web site at <http://www.mbia.com> and at no cost, upon request to MBIA at its principal executive offices.

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APPENDIX A

OPINION OF BOND COUNSEL

October 16, 2007

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 \$20,000,000 General Obligation Bonds, Series 2007B (the "Bonds") dated October 16, 2007, with interest payable on July 1, 2008, 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 2008 through 2027, inclusive. The Bonds are being issued by the County for the purpose of providing funds for the acquisition, construction, design, equipping, and improvement of roads within the County and related public works facilities to house, maintain and service road improvement equipment and for the acquisition of real property for, and construction, design, equipping, rehabilitation and improvement of water improvement projects in Santa Fe, New Mexico.

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 contained in the Transcript 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. 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.

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.

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 a result.

Other than as described herein, we have not addressed nor are we opining on the tax consequences to any person of the investment in, or the receipt of interest on, the Bonds.

Respectfully,

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APPENDIX B

AUDITED FINANCIAL STATEMENTS – JUNE 30, 2006

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

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STATE OF NEW MEXICO

SANTA FE COUNTY

**Financial Statements and
Other Financial Information**

(With Independent Auditors' Reports Thereon)

Year Ended June 30, 2006



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

**STATE OF NEW MEXICO
SANTA FE COUNTY**

**Official Roster
June 30, 2006**

COUNTY COMMISSIONERS

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

COUNTY OFFICIALS

Greg Solano	County Sheriff
Victor Montoya	County Treasurer
Valerie Espinoza	County Clerk
Benito Martinez, Jr.	County Assessor
Francis J. Mathew	Probate Judge
Allen Grace	County Surveyor

ADMINISTRATIVE OFFICIAL

Gerald T.E. González	County Manager
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**STATE OF NEW MEXICO
SANTA FE COUNTY**

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STATE OF NEW MEXICO
SANTA FE COUNTY

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"21 Years of Excellence"



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

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INDEPENDENT AUDITORS' REPORT

Mr. Domingo P. Martinez, CGFM State Auditor
and
County Commissioners of the
State of New Mexico, Santa Fe County:

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Santa Fe County, New Mexico (County), as of and for the year ended June 30, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. We have also audited the financial statements of each of the County's non major governmental and fiduciary funds and budgetary comparisons presented as supplementary information in the accompanying combining and individual fund financial statements and schedules as of and for the year ended June 30, 2006, as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

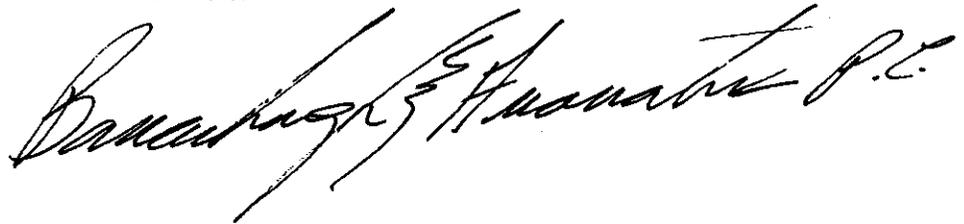
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, for the general fund and major special revenue funds, and the aggregate remaining fund information of the County, as of June 30, 2006, and the respective changes in financial position, cash flows and the budgetary comparison for general fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of each non major governmental fund, the fiduciary funds of the County, as of June 30, 2006, and the respective changes in financial position and the respective budgetary comparisons for the remaining major governmental funds and for the enterprise funds for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2006 on our consideration of the County's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The accompanying Management's Discussion and Analysis on pages 3-12 is not a required part of the basic financial statements but is supplementary information required by the accounting principles generally accepted in the United States of America. We applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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



October 28, 2006

SANTA FE COUNTY
Management's Discussion and Analysis – Unaudited
June 30, 2006

As management of Santa Fe County (County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended June 30, 2006.

PROFILE OF THE COUNTY

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. 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 and corrections), highways and streets, sanitation, health and social services, low rent housing assistance, affordable housing, culture-recreation, public projects' improvements, planning and zoning, and general administration services. A regional planning authority created by the City and County of Santa Fe, as well as County housing services, utility, home sales and jail enterprises are included within the business activity of the County's financial statements. All legislative power within the County is vested in a five-member Board of Commissioners, each of whom are elected for four-year terms. The executive function is divided and shared by the Board and six elected County officials - the Assessor, Clerk, Probate Judge, Sheriff, Surveyor and Treasurer.

The County maintains budgetary controls to ensure compliance with legal provisions required in the annual appropriated budget approved by the Board. The County's legal level of budgetary control is at the fund level. Initial appropriations must be approved by the Board of County Commissioners, within a fund may be adjusted with the approval of the Board and the New Mexico State Department of Finance and Administration (DFA). The Local Government Division of DFA is responsible for regulating the budgetary affairs of the County. Budget adjustments that do not require DFA approval are limited to transfers within organizational unit (between expenditure categories) or transfers between organizational units (same department and same fund).

Summary of County Program Highlights and Challenges

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

- The Housing Authority successfully sold fourteen (14) affordable housing units, both renovated and new construction, located in the Valle Vista subdivision. The majority of affordable housing units sold were three (3) bedroom homes ranging in appraised market value from \$80,000 to \$100,000.
- During FY2006, County ordinance and regulations were adopted to require provisions of affordable housing in Major (30%) and Minor (16%) Residential Development Projects within the Northern and Central areas of Santa Fe County. Intended to address issues and challenges concerning affordable housing in the County, within the Northern and Central areas of Santa Fe County. Intended to address issues and challenges concerning affordable housing in the County, the program expanded previous efforts applied to the Community College District and offered incentive opportunities for development, as well as policy directions toward long term affordability for the community. To-date, nearly 100 affordable housing units have been created through this program serving County residents who earn less than 120% of the Area Median Income. The effect of these affordable housing units permeates a multitude of socio-economic as well as cultural components within the community and most notably, the units lend themselves to improved community and family stability.

- The CARE Connection Program is a two-part program, which includes the development of an Assessment Center and Sobering Center. During FY 2006 the Health and Human Services Department began the construction of the Sobering Center and expects to open and accept clients by mid-November. The program strives for a better coordination of behavioral health services in Santa Fe County through a consortium of behavioral health providers, consumers, families, elected officials, Tribal officials, law enforcement and officers of the court. Services include development and implementation of a central intake and assessment center to receive and assess clients, a centralized database system to monitor the clients' needs, and a sobering center to detoxify the clients. The primary goal of the program is to divert individuals from the local hospital's emergency room and the County jail into a service-oriented program specializing in holistic treatment for individuals suffering from chronic alcohol and substance abuse. The Assessment Center opened in February 2005, and has handled 2,445 clients—issuing 1,769 vouchers for treatment and 1,148 vouchers for support services.
- During FY 2006, the Water Resources Department completed the Hydrologic Computer Model, which analyzes water resources and will assist in the development of a well program for Santa Fe County. The well program will supplement water sources to the Buckman Direct Diversion (BDD) project, a joint effort between the City and the County. The project is moving slower than anticipated, but negotiations with the City are on-going. Both governing bodies approved a major cost-sharing document for the BDD project.
- During FY 2006 the County issued \$20 million in general obligation bonds, payable from taxes, to acquire, construct, design, equip and improve roads, water projects and fire safety projects. Priority projects for funding consideration may include the Buckman Direct Diversion Project, fire sub-station improvements and upgrades to County roads. The County acquired 1,188 acre-feet of water by purchasing the Top of the World, Rio Grande-Cerro Costilla area water rights.
- The County also issued \$8,490,000 in General Obligation Bonds Series 2005 to advance refund \$8,380,000 of outstanding 1997 Series bonds. The advance refund of the 1997 series bond saved the County approximately \$100,000.
- Santa Fe County entered into a debt agreement with the New Mexico Finance Authority (NMFA) for a principal amount of \$888,889 for the purpose of defraying the cost of acquiring real property for use by the County to build a courthouse.
- The Adolescent Residential Center (ARC) is a non-secure 20-bed facility whose mission is to assist adolescent offenders with their re-entry into the community. The primary goal is to prepare the clients, through provision of group therapy focusing on life skills, to deal with issues such as cooking, hygiene, money management and job interviewing. The ARC has served fourteen (14) clients, with six clients successfully discharged, and four AWOL clients. The Youth Development Program for incarcerated youth has witnessed an average monthly population ranging from 60-70 clients. The majority of the population has been comprised of youth sentences through the United States Bureau of Prisons. During FY 2006, the County negotiated a contract with the Children Youth and Families Department (CYFD) for the housing of clients. It is anticipated that the CYFD clients will range from 30-50 clients in the first year. The Youth Development Program is striving to achieve national accreditation with the American Correctional Association.

- Santa Fe County assumed full operations of the Adult Detention Facility in October 2005, and has successfully completed one full year of managing the correctional facility. The County continues to work with the Department of Justice to resolve issues surrounding the medical care of inmates and adequate staffing of correctional officers and medical staff. The County has increased overall security staffing, increased medical staffing of nurses and doctor hours (resulting in an increase of on-site coverage) as well as increased psychiatric coverage. Additionally, the County upgraded laundry equipment, the camera system and replaced the inmate management system with the new Jail Management Software. Lastly, the County negotiated a new food service contract, which also affects the commissary operations.
- In FY 2006, the County Board of Commissioners established a formal strategic planning process and basic services were defined and an internal taskforce was trained and embarked on defining service goals and objectives.
- The County's phone system is being upgraded to an Internet-Protocol (IP) based system, which was completely installed in the Adult Detention Facility. E-mail and calendaring systems are also being standardized and upgraded.
- In FY 2006, 2,500 new structures valued at \$820 million were appraised by the County Assessor's staff and placed on the tax roll. The County Treasurer invested \$11 million in short-term CDS and also took over collection of refuse permit fees.

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

- The newly implemented affordable housing program is challenged by an increasing demand for affordable quality housing, exponentially increasing housing market pressures. Smart growth for the community is a potential, partner or threat, depending on planning and community resource-driven activities and policies. Working with a growing network of community partners is also a challenge due to the greater need for integration of efforts and limitation of available resources.
- The need for providing an adequate water supply within our drought-stricken area will continue to be placed at the forefront of future challenges. The challenge to be met is to balance the availability of an adequate water supply with the demand for increased land development. The County is continuing to acquire water right acquisitions while conducting ongoing plans with the City of Santa Fe for financing and constructing the Buckman Direct Diversion project.
- The County assumed full operation of the Adult Detention Facility, which includes the security, medical and administrative components of running the facility. The implementation of the ¼ % gross receipts tax for correctional facilities (enacted by the 2004 NM Legislative Session), assisted in the assumption of complete jail operations. The challenge of maintaining a fiscal balance, requiring no additional funding from the general fund, while marketing available beds to other jurisdictions, will continue to be a major focus for operation of the adult detention facility. An additional challenge is maintaining adequate staffing by providing competitive salary for both correctional officers and nursing staff. The medical component has proven to be a large challenge for the County both from the perspective of maintaining nursing staff and balancing the budget for inmate medical costs.
- The County plans to propose a Countywide emergency medical service and emergency communications gross receipts tax to the voters at the November general election. The tax, if approved, will be used for the operation of the Regional Emergency Communications Center (RECC is currently jointly funded by the City and the County), and the operation of emergency medical services provided by Santa Fe County. With the increase, the gross receipts tax rate in the County will be 6.5625 percent. The tax may be met with possible opposition from the city, and city firefighters.
- Santa Fe County participates in the "Sole Community Provider" Program wherein payment is made to the State Health Department, which in turn matches the money with a federal grant to fund the operation of local hospitals. St. Vincent Hospital benefits from this grant and supports

County health programs, defined by an Agreement between the hospital and the County. The agreement has been expanded to cover jail medical costs and to fund the Assessment and Sobering Center. In recent years, the County has struggled to meet the required base commitment for the Sole Community Provider (SCP) payment. The required base payment exceeds the available gross receipts tax revenue available for SCP funding. A \$2 million increase in SCP payments has occurred from FY2005-FY2007. In previous years, the fund that sustains the SCP payments has had sufficient cash balance to meet the growing base payments. This is no longer the case. The County will be able to meet the SCP base payment required in FY 2007, but the funding for a supplemental payment in FY 2007 is highly unlikely. SCP payments will be limited to available gross receipts tax revenue available for FY 2008.

- The judicial court complex has been overcrowded and in dire need of renovation to accommodate security issues. The 1/16th gross receipts tax increment was enacted and collections started January 2006. Though there is no statutory dedication of this revenue other than for general fund purposes, there is an informal Board of County Commissioners commitment of this revenue for the purpose of constructing a judicial center. The County also plans to propose a \$25 million general obligation bond question to the voters at the November general election specifically for the construction of a courthouse. The total estimated cost of the proposed courthouse and parking garage is \$45 million. The County has identified land on Sandoval Street at Montezuma Avenue, as the location of the new courthouse in an effort to maintain a downtown location for the courthouse.
- Capital funding through state legislative grants were substantially increased for Santa Fe County, from \$2.6 million in FY 2006 to \$10 million in FY 2007. The construction of community centers and health service facilities presents the County with a funding challenge where County-operated programs are envisioned for these facilities.

Overview of the Financial Statements

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

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

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

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

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

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

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

The County as a Whole

As of June 30, 2006 and 2005, net assets are as follows:

	2006			2005		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
ASSETS						
Current and Other Assets	\$ 124,778,101	\$ 18,488,783	\$ 143,266,884	\$ 90,686,591	\$ 16,227,813	\$ 106,914,404
Capital and Non-Current Assets	66,386,405	44,003,162	110,389,567	40,117,070	37,752,691	77,869,761
Total Assets	<u>191,164,506</u>	<u>62,491,945</u>	<u>253,656,451</u>	<u>130,803,661</u>	<u>53,980,504</u>	<u>184,784,165</u>
LIABILITIES						
Current Liabilities	15,270,067	2,493,124	17,763,191	9,162,516	2,567,779	11,730,295
Long-Term Liabilities	58,669,823	36,704,559	95,374,382	45,181,798	37,296,908	82,478,706
Total Liabilities	<u>73,939,890</u>	<u>39,197,683</u>	<u>113,137,573</u>	<u>54,344,314</u>	<u>39,864,687</u>	<u>94,209,001</u>
NET ASSETS						
Invested in capital assets	15,402,611	5,880,142	21,282,753	(5,774,104)	(966,454)	(6,740,558)
Restricted	46,739,368	2,387,579	49,126,947	36,484,671	2,049,600	38,534,271
Unrestricted (deficit)	55,082,637	15,026,541	70,109,178	45,748,780	13,032,671	58,781,451
Total net assets	<u>\$ 117,224,616</u>	<u>\$ 23,294,262</u>	<u>\$ 140,518,878</u>	<u>\$ 76,459,347</u>	<u>\$ 14,115,817</u>	<u>\$ 90,575,164</u>

The County's major governmental funds are the General Fund, EMS and Health Care Fund, Capital Outlay - Gross Receipts Tax fund, and the General Obligation Bond Series 2005 fund. The governmental funds had an excess of revenues and other financing sources over expenditures and other financing uses of \$30,737,660, approximately a \$22.9 million increase over 2005. Total governmental revenues increased approximately \$20.7 million mainly due to increased property and gross receipts taxes, charges for services and investment income. In addition the County recorded its infrastructure acquired since June 30, 1980 (see footnote 2), in the 2006 fiscal year.

Government-wide financial analysis.

The County change in net assets for the year ended June 30, 2006 was \$23,490,976 compared to \$14,492,953 for the year ended June 30, 2005. See pages 16 and 18 for more detail on the differences between the government wide financial statements and the governmental fund financial statements.

The fiscal year 2006 personnel costs increased due to an increase of 202 positions over the 603 positions from the 2005 fiscal year. The County assumed operations of the Adult Detention Facility in October 2005, and the majority of the new positions are assigned to the Adult Detention Facility. Two Transfer Station Caretakers were approved for the Public Works Department. Additional positions included a Voter Outreach Coordinator and a Voter Information Specialist.

The Jail Facility Enterprise Fund needed a general fund transfer of \$5,959,064 to cover the cost of housing adult inmates. This is a significant demand on General Fund resources. At the same time the population served by the Jail Facility Fund has increased, and the scope and quality of services mandated by the State and Federal Governments have been raised. A County ordinance enacting the ¼% Countywide Corrections gross receipts tax was approved after the start of the fiscal year, and alleviates some of the Jail Facility Fund need for future transfers from the General Fund.

Changes in the County's Net Assets Year Ended June 30, 2006 and 2005

	2006			2005		
	Changes in Net assets			Changes in Net assets		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Revenues						
Program revenues						
Charges for services	\$ 9,828,097	\$ 14,295,109	\$ 24,123,206	\$ 8,492,270	\$ 11,109,925	\$ 19,602,195
Operating grants and contributions	7,089,664	811,229	7,900,893	5,489,596	668,393	6,157,989
Capital grants and contributions	2,180,528	-	2,180,528	1,806,781	62,700	1,869,481
General revenues						
Property taxes	39,207,706	-	39,207,706	32,291,493	-	32,291,493
Gross receipt taxes	32,550,085	-	32,550,085	26,933,587	-	26,933,587
Other taxes	2,249,213	-	2,249,213	1,358,130	-	1,358,130
Investment income	3,951,150	191,709	4,142,859	1,673,837	178,945	1,852,782
Other	515,308	17,688	532,996	723,852	16,648	740,500
Contribution not restricted to a specific program	1,508,735	-	1,508,735	2,882,460	-	2,882,460
Total revenues	99,080,486	15,315,735	114,396,221	81,652,006	12,036,611	93,688,617
Expenses						
General government	19,721,746	-	19,721,746	19,232,291	-	19,232,291
Public safety	12,951,297	-	12,951,297	11,735,285	-	11,735,285
Highways and streets	10,055,141	-	10,055,141	7,192,633	-	7,192,633
Health and welfare	20,227,701	-	20,227,701	17,906,803	-	17,906,803
Culture and recreation	502,693	-	502,693	520,991	-	520,991
Economic development	316,602	-	316,602	289,758	-	289,758
Interest on long-term debt	2,211,444	-	2,211,444	2,511,792	-	2,511,792
Housing Services	-	1,618,964	1,618,964	-	1,801,301	1,801,301
Utilities Department	-	1,483,430	1,483,430	-	1,256,254	1,256,254
Jail Facility	-	20,967,958	20,967,958	-	16,087,922	16,087,922
Regional Planning Authority	-	9,359	9,359	-	41,848	41,848
Home sales	-	838,910	838,910	-	618,786	618,786
Total expenses	65,986,624	24,918,621	90,905,245	59,389,553	19,806,111	79,195,664
Increase (decrease) in net assets before transfers	33,093,862	(9,602,886)	23,490,976	22,262,453	(7,769,500)	14,492,953
Transfers	(18,781,331)	18,781,331	-	(13,520,701)	13,520,701	-
Change in net assets	\$ 14,312,531	\$ 9,178,445	\$ 23,490,976	\$ 8,741,752	\$ 5,751,201	\$ 14,492,953

Budgetary Highlights

The Santa Fe County Fiscal Year 2006 Budget totals \$123,628,110, or \$109,176,983 without counting transfers between funds. The total budget includes general operating funds which are associated with the daily operation of County government, special revenue funds which are those funds legally restricted to specific uses such as road maintenance, lodgers tax, indigent health care, capital improvement funds for improvements to County facilities and County infrastructure, debt service funds which pay for principal and interest on outstanding bonds and enterprise funds where user fees primarily generate the fund revenues.

The General Fund original operating budget expenditures for Fiscal Year 2006 totals \$41.3 million and totaled \$46.9 million with all budget changes, up \$0.9 million from \$40.4 million budgeted in Fiscal Year 2005. Alcohol and Detox Programs were removed from this fund and designated as special revenue funds. If General Fund expenditures included these programs, they would total \$43.2 million, or an increase of \$2.9 million from FY 2005. The major sources of increase to General Fund revenues are an increase of \$1.7 million in property taxes, \$0.2 million increase in gross receipts taxes, a \$0.4 million increase in fees, charges, interest and other revenue, a \$1.4 million decrease in state and federal (\$0.5 million increase if Alcohol and Detox programs are added), and a \$0.3 million increase in budgeted cash, primarily due to actual revenue exceeding budget in FY 2005. Actual revenues and expenditures varied from final budgeted amounts by \$3.5 million more in revenue and \$4.5 million less in expenditures.

The Special Revenue Funds budget for Fiscal Year 2006 totals \$40.8 million and totaled \$67.6 million after all budget changes, which is an \$8.8 million increase from the \$32.0 million, budgeted in the prior fiscal year. This increase is principally due to the inclusion of the Alcohol and Detox Programs, \$1.9 million, as Special Revenue Funds instead of within the General Fund, the new Corrections Gross Receipts Tax, receipts of \$4.3 million, increases in the EMS and Health Care fund of \$1.5 million, and the Capital Outlay Tax fund of \$0.4 million.

Capital Project Funds original budget for Fiscal Year 2006 totals \$12.5 million and totaled \$42.9 million with all budget adjustments, compared to \$10.0 million in Fiscal Year 2005. The \$2.3 million difference can be attributed primarily to Open Space Public Works projects. Budget increases, totaling \$30.6 million were approved during the fiscal year. The significant adjustments were:

- \$20.0 million for bond proceeds;
- \$ 9.3 million for grants and
- budgeted cash of \$1.3 million.

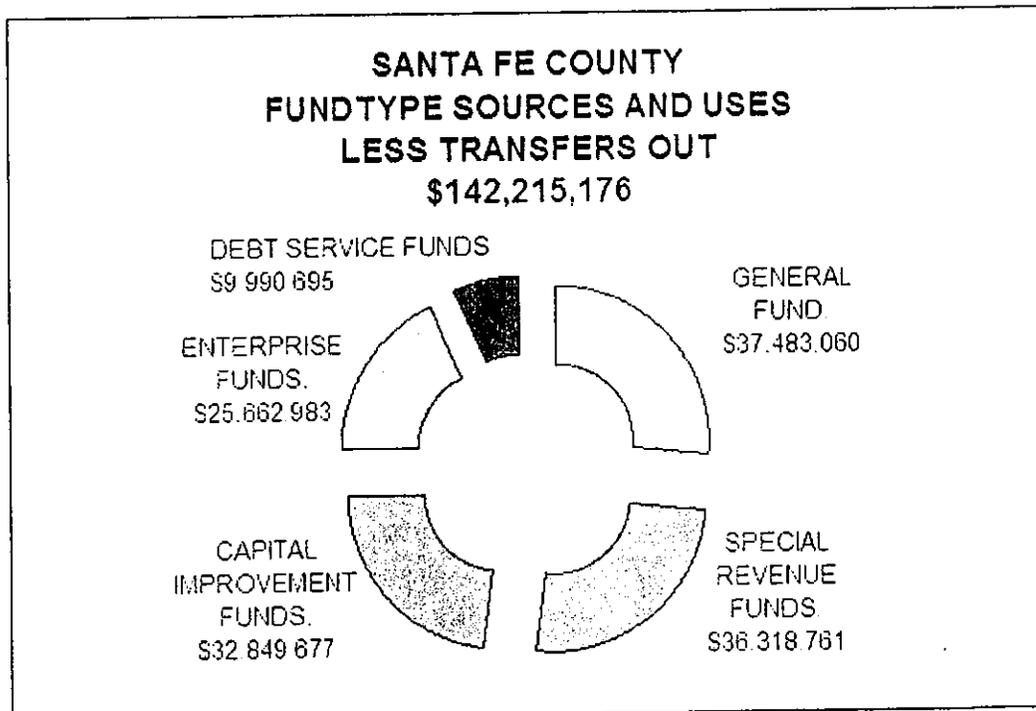
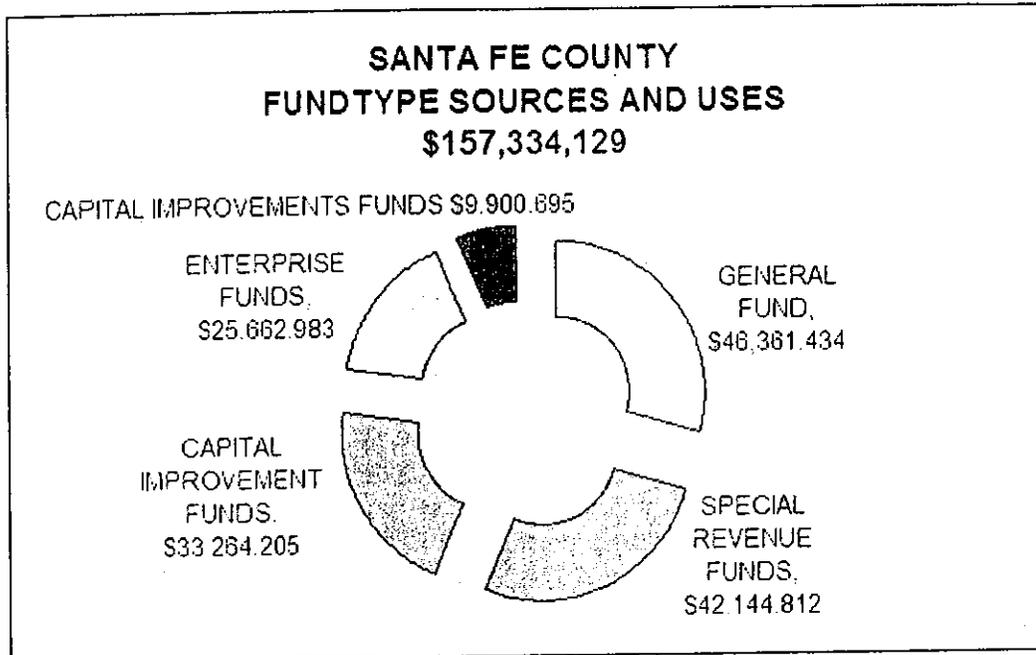
Debt Service Funds original and final budgets were at \$5 million and \$4.9 million in Fiscal Year 2006, compared to \$4.9 million in the prior fiscal year mainly due to budgeted cash of \$100,000.

Enterprise Fund budgets (water utilities, housing, regional planning authority and the jail) total \$23.6 million and totaled \$30.5 million after budget adjustments in Fiscal Year 2006, up from \$18.5 million in Fiscal Year 2005. Nearly all of this increase is due to the related costs of assuming operation of the Adult Detention Facility, continued operation of the Youth Development (Juvenile) Facility, and the inclusion of the Adolescent Residence Center and the Youth Day Reporting Program.

Budget increases, decreases and transfers totaling \$69.8 million were approved during the fiscal year.

Significant 2006 budget adjustments were:

- \$11 million for grants for the Road Projects, Special Appropriations, Utilities, General and Jail;
- Bond proceeds of \$20.9 million;
- Transfers between funds of \$14.7 million, and
- Budgeted cash carryover totaling \$2.8 million for the General Fund, \$4.5 million for the Jail Facility Fund and \$15.9 million for the Capital Outlay Gross Receipts Tax Fund.



Credit Ratings

Standard and Poor's performed an underlying rating review as of January 2005 of the 1997 Santa Fe County Gross Receipts Tax Revenue Bonds and affirmed an "A" rating with a stable outlook. Moody's performed a rating review as of July 2005 of the 2005 General Obligation Bond Refunding Series of the 1997 General Obligation Bond issue with an affirmation of an underlying Aa2 rating with a stable outlook.

Capital Assets and Debt Administration

Capital Assets

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

- Capital costs attributed to the Care Connection – Sobering Center for renovation and construction totaling \$481,588.
- Capital costs attributed for various County roads totaling \$1,308,517.
- Capital costs attributed to the Agua Fria Community Center project of \$706,706.
- Capital costs of \$501,657 for the construction of the Vista Grande Senior Center.
- Capital costs of \$1,384,643 for the construction of the Hondo/Eastern Regional Fire Station.
- Capital costs for the San Isidro River Restoration project of \$121,500.
- Capital costs for the purchase of land for Open Space and Trails projects totaling \$348,546.
- Purchase of the Paramount property totaling \$2,061,750. Additional Phase II Assessment costs such as environmental assessment and legal services totaled \$17,511. The Paramount Building was prepared for interim occupation by the Health Department and the Finance Department while their permanent facilities were remodeled.
- Capital costs attributed to the purchase of the Top of the World – Upper Rio Grande-Cerro Costilla water rights totaling \$4,990,299.

Long-Term Debt Administration

Santa Fe County's maximum legal debt capacity for general obligation bond indebtedness was \$216,200,590 as of June 30, 2006. Current general obligation outstanding debt issues obligate \$56,208,998, leaving \$159,991,592 of available bonding capacity in excess of present debt requirements. The County plans to issue the next series of general obligation bonds in January 2007.

Economic Factors and Next Year's Budget and Rates

The Santa Fe County Fiscal Year 2007 Budget, totals \$157,334,129, or \$142,215,176 without transfers between funds. The total budget includes general operating funds, which are associated with the daily operation of County government, special revenue funds, lodgers' tax, indigent health care, capital improvement funds, debt service funds and enterprise funds.

The General Fund operating budget for Fiscal Year 2007 expenditures totals \$46.3 million, up \$5.0 million from \$41.3 million budgeted in Fiscal Year 2006. The major sources of increases in General Fund revenues are attributable to increases in property taxes and gross receipt taxes.

The Special Revenue Funds budget for Fiscal Year 2007 totals \$42.1 million, which is up somewhat from the \$40.9 million, budgeted in the prior fiscal year. This increase is principally due to the movement of alcohol related grants totaling \$923,799 and Detoxification grants totaling \$1,501,419 from the General Fund to individual funds.

Capital Project Funds are budgeted in Fiscal Year 2007 at \$33.2 million compared to \$12.9 million in Fiscal Year 2006. The increase is principally due to budgeting the intergovernmental grants for a total of \$12.5 million (advance notice of award amount is not typically provided before budget submission to DFA) and budgeted cash. Debt Service Funds are budgeted at \$9.9 million in Fiscal Year 2007, compared to \$4.8 million in the prior fiscal year. This increase is due to the issuance of the 2005A Series GOB for public works, water and fire.

Enterprise Funds budgets (water utilities, housing, and the County jail) total \$25.6 million in Fiscal Year 2007, which is up \$2.0 million from the prior fiscal year.

Financial Contact

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

STATE OF NEW MEXICO
SANTA FE COUNTY

Exhibit 1

Statement of Net Assets

June 30, 2006

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
ASSETS			
Equity in pooled cash investments - Unrestricted	\$ 24,309,135	\$ -	\$ 24,309,135
Equity in pooled cash investments - Restricted	80,277,142	15,371,527	95,648,669
Receivables, net of allowance for uncollectible			
Accounts	67,344	1,810,065	1,877,409
Taxes	10,234,530	-	10,234,530
Interest	460,036	66,582	526,618
Grantor agencies and other	3,612,393	-	3,612,393
Mortgage receivables	5,817,521	197,134	6,014,655
Interfund balances	-	-	-
Assets held for sale	-	1,236,426	1,236,426
Capital assets (net of accumulated depreciation)	66,386,405	34,488,554	100,874,959
Deferred costs, net	-	377,011	377,011
Water rights	-	8,944,646	8,944,646
Total assets	\$ 191,164,506	\$ 62,491,945	\$ 253,656,451
LIABILITIES			
Accounts payable	\$ 2,828,589	\$ 458,131	\$ 3,286,720
Accrued payroll	517,553	273,187	790,740
Accrued interest	1,228,886	645,371	1,874,257
Interfund balances	-	-	-
Deferred revenue	1,087,773	192,951	1,280,724
Deposits held for others	104,207	74,985	179,192
Noncurrent liabilities:			
Due within one year	9,503,059	848,499	10,351,558
Due in more than one year	58,669,823	36,704,559	95,374,382
Total liabilities	73,939,890	39,197,683	113,137,573
NET ASSETS			
Invested in capital assets, net of related debt	15,402,611	5,880,142	21,282,753
Restricted for:			
Debt service	10,724,885	2,387,579	13,112,464
Capital projects	36,014,483	-	36,014,483
Unrestricted	55,082,637	15,026,541	70,109,178
Total net assets	\$ 117,224,616	\$ 23,294,262	\$ 140,518,878

The accompanying notes are an integral part of this statement.

STATE OF NEW MEXICO
SANTA FE COUNTY

Exhibit 2

Statement of Activities

Year Ended June 30, 2006

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	Total
Primary government:						
Governmental activities						
General government	\$ 5,759,387	\$ 1,755,181	\$ -	\$ (12,207,178)	\$ -	\$ (12,207,178)
Public safety	-	1,268,518	-	(11,682,779)	-	(11,682,779)
Highways and streets	-	42,406	2,180,528	(7,832,207)	-	(7,832,207)
Health and welfare	4,068,710	3,891,159	-	(12,267,832)	-	(12,267,832)
Culture and recreation	-	123,400	-	(379,293)	-	(379,293)
Economic development	-	9,000	-	(307,602)	-	(307,602)
Interest expense	-	-	-	(2,211,444)	-	(2,211,444)
Total governmental activities	9,828,097	7,089,664	2,180,528	(46,888,335)	-	(46,888,335)
Business -type activities:						
Housing services	409,788	725,035	-	-	(484,141)	(484,141)
Utilities department	1,740,658	70,297	-	-	327,525	327,525
Jail facility	10,848,317	15,897	-	-	(10,103,744)	(10,103,744)
Regional planning authority	-	-	-	-	(9,359)	(9,359)
Home sales	1,296,346	-	-	-	457,436	457,436
Total business-type activities	14,295,109	811,229	-	-	(9,812,283)	(9,812,283)
Total primary government	\$ 24,123,206	\$ 7,900,893	\$ 2,180,528	(46,888,335)	(9,812,283)	(56,700,618)
General Revenues						
Property taxes	39,207,706	-	-	39,207,706	-	39,207,706
Gross receipt taxes	32,550,085	-	-	32,550,085	-	32,550,085
Other taxes	2,249,213	-	-	2,249,213	-	2,249,213
Investment income	3,951,150	191,709	-	3,951,150	191,709	4,142,859
Other	515,308	17,688	-	515,308	17,688	532,996
Contributions not restricted to a specific program	1,508,735	-	-	1,508,735	-	1,508,735
Total general revenues	79,982,197	209,397	-	79,982,197	209,397	80,191,594
Changes in net assets before transfers	33,093,862	-	-	33,093,862	(9,602,886)	23,490,976
Transfers	(18,781,331)	18,781,331	-	(18,781,331)	18,781,331	-
Change in net assets	14,312,531	9,178,445	-	14,312,531	9,178,445	23,490,976
Net assets - beginning	76,459,347	14,115,817	-	76,459,347	14,115,817	90,575,164
Prior period restatement	26,452,738	-	-	26,452,738	-	26,452,738
Net assets - beginning as adjusted	102,912,085	14,115,817	-	102,912,085	14,115,817	117,027,902
Net assets - ending	\$ 117,224,616	\$ 23,294,262	-	\$ 117,224,616	\$ 23,294,262	\$ 140,518,878

The accompanying notes are an integral part of this statement.

STATE OF NEW MEXICO
SANTA FE COUNTY

Exhibit 3

Balance Sheet
Governmental Funds

June 30, 2006

	Major Funds					Total
	Special Revenue Fund		Capital Project Funds			
	General	EMS and Health Care	Capital Outlay	General	Non-Major Other Funds	
			Gross Receipts Tax	Obligation Bond Series 2005		
ASSETS						
Equity in pooled cash and investments - Unrestricted	\$23,713,215	\$ 595,920	\$ -	\$ -	\$ -	\$ 24,309,135
Equity in pooled cash and investments - Restricted	1,815,290	2,129,729	23,599,469	13,267,449	39,465,205	80,277,142
Receivables, net of allowance for uncollectible						
Accounts	67,344	-	-	-	-	67,344
Taxes	4,637,536	832,089	1,566,311	-	3,198,594	10,234,530
Interest	336,208	-	-	60,593	63,235	460,036
Grantor agencies and other	564,364	-	-	-	3,048,029	3,612,393
Mortgages	-	-	-	-	5,817,521	5,817,521
Due from other funds	1,012,293	-	-	-	5,719	1,018,012
Total assets	\$32,146,250	\$ 3,557,738	\$ 25,165,780	\$ 13,328,042	\$ 51,598,303	\$ 125,796,113
LIABILITIES AND FUND BALANCE						
Liabilities						
Accounts payable	\$ 784,714	\$ 48,701	\$ 36,687	\$ 230,022	\$ 1,728,465	\$ 2,828,589
Accrued payroll	393,345	77,505	-	-	46,703	517,553
Due to other funds	-	-	-	-	1,018,012	1,018,012
Deferred revenue	3,387,050	-	-	-	6,954,565	10,341,615
Deposits held for others	-	-	-	-	104,207	104,207
Total liabilities	4,565,109	126,206	36,687	230,022	9,851,952	14,809,976
Fund Balance						
Reserved for						
Encumbrances	2,231,266	1,252,334	1,436,700	1,019,650	3,068,488	9,008,438
Debt service	-	-	-	-	10,724,885	10,724,885
Total reserved fund balance	2,231,266	1,252,334	1,436,700	1,019,650	13,793,373	19,733,323
Unreserved						
Special Revenue	-	49,469	-	-	17,784,297	17,833,766
Contingency	1,815,290	2,129,729	-	-	-	3,945,019
Capital projects	-	-	23,692,393	12,078,370	10,143,681	45,914,444
Unreserved - Undesignated	23,534,585	-	-	-	25,000	23,559,585
Total unreserved fund balance	25,349,875	2,179,198	23,692,393	12,078,370	27,952,978	91,252,814
Total fund balance	27,581,141	3,431,532	25,129,093	13,098,020	41,746,351	110,986,137
Total liabilities and fund balance	\$32,146,250	\$ 3,557,738	\$ 25,165,780	\$ 13,328,042	\$ 51,598,303	\$ 125,796,113

The accompanying notes are an integral part of this statement.

STATE OF NEW MEXICO
SANTA FE COUNTY

Exhibit 4

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

June 30, 2006

Amounts reported for governmental activities in the statement of net assets are different because:

Total Fund Balance Governmental Funds	\$ 110,986,137
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds	66,386,405
Long-term liabilities, including bonds payable, and therefore are not reported in the governmental funds	(68,315,499)
Reductions of deferred revenue for property tax revenue recorded on full accrual basis. Governmental funds recognize tax revenue on the modified accrual basis	3,436,321
Accrual of interest on long-term obligations not recorded by the governmental funds until paid	(1,228,886)
Developer funded mortgages not recorded as revenue by the governmental funds until paid by the homeowners	5,817,521
Capitalized bond issuance and deferred costs, net of amortization, expensed by the governmental funds	253,528
Bond premium, net of amortization	<u>(110,911)</u>
Net assets governmental activities	<u><u>\$ 117,224,616</u></u>

The accompanying notes are an integral part of this statement.

STATE OF NEW MEXICO
SANTA FE COUNTY

Exhibit 5

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

Year Ended June 30, 2006

	Major Funds					Total
	Special Revenue Fund		Capital Project Funds			
	General	EMS and Health Care	Capital Outlay		General	
			Gross Receipts Tax	Obligation Bond Series 2005	Non-Major Other Funds	
Revenues:						
Grants	\$ 1,754,243	\$ 249,525	\$ -	\$ -	\$ 7,266,424	\$ 9,270,192
Taxes and special assessments	36,313,562	4,784,944	9,205,854	-	22,938,755	73,243,115
Interest earnings	2,904,858	-	-	392,368	653,924	3,951,150
Charges for services, fines and penalties	1,906,418	4,068,710	-	-	3,852,969	9,828,097
Other	320,587	2,227	-	-	192,494	515,308
Total revenues	43,199,668	9,105,406	9,205,854	392,368	34,904,566	96,807,862
Expenditures:						
Current						
General government	14,906,976	-	-	-	866,944	15,773,920
Public safety	7,809,025	-	-	-	2,489,090	10,298,115
Highways and streets	4,771,030	-	-	-	2,511,479	7,282,509
Health and welfare	571,966	9,078,546	-	-	10,118,147	19,768,659
Culture and recreation	282,550	-	-	-	154,445	436,995
Economic development	-	-	-	-	316,602	316,602
Capital outlay	2,379,668	-	1,929,094	6,368,784	6,227,316	16,904,862
Debt service (principal and interest)	-	-	-	-	4,905,990	4,905,990
Debt issuance costs	-	-	-	81,638	84,607	166,245
Total expenditures	30,721,215	9,078,546	1,929,094	6,450,422	27,674,620	75,853,897
Excess (Deficiency) of Revenues over Expenditures	12,478,453	26,860	7,276,760	(6,058,054)	7,229,946	20,953,965
Other Financing Sources (Uses):						
Operating transfers, in	2,461,464	33,717	752,737	967,396	3,222,681	7,437,995
Operating transfers, out	(9,291,168)	-	(645,000)	(1,817,332)	(6,844,246)	(18,597,746)
Proceeds from refunding issue	-	-	-	-	8,604,656	8,604,656
Payment to refunded bonds escrow agent	-	-	-	-	(8,556,109)	(8,556,109)
Proceeds from bonds	-	-	-	20,006,010	888,889	20,894,899
Total other financing sources (uses)	(6,829,704)	33,717	107,737	19,156,074	(2,684,129)	9,783,695
Net changes in fund balance	5,648,749	60,577	7,384,497	13,098,020	4,545,817	30,737,660
Fund balance, beginning of year	21,932,392	3,370,955	17,744,596	-	37,200,534	80,248,477
Fund balance, end of year	\$27,581,141	\$ 3,431,532	\$ 25,129,093	\$13,098,020	\$41,746,351	\$110,986,137

The accompanying notes are an integral part to this statement.

**STATE OF NEW MEXICO
SANTA FE COUNTY**

Exhibit 6

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

Year Ended June 30, 2006

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balance total governmental funds	\$ 30,737,660
Current year Capital Outlay expenditures capitalized in the statement of Net Assets	16,904,862
Depreciation expense recorded in the Statement of Activities	(9,450,227)
Debt Service principal payments expensed in the governmental funds, recorded as a reduction of long-term liabilities in the Statement of Net Assets	11,164,565
Proceeds of bonds issued during 2006 recorded as other financing sources in the governmental funds but as liabilities in the government wide financial statements	(29,378,889)
General fund payments expense for capital lease obligations and post closure costs recorded as a reduction of long-term liabilities	66,656
Capitalized bond issuance costs, net of amortization	253,528
Bond premium, net of amortization	(110,911)
Increase in compensated absences not recorded until paid by the governmental funds	(413,744)
Net increase in accrued interest expense not recorded until paid by the governmental funds	(95,555)
Current year developer funded mortgages not recorded as revenue in the governmental funds but recorded as deferred revenue	1,508,735
Net effect of full accrual accounting to record tax revenue in the Statement of Activities which is recorded on a modified accrual basis in the governmental financial statements	763,889
Contributed capital from governmental funds to the enterprise funds included in the transfer from governmental activities to Business-type activities	(7,621,580)
Loss on disposal of capital assets not recorded in the governmental funds	<u>(16,458)</u>
Change in net assets	<u>\$ 14,312,531</u>

The accompanying notes are an integral part of this statement.

STATE OF NEW MEXICO
SANTA FE COUNTY

Exhibit 7

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

Year Ended June 30, 2006

	Original Budget	Final Budget	Actual	Variance- Favorable (Unfavorable)
Revenues:				
Grants	\$ 1,820,597	\$ 2,168,233	\$ 1,747,986	\$ (420,247)
Taxes and special assessments	33,567,200	34,006,482	35,797,488	1,791,006
Interest earnings	1,300,000	1,300,000	2,783,858	1,483,858
Charges for services	1,042,450	1,147,248	1,388,012	240,764
Licenses and permits	415,300	417,206	569,302	152,096
Other	50,000	107,635	406,896	299,261
Total revenues	38,195,547	39,146,804	<u>\$ 42,693,542</u>	<u>\$ 3,546,738</u>
Cash balance carryforward	2,482,397	5,325,241		
Total	<u>\$ 40,677,944</u>	<u>\$ 44,472,045</u>		
Expenditures:				
General government	\$ 19,756,183	\$ 21,929,620	\$ 18,662,969	\$ 3,266,651
Public Safety	7,356,085	8,399,148	8,060,727	338,421
Highways and streets	1,043,731	1,098,041	994,556	103,485
Health and welfare	705,993	932,392	602,956	329,436
Culture and recreation	534,618	641,137	592,097	49,040
Public Works	3,305,672	4,642,003	4,260,673	381,330
Total expenditures	<u>\$ 32,702,282</u>	<u>\$ 37,642,341</u>	<u>\$ 33,173,978</u>	<u>\$ 4,468,363</u>
Other financing sources (uses):				
Bond proceeds	\$ -	\$ -	\$ -	\$ -
Operating transfers in	694,068	2,461,464	2,461,464	-
Operating transfers out	(8,669,730)	(9,291,168)	(9,291,168)	-
Total other financing sources (uses)	<u>\$ (7,975,662)</u>	<u>\$ (6,829,704)</u>	<u>\$ (6,829,704)</u>	<u>\$ -</u>
Net income (loss) - Budgetary basis			\$ 2,689,860	
Reconciliation to GAAP basis income (loss):				
To record audit adjustment for revenue			2,285,668	
To record audit adjustment for expenses			(4,037)	
Outstanding encumbrances recorded as budgetary expenditures and not for GAAP purposes, net of accounts payable			2,231,266	
Reversal of prior year accruals			<u>(1,554,008)</u>	
Change in net assets - GAAP basis			<u>\$ 5,648,749</u>	

The accompanying notes are an integral part of this statement.

STATE OF NEW MEXICO
SANTA FE COUNTY

Exhibit 8

EMS and Health Care
Statement of Revenues and Expenditures

Budget to Actual (Non-GAAP Basis)

Year Ended June 30, 2006

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
Revenues:				
Grants	\$ 343,953	\$ 343,953	\$ 249,525	\$ (94,428)
Taxes and special assessments	4,300,000	4,300,000	4,717,621	417,621
Interest earnings	-	-	-	-
Charges for services	4,010,239	4,719,910	4,392,800	(327,110)
Licenses and permits	55,000	55,000	131,140	76,140
Other	-	-	778	778
Total revenues	<u>8,709,192</u>	<u>9,418,863</u>	<u>\$ 9,491,864</u>	<u>\$ 73,001</u>
Cash balance carryforward	<u>609,769</u>	<u>1,534,380</u>		
Total	<u>\$ 9,318,961</u>	<u>\$ 10,953,243</u>		
Expenditures:				
General government	\$ 1,082,426	\$ 1,122,362	\$ 1,122,362	\$ -
Public safety	3,645,790	4,606,586	4,079,599	526,987
Highways and streets	-	-	-	-
Health and welfare	4,590,745	5,258,012	5,155,708	102,304
Culture and recreation	-	-	-	-
Public Works	-	-	-	-
Total expenditures	<u>\$ 9,318,961</u>	<u>\$ 10,986,960</u>	<u>\$ 10,357,669</u>	<u>\$ 629,291</u>
Other financing sources (uses):				
Bond proceeds	\$ -	\$ -	\$ -	\$ -
Operating transfers in	-	33,717	33,717	-
Operating transfers out	-	-	-	-
Total other financing sources (uses)	<u>\$ -</u>	<u>\$ 33,717</u>	<u>\$ 33,717</u>	<u>\$ -</u>
Net income (loss) - Budgetary basis			\$ (832,088)	
Reconciliation to GAAP basis income (loss):				
To record audit adjustment for revenue			832,090	
To record audit adjustment for expenses			-	
Outstanding encumbrances recorded as budgetary expenditures and not for GAAP purposes, net of accounts payable			1,252,334	
Reversal of prior year accruals			<u>(1,191,759)</u>	
Change in net assets - GAAP basis			<u>\$ 60,577</u>	

The accompanying notes are an integral part of this statement.

STATE OF NEW MEXICO
SANTA FE COUNTY

Exhibit 9

Statement of Net Assets
Enterprise Funds

June 30, 2006

	Housing Services	Utilities Department	Jail Facility	Regional Planning Authority	Home Sales	Total
ASSETS						
Current Assets:						
Cash and investments- restricted	\$ 2,106,638	\$ 3,334,531	\$ 7,825,221	\$ 229,729	\$ 1,875,408	\$ 15,371,527
Accrued interest	-	1,315	65,267	-	-	66,582
Accounts receivable, net	72,427	319,607	1,418,031	-	-	1,810,065
Interfund balances	-	-	-	-	-	-
Notes receivable, net	-	4,183	-	-	-	4,183
Assets held for sale	-	-	-	-	1,236,426	1,236,426
Total current assets	<u>2,179,065</u>	<u>3,659,636</u>	<u>9,308,519</u>	<u>229,729</u>	<u>3,111,834</u>	<u>18,488,783</u>
Non-current Assets:						
Fixed assets - building, land, equipment jail facility and water system	7,365,262	9,417,954	29,453,007	6,015	-	46,242,238
Accumulated depreciation	(3,681,997)	(1,540,408)	(6,529,014)	(2,265)	-	(11,753,684)
Total fixed assets, net of depreciation	<u>3,683,265</u>	<u>7,877,546</u>	<u>22,923,993</u>	<u>3,750</u>	<u>-</u>	<u>34,488,554</u>
Deferred costs, net	-	-	377,011	-	-	377,011
Water rights	-	8,944,646	-	-	-	8,944,646
Mortgage receivable	-	-	-	-	192,951	192,951
Total assets	<u>\$ 5,862,330</u>	<u>\$ 20,481,828</u>	<u>\$ 32,609,523</u>	<u>\$ 233,479</u>	<u>\$ 3,304,785</u>	<u>\$ 62,491,945</u>
LIABILITIES AND FUND EQUITY						
Current Liabilities:						
Accounts payable	\$ 8,523	\$ 107,312	\$ 342,296	\$ -	\$ -	\$ 458,131
Accrued payroll	15,837	13,526	243,824	-	-	273,187
Accrued interest	-	-	645,371	-	-	645,371
Interfund balances	-	-	-	-	-	-
Deposits held for others	59,173	15,812	-	-	-	74,985
Current portion of notes and bonds payable	113,499	-	735,000	-	-	848,499
Deferred revenue	-	-	-	-	192,951	192,951
Total current liabilities	<u>197,032</u>	<u>136,650</u>	<u>1,966,491</u>	<u>-</u>	<u>192,951</u>	<u>2,493,124</u>
Noncurrent Liabilities:						
Notes and bonds payable	4,948,445	-	26,310,000	-	-	31,258,445
Interest payable	5,446,114	-	-	-	-	5,446,114
Total noncurrent liabilities	<u>10,394,559</u>	<u>-</u>	<u>26,310,000</u>	<u>-</u>	<u>-</u>	<u>36,704,559</u>
Total liabilities	<u>10,591,591</u>	<u>136,650</u>	<u>28,276,491</u>	<u>-</u>	<u>192,951</u>	<u>39,197,683</u>
Net assets						
Invested in capital assets and water rights, net of related debt	(6,824,793)	16,822,192	(4,121,007)	3,750	-	5,880,142
Restricted for Debt service	-	-	2,249,000	-	-	2,249,000
Unrestricted	2,095,532	3,522,986	6,205,039	229,729	3,111,834	15,165,120
Total net assets	<u>(4,729,261)</u>	<u>20,345,178</u>	<u>4,333,032</u>	<u>233,479</u>	<u>3,111,834</u>	<u>23,294,262</u>
Total liabilities and net assets	<u>\$ 5,862,330</u>	<u>\$ 20,481,828</u>	<u>\$ 32,609,523</u>	<u>\$ 233,479</u>	<u>\$ 3,304,785</u>	<u>\$ 62,491,945</u>

The accompanying notes are an integral part of this statement.

STATE OF NEW MEXICO
SANTA FE COUNTY

Exhibit 10

Statement of Revenues, Expenditures and Changes in Fund Net Assets

Enterprise Funds

Year Ended June 30, 2006

	Housing Services	Utilities Department	Jail Facility	Regional Planning Authority	Home Sales	Total
Operating revenues						
Facilities rentals and charges for services	\$ 409,788	\$ -	\$ 10,848,317	\$ -	\$ -	\$ 11,258,105
Water sales, net	-	1,740,658	-	-	-	1,740,658
Miscellaneous	-	6,688	11,000	-	-	17,688
Sale of homes	-	-	-	-	1,296,346	1,296,346
Total operating revenues	<u>409,788</u>	<u>1,747,346</u>	<u>10,859,317</u>	<u>-</u>	<u>1,296,346</u>	<u>14,312,797</u>
Operating expenses						
Cost of sales	-	-	-	-	838,910	838,910
General	1,247,569	1,483,430	19,423,068	9,359	-	22,163,426
Total operating expenses	<u>1,247,569</u>	<u>1,483,430</u>	<u>19,423,068</u>	<u>9,359</u>	<u>838,910</u>	<u>23,002,336</u>
Operating income (loss)	<u>(837,781)</u>	<u>263,916</u>	<u>(8,563,751)</u>	<u>(9,359)</u>	<u>457,436</u>	<u>(8,689,539)</u>
Non-operating revenues (expenses)						
Interest on cash and investments	-	7,817	183,892	-	-	191,709
HUD operating subsidy and other federal/state funds	725,035	70,297	15,897	-	-	811,229
Interest expense on notes payable	(371,395)	-	(1,544,890)	-	-	(1,916,285)
Total non-operating revenues (expenses)	<u>353,640</u>	<u>78,114</u>	<u>(1,345,101)</u>	<u>-</u>	<u>-</u>	<u>(913,347)</u>
Net income (loss) before contributions and operating transfers	<u>(484,141)</u>	<u>342,030</u>	<u>(9,908,852)</u>	<u>(9,359)</u>	<u>457,436</u>	<u>(9,602,886)</u>
Capital Contributions						
Capital contributions from governmental funds	30,478	7,334,966	-	-	537,592	7,903,036
Capital assets contributions (expense)	(279,966)	-	-	(1,490)	-	(281,456)
Total capital contributions	<u>(249,488)</u>	<u>7,334,966</u>	<u>-</u>	<u>(1,490)</u>	<u>537,592</u>	<u>7,621,580</u>
Operating transfers in	<u>300,489</u>	<u>180,198</u>	<u>10,579,064</u>	<u>100,000</u>	<u>-</u>	<u>11,159,751</u>
Operating transfers (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total transfers	<u>300,489</u>	<u>180,198</u>	<u>10,579,064</u>	<u>100,000</u>	<u>-</u>	<u>11,159,751</u>
Change in net assets	<u>(433,140)</u>	<u>7,857,194</u>	<u>670,212</u>	<u>89,151</u>	<u>995,028</u>	<u>9,178,445</u>
Net assets (deficit), beginning of year	<u>(4,296,121)</u>	<u>12,487,984</u>	<u>3,662,820</u>	<u>144,328</u>	<u>2,116,806</u>	<u>14,115,817</u>
Net assets (deficit), end of year	<u>\$ (4,729,261)</u>	<u>\$ 20,345,178</u>	<u>\$ 4,333,032</u>	<u>\$ 233,479</u>	<u>\$ 3,111,834</u>	<u>\$ 23,294,262</u>

The accompanying notes are an integral part of this statement.

STATE OF NEW MEXICO
SANTA FE COUNTY

Exhibit 11

Statement of Cash Flows

Enterprise Funds

Year Ended June 30, 2006

	Housing Services	Utilities Department	Jail Facility	Regional Planning Authority	Home Sales	Total
Cash Flows from Operating Activities						
Cash received from customers and others	\$ 359,521	\$ 1,676,077	\$ 10,966,061	\$ 11,069	\$ 1,296,346	\$ 14,309,074
Cash payments to suppliers for goods and services	(330,749)	(627,711)	(8,874,475)	(8,587)	(105,177)	(9,946,699)
Cash payments to employees for services	(699,429)	(646,190)	(9,257,398)	-	-	(10,603,017)
Net cash provided (used) by operating activities	(670,657)	402,176	(7,165,812)	2,482	1,191,169	(6,240,642)
Cash Flows Provided from Noncapital Financing activities						
Cash from grantors and other	560,560	70,297	15,897	-	-	646,754
Cash from operating transfers in	300,489	180,198	10,579,064	100,000	-	11,159,751
Cash used to pay due to other funds	-	-	-	-	-	-
Net cash provided by noncapital financing activities	861,049	250,495	10,594,961	100,000	-	11,806,505
Cash Flows Provided from Capital and Related Financing Activities						
Payment of notes payable and accrued interest	-	-	(2,244,890)	-	-	(2,244,890)
Cash paid for fixed assets	(30,298)	(35,030)	(729,797)	-	-	(795,125)
Net cash (used by) provided by capital and related financing activities	(30,298)	(35,030)	(2,974,687)	-	-	(3,040,015)
Cash Flows from Investing Activities - Interest on cash and investment						
	-	20,790	183,100	-	-	203,890
Net increase (decrease) in cash and cash equivalents	160,094	638,431	637,562	102,482	1,191,169	2,729,738
Cash and investments at beginning of year	1,946,544	2,696,100	7,187,659	127,247	684,239	12,641,789
Cash and investments at end of year	<u>\$ 2,106,638</u>	<u>\$ 3,334,531</u>	<u>\$ 7,825,221</u>	<u>\$ 229,729</u>	<u>\$ 1,875,408</u>	<u>\$ 15,371,527</u>

The accompanying notes are an integral part of this statement.

(Continued)

STATE OF NEW MEXICO
SANTA FE COUNTY

Exhibit 11

Statement of Cash Flows (Continued)

Enterprise Funds

Year Ended June 30, 2006

	Housing Services	Utilities Department	Jail Facility	Regional Planning Authority	Home Sales	Total
Reconciliation of operating income (loss) to net cash provided (used) by operating activities						
Operating income (loss)	<u>\$ (837,781)</u>	<u>\$ 263,916</u>	<u>\$(8,563,751)</u>	<u>\$ (9,359)</u>	<u>\$ 457,436</u>	<u>\$(8,689,539)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities						
Depreciation and amortization expenses	247,351	233,697	1,118,827	1,203	-	1,601,078
Bad debt expense	-	10,000	-	-	-	10,000
Change in assets and liabilities						
(Increase) decrease in accounts receivable	(49,583)	(132,967)	315,961	11,069	-	144,480
(Increase) decrease in notes receivable	-	48,725	-	-	-	48,725
(Increase) decrease in assets held for sale	-	-	-	-	733,733	733,733
Increase (decrease) in accounts payable and compensated absences	(36,396)	(27,129)	22,459	(431)	-	(41,497)
(Decrease) increase in deposits held for others	5,752	5,934	(59,308)	-	-	(47,622)
Total adjustments	<u>167,124</u>	<u>138,260</u>	<u>1,397,939</u>	<u>11,841</u>	<u>733,733</u>	<u>2,448,897</u>
Net cash provided by (used by) operating activities	<u><u>\$ (670,657)</u></u>	<u><u>\$ 402,176</u></u>	<u><u>\$(7,165,812)</u></u>	<u><u>\$ 2,482</u></u>	<u><u>\$ 1,191,169</u></u>	<u><u>\$(6,240,642)</u></u>

Supplemental information: Non monetary transactions - HUD forgave \$201,717 of interest and principal and contributed revenue was credited. Also the County governmental funds paid for \$30,478 of capital asset additions for Housing Services and \$7,334,966 of capital asset and water rights additions for the Utilities Department. Housing Services contributed \$279,966 of homes held for sale to the Home Sale fund and \$192,951 of mortgages receivable and corresponding deferred revenue. Other funds contributed \$257,626 of costs for homes held for sale to the Home Sales fund.

The accompanying notes are an integral part of this statement.

STATE OF NEW MEXICO
SANTA FE COUNTY

Exhibit 12

Agency Funds
Statement of Fiduciary Assets and Liabilities
June 30, 2006

ASSETS

Equity in pooled cash and investments - restricted	\$ 1,847,531
Property taxes receivable	5,942,793
Total assets	<u>7,790,324</u>

LIABILITIES

Due to other governments	5,942,793
Overpayments and taxes paid in advance	814,488
Deposits held for others	566,550
Undistributed taxes to other entities	466,493
Total liabilities	<u>7,790,324</u>
Net assets	<u>\$ -</u>

The accompanying notes are an integral part of this statement.

**STATE OF NEW MEXICO
SANTA FE COUNTY**

Notes to Financial Statements

(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 provide the following services as authorized in the grant of powers: public safety (police, fire), highways and streets, sanitation, health and social services, low rent housing assistance, culture-recreation, public improvements, planning and zoning, and general administration services.

The County's entity wide financial statements sheet includes the accounts of all the County's operations. The County's major operations include sheriff and fire protection, collection of and distribution of property taxes, parks and recreation, planning and zoning, certain health social service, general administration service, low income housing assistance, jail operations and the utilities division.

Reporting Entity

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

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

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

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

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

STATE OF NEW MEXICO
SANTA FE COUNTY

Notes to Financial Statements (Continued)

(1) Summary of Significant Accounting Policies (Continued)

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

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

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

Basis of Accounting

The basic financial statements consist of the following:

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

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the County. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* including depreciation expense are those that are clearly identifiable with a specific function or segment. The County does not allocate indirect expenses to other functions but is included in general government functions. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

STATE OF NEW MEXICO
SANTA FE COUNTY

Notes to Financial Statements (Continued)

(1) Summary of Significant Accounting Policies (Continued)

Basis of Accounting (Continued)

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities, subject to this same limitation. The County has elected not to follow subsequent private-sector guidance.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first and then unrestricted resources as they are recorded.

Governmental financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures, generally are recorded when a liability is incurred, as under accrual accounting.

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

Exceptions to this general rule include: debt service expenditures which are recorded when fund liabilities are due and to compensated absences which are recorded only when payable from current available financial resources.

Those revenues susceptible to accrual are property taxes, gross receipts taxes, state shared taxes, investment income and charges for services. In accordance with GASB Statement 33, estimated property taxes, that are not available are recorded as both accounts receivable and deferred revenue. Gross receipts and other intergovernmental taxes are not recorded as the amounts are not estimable. Grant revenues are recognized as revenues when the related costs are incurred. All other revenues are recognized when they are received and are not susceptible to accrual, because they

STATE OF NEW MEXICO
SANTA FE COUNTY

Notes to Financial Statements (Continued)

(1) Summary of Significant Accounting Policies (Continued)

Basis of Accounting (Continued)

are usually not measurable until payment is actually received.

The County reports deferred revenue on its governmental fund and government wide balance sheets. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the County before it has legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods when both revenue recognition criteria methods are met or when the County has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

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

Presentation of Funds

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

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

The County reports the following major governmental funds:

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

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

EMS and Health Care Fund. This is a special revenue fund. The revenues and expenditures in the Emergency Service Fund (EMS) represent health and emergency services revenue, and associated health and emergency services. Revenues include the receipt of the full 1/8 cent Gross Receipt tax dedicated to emergency services and health

**STATE OF NEW MEXICO
SANTA FE COUNTY**

Notes to Financial Statements (Continued)

(I) Summary of Significant Accounting Policies (Continued)

Presentation of Funds (Continued)

services payments through a Memorandum of understanding with St. Vincent's Hospital. The EMS and Health Care Fund was established by the Board of County Commissioners.

General Obligation Bond Series 2005 – In the Fiscal Year 2005, voters approved the issuance of a Public Works bond in the amount of \$20 million to be used for various public works projects including certain road projects within the scope of the bond. This capital project fund contains the proceeds of this bond and the debt on this bond is paid with property taxes through the General Obligation Bond Debt Service Fund.

The County has the following other non-major funds that are listed on the following pages of this report. Non Major Special Revenue on pages 60 to 62, Non Major Debt Service on page 95 and Non Major Capital Project Funds on page 103.

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

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

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

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

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

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

Budgets

Budgets are adopted on a basis inconsistent with generally accepted accounting principles (GAAP). Appropriations of funds unused or overspent during the fiscal year may be carried over into the next fiscal year by budgeting those amounts in the subsequent year's budget. For the June 30, 2006 actual to budget comparisons, the actual amounts are reported on the budgetary basis, which is considered to differ from the modified accrual basis for governmental fund types and accrual basis for the enterprise funds.

Differences between the budgetary basis and GAAP include the following:

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

**STATE OF NEW MEXICO
SANTA FE COUNTY**

Notes to Financial Statements (Continued)

(1) Summary of Significant Accounting Policies (Continued)

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

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

Annual Budget

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

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

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

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

- Transfer within organizational unit (between expenditure categories)
- Transfer between organization units (same department and same fund)

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

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 2006:

Rancho Viejo Improvement District
Federal Forfeitures Fund
Home Sales
Fire Tax Revenue Bond Debt Service

**STATE OF NEW MEXICO
SANTA FE COUNTY**

Notes to Financial Statements (Continued)

(1) Summary of Significant Accounting Policies (Continued)

Encumbrances

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

Equity in Pooled Cash and Investments

Equity in pooled cash and investments includes amounts in demand deposit accounts, money market accounts, certificates of deposit, U.S. Treasury securities, and repurchase agreements secured by collateral with a market value greater than 102% of the value of the agreement. The securities are held by a third party in the County's name. The market value of the repurchase agreements approximate cost at June 30, 2006. Interest earned is allocated to the applicable County funds based on the County's policy of allocating interest to those funds which are required by law or by debt covenants. The remaining interest income is recorded in the General Fund.

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

The County adopted GASB Statement No. 40 "Deposit and Investment Risk Disclosures" for the year ended June 30, 2005 which had no financial statement effect but did require additional footnote disclosures related to deposits and investments.

Statement of Cash Flows

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

Property Taxes Receivable

The County is responsible for assessing, collecting and distributing property taxes for its own operational and debt service purposes and certain outside entities. Unpaid property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on November 1 and are payable in two installments not later than December 10 and May 10. Collections and remittance of property taxes are accounted for in the County Treasurer's Agency Fund. Amounts are recognized as revenue in the applicable governmental fund types under accounting principles generally accepted in the United States. The property taxes receivable for the general fund and for the debt service in the governmental fund financial statements are net of an allowance for uncollectible.

**STATE OF NEW MEXICO
SANTA FE COUNTY**

Notes to Financial Statements (Continued)

(1) Summary of Significant Accounting Policies (Continued)

Due From/To Other Funds

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

Restricted Assets

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

Capital Assets

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

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

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

The County elected in 2003 not to retroactively implement the capitalization of infrastructure assets, until the 2006 fiscal year (see footnote 2). As a result, only the additions since 2003 had been capitalized until the 2006 fiscal year.

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

**STATE OF NEW MEXICO
SANTA FE COUNTY**

Notes to Financial Statements (Continued)

(1) Summary of Significant Accounting Policies (Continued)

Inventories and Assets held for Sale

Inventory items such as general supplies and parts are expensed when purchased since inventories are not material to the June 30, 2006 financial statements. Assets held for sale represent low income housing units available for sale.

Compensated Absences

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

Long-term Obligations

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

Fund Equity

Effective for the 2006 fiscal year the County implemented GASB Statement No. 46 Net Assets Restricted by Enabling Legislation an amendment of GASB Statement 34, which clarified the criteria of net assets restricted related to enabling legislation. There was no impact on the County's financial statements as a result of implementing this pronouncement.

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

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

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

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

Bond Discounts and Issuance Costs

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

**STATE OF NEW MEXICO
SANTA FE COUNTY**

Notes to Financial Statements (Continued)

(1) Summary of Significant Accounting Policies (Continued)

Interfund Transactions

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

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

Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**STATE OF NEW MEXICO
SANTA FE COUNTY**

Notes to Financial Statements (Continued)

(2) Prior Period Adjustment

The County has retroactively recorded the infrastructure acquired after June 30, 1980 to comply with GASB 34 requirement of reporting infrastructure no later than four years after implementation of GASB Statement 34.

	Governmental Activities	
	Capital Assets	Net Assets
As, previously reported, net	\$ 40,117,070	\$ 76,459,347
Net effect of the prior period restatement for the retroactive recording of infrastructure		
Cost of right of way land	5,465,283	5,465,283
Cost of infrastructure	31,030,192	31,030,192
Accumulated depreciation	(10,042,737)	(10,042,737)
Net effect	26,452,738	26,452,738
Beginning balances, as adjusted	\$ 66,569,808	\$102,912,085

(3) Pooled Cash and Investments

The following is a summary of pooled cash and investments at June 30, 2006:

	Government-Wide Statement of Net Assets			Fiduciary Fund Financial Statements	
	Governmental Activities	Business-Type Activities	Total	Fiduciary Funds Statement of Net Assets	Total
Cash and Investments	\$24,309,135	\$ -	\$ 24,309,135	\$ -	\$ 24,309,135
Restricted Cash and Investments	\$80,277,142	\$ 15,371,527	\$ 95,648,669	\$ 1,847,531	97,496,200
Total Cash and Investments					\$121,805,335

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The way that the County manages its exposure to interest rate risk is by investing in shorter term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations. Thus most of the investments mature within one year. Investments in Federal Agency securities with maturities greater than one year but less than two years totaled \$12,528,728 at June 30, 2006. The only security with a schedule maturity greater than 2 years is a \$1,615,000 Federal Home Loan Bank (FHLB) bond that matures March 28, 2011, but can be called by FHLB on

**STATE OF NEW MEXICO
SANTA FE COUNTY**

Notes to Financial Statements (Continued)

(3) Pooled Cash and Investments (Continued)

September 28, 2007. The County's investments in certificates of deposits are non negotiable certificate of deposits which can be redeemed before maturity without loss of principal balance.

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

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

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

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

Investments in securities of any individual issues, other than U.S. Treasury securities, mutual funds, local government investment pool, that represent 5% or more of the total government-wide investments at June 30, 2006 are as follows:

	<u>Investment Type</u>	<u>Amount</u>	<u>% of Investments</u>
Governmental Activities	Federal Home Loan Mortgage Securities	\$7,995,530	7.9%
	FHLB Securities	<u>\$8,723,592</u>	<u>8.6%</u>
	Total Federal agencies	\$16,719,122	16.5%
	Repurchase agreements	\$13,835,284	13.7%
Business-type Activities	None over 5%	-	

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

			<u>% of Investments</u>
Jail Facility	Repurchase agreement	\$2,249,616	100%
2005 GO Bond Proceeds	Federal Home Loan Mortgage Securities	\$7,695,527	60%
	FNMA Securities	<u>\$5,067,169</u>	<u>40%</u>
	Total Federal agencies	\$12,762,696	100%
Sheriff's Facility Bond Reserve	Repurchase agreement	\$425,900	100%

The carrying amounts of the County's deposits at financial institutions as of June 30, 2006, were \$20,532,760 at June 30, 2006. Bank balances before reconciling items were \$24,608,061 at June 30, 2006. Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be recovered. The County is exposed to custodial risk of \$4,716,790 because deposits are uninsured and uncollateralized (See page 133) for the detailed schedule.

**STATE OF NEW MEXICO
SANTA FE COUNTY**

Notes to Financial Statements (Continued)

(3) Pooled Cash and Investments (Continued)

Credit risk for investments is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by Standard and Poors, a nationally recognized statistical rating organization.

	<u>Credit Quality Ratings</u>	<u>Carrying Amount</u>
Petty cash and change funds	Not applicable	\$ <u>2,462</u>
Total deposits	Not rated	<u>20,532,760</u>
Local government investment pool - invested by the State of New Mexico Office of the State Treasurer for the County, recorded at cost in accordance with GASB 31	Not rated	<u>54,229,649</u>
Cash held by NM Finance Authority which is on deposit with the State Treasurer	Not rated	6,312
Repurchase agreements	Not rated	16,084,900
Federal Agency Securities	AAA	26,168,646
U.S. Treasury bills	Not applicable	1,392,317
U.S. Treasury cash reserves mutual fund accounts	<u>Not applicable</u>	<u>3,388,289</u>
Total investments		<u>47,040,464</u>
 Total – all County deposits and investments		 <u>\$121,805,335</u>
 Amounts per financial statements:		
Agency funds equity in pooled cash and investments		\$ 1,847,531
Governmental Funds equity in pooled cash and investment – unrestricted		24,309,135
Governmental Funds equity in pooled cash and investment – restricted		80,277,142
Enterprise Funds equity in pooled cash and investments		<u>15,371,527</u>
		<u>\$121,805,335</u>

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

Market value is based on quoted market prices at year-end, costs approximate market value. Total investment income for the County for the year ended June 30, 2006 was \$4,142,859.

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

**STATE OF NEW MEXICO
SANTA FE COUNTY**

Notes to Financial Statements (Continued)

(3) Pooled Cash and Investments (Continued)

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

(4) Interfund Assets and Liabilities

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

	<u>Receivables</u>	<u>Payables</u>
General	<u>\$ 1,012,293</u>	<u>\$ -</u>
Non Major Special Revenue Funds:		
CFP Program	-	164,140
Alcohol Programs	-	252,401
Santa Fe River	-	123,400
Total Special Revenue Funds	<u>-</u>	<u>539,941</u>
Non Major Debt Service Funds:		
Fire Tax Revenue Bonds	<u>5,719</u>	<u>-</u>
Total Debt Service Funds	<u>5,719</u>	<u>-</u>
Non Major Capital Projects Funds:		
Road Projects	-	289,552
State Special Appropriations	-	114,966
Community Development Block Grants (CDBG)	-	67,834
Bond Proceeds – Fire Tax	-	5,719
Total Capital Projects Funds	<u>-</u>	<u>478,071</u>
Total County	<u><u>\$ 1,018,012</u></u>	<u><u>\$ 1,018,012</u></u>

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

**STATE OF NEW MEXICO
SANTA FE COUNTY**

Notes to Financial Statements (Continued)

(4) Interfund Assets and Liabilities (Continued)

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

Transfers in	\$ 7,437,995
Transfers out	(18,597,746)
Contributed capital	<u>(7,621,580)</u>
Transfers per page 14	<u><u>\$(18,781,331)</u></u>

(5) Capital Assets

The changes in Capital Assets for the year ended June 30, 2006 are as follows:

	June 30, 2005		June 30, 2005	Additions	Deletions	June 30, 2006
	<u>Balance</u>	<u>Restatement</u>	<u>Restated Balance</u>	<u>and transfers</u>		<u>Balance</u>
Non depreciable assets:						
Land	\$ 17,407,240	\$ -	\$ 17,407,240	\$ 1,472,550	\$ -	\$ 18,879,790
Right of way land	-	5,465,283	5,465,283	-	-	5,465,283
Assets being depreciated						
Buildings and improvements	31,662,319	-	31,662,319	5,016,137	-	36,678,456
Infrastructure	4,791,545	31,030,192	35,821,737	209,386	-	36,031,123
Equipment and vehicles	34,273,225	-	34,273,225	2,462,495	(998,904)	35,736,816
Furniture and fixtures	669,473	-	669,473	122,714	-	792,187
	<u>88,803,802</u>	<u>36,495,475</u>	<u>125,299,277</u>	<u>9,283,282</u>	<u>(998,904)</u>	<u>133,583,655</u>
Accumulated depreciation						
Buildings and improvements	(16,760,444)	-	(16,760,444)	(916,961)	-	(17,677,405)
Infrastructure	(404,891)	(10,042,737)	(10,447,628)	(1,227,465)	-	(11,675,093)
Equipment and vehicles	(30,657,483)	-	(30,657,483)	(7,147,363)	982,446	(36,822,400)
Furniture and fixtures	(863,914)	-	(863,914)	(158,438)	-	(1,022,352)
Total accumulated depreciation	<u>(48,686,732)</u>	<u>(10,042,737)</u>	<u>(58,729,469)</u>	<u>(9,450,227)</u>	<u>982,446</u>	<u>(67,197,250)</u>
	<u><u>\$ 40,117,070</u></u>	<u><u>\$ 26,452,738</u></u>	<u><u>\$ 66,569,808</u></u>	<u><u>\$ (166,945)</u></u>	<u><u>\$(16,458)</u></u>	<u><u>\$ 66,386,405</u></u>

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

Governmental activities	
General government	\$ 3,499,673
Public Safety	2,653,182
Health and Welfare	459,042
Culture and recreation	65,698
Highways and streets	<u>2,772,632</u>
Total depreciation expense	<u><u>\$ 9,450,227</u></u>

**STATE OF NEW MEXICO
SANTA FE COUNTY**

Notes to Financial Statements (Continued)

(5) Capital Assets (Continued)

The following is a summary of proprietary funds capital assets at June 30, 2006:

	June 30, 2005			June 30, 2006
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
Housing Services				
Land	\$ 637,285	\$ -	\$ (15,820)	\$ 621,465
Assets being depreciated				
Equipment and vehicles	402,660	60,776	(13,403)	450,033
Buildings and improvements	6,682,214	-	(388,450)	6,293,764
	<u>7,722,159</u>	<u>60,776</u>	<u>(417,673)</u>	<u>7,365,262</u>
Less: Accumulated depreciation				
Equipment and vehicles	(357,622)	(90,007)	13,403	(434,226)
Buildings and improvements	(3,214,731)	(157,344)	124,304	(3,247,771)
Total accumulated depreciation	<u>(3,572,353)</u>	<u>(247,351)</u>	<u>137,707</u>	<u>(3,681,997)</u>
Net fixed assets	<u>\$ 4,149,806</u>	<u>\$ (186,575)</u>	<u>\$ (279,966)</u>	<u>\$ 3,683,265</u>
Utilities Department				
Land	\$ -	\$ 1,347,625	\$ -	\$ 1,347,625
Assets being depreciated				
Water system	7,072,123	596,592	-	7,668,715
Office equipment, furniture and vehicle	397,421	13,813	(9,620)	401,614
	<u>7,469,544</u>	<u>1,958,030</u>	<u>(9,620)</u>	<u>9,417,954</u>
Less: Accumulated depreciation				
Water system	(1,243,618)	(153,374)	-	(1,396,992)
Office equipment, furniture and vehicle	(72,713)	(80,323)	9,620	(143,416)
Total accumulated depreciation	<u>(1,316,331)</u>	<u>(233,697)</u>	<u>9,620</u>	<u>(1,540,408)</u>
Net fixed assets	<u>\$ 6,153,213</u>	<u>\$ 1,724,333</u>	<u>\$ -</u>	<u>\$ 7,877,546</u>
Jail Facility				
Land	\$ 126,781	\$ -	\$ -	\$ 126,781
Assets being depreciated				
Jail facility	27,200,695	32,006	-	27,232,701
Office equipment and furniture	1,153,251	618,276	(2,612)	1,768,915
Vehicles	271,746	79,515	(26,651)	324,610
	<u>28,752,473</u>	<u>729,797</u>	<u>(29,263)</u>	<u>29,453,007</u>
Less: Accumulated depreciation				
Jail facility	(4,737,499)	(681,882)	-	(5,419,381)
Office equipment and furniture	(547,981)	(353,783)	2,612	(899,152)
Vehicles	(172,210)	(64,922)	26,651	(210,481)
Total accumulated depreciation	<u>(5,457,690)</u>	<u>(1,100,587)</u>	<u>29,263</u>	<u>(6,529,014)</u>
Net fixed assets	<u>\$ 23,294,783</u>	<u>\$ (370,790)</u>	<u>\$ -</u>	<u>\$ 22,923,993</u>

**STATE OF NEW MEXICO
SANTA FE COUNTY**

Notes to Financial Statements (Continued)

(5) Capital Assets (Continued)

	June 30, 2005		Deletions and	June 30, 2006
	<u>Balance</u>	<u>Additions</u>	<u>transfers</u>	<u>Balance</u>
Regional Planning Authority Equipment and machinery	\$ 13,466	\$ -	\$ (7,451)	\$ 6,015
Less: Accumulated depreciation Equipment and machinery	<u>(7,023)</u>	<u>(1,203)</u>	<u>5,961</u>	<u>(2,265)</u>
Total accumulated depreciation	<u>(7,023)</u>	<u>(1,203)</u>	<u>5,961</u>	<u>(2,265)</u>
Net fixed assets	<u>\$ 6,443</u>	<u>\$ (1,203)</u>	<u>\$ (1,490)</u>	<u>\$ 3,750</u>

Depreciation expense was \$247,351 for Housing Services, \$233,697 for the Utilities Department, \$1,100,587 for the Jail Facility and \$1,203 for the Regional Planning Authority for the year ended June 30, 2006, respectively.

(6) Receivables Notes and Mortgage Receivable

The following is a summary of receivables for the government wide financial statements at June 30, 2006.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Accounts	\$ 2,033,534	\$ 3,184,632
Taxes		
Property	3,745,260	-
Gross receipts	6,488,622	-
Interest	460,036	66,582
Grantor and other	<u>3,612,393</u>	<u>-</u>
Allowance for uncollectible	<u>(1,965,542)</u>	<u>(1,374,567)</u>
	<u>\$ 14,374,303</u>	<u>\$ 1,876,647</u>
Mortgage	5,817,521	197,134
Allowance for uncollectible	<u>-</u>	<u>-</u>
	<u>\$ 5,817,521</u>	<u>\$ 197,134</u>

The County does not have an allowance on mortgages since the mortgages are secured by real estate and are considered fully collectable.

**STATE OF NEW MEXICO
SANTA FE COUNTY**

Notes to Financial Statements (Continued)

(7) Long-Term Obligations

The following is a summary of long-term obligations of the County for the year ended June 30, 2006:

	June 30, 2005			June 30, 2006	
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>	<u>Due within one year</u>
Governmental Activities					
General obligation and gross receipts bonds	\$ 43,708,998	\$ 28,490,000	\$ (10,900,000)	\$ 61,298,998	\$ 6,870,000
Landfill closure and postclosure care costs	2,056,315	-	(42,973)	2,013,342	45,000
Capital lease obligations	145,168	-	(23,683)	121,485	23,683
Compensated absences	1,806,598	2,273,049	(1,859,305)	2,220,342	2,220,342
Bonds payable issued via NMFA	192,008	888,889	(234,565)	846,332	273,684
Component Unit - Rancho Viejo Improvement District	1,845,000	-	(30,000)	1,815,000	35,000
Total Debt	<u>49,754,087</u>	<u>31,651,938</u>	<u>(13,090,526)</u>	<u>68,315,499</u>	<u>9,467,709</u>
Plus Bond Premium	-	120,666	(9,755)	110,911	12,067
Less deferred amounts on refunding	-	(110,000)	9,880	(100,120)	11,000
Deferred issuance costs	-	(163,648)	10,240	(153,408)	12,283
Total Debt Net	<u>\$ 49,754,087</u>	<u>\$ 31,498,956</u>	<u>\$ (13,080,161)</u>	<u>\$ 68,172,882</u>	<u>\$ 9,503,059</u>

The governmental funds, primarily the general fund, has paid for compensated absences for the year ended June 30, 2006.

	June 30, 2005			June 30, 2006	
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>	<u>Due within one year</u>
Business Type					
HUD notes payable	\$ 5,168,412	\$ -	\$ (106,470)	\$ 5,061,942	\$ 113,499
HUD interest payable	5,189,966	256,148	-	5,446,114	-
Jail facility	<u>27,745,000</u>	<u>-</u>	<u>(700,000)</u>	<u>27,045,000</u>	<u>735,000</u>
	<u>\$ 38,103,378</u>	<u>\$ 256,148</u>	<u>\$ (806,470)</u>	<u>\$ 37,553,056</u>	<u>\$ 848,499</u>

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

**STATE OF NEW MEXICO
SANTA FE COUNTY**

Notes to Financial Statements (Continued)

(7) Long-Term Obligations (Continued)

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

Date Issued	Interest Rate	Final Maturity Date	Original Bond Amount	June 30, 2006 Balance	Due within one year
February 1, 1997	5.0-7.5%	2016	\$ 10,500,000	\$ 300,000	\$ 300,000
February 1, 1997	4.1-5.7%	2027	6,000,000	5,090,000	140,000
June 15, 1999	4.5-7.0%	2018	12,000,000	11,820,000	-
June 15, 1999	3.7-4.4%	2007	4,310,000	1,345,000	670,000
May 1, 2001	4.4-5.5%	2018	8,500,000	6,735,000	625,000
November 1, 2001	4.0-4.625%	2017	8,000,000	6,355,000	460,000
June 13, 2003	1.18-2.80%	2008	2,293,998	1,163,998	435,000
August 18, 2005	3.25-4.192%	2016	8,490,000	8,490,000	90,000
October 31, 2005	4.0%-5.5%	2026	<u>20,000,000</u>	<u>20,000,000</u>	<u>4,150,000</u>
			<u>\$ 80,093,998</u>	<u>\$ 61,298,998</u>	<u>\$ 6,870,000</u>

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

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

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

**STATE OF NEW MEXICO
SANTA FE COUNTY**

Notes to Financial Statements (Continued)

(7) Long-Term Obligations (Continued)

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

Date Issued	Interest Rate	Final Maturity Date	Original Bond Amount	June 30, 2006 Balance	Due within one year
May 1, 2006	2.64-2.90%	2009	\$ 888,889	\$ 846,332	\$ 273,684
			<u>\$ 888,889</u>	<u>\$ 846,332</u>	<u>\$ 273,684</u>

Scheduled maturities of general obligation, gross receipts and bonds payable issued through the NMFA are as follows for the years subsequent to June 30, 2006:

<u>Years Ending</u>	<u>Principal</u>	<u>Interest</u>
2007	\$ 7,143,684	\$ 2,546,412
2008	6,936,915	2,455,459
2009	3,934,731	2,159,027
2010	3,585,000	2,001,370
2011	3,480,000	1,852,161
2012-2016	18,275,000	6,883,793
2017-2021	11,260,000	2,978,141
2022-2026	7,130,000	1,097,550
2027	400,000	24,000
	<u>\$ 62,145,330</u>	<u>\$ 21,997,913</u>

Capitalized Lease Obligations

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

State Board of Finance, payable annually at \$5,350, Interest free. Secured by voting machines with final payment due December 2011	\$ 26,750
State Board of Finance, payable annually at \$7,133, Interest free. Secured by voting machines with final payment due December 2012	49,935
State Board of Finance, payable annually at \$11,200, Interest fee. Secured by voting machines with final payment due December 2009	<u>44,800</u>
	<u>\$ 121,485</u>

**STATE OF NEW MEXICO
SANTA FE COUNTY**

Notes to Financial Statements (Continued)

(7) Long-Term Obligations (Continued)

<u>Year Ending</u>	
2007	\$ 23,683
2008	23,683
2009	23,683
2010	23,683
2011	12,483
2012-2014	<u>14,270</u>
	<u>\$ 121,485</u>

Payments of principal and interest to the State Board of Finance were paid from the general fund and recorded as government service expenditures in the general fund governmental financial statements.

Landfill Closure and Postclosure Care Cost

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

State and federal laws and regulations require the County to place a final cover on the County-operated landfill when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be incurred after the date the landfill stops accepting waste, the County reports these closure and postclosure care costs as a liability as of each balance sheet date. The County closed the landfill during fiscal year 1997. The \$2,013,342 reported as landfill closure and postclosure care liability at June 30, 2006 represents managements' estimate based on an expert hired to estimate the costs for standard monitoring and compliance to 2027. Annual ground water monitoring had demonstrated the County was not in compliance with ground water contamination. The County is now required to perform additional monitoring of the ground water. The County estimates it will expend approximately \$45,000 for postclosure costs in the next fiscal year and will be funded by general fund revenues. Current year expenditures of \$42,973 were paid by the General Fund. These amounts are based on what it would cost to perform all closure and postclosure care in fiscal 2006. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

Compensated Absences

A long-term liability amounting to \$2,220,342 at June 30, 2006 has been recorded representing the County's commitment to fund compensated absences from future operations. Vacation, compensating time and sick leave earned is cumulative; however, vacation time is limited to 240 hours that can be carried forward to the next calendar year. Excess time up to eighty hours can be sold back to the County if sufficient funding is available every January. Sick leave accumulated in excess of 240 hours is payable to employees at a rate equal to 50 percent of their hourly rate upon retirement. Employees can earn a maximum of 45 hours of compensatory time.

Prior Year Defeasance of Debt

In prior years, the County defeased the 1990 Facilities Project Revenue Bonds by placing proceeds in an irrevocable trust to provide for all future debt service payments for these bonds. Also during 2006, the County defeased \$8,380,000 of the 1997 bonds. Accordingly, the trust account assets and the liabilities for the defeased bonds are not included in the County's financial statements. On June 30, 2006, \$3,039,000 of the 1990 bonds and \$8,380,000 of the 1997 bonds outstanding are considered defeased.

**STATE OF NEW MEXICO
SANTA FE COUNTY**

Notes to Financial Statements (Continued)

(7) Long-Term Obligations (Continued)

Rancho Viejo Improvement District Bonds

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

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

<u>Years Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2007	\$ 35,000	\$ 131,587	\$ 166,587
2008	35,000	129,050	164,050
2009	40,000	126,512	166,512
2010	40,000	123,612	163,612
2011	45,000	120,712	165,712
2012-2016	265,000	551,362	816,362
2017-2021	375,000	440,437	815,437
2022-2026	545,000	281,662	826,662
2027-2029	435,000	64,525	499,525
	<u>\$ 1,815,000</u>	<u>\$ 1,969,459</u>	<u>\$ 3,784,459</u>

**STATE OF NEW MEXICO
SANTA FE COUNTY**

Notes to Financial Statements (Continued)

(7) Long-Term Obligations (Continued)

Notes Payable - (Housing Services Enterprise Fund)

The Housing Services Enterprise Fund has the following notes payable due to the Department of Housing and Urban Development (HUD). The long-term debt at June 30, 2006 was as follows:

Notes payable issued on December 10, 1982 for \$2,677,358 at 6.6% interest. Annual payments of \$201,717 due on November 1 with a maturity date of November 1, 2014. Payments of principal and interest are made by or forgiven by HUD on the Housing Authority's behalf	\$1,336,668
Other notes payable to HUD at various interest rates and terms	<u>3,725,274</u>
Total long-term debt	5,061,942
Less: current portion	<u>113,497</u>
Total long-term portion	<u>\$4,948,445</u>

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

The aggregate maturities of the Housing Services long-term debt at June 30, 2006 are as follows:

<u>Years Ending</u>	<u>Principal Amount Payable</u>
2007	\$ 113,497
2008	121,011
2009	129,020
2010	137,029
2011	145,038
2012-2016	153,047
2017-Thereafter	<u>4,263,300</u>
Total	<u>\$ 5,061,942</u>

Correctional System Revenue Bonds (Jail Facility Enterprise Fund)

During February 1997, the County issued \$30,000,000 of Correctional System Revenue Bonds. The County has used a substantial portion of the proceeds to construct a new adult detention facility in Santa Fe County. A portion of the proceeds may also be used to renovate the existing County detention facility into a juvenile facility. At June 30, 2006 interest rates range from 4.7% to 6.0%. The bonds are secured by the jail facility and income derived from the jail facility.

**STATE OF NEW MEXICO
SANTA FE COUNTY**

Notes to Financial Statements (Continued)

(7) Long-Term Obligations (Continued)

The maturities of the jail facility's long-term debt at June 30, 2006, is as follows:

<u>Years Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 735,000	\$ 1,511,290	\$ 2,246,290
2008	775,000	1,474,540	2,249,540
2009	810,000	1,435,790	2,245,790
2010	850,000	1,394,480	2,244,480
2011	895,000	1,350,280	2,245,280
2012-2016	5,225,000	6,014,140	11,239,140
2017-2021	6,705,000	4,528,050	11,233,050
2022-2026	8,930,000	2,305,500	11,235,500
2027-2029	2,120,000	127,200	2,247,200
	<u>\$ 27,045,000</u>	<u>\$ 20,141,270</u>	<u>\$ 47,186,270</u>

Conduit Debt Obligations

The County has issued Project Revenue Bonds to provide assistance for the El Castillo Retirement Residences Project. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. The County is not obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2006, there were two series of Project Revenue Bonds outstanding, with an aggregate principal amount payable of \$14,685,000.

The County has issued \$3,000,000 multi-family Housing Revenue Bonds in August 1998 to provide assistance for the construction of the Villa Grande Apartments. The bonds are secured by the revenues and mortgage of the property. The County is not obligated in any manner for repayment of these bonds. Accordingly, these bonds are not reported as liabilities in the accompanying financial statements. At June 30, 2006 the amount of bonds outstanding were \$3,000,000.

Total conduit debt outstanding at June 30, 2006 was \$17,685,000.

STATE OF NEW MEXICO
SANTA FE COUNTY

Notes to Financial Statements (Continued)

(8) Retirement, Health and Deferred Compensation Plans

PERA Retirement Plan

Substantially all of the County's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123.

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

The County contribution requirements for the years ended June 30, 2006, 2005 and 2004 were \$5,310,887, \$4,114,267 and \$3,789,224 respectively. The contributions were the required amounts from the County and employees.

Retiree Health Care Act Contributions

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

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

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

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

**STATE OF NEW MEXICO
SANTA FE COUNTY**

Notes to Financial Statements (Continued)

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

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

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

For the fiscal year ended June 30, 2006, the County remitted \$316,539 in employer contributions and \$158,269 in employee contributions to the Retiree Health Care Authority.

(9) Fund Balance and Net Assets (Deficits)

The following funds had fund balance deficits at June 30, 2006:

Enterprise Funds

The Housing Services enterprise fund has a net assets deficit of \$(4,729,261) at June 30, 2006. The deficit is mainly a result of recording depreciation expense and accruing interest expense on notes payable balances which management believes the Department of Housing and Urban Development will forgive.

Special Revenue Funds

The CFP program has a fund balance deficit of \$(56,385) which will be funded by the General Fund in the next fiscal year. The Law Enforcement Protection Fund has a fund balance deficit of (\$3,359) that should be resolved by future revenue in the next fiscal year. The Corrections Fund has a fund balance deficit of (\$24,370) which should be resolved in the next fiscal year with future revenues.

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

(10) Applicable Segment Information

Housing Services - Accounts receivable

The aging of accounts receivable as of June 30, 2006 is as follows:

Current (0-60 days)	\$ 50,588
Past due (more than 61 days)	<u>150,274</u>
	200,862
Less allowance for uncollectible accounts	<u>(128,435)</u>
	<u>\$ 72,427</u>

STATE OF NEW MEXICO
SANTA FE COUNTY

Notes to Financial Statements (Continued)

(10) Applicable Segment Information (Continued)

Housing Services has \$59,173 in tenant deposits that are deposited in Housing Services general cash account. Housing Services has \$104,207 in Family Self Services Escrow deposits that are deposited in a separate bank account at First Community Bank and are accounted for in the Section Eight special revenue fund and the liabilities are included in deposits held for others.

(11) Commitments and Contingencies

The County receives funds from federal and state agencies. These funds are subject to audit and adjustment to the granting agency. Any disallowed amounts resulting from these audits would be required to be refunded. The County believes that the amounts, if any, that would be refunded would not have a material effect on the County's financial position at June 30, 2006.

Joint Powers Agreements

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

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

The start-up costs, design, land acquisition and construction were funded by equal contributions from the County and City. The contributions and commitments from each entity to date is approximately \$5.8 million. The County did not contribute any funds to the Agency in the 2006 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.

**STATE OF NEW MEXICO
SANTA FE COUNTY**

Notes to Financial Statements (Continued)

(11) Commitments and Contingencies (Continued)

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

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

Regional Emergency Communications Center District – Under the authorization of the New Mexico State Statute 11-1-1 through 11-1-7 and pursuant to the New Mexico Enhanced 911 Act 63-9D-41, the County and the City of Santa Fe have jointly undertaken their powers to operate and manage the Regional Emergency Communications Center District (RECC) to provide a more efficient and cost-effective method of providing centralized emergency enhanced 911 dispatch services to the region. The RECC was established as of July 1, 2002 as a public entity separate from the city or county. The Board of Directors consist of the City Manger, the City Police Chief, the City Fire chief, the County Manager, the County Sheriff, the County Fire Chief, and one member appointed by the City and County Managers to represent the community at-large. The operations physically lease space in a County facility. The salaries for the Director, the ITT Manager, and the initial equipment are shared equally by the City and County. The City provides funding for 69% of the expenses and the County provides 31%, an allocation which is reviewed annually to be based on the number of calls received from each jurisdiction. During the fiscal year both the County and the City paid \$125,600 towards a contingency reserve. Current year fiscal costs were \$467,700.

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

The City of Santa Fe and County have established a joint powers agreement for the Buckman Direct Diversion (BDD) water project. The BDD, estimated at \$120 million, will be the largest, single capital project for which the two local governments to address meeting the current and future needs of an adequate water supply within the area. The Buckman Surface Diversion will provide full access to the San Juan/Chama water rights and/or other native Rio Grande water rights currently held by the City and County. The proposed system will route Rio Grande surface water directly from the river through a conveyance system to a new water treatment facility where water will be conveyed to the various users. Costs incurred to date have been recorded to the Utilities Department enterprise fund as additions to water rights and the water system. Current fiscal year costs capitalized were \$6,759,591.

Insurance

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

Legal Proceedings

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

STATE OF NEW MEXICO
SANTA FE COUNTY

Notes to Financial Statements (Continued)

(11) Commitments and Contingencies (Continued)

Operating Leases

The County leases land and various equipment under operating leases. Leases are subject to future appropriation and as such cancelable by the County at the end of a fiscal year. Rental expense for the year ended June 30, 2006 was approximately \$254,751.

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

Years ending June 30,

2007	\$ 216,195
2008	221,847
2009	199,764
2010	89,577
2011	77,359
2012-2016	386,378
2017-2021	490,908
2022-2026	395,918
2027-2030	90,415
	<hr/>
	\$ 2,168,361
	<hr/>

(12) Accounting Standard Pronouncements

The GASB issued Statement 42 "Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries", GASB Statement 47 "Accounting for Termination Benefits" and GASB 46 "Net Assets Restricted by Enabling Legislation" which were implemented for the County's fiscal year ended June 30, 2006. The effect of GASB 42 on the County is how a capital asset impairment is measured, reported and disclosed in the financial statements and the accounting for any insurance recovery. GASB 47 relates to accounting for termination benefits. GASB 46 clarified the criteria of net assets restricted related to enabling legislation. The implementation of the statements had no impact on the County.

In April 2004, GASB issued Statement 43 "Financial Reporting for Post Employment Plans other than Pension Plans and in June 2004, which is effective for the County's fiscal year ending June 30, 2007. GASB issued Statement 45 "Accounting and Financial Reporting by Employers for Post Employment Benefits Other than Pensions" which is effective for the County's fiscal year ending June 30, 2008. The County belongs to the Retiree Health Care Authority and makes contributions based on state law. The County has not assessed the future impact on its financial statements due to these GASB pronouncements.

APPENDIX C

SPECIMEN FINANCIAL GUARANTY INSURANCE POLICY

FINANCIAL GUARANTY INSURANCE POLICY

**MBIA Insurance Corporation
Armonk, New York 10504**

Policy No. [NUMBER]

MBIA Insurance Corporation (the "Insurer"), in consideration of the payment of the premium and subject to the terms of this policy, hereby unconditionally and irrevocably guarantees to any owner, as hereinafter defined, of the following described obligations, the full and complete payment required to be made by or on behalf of the Issuer to [PAYING AGENT/TRUSTEE] or its successor (the "Paying Agent") of an amount equal to (i) the principal of (either at the stated maturity or by any advancement of maturity pursuant to a mandatory sinking fund payment) and interest on, the Obligations (as that term is defined below) as such payments shall become due but shall not be so paid (except that in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments guaranteed hereby shall be made in such amounts and at such times as such payments of principal would have been due had there not been any such acceleration, unless the Insurer elects, in its sole discretion, to pay in whole or in part any principal due by reason of such acceleration); and (ii) the reimbursement of any such payment which is subsequently recovered from any owner pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes an avoidable preference to such owner within the meaning of any applicable bankruptcy law. The amounts referred to in clauses (i) and (ii) of the preceding sentence shall be referred to herein collectively as the "Insured Amounts." "Obligations" shall mean:

**[PAR]
[LEGAL NAME OF ISSUE]**

Upon receipt of telephonic or telegraphic notice, such notice subsequently confirmed in writing by registered or certified mail, or upon receipt of written notice by registered or certified mail, by the Insurer from the Paying Agent or any owner of an Obligation the payment of an Insured Amount for which is then due, that such required payment has not been made, the Insurer on the due date of such payment or within one business day after receipt of notice of such nonpayment, whichever is later, will make a deposit of funds, in an account with U.S. Bank Trust National Association, in New York, New York, or its successor, sufficient for the payment of any such Insured Amounts which are then due. Upon presentment and surrender of such Obligations or presentment of such other proof of ownership of the Obligations, together with any appropriate instruments of assignment to evidence the assignment of the Insured Amounts due on the Obligations as are paid by the Insurer, and appropriate instruments to effect the appointment of the Insurer as agent for such owners of the Obligations in any legal proceeding related to payment of Insured Amounts on the Obligations, such instruments being in a form satisfactory to U.S. Bank Trust National Association, U.S. Bank Trust National Association shall disburse to such owners, or the Paying Agent payment of the Insured Amounts due on such Obligations, less any amount held by the Paying Agent for the payment of such Insured Amounts and legally available therefor. This policy does not insure against loss of any prepayment premium which may at any time be payable with respect to any Obligation.

As used herein, the term "owner" shall mean the registered owner of any Obligation as indicated in the books maintained by the Paying Agent, the Issuer, or any designee of the Issuer for such purpose. The term owner shall not include the Issuer or any party whose agreement with the Issuer constitutes the underlying security for the Obligations.

Any service of process on the Insurer may be made to the Insurer at its offices located at 113 King Street, Armonk, New York 10504 and such service of process shall be valid and binding.

This policy is non-cancellable for any reason. The premium on this policy is not refundable for any reason including the payment prior to maturity of the Obligations.

IN WITNESS WHEREOF, the Insurer has caused this policy to be executed in facsimile on its behalf by its duly authorized officers, this [DAY] day of [MONTH, YEAR].

MBIA Insurance Corporation

President

Attest: _____

Assistant Secretary

SPECIMEN

STD-R-7
01/05