

## **NOTICE**

**\$5,205,000\***

**DOÑA ANA COUNTY, NEW MEXICO  
Gross Receipts Tax Refunding Revenue Bonds, Series 2012**

**Preliminary Official Statement, subject to completion,  
dated October 3, 2012**

The Preliminary Official Statement, dated October 3, 2012 (the “Preliminary Official Statement”), relating to the above-described bonds (the “Bonds”) of Doña Ana County, New Mexico (the “County”), has been posted as a matter of convenience. The posted version of the Preliminary Official Statement has been formatted in Adobe Portable Document Format (Adobe Acrobat 8.0). Although this format should replicate the Preliminary Official Statement available from the County, appearance may vary for a number of reasons, including electronic communication difficulties or particular user software or hardware. Using software other than Adobe Acrobat 8.0 may cause the Preliminary Official Statement that you view or print to differ in appearance from the Preliminary Official Statement.

The Preliminary Official Statement and the information contained therein are subject to completion or amendment or other change without notice. Under no circumstances shall the Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Bonds in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction.

For purposes of Rule 15c2-12 promulgated by the Securities and Exchange Commission, the Preliminary Official Statement alone, and no other document or information on the internet, constitutes the “Official Statement” that the County has deemed “final” as of its date in respect of the Bonds, except for certain information permitted to be omitted therefrom.

No person has been authorized to give any information or to make any representations other than those contained in the Preliminary Official Statement in connection with the offer and sale of the Bonds and, if given or made, such information or representations must not be relied upon as having been authorized. The information and expressions of opinion in the Preliminary Official Statement are subject to change without notice and neither the delivery of the Official Statement nor any sale made thereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the County since the date of the Preliminary Official Statement.

By choosing to proceed and view the electronic version of the Preliminary Official Statement, you acknowledge that you have read and understood this Notice.

**Preliminary Official Statement dated October 3, 2012.**

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\* Preliminary, subject to change.

**NEW ISSUE – BANK QUALIFIED**

**Rating: Standard & Poor's: A+**

*In the opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A., Bond Counsel, under existing laws, regulations, rulings and judicial decisions, and assuming compliance with certain covenants described in "TAX EXEMPTION" herein, interest on the Bonds (including original issue discount treated as interest) (a) is excludable from the gross income of the recipients thereof; for federal income tax purposes, (b) is not a specific preference item for purposes of the federal alternative minimum tax for individuals and corporations, but such interest on the Bonds will be included in the adjusted current earnings of certain corporations, and (c) is excludable from net income for purposes of certain New Mexico taxes imposed on individuals, estates, trusts and corporations. For a more complete description of such opinion of Bond Counsel and a description of certain provisions of the Internal Revenue Code of 1986, as amended, which may affect the federal tax treatment of interest on the Bonds for certain owners of such bonds, see "TAX EXEMPTION" herein.*

**\$5,205,000\***  
**DOÑA ANA COUNTY, NEW MEXICO**  
**Gross Receipts Tax Refunding Revenue Bonds**  
**Series 2012**

**Book-Entry Only**

**Dated: Date of Delivery**

**Due: May 1, as shown**

The Bonds are obligations of Doña Ana County, New Mexico, issuable only as fully registered bonds as to both principal and interest in the denomination of \$5,000 and integral multiples thereof. Interest accrues from the Date of Delivery and is payable semiannually on May 1 and November 1 in each year beginning May 1, 2013. The principal of the Bonds is payable at the office of BOKF, N.A. dba Bank of Albuquerque, Albuquerque, New Mexico (the "Paying Agent"). Interest will be paid by the Paying Agent by check or draft mailed to each registered owner on or before each interest payment date.

**MATURITY SCHEDULE\***

<u>Due May 1</u>	<u>Principal</u>	<u>Coupon</u>	<u>Price or Yield</u>	<u>Due May 1</u>	<u>Principal</u>	<u>Coupon</u>	<u>Price or Yield</u>
2013	\$60,000			2021	\$335,000		
2014	305,000			2022	345,000		
2015	300,000			2023	350,000		
2016	305,000			2024	365,000		
2017	310,000			2025	375,000		
2018	320,000			2026	385,000		
2019	320,000			2027	395,000		
2020	325,000			2028	410,000		

The Bonds maturing on and after May 1, 2023, are subject to optional redemption at par on and after May 1, 2022, in whole or in part at any time. See "THE BONDS — Prior Redemption" herein.

The Bonds do not constitute an indebtedness of the County within the meaning of any constitutional or statutory provision or limitation, are not general obligations of the County and are payable and collectible solely from the gross receipts tax revenues specifically pledged therefor. See "THE PLEDGED REVENUES" herein. Neither the full faith and credit of the County, nor the ad valorem taxing power or general resources of the County, the State of New Mexico or any other political subdivision is pledged to the payment of the Bonds. The Bonds are being issued to provide funds for the purpose of (1) refunding, refinancing, discharging and prepaying the County's outstanding Gross Receipts Tax Refunding and Improvement Revenue Bonds, Series 2003 (the "Refunded Bonds"), and (2) paying expenses related to the issuance of the Bonds and the prepayment and discharge of the Refunded Bonds. The Bonds constitute an irrevocable and valid lien on the Pledged Revenues (as defined below) on parity with any additional parity obligations which are outstanding or hereafter may be issued. See "THE BONDS — Source of Payment and Security" and "THE PLEDGED REVENUES."

The Bonds are offered when, as and if issued by the County and purchased by the Underwriter and subject to the delivery of an approving opinion by Modrall, Sperling, Roehl, Harris & Sisk, P.A., Bond Counsel, and other conditions. Modrall, Sperling, Roehl, Harris & Sisk, P.A., has also acted as special counsel to the County in connection with the preparation of this Official Statement and the sale of the Bonds to the Underwriter. Certain legal matters will be passed upon for the County by John W. Caldwell, Esq., County Attorney. Certain legal matters will be passed upon for the Underwriter by Brownstein Hyatt Farber Schreck, LLP. It is expected that delivery of the Bonds will be made on or about November 13, 2012, through the facilities of The Depository Trust Company, New York, New York, against payment therefor.

*This cover page contains certain information for quick reference only. It is not a summary of this issue. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.*

**SOUTHWEST SECURITIES**

Dated: October \_\_\_\_, 2012

\* Preliminary, subject to change.

This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold nor may offers to buy be accepted prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or a solicitation of an offer to buy nor shall there be any sale of these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to the registration or qualification under the securities laws of such jurisdiction.

**DOÑA ANA COUNTY, NEW MEXICO**

845 N. Motel Blvd.  
Las Cruces, New Mexico 88007  
(575) 647-7200

**COUNTY COMMISSION**

Commissioner	-	Billy G. Garrett
Commissioner	-	Dolores Saldana-Caviness
Commissioner	-	Karen G. Perez, Chairperson
Commissioner	-	Scott A. Krahling
Commissioner	-	Leticia Duarte-Benavidez

**ADMINISTRATION**

Interim County Manager	-	Sue Padilla
County Attorney	-	John W. Caldwell
County Clerk	-	Lynn Ellins
County Treasurer	-	David Gutierrez
County Finance Director	-	Bill Noland

**UNDERWRITER**

Southwest Securities, Inc.  
6565 Americas Parkway NE, Suite 239  
Albuquerque, NM 87110  
Member: NYSE/FINRA/SIPC  
(505) 563-5860

**BOND COUNSEL**

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

**PAYING AGENT/REGISTRAR/ESCROW BANK**

BOKF, N.A. dba Bank of Albuquerque  
201 Third Street, Suite 1400  
Albuquerque, New Mexico 87102  
(505) 222-8457

**FINANCIAL ADVISOR**

First Southwest  
325 North St. Paul Street, Suite 800  
Dallas, Texas 75201  
(800) 678-3792

## USE OF INFORMATION IN THIS OFFICIAL STATEMENT

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

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

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

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

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

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

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## **OFFICIAL STATEMENT**

**\$5,205,000\***

**Doña Ana County, New Mexico  
Gross Receipts Tax Refunding Revenue Bonds  
Series 2012**

### **INTRODUCTION**

This Official Statement, which includes the cover page and appendices hereto, provides certain information in connection with the Doña Ana County, New Mexico (the “County”) Gross Receipts Tax Refunding Revenue Bonds, Series 2012 (the “Bonds” or “Series 2012 Bonds”), being issued by the County pursuant to the Bond Ordinance.

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

All terms used in this Official Statement which are not defined herein shall have the meanings given such terms in County Ordinance authorizing the issuance of the Bonds adopted by the County Commission on October 10, 2012 (the “Bond Ordinance”).

#### **The Issuer**

The County, which was created in 1852, is the second most populated of the 33 counties in the State of New Mexico. The County’s population in 2010 totaled 209,233. The City of Las Cruces, New Mexico is the County seat with a population of 97,618 as of the 2010 Census. The County comprises 3,804 square miles in south-central New Mexico, bordering El Paso, Texas to the east and southeast and the State of Chihuahua, Mexico directly to the south. The economy offers a balance of agriculture, higher education, retail and wholesale trade and tourism. There are many physically diverse areas within the County, including mountain ranges, valleys and deserts. The County is governed by its Board of County Commissioners and provides the following services: public safety (sheriff’s department, corrections department and assistance to paid and volunteer fire departments), highways and streets, water and wastewater, social services, public improvements, planning, property assessments, tax collection and general administrative services.

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\* Preliminary, subject to change.

## **Purpose**

The Bonds are being issued to provide funds to defray the cost of (1) refunding, paying and discharging the County's outstanding Gross Receipts Tax Refunding and Improvement Revenue Bonds, Series 2003 (the "Refunded Bonds"), in the principal amount of \$4,970,000; and (2) paying all costs incidental to the foregoing and incidental to the issuance of the Bonds.

The County intends to redeem the Refunded Bonds on May 1, 2013, the first prior redemption date, pursuant to the terms of an Escrow Agreement between the County and BOKF, N.A. dba Bank of Albuquerque, as Escrow Bank. The Refunded Bonds will be an advance refunding pursuant to the Internal Revenue Code. The County's purposes in refunding and discharging the Refunded Bonds are to lower the interest rate and the overall annual debt service requirements of the County's bonds and to strengthen the County's borrowing structure.

## **Authority for Issuance**

The Bonds are being issued pursuant to the County's powers under the laws and the Constitution of the State, including Sections 4-62-1 through 4-62-10 NMSA 1978, as amended, and the Bond Ordinance.

## **Terms of the Bonds**

### *Payment Dates*

The Bonds will be dated the date of delivery. Interest on the Bonds will be payable on May 1 and November 1 of each year to registered owners shown on the books of the Registrar on the 15th day of the calendar month preceding each regularly scheduled interest payment date, commencing May 1, 2013. The Bonds will be issued in the aggregate principal amount of \$5,205,000\* and will mature on the dates and in the amounts shown on the cover page (unless redeemed prior to maturity).

### *Denominations*

The Bonds will be issuable in denominations of \$5,000, or integral multiples thereof.

## **Prior Redemption**

The Bonds maturing on and after May 1, 2023, are subject to optional redemption at par beginning May 1, 2022, as more fully described in "THE BONDS — Prior Redemption."

## **Additional Parity Bonds**

Except with respect to certain refunding bonds which do not increase the County's obligations as to required debt service, the County will be required to meet certain tests prior to

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\* Preliminary, subject to change.

the issuance of additional bonds with a lien on the Pledged Revenues collectively, or the Pledged Tax Revenues and Equalization Distribution individually, on parity with the lien of the Bonds. For a description of these tests, see “THE BONDS — Additional Bonds.”

### **Security and Sources of Payment**

The Bonds are not general obligations of the County and no pledge of the full faith and credit of the County, the taxing power or general resources of the County are made for the payment thereof. The Bonds are special limited obligations of the County and are not an indebtedness of the County within the meaning of any constitutional or statutory provision or limitation. The County has pledged the first one-eighth percent increment of county gross receipts tax revenues and the equalization distribution revenues for payment on the Bonds.

The first one-eighth percent county gross receipts tax revenues are distributed to the County pursuant to Section 7-1-6.13 NMSA 1978, which County gross receipts tax is imposed on all persons engaging in business in the County pursuant to Ordinance No. 35-85, adopted by the Board on February 6, 1985, codified as Doña Ana County Code Section No. 305-2, as amended by Ordinance No. 81-90, adopted by the Board on September 25, 1990, codified as Doña Ana County Code Section No. 305-5 (collectively, the “Tax Ordinance”), as authorized by Sections 7-20E-1 through 7-20E-22 NMSA 1978, which tax equals, subject to exemptions specified in Sections 7-20E-4(A) and 7-20E-5 NMSA 1978, and the deductions referred to in Section 7-20E-7 NMSA 1978, one-eighth of one percent of the gross receipts of all persons engaging in business in the County for the privilege of engaging in business in the County (the “Pledged Tax Revenues”). The Pledged Tax Revenues also include (i) the portion of the gross receipts tax distribution to the County to be made pursuant to Section 7-1-6.47 NMSA 1978, which represents the amount of Pledged Tax Revenues set forth in the sentence above that would have been remitted to the County but for the deductions provided by Sections 7-9-92 and 7-9-93 NMSA 1978 and (ii) any similar distributions made to the County in lieu of Pledged Tax Revenues, but Pledged Tax Revenues do not include any similar distributions in lieu of any other county local option gross receipts tax revenues.

The “Equalization Distribution” means any distribution related to the first one-eighth of one percent increment of County gross receipts tax distributed pursuant to Section 7-1-6.16 NMSA 1978. The State Department of Taxation and Revenue distributes the Equalization Distribution on September 15 of each year from the State tax administration suspense fund (the interim depository fund for State general fund gross receipts tax revenues). The amount of the distribution to counties eligible for distribution is made pursuant to a formula, and the distribution is the difference between the statewide per capita yield on a hypothetical one-eighth gross receipts tax times the population of the county and the county’s actual receipts from its own first one-eighth gross receipts tax.

Collectively, the Pledged Tax Revenues and the Equalization Distribution are referred to herein as the “Pledged Revenues”. The County also receives revenue from certain other gross receipts taxes imposed pursuant to statute; however, only the Pledged Revenues are available to pay debt service on the Bonds as more fully described in the section entitled “THE PLEDGED REVENUES.”

## **Outstanding Obligations Payable from Pledged Revenues**

Other than the Refunded Bonds, the County has no outstanding debt with a lien on the Equalization Distribution. The County has also pledged the Pledged Tax Revenues toward repayment of its Gross Receipts Tax Refunding and Improvement Revenue Bonds, Series 1998 outstanding in the aggregate principal amount of \$9,355,000.

Pursuant to the Bond Ordinance, the County is not permitted to incur other obligations payable from Pledged Revenues which are senior to the Bonds. However, the County will be permitted to incur parity obligations in accordance with certain tests and upon satisfaction of certain tests as described in “THE BONDS — Additional Bonds,” and to incur obligations payable from Pledged Revenues which are junior to the Bonds.

## **Tax Exemption**

In the opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A., Bond Counsel, under existing laws, regulations, rulings and judicial decisions, and assuming continuing compliance with the covenants described herein, interest on the Bonds is excludable from gross income for federal income tax purposes and is not a specific tax preference item for purposes of the alternative minimum tax under the Internal Revenue Code of 1986, as amended. Interest on the Bonds is excludable from net income for State of New Mexico income tax purposes.

The form of the bond opinion is attached in Appendix A hereto. For a discussion of such opinion and certain other tax consequences incident to the ownership of the Bonds, see “TAX EXEMPTION” herein.

## **Commitment to Provide Continuing Disclosure**

The County will agree for the benefit of the owners of the Bonds that, so long as the Bonds remain outstanding, the County will provide annually its audited financial statements and certain other financial information and operating data with the Municipal Securities Rulemaking Board using its Electronic Municipal Market Access System (“EMMA”) in conformity with Rule 15c2-12, and will file notice of certain specific material events with the Municipal Securities Rulemaking Board, as described in “CONTINUING DISCLOSURE INFORMATION” herein. During the week of October 1, 2012, the County filed all past due and outstanding continuing disclosure requirements with EMMA and is in compliance with its continuing disclosure obligations and intends to maintain annual compliance going forward. The County will implement internal checks to ensure continuing compliance in the future.

## **Professionals Involved in the Offering**

At the time of the issuance and sale of the Bonds, Modrall, Sperling, Roehl, Harris & Sisk, P.A., as Bond Counsel, will deliver a bond opinion in substantially the form included in Appendix A hereto. Certain legal matters relating to the Bonds will be passed upon by Modrall, Sperling, Roehl, Harris & Sisk, P.A., as Disclosure Counsel. Certain legal matters will be passed upon for the County by John W. Caldwell, Esq., County Attorney. See “LEGAL MATTERS.”

## **Offering and Delivery of the Bonds**

The Bonds are offered when, as and if issued, subject to approval of Bond Counsel and certain other conditions. It is anticipated that the Bonds will be delivered through the facilities of The Depository Trust Company, New York, New York, on or about November 13, 2012.

## **Other Information**

This introduction is only a brief summary of the provisions of the Bonds, the Bond Ordinance and the Project: A full review of the entire Official Statement should be made by potential investors. The purchase of the Bonds involves certain risks, and the Bonds may not be appropriate for all investors. Each prospective investor is encouraged to read this Official Statement in its entirety and to give particular attention to the factors described under “SPECIAL FACTORS RELATING TO THE BONDS,” which, among other factors, could affect the payment of debt service on the Bonds and could affect the market price of the Bonds to an extent that cannot be determined at this time. Brief descriptions of the Bonds, the Bond Ordinance and the County are included in this Official Statement. All references herein to the Bonds, the Bond Ordinance and other documents are qualified in their entirety by reference to such documents. *This Official Statement speaks only as of its date and the information contained herein is subject to change.* 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 said statutes, regulations and documents for full and complete statements of their provisions.

Additional information and copies of the documents referred to above are available from the County at the following address:

Doña Ana County, New Mexico  
Attention: Bill Noland, County Finance Director  
845 N. Motel Blvd.  
Las Cruces, New Mexico 88007  
(575) 647-7200

Additional information also may be obtained from the Underwriter during the offering period for the Bonds:

Southwest Securities, Inc.  
Attention: Kit Caldwell, Senior Vice President  
6565 Americas Parkway, NE, Suite 239  
Albuquerque, New Mexico 87110  
Telephone: (505) 563-5860

### **SPECIAL FACTORS RELATING TO THE BONDS**

The purchase of the Bonds involves special risks and the Bonds may not be appropriate investments for all types of investors. Each prospective investor is encouraged to read this Official Statement in its entirety and to give particular attention to the factors described below, which, among other factors discussed herein, could affect the payment of debt service on the Bonds and could affect the market price of the Bonds to an extent that cannot be determined at this time. The Bonds may not be suitable investments for all persons, and prospective purchasers should evaluate the risks and merits of an investment in the Bonds, and should confer with their own legal and financial advisors before deciding to purchase the Bonds.

#### **Gross Receipts Tax Collections are Subject to Fluctuation**

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

The Pledged Tax Revenues are based on the total gross receipts of the County. The Equalization Distribution is based on a formula which incorporates gross receipts tax collections for the County and the State. Various circumstances and developments, most of which are beyond the control of the County, may have an adverse effect on the future level of Pledged Tax Revenues and Equalization Distributions. Such circumstances may include, among others, adverse changes in national and local economic and financial conditions generally, reductions in the rates of employment and economic growth in the County, the State and the region, a decrease in rates of population growth and rates of residential and commercial development in the County, the State and the region and various other factors. For the Fiscal Year ended June 30, 2012 (unaudited), Pledged Tax Revenues were \$4,335,548, a slight increase from \$4,292,678 in Fiscal Year 2011. The Equalization Distribution in Fiscal Year 2012 (unaudited) was \$2,525,599, an increase from \$2,161,722 in Fiscal Year 2011

#### **Bankruptcy and Foreclosure**

The ability and willingness of an owner or operator of a business to pay gross receipts taxes may be adversely affected by the filing of a bankruptcy proceeding by the owner. The

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

### **Limited Obligations**

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

### **Additional Parity Obligations**

The County may issue additional Parity Obligations without Bondholder consent, upon meeting coverage or other financial tests. See "THE BONDS – Additional Bonds" herein. If Pledged Revenues are insufficient to pay debt service on the Bonds and the Parity Obligations in any year, debt service will be paid on a proportionate basis.

### **Secondary Market**

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

### **State Legislation**

Revisions to laws of the State affecting taxed activities and distributions of gross receipts tax revenues could be adopted in the future by the State Legislature. Proposals affecting taxed activities and distributions are frequently considered by the State Legislature. There is no assurance that any future revisions to State laws will not adversely affect activities now subject to the gross receipts tax or distribution of gross receipts tax revenues to the County. Notwithstanding the foregoing, the provisions of State law authorizing the issuance of revenue bonds (including gross receipts tax bonds such as the Bonds) include a provision stating that any law which authorizes the pledge of revenues to the payment of revenue bonds, or which affects the pledged revenue "shall not be repealed or amended or otherwise directly or indirectly modified in such a manner as to impair adversely any such outstanding revenue bonds."

In the 2004 Legislative Session, a bill was adopted by the Legislature and signed into law that relieved from gross receipts taxes (i) food or food products for home consumption sold at an establishment that sells food for home preparation and consumption and (ii) receipts from payments by a managed health care provider or health care insurer for commercial contract services or Medicare Part C services provided by a health care provider. See Section 7-1-6.47 NMSA 1978. The laws also provides, pursuant to Section 7-1-6.47 NMSA 1978, for distribution from the State general fund to counties to offset any reduced gross receipts tax distributions resulting from the food and health care services tax relief effected by Section 7-1-6.47. Such offset distributions are included in the Pledged Tax Revenues.

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

### **County Cannot Increase Distribution of Taxes**

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

### **Bond Rating**

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

### **Forward-Looking Statements**

This Official Statement contains statements relating to future results that are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words "estimate," "forecast," "intend," "expect" and similar expressions identify forward-looking statements. Any forward-looking statement is subject to uncertainty. Accordingly, such statements are subject to risks that could cause actual results to differ, possibly materially, from those contemplated in such forward-looking statements. Inevitably, some assumptions used to develop forward-looking statements will not be realized or unanticipated events and circumstances may occur. Therefore, investors should be aware that there are likely to be differences between forward looking statements and actual results. Those differences could be material and could impact the availability of Pledged Revenues to pay debt service on the Bonds.

## PURPOSE AND PLAN OF FINANCING

### Sources and Uses of Funds

The estimated sources and uses of funds to be received in connection with the sale of the Bonds are set forth in the following table.

#### SOURCES OF FUNDS:

Par Amount of Bonds	\$ _____
Premium	_____
<b>TOTAL SOURCES OF FUNDS</b>	<b>\$ _____</b>

#### USES OF FUNDS:

Deposit to Escrow Fund/Purchase of Escrowed Securities	\$ _____
Underwriter's Discount	_____
Costs of Issuance	_____
Debt Service Account	_____
<b>TOTAL USES OF FUNDS</b>	<b>\$ _____</b>

### The Project Plan

The Bonds are being issued to provide funds to defray the cost of (1) refunding, paying and discharging the County's outstanding Gross Receipts Tax Refunding and Improvement Revenue Bonds, Series 2003 in the principal amount of \$4,970,000; and (2) paying all costs incidental to the foregoing and incidental to the issuance of the Bonds.

The principal and interest due on the Refunded Bonds are to be paid on the scheduled interest payment dates up to the redemption date of May 1, 2013 from funds to be deposited pursuant to a certain Escrow Agreement (the "Escrow Agreement") between the County and BOKF, N.A., dba Bank of Albuquerque (the "Escrow Agent"). The Bond Ordinance provides that from the proceeds of the sale of the Bonds received from the Underwriter, the County will deposit with the Escrow Agent the amount necessary to accomplish the discharge and final payment of the Refunded Bonds on the redemption date. Such funds will be held by the Escrow Agent in a special escrow account (the "Escrow Fund") and used to purchase direct obligations of the United States of America (the "Federal Securities"). Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal and interest on the Refunded Bonds.

Grant Thornton LLP, will verify at the time of delivery of the Bonds to the Underwriter, the mathematical accuracy of the schedules and demonstrate the Federal Securities will mature and bear interest in such amounts which, together with uninvested funds, if any, in the Escrow Fund, will be sufficient to pay when due, the principal of and interest on the Refunded Bonds on their respective redemption dates. Such maturing principal of and interest on the Federal Securities will not be available to pay the Bonds. See “VERIFICATION OF CERTAIN MATHEMATICAL COMPUTATIONS.”

By the deposit of the Federal Securities and cash, if necessary, with the Escrow Agent pursuant to the Escrow Agreement, the County will have affected the defeasance of the Refunded Bonds in accordance with the requirements of the ordinances authorizing issuance of the Refunded Bonds, and applicable law. The County has covenanted in the Escrow Agreement to make timely deposits to the Escrow Account of any additional amounts required to pay the principal of, premium and interest on the Refunded Bonds if, for any reason, the cash balance on deposit or scheduled to be on deposit in the Escrow Account is insufficient to make such payments.

## DEBT SERVICE SCHEDULE\*

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>	<u>Outstanding Bonds<sup>(1)</sup></u>	<u>Total Debt Service</u>	<u>Coverage<sup>(2)</sup></u>
2013	\$60,000	\$55,394	\$115,394	\$2,359,900	\$2,475,294	2.77x
2014	305,000	118,161	423,161	2,412,775	2,835,936	2.42x
2015	300,000	114,958	414,958	2,357,775	2,772,733	2.47x
2016	305,000	111,358	416,358	3,639,750	4,056,108	1.69x
2017	310,000	107,393	417,393	-	417,393	16.44x
2018	320,000	102,588	422,588	-	422,588	16.24x
2019	320,000	96,828	416,828	-	416,828	16.46x
2020	325,000	90,268	415,268	-	415,268	16.52x
2021	335,000	82,956	417,956	-	417,956	16.42x
2022	345,000	74,849	419,849	-	419,849	16.34x
2023	350,000	65,982	415,982	-	415,982	16.49x
2024	365,000	56,637	421,637	-	421,637	16.27x
2025	375,000	46,527	421,527	-	421,527	16.28x
2026	385,000	35,839	420,839	-	420,839	16.30x
2027	395,000	24,559	419,559	-	419,559	16.35x
2028	410,000	12,669	422,669	-	422,669	16.23x
	<u>\$5,205,000</u>	<u>\$1,196,966</u>	<u>\$6,401,966</u>	<u>\$10,770,200</u>	<u>\$17,172,166</u>	

- (1) The County's outstanding Gross Receipts Tax Refunding and Improvement Revenue Bonds, Series 1998 have a parity lien on the Pledged Tax Revenues.
- (2) Based on Pledged Revenues for Fiscal Year ended on June 30, 2012 (unaudited), which were \$6,861,147 (comprised of \$4,335,548 of Pledged Tax Revenues and \$2,525,599 of Equalization Distribution). There is no assurance that Pledged Revenues received in the future will equal the Pledged Revenues used in the coverage computation.

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\* Preliminary; subject to change.

## THE BONDS

### Generally

The County is authorized under Sections 4-62-1 through 4-62-10 NMSA 1978, as amended, to issue gross receipts tax refunding revenue bonds, including the Bonds, and to pledge gross receipts tax revenues and equalization distributions pursuant to the Bond Ordinance. The Bonds shall be dated the date of delivery (the "Series Date"), will be issued in the aggregate principal amount of \$5,205,000\*, are issuable in denominations of \$5,000 each and any integral multiple thereof, shall bear interest from the Series Date until maturity at the rates shown on the cover page hereof payable on May 1, 2013, and semiannually thereafter on May 1 and November 1 in each year, and shall mature on May 1 in the years and in the amounts shown on the cover page hereof (unless redeemed prior to maturity).

### Special Limited Obligations

The Bonds are special, limited obligations of the County, payable solely from and secured by the Pledged Revenues (as described in "THE PLEDGED REVENUES"). *Except as described in the preceding sentence, the registered owners of the Bonds may not look to any general or other County fund for payment of the principal of and interest on the Bonds. The Bonds do not constitute a general obligation of the County, and registered owners of the Bonds have no right to have any taxes levied for the payment therefor.*

### Payment and Presentation of Bonds for Payment

Principal and interest on the Bonds shall be payable in lawful money of the United States of America, without deduction for exchange or collection charges. Principal shall be payable in immediately available funds at maturity thereof upon presentation and surrender of such Bond at the principal office of the Paying Agent or at the designated office of any successor Paying Agent. Interest on the Bonds shall be payable by check or draft mailed to the registered owner thereof (or in such other manner as may be agreed upon by the Paying Agent and the registered owner), as shown on the registration books maintained by the Registrar at the address appearing therein on the 15th day of the calendar month next preceding the Interest Payment Date (the "Record Date"). Any interest which is not timely paid or provided for shall cease to be payable to the owner thereof (or of one or more predecessor Bonds) as of the Record Date, but shall be payable to the owner thereof (or of one or more predecessor Bonds) at the close of business on a special record date for the payment of that overdue interest. The special record date shall be fixed by the Paying Agent whenever moneys become available for payment of the overdue interest, and notice of the special record date shall be given to Bond owners not less than ten days prior thereto. If any Bond presented for payment remains unpaid at maturity, it shall continue to bear interest at the rate or rates designated in, and applicable to, such Bond from time to time. If any Bond is not presented for payment at maturity when funds available therefor have been deposited with the Paying Agent, it shall cease bearing interest on and from the date of maturity.

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\* Preliminary, subject to change.

## **Registration**

### *Registration, Transfer and Exchange*

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

### *Limitations*

The Registrar shall close books for change of registered owners' addresses on each Record Date; transfers will be permitted within the period from each Record Date to each Interest Payment Date, but such transfers shall not include a transfer of accrued interest payable.

### *Owner of the Bonds*

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

### *Replacement Bonds*

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

## **Book-Entry Only System**

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

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

### **General**

The Bonds will be issued in book entry form. DTC will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, each in the aggregate principal amount of that maturity and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com).

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

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

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

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

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

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

to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the County, disbursement of such payments to Direct Participants shall be the responsibility of DTC or the Paying Agent, and disbursement of such payments to the Beneficial Owners shall be responsibility of Direct and Indirect Participants.

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

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

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

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

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

## **Prior Redemption**

### *Optional Redemption*

The Bonds maturing on and before May 1, 2022 are not subject to optional redemption prior to their stated maturities.

The Bonds maturing on and after May 1, 2023, shall be subject to redemption prior to maturity at the County's option in one or more units of principal of \$5,000 on and after May 1, 2022, 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 of the Bonds of such maturity is called, such selection by lot to be made by the Registrar in such manner considered appropriate and fair) at a redemption price equal to the principal amount of the Bonds or portions thereof to be redeemed plus accrued interest, if any, to the date fixed for redemption.

The Registrar shall not be required to give notice of any optional redemption unless the Registrar has received written instructions from the County in regard thereto, at least 45 days prior to such redemption date unless waived by the Registrar.

#### *Notice of Redemption*

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. Neither the County's failure to give such notice nor the Registrar's failure to give such notice to the registered owner of any Bond, or any defect therein, shall 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 Bonds 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 Notice*

If money or securities 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 as provided 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 by 2:00 p.m. 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 a manner deemed reasonable and fair by the County and the Paying Agent 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 Paying Agent, shall promptly return to the owners thereof the Bonds or certificates which it has received evidencing the part thereof which have not been redeemed.

## **Creation and Administration of Funds**

### *The Pledged Revenue Funds and Debt Service Fund*

The Bond Ordinance requires that so long as any of the Bonds shall be outstanding, either as to principal or interest, or both, the County shall credit all Pledged Revenues to the appropriate Pledged Revenue Fund. So long as any of the Bonds are outstanding, either as to principal or interest or both, the following payments shall be made monthly from the Pledged Revenue Funds:

As a first charge on the Equalization Distribution Revenue Fund, on parity with the payments into the debt service fund for any additional Equalization Distribution Parity Bonds, the following amounts shall be withdrawn from the Equalization Distribution Revenue Fund and shall be credited to the Debt Service Fund:

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

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

As a first charge on the One-Eighth Percent County Gross Receipts Tax Revenue Fund, on parity with the payments into the debt service fund for any additional Parity Tax Bonds, to the extent that any monthly payment required to be made into the Debt Service Fund has not been made from the Equalization Distribution Revenue Fund or from any other legally available source, the following amounts shall be withdrawn from the One-Eighth Percent County Gross Receipts Tax Revenue Fund, and credited to the Debt Service Fund:

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

(2) Monthly, commencing on the first day of the first month following delivery of the Bonds, an amount in equal monthly installments necessary, together with any moneys therein and available therefor, to pay the next maturing installment of principal on the Bonds and

monthly thereafter commencing on each principal payment date, one-twelfth (1/12th) of the amount necessary to pay the next maturing installment of principal on the Bonds.

*Equalization Distribution Parity Bonds*

Concurrently with the payments required above, funds remaining in the Equalization Distribution Revenue Fund shall be used by the County to pay the debt service requirements of other Equalization Distribution Parity Bonds, now outstanding or hereafter authorized to be issued and payable from Equalization Distributions.

*Parity Tax Bonds*

Concurrently with the payments required above, funds remaining in the One-Eighth Percent County Gross Receipts Tax Revenue Fund shall be used by the County to pay the debt service requirements of such additional Parity Tax Bonds, if any, hereafter authorized to be issued and payable from Pledged Tax Revenues.

*Subordinate Obligations*

After making the payments or deposits hereinabove required to be made pursuant to the Bond Ordinance, the County may use any amounts remaining in the Pledged Revenue Funds for the payment of debt service and related expenses on subordinate bonds or other subordinate obligations payable from Pledged Revenues hereafter issued by the County.

*Rebate Fund*

After and subordinate to the payments required above but on parity with any rebate fund or accounts which may be established for any Parity Tax Bonds or Equalization Distribution Parity Bonds, as applicable, to which the Pledged Revenues have been pledged in whole or in part, there shall be transferred into the Rebate Fund from the Pledged Revenue Funds, such amounts as are required to be deposited therein to meet the County's obligations under the Bond Ordinance, in accordance with Section 148(f) of the Tax Code and which have not been deposited in to the Rebate Fund from other sources. Any moneys remaining in the Rebate Fund after redemption and payment of all the Bonds, any payment and satisfaction of any rebatable arbitrage shall be withdrawn and remitted to the County.

*Use of Surplus Revenues*

After making the required payments as described above, the remaining Pledged Revenues, if any, may be applied to any other lawful purpose, as the County may from time to time determine.

*Termination upon Deposit to Maturity*

No payment need be made into the Debt Service Fund if the moneys in the Debt Service Fund totals a sum at least equal to the entire amount of the Bonds then outstanding, both as to principal and interest to their respective maturities, and both accrued and not accrued, in which case, moneys in said funds in an amount at least equal to such principal and interest requirements

shall be used solely to pay such as the same accrue and any moneys in excess thereof in said fund and any other moneys derived from the Pledged Revenues may be used in any lawful manner determined by the County.

#### *Escrow Fund*

The Bond Ordinance creates the “Doña Ana County, New Mexico Gross Receipts Tax Refunding and Improvement Revenue Bonds, Series 2003, Escrow Fund” to be held by the Escrow Bank pursuant to the terms of the Bond Ordinance and the Escrow Agreement.

The Escrow Fund shall be maintained on behalf of the County by and in the Escrow Bank in an amount at the time of the deposit and all times subsequently at least sufficient, together with the known minimum yield to be derived from the investment of the deposits therein or any part thereof in Federal Securities to pay the Refunded Bond Requirements, both accrued and not accrued, as the same become due, all as provided in the Escrow Agreement.

Moneys shall be withdrawn by the Escrow Bank from the Escrow Fund in sufficient amounts and at times to permit the payment without default of the Refunded Bond Requirements as provided in the Escrow Agreement. Any moneys remaining in the Escrow Fund after provision shall have been made for payment in full of the Refunded Bond Requirements shall, subject to the provisions of the Bond Ordinance, be paid to the County to be applied to any lawful purposes as the County may hereafter determine.

If for any reason the amount in the Escrow Fund shall be insufficient for the purpose discussed above, the County shall forthwith deposit in the Escrow Fund from the first legally available Pledged Revenues such additional moneys as shall be necessary to permit the payment in full of the Refunded Bond Requirements.

#### **Additional Bonds**

##### *Limitations upon Issuance of Parity Obligations*

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

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

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

(a) The annual Pledged Revenues for the Fiscal Year immediately preceding the date of the ordinance authorizing the issuance of any Parity Bonds shall have been sufficient to pay an amount representing at least one hundred fifty percent

(150%) of the maximum annual principal and interest coming due in subsequent Fiscal Years on (1) the outstanding Bonds, (2) other outstanding Parity Bonds payable from and constituting a lien upon the Pledged Revenues, and (3) the Parity Bonds proposed to be issued, excluding reserves therefor; or

(b) If, during the period beginning on the first day of the completed Fiscal Year immediately preceding the date of the ordinance authorizing the issuance of the Parity Bonds proposed to be issued and ending on the date of such ordinance, a change in the rate of Pledged Revenues has been adopted by law, the estimate of the Pledged Revenues (sometimes herein the “Estimated Revenues”), determined by changing the actual Pledged Revenues for the preceding Fiscal Year by the percentage of rate increase or decrease in the gross receipts tax rate, shall have been sufficient to pay an amount representing at least one hundred fifty percent (150%) of the maximum annual principal and interest coming due in subsequent Fiscal Years on (1) the outstanding Bonds, (2) other outstanding Parity Bonds payable from and constituting a lien upon the Pledged Revenues, and (3) the Parity Bonds proposed to be issued, excluding reserves therefor. The preceding Fiscal Year shall be determined as aforesaid from the date of adoption of the ordinance authorizing the issuance of additional Parity Bonds and shall not be determined from the date of publication of such ordinance or adoption of any ordinance which amends or supplements such ordinance.

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

Nothing in the Bond Ordinance shall prevent the issuance by the County of additional bonds or other obligations payable from the Pledged Revenues and constituting a lien upon the Pledged Revenues subordinate or junior in all respects to the lien of the Bonds. The County shall not issue any obligations having a lien on the Pledged Revenues which is prior and superior to the Bonds.

#### *Limitations upon Issuance of Parity Tax Bonds*

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

(1) The County is then current in the accumulation of all amounts which are then required to be on deposit in the Debt Service Fund in accordance with the Bond Ordinance; and

(2) The requirements of either of the following subparagraphs (a) or (b) are met and a certificate or opinion as provided for below has been obtained:

(a) The Pledged Tax Revenues for the Fiscal Year immediately preceding the date of the ordinance authorizing the issuance of any Parity Tax Bonds shall have been sufficient to pay an amount representing at least one hundred fifty percent (150%) of the maximum annual principal and interest coming due in subsequent Fiscal Years on (1) the outstanding Bonds, (2) other outstanding Parity Tax Bonds payable from and constituting a lien upon the Pledged Tax Revenues, and (3) the Parity Tax Bonds proposed to be issued, excluding reserves therefor; or

(b) If, during the period beginning on the first day of the completed Fiscal Year immediately preceding the date of the ordinance authorizing the issuance of the Parity Tax Bonds proposed to be issued and ending on the date of such ordinance, a change in the rate of Pledged Tax Revenues has been adopted by law, the estimate of the Pledged Tax Revenues (sometimes herein the “Estimated Revenues”), determined by changing the actual Pledged Tax Revenues for the preceding Fiscal Year by the percentage of rate increase or decrease in the gross receipts tax rate, shall have been sufficient to pay an amount representing at least one hundred fifty percent (150%) of the maximum annual principal and interest coming due in subsequent Fiscal Years on (1) the outstanding Bonds, (2) other outstanding Parity Tax Bonds payable from and constituting a lien upon the Pledged Tax Revenues, and (3) the Parity Tax Bonds proposed to be issued, excluding reserves therefor. The preceding Fiscal Year shall be determined as aforesaid from the date of adoption of the ordinance authorizing the issuance of additional Parity Tax Bonds and shall not be determined from the date of publication of such ordinance or adoption of any ordinance which amends or supplements such ordinance.

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

Nothing in the Bond Ordinance shall prevent the issuance by the County of additional bonds or other obligations payable from the Pledged Tax Revenues and constituting a lien upon the Pledged Tax Revenues subordinate or junior in all respects to the lien of the Bonds. The County shall not issue any obligations having a lien on the Pledged Tax Revenues which is prior and superior to the Bonds.

*Limitations upon Issuance of Equalization Distribution Parity Bonds*

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

(1) The County is then current in the accumulation of all amounts which are then required to be on deposit in the Debt Service Fund in accordance with the Bond Ordinance; and

(2) The requirements of either of the following subparagraphs (a) or (b) are met and a certificate or opinion as provided below has been obtained:

(a) The Equalization Distribution for the Fiscal Year immediately preceding the date of the ordinance authorizing the issuance of any Equalization Distribution Parity Bonds shall have been sufficient to pay an amount representing at least one hundred fifty percent (150%) of the maximum annual principal and interest coming due in subsequent Fiscal Years on (1) the outstanding Bonds, (2) other outstanding Equalization Distribution Parity Bonds payable from and constituting a lien upon the Equalization Distribution, and (3) the Equalization Distribution Parity Bonds proposed to be issued, excluding reserves therefor; or

(b) If, during the period beginning on the first day of the completed Fiscal Year immediately preceding the date of the ordinance authorizing the issuance of the Equalization Distribution Parity Bonds proposed to be issued and ending on the date of such ordinance, a change in the calculation of Equalization Distribution has been adopted by law, the estimate of the Equalization Distribution (sometimes herein the "Estimated Revenues"), determined by changing the actual Equalization Distributions for the preceding Fiscal Year by the anticipated Equalization Distribution based on the change in calculation, shall have been sufficient to pay an amount representing at least one hundred fifty percent (150%) of the maximum annual principal and interest coming due in subsequent Fiscal Years on (1) the outstanding Bonds, (2) other outstanding Equalization Distribution Parity Bonds payable from and constituting a lien upon the Equalization Distribution, and (3) the Equalization Distribution Parity Bonds proposed to be issued, excluding reserves therefor. The preceding Fiscal Year shall be determined as aforesaid from the date of adoption of the ordinance authorizing the issuance of additional Equalization Distribution Parity Bonds and shall not be determined from the date of publication of such ordinance or adoption of any ordinance which amends or supplements such ordinance.

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

Nothing in the Bond Ordinance shall prevent the issuance by the County of additional bonds or other obligations payable from the Equalization Distribution and constituting a lien upon the Equalization Distribution subordinate or junior in all respects to the lien of the Bonds. The County shall not issue any obligations having a lien on the Equalization Distribution which is prior and superior to the Bonds.

#### *Refunding Obligations*

The County is also allowed to issue Parity Obligations for the purpose of refunding other outstanding obligations that are payable out of the Pledged Revenues if the Parity Obligations

would not increase any aggregate principal and interest requirements on and prior to the last maturity date of the outstanding obligations which are not refunded. Refunding Parity Obligations not complying with such test may be issued in compliance with the test set forth above for additional Parity Obligations.

### **Source of Payment and Security**

The Pledged Revenues and amounts in the Debt Service Fund are pledged to secure the payment of principal of and interest on the Bonds. The payments of principal and interest on all of the Bonds will be payable only out of the Pledged Revenues (see the description of Pledged Revenues under “THE PLEDGED REVENUES”).

The Bonds constitute an irrevocable and valid first lien, but not necessarily an exclusive first lien, on the Pledged Revenues on parity with the liens thereon of any additional Parity Obligations, Parity Tax Bonds or Equalization Distribution Parity Bonds which are outstanding or hereafter may be issued. The Bonds are not general obligations of the County, and the registered owners of the Bonds may not look to any general or other fund for any payment that becomes due on the Bonds other than the special funds that are specifically pledged to repayment under the terms of the Bond Ordinance. The Bonds will not constitute an indebtedness of the County, the State of New Mexico or other political subdivision within the meaning of any constitutional or statutory provision or limitation.

### **Protective Covenants**

The County’s covenants in the Bond Ordinance include the following:

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

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

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

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

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

F. *Audits and Budgets.* The County will, within two hundred and seventy (270) days following the close of each Fiscal Year, cause an audit of its books and accounts relating to the Pledged Revenues to be commenced by an Independent Accountant showing the receipts and disbursements in connection with such revenues. The County agrees to furnish forthwith a copy of each of such audits and reports to the Purchaser and the holder of any of the Bonds at his written request.

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

H. *Duty to Impose First One-Eighth County Gross Receipts Tax (Pledged Tax Revenues).* If State law or any County ordinance or part thereof, which in any manner affect the Pledged Tax Revenues, shall ever be held to be invalid or unenforceable, it shall be the duty of the County to immediately take any action necessary to produce sufficient Pledged Tax Revenues to comply with the contracted obligations of this Ordinance, except as is provided in Paragraph I below.

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

J. *Debt Service Fund.* The Debt Service Fund shall be used solely and only, and that fund is hereby pledged, for the purposes set forth in the Bond Ordinance.

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

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

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

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

N. *Rebate Fund.* In furtherance of the covenants set forth in Paragraph M above, the County will establish a fund separate from any other funds established and maintained under the Bond Ordinance designated as the Rebate Fund. Money and investments in the Rebate Fund shall not be used for the payment the Bonds and amounts credited to the Rebate Fund shall be free and clear under any pledge under the Bond Ordinance. Money in the Rebate Fund shall be invested pursuant to the procedures provided in the Bond Ordinance for investment of money, and all amounts on deposit in the Rebate Fund shall be held by the County, or a designated trustee, in trust, to the extent required to pay rebatable arbitrage to the United States of America. The County shall unconditionally be entitled to accept and rely upon the recommendation, advice, calculation and opinion of an accounting firm or other person or firm with knowledge of or experience in advising with respect to the provisions of the Code relating to rebatable arbitrage. The County shall remit all rebate installments and the final rebate payment to the United States of America as required by the provisions of the Code. Any moneys remaining in the Rebate Fund after redemption and payment of all the Bonds and payment and satisfaction of any rebatable arbitrage shall be withdrawn and remitted to the County.

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

## **Defeasance**

When all principal and interest in connection with the Bonds authorized in the Bond Ordinance have been duly paid, the pledge and lien for the payment of the Bonds shall thereby be discharged and the Bonds shall no longer be deemed to be outstanding within the meaning of the Bond Ordinance. Payment shall be deemed made with respect to any Bond or Bonds when the County has placed in escrow with a commercial bank exercising trust powers, an amount

sufficient (including the known minimum yield from Federal Securities) to meet all requirements of principal and interest as the same become due to their final maturities. Any Federal Securities shall become due when needed in accordance with a schedule agreed upon between the County and such bank at the time of the creation of the escrow.

### **Events of Default**

Each of the following events is declared in the Bond Ordinance as an “event of default” with respect to the Bonds:

A. *Nonpayment of Principal.* Failure to pay the principal of any of the Bonds when the same becomes due and payable, either at maturity or otherwise.

B. *Nonpayment of Interest.* Failure to pay any installment of interest when the same becomes due and payable.

C. *Default of any Provision.* Default by the County in the due and punctual performance of its covenants or conditions, agreements and provisions contained in the Bonds or in the Bond Ordinance on its part to be performed, and the continuance of such default (other than a default set forth in subparagraphs A and B above) for sixty (60) days after written notice specifying such default and requiring the same to be remedied has been given to the County by the holders of twenty-five percent (25%) in aggregate principal amount of the Bonds then outstanding.

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

### **Duties upon Default**

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

### **Remedies upon Default**

Upon the happening and continuance of any of the events of default as provided in the Bond Ordinance, then in every case the holder or holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then outstanding, including, but not limited to,

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

### **Amendments to the Bond Ordinance**

The Bond Ordinance may be amended without the consent of the holder of any Bond to cure any ambiguity or to cure, correct or supplement any defect or inconsistent provision contained in the Bond Ordinance. Prior to the date of the initial delivery of the Bonds to the Purchaser, the provisions of the Bond Ordinance may be supplemented with the written consent of the Purchaser with respect to any changes which are not inconsistent with the substantive provisions of the Bond Ordinance. Except as provided above, the Bond Ordinance may be amended without receipt by the County of any additional consideration, but with the written consent of the holders of three-fourths (3/4ths) of the Bonds then outstanding (not including Bonds which may be held for the account of the County); but no ordinance adopted without the written consent of the holders of all outstanding Bonds shall have the effect of permitting:

- A. An extension of the maturity of any Bond; or
- B. A reduction of the principal amount or interest rate of any Bond; or
- C. The creation of a lien upon the Pledged Revenues ranking prior to the lien or pledge created by the Bond Ordinance; or
- D. A reduction of the principal amount of Bonds required for consent to such amendatory ordinance; or
- E. The establishment of priorities as between Bonds issued and outstanding under the provisions of the Bond Ordinance; or
- F. The modification of or otherwise affecting the rights of the holders of less than all the outstanding Bonds.

## **THE PLEDGED REVENUES**

The Bonds are special obligations of the County, payable from the Pledged Revenues and moneys in the Debt Service Fund created under the Bond Ordinance. The Bonds have a first lien on the Pledged Tax Revenues and Equalization Distribution.

The Pledged Tax Revenues are distributed to the County pursuant to Section 7-1-6.13 NMSA 1978, which County gross receipts tax is imposed on all persons engaging in business in the County pursuant to the Tax Ordinance, as authorized by Sections 7-20E-1 through 7-20E-22 NMSA 1978, which tax equals, subject to exemptions specified in Sections 7-20E-4(A) and 7-20E-5 NMSA 1978, and the deductions referred to in Section 7-20E-7 NMSA 1978, one-eighth of one percent of the gross receipts of all persons engaging in business in the County for the privilege of engaging in business in the County. The Pledged Tax Revenues also include (i) the portion of the gross receipts tax distribution to the County to be made pursuant to Section 7-1-6.47 NMSA 1978, which represents the amount of Pledged Tax Revenues set forth in the sentence above that would have been remitted to the County but for the deductions provided by Sections 7-9-92 and 7-9-93 NMSA 1978 and (ii) any similar distributions made to the County in lieu of Pledged Tax Revenues, but Pledged Tax Revenues do not include any similar distributions in lieu of any other county local option gross receipts tax revenues.

The Equalization Distribution is related to the first one-eighth of one percent increment of County gross receipts tax distributed pursuant to Section 7-1-6.16 NMSA 1978. The State Department of Taxation and Revenue distributes the Equalization Distribution annually on or about September 15 from the State tax administration suspense fund (the interim depository fund for State general fund gross receipts tax revenues). The amount of the distribution to counties eligible for distribution is made pursuant to a formula, and the distribution is the difference between the statewide per capita yield on a hypothetical one-eighth gross receipts tax times the population of the county and the county's actual receipts from its own first one-eighth gross receipts tax. If a county's actual per capita receipts from its first one-eighth's gross receipts tax exceed the statewide per capita yield, it is allowed to keep the excess and receives no distribution of Equalization Revenues.

### **Pledged Tax Revenues**

Pursuant to New Mexico Statutes, Chapter 7, Article 20E, New Mexico counties are authorized to enact an ordinance imposing an excise tax not to exceed a rate of seven-sixteenths of one percent of the gross receipts of persons engaging in business in the county (the "County Gross Receipts Tax"). The ordinance shall impose the County Gross Receipts Tax in independent increments which are separately denominated as the "first one-eighth," "second one-eighth" "third one-eighth" and "one-sixteenth" increments. The New Mexico Department of Taxation and Revenue collects the County Gross Receipts Tax on behalf of the counties that impose it and distributes to the county the amount collected on behalf of that county, less an administration fee not exceeding three percent of the tax collected, in the month following the month of collection.

Each county imposing a County Gross Receipts Tax is required to establish a "county reserve fund" and deposit therein one-fourth of the first one-eighth increment of the County

Gross Receipts Tax received by the County. Except if permitted to be transferred from the county reserve fund to its general fund or road fund due to deficits in certain federal in lieu of tax payments, national forest reserve receipts or federal revenue sharing entitlement payments, all of the net receipts of the County Gross Receipts Tax deposited in the county reserve fund are required to remain therein until the sixteenth day of the month following the end of the State fiscal year in which the deposits were made. Notwithstanding the permitted statutory uses of amounts in the county reserve fund, the amounts on deposit in the county reserve fund of the County will constitute Pledged Revenues. However, such amounts will not be deposited to the One-Eighth Percent County Gross Receipts Tax Revenue Fund and available for the payment of debt service on the Bonds until permitted to be transferred from the county reserve fund.

### **County Equalization Distribution**

The County is eligible for and receives a county equalization distribution pursuant to Section 7-1-6.16 NMSA 1978, as amended (“Equalization Act”). The Equalization Act was originally adopted in 1983 by the State Legislature to ensure that each county in the State with a county gross receipts tax levy in place received actual tax revenues, on a per capita basis, equal to a hypothetical, one-eighth statewide gross receipt tax distributed on a per capita basis to each county. Presumably (the New Mexico State Legislature does not preserve or prepare legislative history), the intent behind the Equalization Act was to ensure that all counties imposing a one-eighth gross receipts tax could rely on receiving revenues at least equal to an amount that would have been distributed by the State had the same rate of gross receipts tax been imposed on a statewide basis and then distributed on a per capita basis to each county. Differences between retail shopping activity (e.g., large shopping malls and other activities subject to gross receipts tax are located in counties with large populations), tourism activity and tax rates between counties throughout the State are thus mitigated by the Equalization Distribution pursuant to the Equalization Act.

### **Taxed Activities**

For the privilege of engaging in business in the State, the gross receipts tax is imposed upon any person engaging in business in the County. “Gross Receipts” is defined in the Gross Receipts and Compensating Tax Act as the total amount of money or value of other consideration received from selling property in the State (including tangible personal property handled on consignment in the State), from leasing property employed in the State, from selling certain research and development services performed outside the State the product of which is initially used in the State and from performing services in the State.

### **Exemptions**

Some activities and industries are exempt from the gross receipts tax, many by virtue of their taxation under other laws. Exemptions include but are not limited to receipts of governmental agencies and certain organizations (some of which are taxable by the State, with no local distribution), receipts from the sale of vehicles, occasional sales of property or services, wages, certain agricultural products, dividends, receipts from the sale of prescription drugs and certain federal government paid medical expenses and interest and receipts from the sale of or leasing of natural gas, oil or mineral interests. Various deductions are also allowed, including,

but not limited to, receipts from various types of sales or leases of tangible personal property or services, receipts from sales to governmental agencies or certain organizations, receipts from processing certain agricultural products, receipts from certain publication sales, certain receipts from interstate commerce transactions and receipts from the sale of certain food and certain medical services. In spite of the numerous specified exemptions and deductions from gross receipts taxation, the general presumption is that all receipts of a person engaging in business in the County are subject to the gross receipts tax.

### **Administration of the Tax**

Businesses must make their payments of gross receipts tax on or before the twenty-fifth of each month for taxable events in the prior month. Collection of the gross receipts tax is administered by the Revenue Division of the Taxation and Revenue Department of the State (the “Revenue Division”), pursuant to Section 7-1-6 NMSA 1978. Collections are first deposited into a suspense fund for the purpose of making disbursements for refunds, among other items. The Revenue Division remits monthly to counties, including the County, the moneys derived from the gross receipts tax, less applicable deductions and disbursements, attributable to the gross receipts tax of businesses located in the County.

### **Legislative Changes**

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

### **Remedies for Delinquent Taxes**

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

The Department may levy upon all property or rights to property of a delinquent taxpayer and sell the same in order to collect all the delinquent tax. The amount of delinquent gross receipts taxes is also a lien in favor of the State upon all property and rights to property of the delinquent taxpayer, which lien may be foreclosed as provided by the State statutes.

## Historical Pledged Revenues

The amount of Pledged Revenues received by the County from the State for each of the past five fiscal years is as follows:

<u>Fiscal Year Ended June 30</u>	<u>1<sup>st</sup> 1/8<sup>th</sup> GRT Revenues</u>	<u>County Equalization</u>	<u>Total</u>
2012 <sup>(1)</sup>	\$4,335,548	\$2,525,599	\$6,861,147
2011	4,292,678	2,161,722	6,454,400
2010	4,162,541	2,613,952	6,776,493
2009	4,261,350	2,645,984	6,907,334
2008	4,312,967	2,737,628	7,050,595

(1) Unaudited

Source: Doña Ana County

## Monthly Collections

The following chart is a comparison between monthly Pledged Tax Revenues for the twelve-month periods ending June 30, 2012 and June 30, 2011. The collections presented here represent actual receipts in the month shown (i.e., the cash basis of accounting is used).

### Two-Year Comparison of Monthly Pledged Tax Revenues Collections

<u>Month</u>	<u>Twelve-Month Period Ending June 30, 2012*</u>		<u>Twelve-Month Period Ending June 30, 2011</u>		<u>Percent Increase (Decrease)</u>
	<u>Current Month</u>	<u>Year To Date</u>	<u>Current Month</u>	<u>Year To Date</u>	<u>Current Month</u>
July	\$349,115	\$ 349,115	\$339,815	\$ 339,815	2.67%
August	387,331	736,446	403,887	743,702	(4.27%)
September	365,640	1,102,086	333,140	1,074,842	8.89%
October	373,401	1,475,487	359,404	1,434,246	3.74%
November	367,006	1,842,493	353,789	1,788,035	3.60%
December	333,317	2,175,810	330,675	2,118,710	0.79%
January	331,158	2,506,968	340,668	2,459,378	(2.87%)
February	408,554	2,915,522	423,057	2,882,435	(3.55%)
March	333,526	3,249,048	342,580	3,225,015	(2.71%)
April	340,637	3,589,685	335,673	3,560,688	1.46%
May	393,784	3,983,469	376,389	3,937,077	4.42%
June	352,081	4,335,548	353,601	4,290,678	(0.43%)

\*Unaudited

Source: New Mexico Taxation and Revenue Department (RP-500) and Doña Ana County Finance Office

## History of Reported Taxable Gross Receipts

The following table sets forth a history of total taxable gross receipts for the County. The total taxable figures in this table may not correlate with the total taxable figures reported elsewhere due to non-disclosure in certain categories. This table includes all County gross receipts taxes; it is not limited to the Pledged Revenues.

### Comparison of Reported and Taxable Gross Receipts in the County

<u>Fiscal Year Ending 6/30</u>	<u>Total Reported Gross Receipts</u>	<u>Total Taxable Gross Receipts<sup>(1)</sup></u>	<u>Percentage of Total Gross Receipts Which Are Taxable<sup>(2)</sup></u>
2012	\$7,656,549,484	\$3,268,968,398	42.70%
2011	7,273,667,392	3,261,480,010	44.84%
2010	6,748,827,899	3,183,039,637	47.16%
2009	6,487,424,761	3,189,757,714	49.17%
2008	6,675,390,586	3,227,575,777	48.35%

(1) Represents total gross receipts of standard industrial classifications (excludes interstate telecommunications services, which are subject to a different tax).

(2) Represents total taxable gross receipts divided by total reported gross receipts.

Source: State of New Mexico Taxation and Revenue Department (derived from Report 80).

## Taxable Gross Receipts by Industry Classification

The following is a history of taxable gross receipts by industry classification for Doña Ana County. The total taxable figures in this table may not correlate with the total taxable figures reported elsewhere due to non-disclosure by the State in certain categories (to preserve confidentiality of taxpayers). This table includes all County gross receipts taxes; it is not limited to the Pledged Revenues.

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Agriculture, Forestry, Fishing and Hunting	\$ 4,581,504	\$ 4,027,854	\$ 3,135,971	\$ 3,858,464
Mining and Oil and Gas Extraction	467,535	467,009	1,085,479	476,454
Utilities	174,295,387	174,384,701	162,212,042	175,011,981
Construction	537,770,224	506,249,472	499,703,021	568,959,576
Manufacturing	43,888,203	33,259,200	30,112,417	42,326,261
Wholesale Trade	64,136,340	57,666,600	61,162,741	73,635,107
Retail Trade	1,696,742,557	1,640,100,325	1,615,455,110	1,654,766,629
Transportation and Warehousing	41,493,639	56,814,411	47,384,542	37,011,968
Information and Cultural Industries	198,314,231	166,762,933	127,283,839	85,869,919
Finance and Insurance	16,920,312	16,148,422	16,005,943	20,036,194
Real Estate and Rental and Leasing	41,887,753	38,346,289	29,882,098	35,768,336
Professional, Scientific and Technical Services	256,302,836	260,438,987	260,294,570	268,583,305
Management of Companies and Enterprises	1,453,166	1,493,820	1,827,478	1,187,427
Admin and Support, Waste Management	85,818,716	74,671,238	19,922,177	15,255,395
Educational Services	38,519,896	39,608,910	36,784,048	30,688,949
Health Care and Social Assistance	343,328,836	340,810,689	337,415,075	290,284,017
Arts, Entertainment and Recreation	20,436,601	19,430,942	17,567,223	11,124,608
Accommodation and Food Services	256,232,719	246,290,938	237,218,638	220,395,839
Other Services (except Public Admin)	230,394,700	270,687,571	365,318,819	398,594,281
Public Administration	19,731,462	17,901,576	9,593,950	23,079,207
Unclassified Establishments	1,163,050	10,915,250	17,803,908	11,214,020
<b>Totals</b>	<u><b>\$4,073,879,669</b></u>	<u><b>\$3,976,477,136</b></u>	<u><b>\$3,897,169,088</b></u>	<u><b>\$3,968,127,935</b></u>

Source: New Mexico Taxation and Revenue Department Report 80.

The revenue experience set forth above is historical, and there can be no assurance that the future revenue experience of the County will be consistent with this information. In addition, due to the possibility of adverse economic conditions, the effects of which may be concentrated in certain geographic locations within the State, it is impossible to predict future revenues to counties in the State.

## EXISTING COUNTY DEBT

The County's debt outstanding as of July 1, 2012, consisted of the following individual issues:

	<u>Amount Outstanding</u>	<u>Final Maturity</u>	<u>Pledged Revenues</u>
Gross Receipts Tax Improvement and Refunding Revenue Bonds, Series 1998	\$9,355,000	2016	1/8 <sup>th</sup> County GRT (1 <sup>st</sup> ) and Correctional Facility Revenues
Santa Teresa Special Assessment District Bonds, Series 2001A-B	5,415,000	2021	Special Assessment Fees
General Obligation Bonds, Series 2003	1,070,000	2014	Ad Valorem Property Taxes
Gross Receipts Tax Improvement and Refunding Revenue Bonds, Series 2003 <sup>(1)</sup>	5,235,000	2028	Equalization Distribution
Payment in Lieu of Taxes Revenue Bonds, Series 2004	11,070,000	2029	Federal Payment in Lieu of Taxes
New Mexico Environment Department Loan	330,660	2019	Net System Revenues and Environmental GRT
1999 New Mexico Finance Authority Loan	330,533	2015	Flood Protection Ad Valorem Taxes
2003 New Mexico Environment Department Loan	<u>4,142,980</u>	2029	Net Wastewater System Revenues
Total	<u>\$36,949,173</u>		

(1) To be defeased on or about November 13, 2012 with proceeds of the Bonds

## HISTORICAL GENERAL FINANCIAL INFORMATION FOR THE COUNTY

The data (fiscal years ending June 30) appearing on the pages under this heading have been excerpted from the audited financial statements of the County for the years indicated. As presented, the data does not include the related "Notes to Financial Statements" which are an integral part of the audited financial statements. The audited financial statements, including the related notes, are available on request from the County.

*The General Fund of the County is not pledged to pay debt service on the Bonds, and the following charts are included for information purposes only.*

**STATE OF NEW MEXICO  
DOÑA ANA COUNTY  
GENERAL FUND**

**BALANCE SHEET**

	<b>2011</b>	<b>2010</b>	<b>2009</b>	<b>2008</b>	<b>2007</b>
<b><u>ASSETS</u></b>					
Cash and cash equivalents	\$12,400,377	\$ 3,267,390	\$13,180,071	\$48,654,166	\$45,661,759
Investments	46,144,167	48,280,568	30,859,180	300,000	200,000
Receivables	1,592,200	2,226,306	312,518	134,999	1,304,640
Allowance for uncollectible taxes (credit)	0	0	0	(56,258)	0
Taxes receivable	6,021,906	5,609,311	5,053,631	5,366,143	5,681,591
Intergovernmental receivables	944,241	438,873	1,611,312	2,823,517	957,735
Interest receivable	256,687	170,289	2,440,633	156,799	133,404
Bonds receivable	0	0	6,665,000	0	0
Due from other funds	1,328,218	4,085,770	0	2,994,761	2,786,011
Prepaid expenses & inventories	10,273	8,668	0	0	0
Inventories	0	0	13,354	15,259	9,097
<b>Total Assets</b>	<b><u>\$68,698,069</u></b>	<b><u>\$64,087,175</u></b>	<b><u>\$60,135,699</u></b>	<b><u>\$60,389,386</u></b>	<b><u>\$56,734,237</u></b>

**LIABILITIES AND FUND BALANCES**

**LIABILITIES**

Accounts payable	\$1,148,238	\$ 638,387	\$1,013,882	\$ 880,659	\$780,375
Accrued payroll liabilities	1,143,395	1,054,520	793,442	615,112	469,340
Accrued interest payable	267	297	356	0	0
Due to other funds	0	0	143,015	143,015	143,015
Deferred revenues	6,521,511	6,305,129	6,192,075	8,406,706	9,864,700
Settlement Payable	0	0	0	0	1,325,000
Other liabilities	70,708	69,508	175,234	177,550	174,199
<b>Total Liabilities</b>	<b><u>\$8,884,119</u></b>	<b><u>\$8,067,841</u></b>	<b><u>\$8,318,004</u></b>	<b><u>\$10,223,042</u></b>	<b><u>\$12,756,629</u></b>

**FUND BALANCES**

Other Purposes/Debt Service	0	\$ 8,668	0	0	\$2,890,997
Inventories	0	0	\$ 13,354	\$ 15,259	9,097
Unreserved designated for Healthcare	0	22,611,370	22,526,539	22,608,853	22,611,370
Unreserved and Undesignated reported in General Fund	0	33,399,296	29,278,102	27,542,232	18,466,144
Non-spendable	\$ 10,273	0	0	0	0
Restricted	745,027	0	0	0	0
Committed	2,447,964	0	0	0	0
Assigned	6,399,199	0	0	0	0
Unassigned	50,211,487	0	0	0	0
<b>Total Fund Balance</b>	<b><u>\$59,813,950</u></b>	<b><u>\$56,019,334</u></b>	<b><u>\$51,817,995</u></b>	<b><u>\$50,166,344</u></b>	<b><u>\$43,977,608</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$68,698,069</u></b>	<b><u>\$64,087,175</u></b>	<b><u>\$60,135,999</u></b>	<b><u>\$60,389,386</u></b>	<b><u>\$56,734,237</u></b>

**STATE OF NEW MEXICO  
DOÑA ANA COUNTY  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**

**GENERAL FUND**

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
<b><u>REVENUES</u></b>					
Taxes:					
Property taxes	\$34,916,437	\$33,290,869	\$30,803,402	\$28,402,223	\$23,920,339
General sales and use taxes	14,014,669	14,612,154	13,917,486	12,906,625	12,136,600
Payment in lieu of tax	2,853,799	2,831,960	5,552,401	1,762,342	1,734,679
Penalties and interest	1,280,623	1,195,672	1,012,164	944,947	683,405
Licenses and permits	377,965	337,627	516,940	434,105	533,967
Intergovernmental revenue and grants	3,424,629	2,745,424	11,657,313	13,870,519	13,993,733
Charges for services	13,668,532	13,567,808	3,236,206	4,677,532	4,547,048
Interest Income – bonds	0	0	71,581	0	0
Contributions/donations private services	5,000	480	1,600	75,000	5,000
Investment earnings	304,682	837,388	47,166	2,224,188	2,691,721
Rents and royalties	381,287	309,672	386,850	404,707	279,598
Other revenue	2,059,576	1,796,297	1,703,630	3,031,426	1,194,384
<b>Total Revenues</b>	<b><u>\$73,287,199</u></b>	<b><u>\$71,525,351</u></b>	<b><u>\$68,906,739</u></b>	<b><u>\$68,733,614</u></b>	<b><u>\$61,720,474</u></b>
<b><u>EXPENDITURES</u></b>					
Current:					
General government	\$22,097,615	\$21,797,483	\$20,991,388	\$15,619,643	\$15,457,262
Public safety	38,931,239	37,140,185	31,721,571	27,734,470	24,606,906
Public works	8,449,796	8,875,031	6,071,484	9,531,482	10,659,832
Health and welfare	408,221	451,027	584,531	671,002	5,076,706
Culture and recreation	70,732	104,825	69,075	3,306,220	16,551
Debt Service:					
Principal payments	42,751	41,912	0	0	0
Interest payments	8,310	9,120	0	0	0
Fiscal agent's fees	0	0	0	0	0
Capital Outlay:					
Capital Outlay	2,620,950	2,707,480	5,549,109	4,506,797	3,567,759
<b>Total Expenditures</b>	<b><u>\$72,629,614</u></b>	<b><u>\$71,127,063</u></b>	<b><u>\$64,987,158</u></b>	<b><u>\$61,369,614</u></b>	<b><u>\$59,385,016</u></b>
Excess (deficiency) of revenues over expenditures	\$ 657,585	\$ 398,288	\$ 3,919,581	\$ 7,364,000	\$2,335,458

**OTHER FINANCING SOURCES (USES)**

Proceeds from issuance of long-term capital-related debt	\$ 213,426	0	0	0	0
Transfer in	37,220,146	44,525,960	30,667,740	33,125,701	22,499,150
Transfers out	<u>(34,296,541)</u>	<u>(41,574,013)</u>	<u>(33,128,489)</u>	<u>(34,430,621)</u>	<u>(28,734,786)</u>
Total other financing sources (uses)	<u>\$ 3,137,031</u>	<u>\$ 2,951,947</u>	<u>\$ (2,460,749)</u>	<u>\$ (1,304,920)</u>	<u>\$(6,235,636)</u>
Net change in fund balance	\$ 3,794,616	\$ 3,350,235	\$ 1,458,832	\$ 6,059,080	\$(3,900,178)
Fund balances-beginning of year	56,019,334	51,817,695	50,166,344	43,977,605	43,088,375
Restatements	0	851,404	192,519	129,659	4,789,411
Fund balances-beginning of year, as restated	<u>56,019,334</u>	<u>52,669,099</u>	<u>50,358,863</u>	<u>44,107,264</u>	<u>47,877,786</u>
<b>Fund balances-end of the year</b>	<b><u>\$ 59,813,950</u></b>	<b><u>\$ 56,019,334</u></b>	<b><u>\$ 51,817,695</u></b>	<b><u>\$ 50,166,344</u></b>	<b><u>\$43,977,608</u></b>

## THE COUNTY

### General

Doña Ana County is one of 33 counties in the state of New Mexico. It was created in 1852 and is the second most populated county in the state. The County seat, Las Cruces, has been ranked as one of the fastest-growing communities in the United States. The quality of life in the County is characterized by a strong sense of community that is enhanced by a rural lifestyle. Assets identified by residents include peace and quiet, friendliness of the people, wonderful local produce and foods, and terrific weather in a rural setting.

The County comprises 3,804 square miles in south-central New Mexico, bordering on El Paso County, Texas, to the east and southeast and the state of Chihuahua, Mexico, directly to the south, as well as Luna County to the west, Sierra County to the north and Otero County to the east. There are many physically diverse areas within the County, including mountain ranges, valleys and deserts. In 1900, the County hosted an agriculturally based society with a population of 10,187. The market centers were Las Cruces, El Paso and Ciudad Juarez. By 2010, the County was urbanized with a population of 209,234 and boasted an economy based on service, retail, higher education and government. Rapid population growth has occurred in and around the city of Las Cruces, as well as in the southern part of the County. Las Cruces is home to New Mexico State University, as well as Doña Ana Branch Community College.

### County Government and Administration

The County is governed by a five member elected Board of County Commissioners. The current Board members together with their respective occupations and the expiration date of their terms of office are listed below:

<u>Name</u>	<u>Position</u>	<u>Occupation</u>	<u>Term Expires</u>
Karen G. Perez	Chairperson	Professional Engineer	2014
Scott A. Krahling	Vice Chairperson	Business	2012
Billy G. Garrett	Commissioner	Retired	2014
Dolores Saldana-Caviness	Commissioner	Self-Employed	2012
Leticia Duarte-Benavidez	Commissioner	Retired	2012

#### *Sue Padilla, Interim County Manager*

The County Manager oversees all day-to-day activity within County government and works closely with elected officials and department heads to coordinate a cohesive management strategy designed to enhance infrastructure, minimize debt and expedite services. Ms. Padilla was appointed as the Interim County Manager on September 11, 2012 to assume the responsibilities of County Manager Brian Haines who is on medical leave. Ms. Padilla oversees and manages all county operations, supervises all department heads and oversees the budget. Ms. Padilla holds a bachelor's degree in education and agriculture from New Mexico State University and is a graduate of the Utilities Management Institute in San Antonio, Texas. After

serving as Village Administrator for Bosque Farms, New Mexico, Ms. Padilla joined Doña Ana County in 2003 and has served as a financial specialist, Utilities Administrator and Utilities Director prior to becoming Assistant County Manager in 2006.

*Bill Noland, Director - Financial Services Department*

Mr. Noland was hired as Finance Director for Doña Ana County in 2009 and is responsible for the management of the County's fiscal activities and formulating the County's strategic plan. He also assists County Management in the financial administration of the County's policies and procedures in fiscal matters and is responsible for the department's performance, which includes developing short and long-range goals and performance standards and measures. The Financial Services Department is divided into various components: General ledger compliance, payroll, accounts payable, accounts receivable and budget. The department is responsible for the County's annual budget, authorizing purchases etc., based on the availability of funds and in compliance with the County Commission approvals.

Mr. Noland has over 28 years of experience in finance and management. Prior to joining Doña Ana County, he worked for the City of Oakland, California, first as Controller, then as Director of Finance and Management. Mr. Noland also served as Treasurer for the City and Redevelopment Agency and Secretary/Treasurer of the Oakland-Alameda County Coliseum Authority. His responsibility included accounting, debt management, investments, local tax collection, purchasing, parking operations, human resources, information technology, retirement and risk management and a staff of over 375 employees. The City of Oakland's annual budget totaled over \$1 billion and the City had over \$1.5 billion in outstanding debt. Before working for the City, Mr. Noland worked for Contra Costa Water District developing rates, fees and financing for a \$500 million reservoir project and another \$100 million in capital improvements. Mr. Noland started as Rate and Financial Analyst was promoted to Accounting Manager and then served as interim Finance Director. Mr. Noland started his financial career in the private sector with Greyhound Lines. He was responsible for implementation of financial systems, supported labor contract negotiations and consolidated payroll operations and local bus operations for the company. He negotiated and managed contract services and revised agent commission rate structures. Mr. Noland started as a Financial Analyst before being promoted to Payroll Manager, Disbursements Manager and, finally, Director of Finance for the eleven state Western Division.

**Economy**

Doña Ana County is considered to be part of the "BorderPlex", along with El Paso, Texas and Juarez, Mexico. The North American Free Trade Agreement, the County's proximity to El Paso and Juarez, and its location at the interchange of two interstate highways have combined to influence and increase the area's industrial growth. Agriculture, construction, government, retail trade, tourism and services are other significant economic components. While the economy is increasingly diversified, the major employers continue to be governmental, including White Sands Missile Range, NASA, New Mexico State University, City/County government and area school districts.

### *Tourism*

The tourism industry also has an impact on the County's economy. A number of recreation sites in the Las Cruces area including Leasburg Dam State Park, Fort Selden Monument, Aguirre Springs, attract visitors to their facilities. The New Mexico Farm & Ranch Heritage Museum along with the University Art Gallery, the New Mexico State University museum, the Las Cruces Museum of Natural History and the Branigan Cultural Center give area visitors a glimpse into the life and culture of contemporary and historical New Mexico. The White Sands Missile Range, located in nearby Alamogordo, is the birthplace of the atomic age. It was established in 1945 and is operated by the United States Army. The Range is a major test facility for testing capabilities need by the Army, Navy and Air Force, and by NASA. White Sands Space Harbor serves as an alternate landing site for NASA's space shuttle and shuttle pilots train at the Range. White Sands is the home of Trinity Site, where the first atomic bomb was detonated, and is open to the public on the first Saturday in April and October.

### *New Mexico State University*

New Mexico State University (the "University"), the main campus of which is situated in Las Cruces, was original founded in 1889 as a land grant college. The University's main campus encompasses approximately 3,500 acres and consists of more than 211 academic, research and auxiliary buildings and 428 housing buildings. The University employs about 4,300 area residents, not including student employees. The University's largest single research operation is the Physical Science Laboratory. Research for engineering, space technology and farm production and related industries also are conducted by various University departments. The University is classified as a Level 1 research institution as rated by the Carnegie Foundation. The statewide Water Resources Research Institute is situated at the University, and studies the State's water supply and demands, conservation and use, as well as ecological and other aspects thereof.

The Doña Ana Branch, the area's occupational training school, offers students a variety of programs designed to train students for meaningful employment. The program is designed to be flexible and can be programmed to meet with specific training needs of employers.

### *Agriculture*

Many private and commercial farms are located in Doña Ana County. Principal crops include cotton, pecans, alfalfa, onions, lettuce, chile, barley, nursery stock and feed grains. Water for the various agricultural operations is provided by surface water diverted from the Rio Grande River and approximately 900 irrigation wells. The area's growing season averages about 200 days each year. The livestock, dairy cattle, Stahmann Farms and the poultry industry also provide a significant portion of agricultural income. Several chile processing plants are located in the area with seasonal employment growing to nearly 1,000.

### *Transportation*

Historically a crossroads of the Southwest, Las Cruces is serviced by Interstate Highways I-10 (east-west) and I-25 (north-south). In addition, the City is served by five major U.S.

highways and seven State highways. More than 20 interstate, regional and local motor carriers serve Las Cruces; four of them operate terminals in the area. Commuter air service and corporate and general aviation service are available at the City's international airport. Major scheduled airline service is provided by El Paso International Airport, approximately 50 miles from Las Cruces. Daily rail service, with piggyback and container services, is provided by the Santa Fe and Union Pacific railroads.

#### *Santa Teresa Industrial Parks*

Located along the United States/Mexican border, the community of Santa Teresa is adjacent to the newest border crossing with Mexico. Two industrial parks near Santa Teresa, the Santa Teresa Logistics Park and the Bi-National Park, provide significant economic development opportunities within the County. Combined the two industrial parks provide over 450 acres of industrial zoned real estate. The parks are adjacent to the Doña Ana County International Airport, the Union Pacific Railroad and five minutes from U.S. Interstate 10. To accommodate the infrastructure needs for the industrial parks, the four-lane Pete Domenici Highway was constructed to provide access to Mexico I-45 and U.S. I-10. Additionally, the County participated in the creation of the Camino Real Regional Utility Authority to address regional water and wastewater needs including the industrial park areas of the County. The County is also the grantee for Foreign Trade Zone No. 197 encompassing approximately 1,400 acres in the general purpose zone with locations near the Santa Teresa Port of Entry and the Las Cruces West Mesa Industrial Park.

#### *Union Pacific Railroad/Santa Teresa Project*

Union Pacific Railroad is currently undertaking a \$400 million capital improvement project in Santa Teresa. When completed, the intermodal and fueling facility will be 11.5 miles long and one mile wide and encompass more than 2,200 acres. The project will have 26 buildings for yard operations and add 200 miles of railroad track. It is projected that the construction alone could have a \$500 million impact on the local economy and create approximately 3,000 jobs during construction. It is anticipated that the facility will employ approximately 600 employees when completed in 2015.

### **Retirement Plan and Deferred Compensation**

The County participates in a pension plan organized on a statewide basis and operated by the State of New Mexico. The Public Employees' Retirement Association of New Mexico ("PERA"), established by Section 10-11-1 *et seq.* NMSA 1978, as amended, requires contributions to its plan (the "Plan"), computed as a percentage of salary, from both employee and employer for all full time employees. The majority of State and municipal employees in New Mexico participate in the Plan. For covered employees other than law enforcement personnel and fire fighters, participants are required to contribute 13.15% of their gross salary to the Plan. The County contributes 75% of the 13.15% of employee required contribution as well as a required matching contribution of 9.15% of general participant's gross salary. The contribution rate is 16.3% of gross salaries for law enforcement participants. The County's portion of law enforcement participants is 18.5% of gross salaries. The contribution rate for fire fighters is 16.2% and the County is required to contribute 21.25% of their gross salaries. The

County's contributions to PERA for the years ending June 30, 2011, 2010 and 2009 were \$5,235,551, \$5,241,395 and \$4,980,794, respectively, which equal the amount of required contributions for each fiscal year. The County's liability under the Plan is limited to the periodic employer contributions that it is required to make for its participating employees. The County has no unfunded liabilities with respect to the availability of funds to cover the obligations of the retirement plan.

PERA issues a publicly available financial report that includes financial statements and additional information. A copy of this report can be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123.

Actuarial information is shown below:

**State of New Mexico Public Employees Retirement Fund  
Summary Information as of June 30, 2011**

Membership <sup>1</sup>	85,746
Actuarial Information	
Actuarial Accrued Liability <sup>2</sup>	\$16,826,932,000
Actuarial Value of Assets	\$11,855,217,000
Unfunded Actuarial Accrued Liability	\$4,971,715,000

Source: PERA Annual Actuarial Valuation

<sup>1</sup> Includes active and retired members from all divisions.

<sup>2</sup> Includes accrued liability of both the retired and active members.

As of June 30, 2011, PERA has an amortization or funding period designated as infinite, based on the employer and member contribution rates in effect as of July 1, 2011. Member and employer rates are established pursuant to Sections 10-11-1 through 10-11-141 NMSA 1978. The funded ratio (ratio of the actuarial value of assets to accrued actuarial liability) was 70.5% as of June 30, 2011 and the unfunded accrued actuarial liability of the PERA Fund has been calculated to be approximately \$4.97 billion. On a market value basis, PERA's funded ratio is approximately 70% as of June 30, 2011. The PERA Board has reviewed the results of its June 30, 2011 actuarial valuation, which indicates that either additional contributions or benefit reductions will be required in order to properly fund the PERA retirement plans. Because decreased funding criteria within PERA's Funding Policy was triggered, legislation to increase contribution rates totaling 8% over four years for State General, Judicial, Magistrate, Municipal Police and Municipal Fire retirement plans was submitted to the State Legislature during the 2011 legislative session. Although this proposed legislation was not adopted, the State Legislature is expected to be presented with proposals to address PERA solvency issues in future legislative sessions. In June 2012, the PERA Board approved a benefit-change package that is projected to result in 100% funded status for PERA by the year 2029. The PERA Board's proposal will now be presented for consideration to the New Mexico Legislature's Investment and Pensions Oversight Committee and to the Executive branch of State government.

In September 2010, the Retirement System Solvency Task Force received a recent study by Chicago economists that placed New Mexico among 31 states predicted to run out of state pension fund money within the next 16 years. The Task Force also heard from Colorado-based

consultants who predicted a decrease in funded ratios, but whose report was not as pessimistic as the report from the Chicago economists.

The County also offers its employees a deferred compensation plan which is available to all permanent County employees and permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency.

### **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, property and fire insurance, auto damage, workers compensation and errors and omissions coverage with the New Mexico County Insurance Authority and with the Association of Counties Insurance Authority for its emergency medical and law enforcement liability coverage. Private carriers provide miscellaneous types of coverage. There can be no assurance, however, that the County will continue to maintain the present level of coverage or that the coverage will be sufficient to satisfy possible claims.

## **ECONOMIC AND GEOGRAPHIC 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 shows population data for the City of Las Cruces, Doña Ana County, and the State.

	<u>Population</u>		
<u>Year</u>	<u>City of Las Cruces</u>	<u>Doña Ana County</u>	<u>State of New Mexico</u>
2030*	n/a	291,895	2,864,796
2020*	n/a	256,619	2,540,145
2010	97,618	209,234	2,162,331
2009	93,452	205,401	2,036,802
2008	90,792	200,855	2,010,662
2007	89,140	197,853	1,990,070
2006	86,904	193,701	1,962,137
2005	83,597	189,199	1,932,274
2004	80,226	184,939	1,903,808
2003	78,032	182,045	1,877,574
2002	75,684	178,464	1,855,309

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

\* Population estimates were obtained from UNM Bureau of Business and Economic Research.

## Age Distribution

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

<u>Age</u>	<u>Percentage of Population</u>		
	<u>Las Cruces MSA</u>	<u>New Mexico</u>	<u>United States</u>
0-17	27.8%	25.7%	24.5%
18-24	11.5%	9.8%	9.7%
25-44	27.0%	26.1%	27.0%
45-54	11.5%	13.9%	14.6%
55 and Older	22.2%	24.5%	24.2%

Source: Nielsen Claritas, Inc.

## Income

The following table sets forth annual per capita personal income levels for the County, the State and the United States. The County's and the State's per capita income levels over this period has been consistently lower than the national average.

<u>Year</u>	<u>Per Capita Personal Income</u>		
	<u>Doña Ana County</u>	<u>State of New Mexico</u>	<u>United States</u>
2011	n/a	\$ 34,575	\$ 41,663
2010	\$29,694	33,342	39,937
2009	28,557	32,389	38,846
2008	28,325	33,490	40,947
2007	26,772	31,675	39,506
2006	25,075	30,209	37,725
2005	24,017	28,641	35,452
2004	22,587	27,092	33,909
2003	21,235	25,639	32,295
2002	20,746	24,977	31,481

Source: U.S. Department of Commerce, Bureau of Economic Analysis, April 2011.

## Employment

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

<u>Year</u>	<u>Employment Information</u>				<u>United States</u> Percent <u>Unemployed</u>
	<u>Doña Ana County</u>		<u>State of New Mexico</u>		
	<u>Labor</u> <u>Force</u>	<u>Percent</u> <u>Unemployed</u>	<u>Labor</u> <u>Force</u>	<u>Percent</u> <u>Unemployed</u>	
2011	92,186	4.9%	941,871	6.9%	9.0%
2010	91,783	5.5%	959,513	8.2%	9.8%
2009	89,914	4.7%	965,854	7.5%	10.0%
2008	89,071	4.1%	964,274	4.4%	6.8%
2007	87,137	3.6%	947,622	3.8%	4.6%
2006	85,466	4.1%	952,536	4.2%	4.7%
2005	84,661	5.8%	936,268	5.1%	4.9%
2004	82,566	7.2%	915,112	5.0%	5.4%
2003	81,818	8.1%	906,158	6.2%	5.9%
2002	79,116	5.1%	861,215	5.4%	6.0%

Source: State of New Mexico Department of Workforce Solutions.

## Major Employers

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.

### 3,000 +

Las Cruces Public Schools  
New Mexico State University  
White Sands Missile Range

### 1,000 to 2,999

City of Las Cruces  
Gadsden Independent Schools  
Memorial Medical Center  
Wal-Mart

### 500-999

Coordinated Care Corporation  
Convergys  
Doña Ana Community College  
Doña Ana County  
MountainView Regional Medical Center  
NASA White Sands Test Facility  
Peak Hospital of Santa Teresa  
Sitel  
Sunland Park Racetrack and Casino  
Tresco, Inc.

Source: Greater Las Cruces Chamber of Commerce

## Effective Buying Income

The following table reflects median household Effective Buying Income (“EBI”) and the percent of households by EBI groups. EBI is personal income less personal tax and non-tax payments. Personal income includes wages and salaries, other labor income, proprietors’ income, rental income, dividends, personal interest income and transfer payments. Deductions are made for federal, state and local taxes, non-tax payments such as fines and penalties, and personal contributions for social security insurance. During the period shown in the following chart, the median household EBI level for the County has consistently been lower than the state and national levels.

Percent of Household by Effective Buying Income Groups

<u>Effective Buying Income Group</u>	<u>Las Cruces MSA</u>	<u>New Mexico</u>	<u>United States</u>
Under \$25,000	36.5%	29.57%	23.69%
\$25,000 – 34,999	13.5%	12.67%	11.10%
\$35,000 – 49,999	16.2%	16.55%	15.50%
\$50,000 - 74,999	16.7%	18.31%	19.49%
\$75,000 and over	17.2%	22.80%	30.22%
2012 Est. Median Household Income	\$35,048	\$41,958	\$49,581
2011 Est. Median Household Income	\$36,776	\$42,030	\$49,726

Source: Nielsen Solution Center

**Gross Receipts**

The following table shows the total reported and total reported retail gross receipts generated in the County and the State for the past five fiscal 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>Fiscal Year</u>	<u>Doña Ana County</u>		<u>New Mexico</u>	
	<u>Total</u>	<u>Retail</u>	<u>Total</u>	<u>Retail</u>
2012	\$7,656,549,484	\$1,674,907,330	\$105,352,789,051	\$23,941,356,636
2011	7,273,667,392	1,700,225,831	104,217,123,006	23,979,155,514
2010	6,748,827,899	1,612,524,875	95,703,873,056	24,628,944,385
2009	6,487,424,761	1,605,498,679	105,449,821,076	23,821,687,124
2008	6,675,390,586	1,678,294,443	111,658,328,633	25,721,094,911

Source: State of New Mexico, Taxation & Revenue Department Report No. 080

**TAX EXEMPTION**

**General**

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

enacted and construed, that interest on the Bonds is excludable from net income for present State of New Mexico income tax purposes.

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

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

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

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

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

## **Internal Revenue Service Audit Program**

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

## **Original Issue Discount**

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

## **Original Issue Premium**

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

## **Financial Institution Interest Deduction**

The County has designated the Bonds as qualified tax-exempt bonds for purposes of Section 265 of the Code. Qualified tax-exempt bonds are bonds issued by a qualified small issuer. A qualified small issuer was defined as an issuer who did not reasonably anticipate the amount of its tax-exempt bonds (other than certain private activity bonds) would exceed \$10,000,000 in a calendar year.

The Code generally provides that a financial institution may not deduct that portion of its interest expense which is allocable to tax-exempt interest. The interest expense which is allocable to tax-exempt interest is an amount which bears the same ratio to the institution's

interest expense as the institution's average adjusted basis of tax-exempt obligations acquired after August 7, 1986 bears to the average adjusted basis of all assets of the institution. Tax exempt obligations may be treated as acquired on August 7, 1986 (and therefore are not subject to this rule) if they are "qualified tax-exempt obligations" as defined in the Code and are designated for this purpose by the issuer. Under provisions of the Code dealing with financial institution preference items, certain financial institutions, including banks, are denied 20% of their otherwise allowable deduction for interest expense with respect to obligations incurred or continued to purchase or carry the Bonds. In general, interest expense with respect to obligations incurred or continued to purchase or carry the Bonds will be in an amount which bears the same ratio as the institution's average adjusted basis in the Bonds bears to the average adjusted basis of all assets of the institution.

Amendments to the Code could be enacted in the future and there is no assurance that any such future amendments which may be made to the Code will not adversely affect the ability of banks or other financial institutions to deduct any portion of its interest expense allocable to tax-exempt interest. Holders of Bonds should consult their tax advisors regarding the deduction of interest related to debt incurred to purchase or carry the Bonds.

### **State of New Mexico Tax Status**

Bond Counsel is also of the opinion based on existing laws of the State of New Mexico as enacted and construed that interest on the Bonds is excludable from net income for present State of New Mexico income tax purposes.

### **CONTINUING DISCLOSURE INFORMATION**

In connection with its issuance of the Bonds, the County will execute a Continuing Disclosure Undertaking, a form of which is attached as Appendix C hereto, under which it will agree for the benefit of the owners of the Bonds (i) to provide audited annual financial statements of the County when available after the end of each Fiscal Year, including Fiscal Year 2012, and to provide certain annual financial information and operating data relating to the County by March 31 of each year, and (ii) to provide timely notice of certain enumerated events, if material.

Continuing disclosure undertakings previously entered into by the County called for it to file annual financial information and audit on or before March 31 after the end of each fiscal year. During the week of October 1, 2012, the County made the necessary continuing disclosure filings with EMMA to bring it in compliance with its outstanding continuing disclosure agreements. The County will implement internal checks to ensure continuing compliance in the future.

### **UNDERWRITING**

Southwest Securities, Inc. has agreed to purchase the Bonds from the County pursuant to a Bond Purchase Agreement dated October 10, 2012 (the "Bond Purchase Agreement"). The Bonds were purchased at a price of \$\_\_\_\_\_, which represents the principal amount of the Bonds, less an underwriting discount in the amount of \$\_\_\_\_\_. The Bond Purchase Agreement provides that the Underwriter will purchase all of the Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in the

Bond Purchase Agreement, including the approval of certain legal matters by counsel and certain other conditions.

The prices at which the Bonds are offered to the public (and the yields resulting therefrom) may vary from the initial public offering prices appearing on the cover page of this Official Statement. In addition, the Underwriter may allow commissions or discounts from such initial offering prices to dealers and others.

### **FINANCIAL ADVISOR**

First Southwest Company is employed as Financial Advisor to the County in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. First Southwest Company, in its capacity as Financial Advisor, does not assume any responsibility for the information, covenants and representations contained in any of the legal documents with respect to the federal income tax status of the Bonds, or the possible impact of any present, pending or future actions taken by any legislative or judicial bodies.

The Financial Advisor to the County has provided the following sentence for inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to the County and, as applicable, to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information.

### **LITIGATION AND INSURANCE**

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 Bond Ordinance, or contesting or questioning the proceedings and authority under which the Bonds have been authorized and are to be issued, sold, executed or delivered, or the validity of the Bonds.

The County maintains insurance on its assets and operations and believes its coverages are customary for similar entities insuring similar operations and assets. On January 24, 2012, the County was found liable in the amount of \$22,000,000 related to the detention of an inmate at the Doña Ana County Detention Center. The County has appealed this judgment. If the judgment is affirmed through the appellate process, or the matter is resolved otherwise, the County anticipates using any combination of the following to pay the judgment: applicable liability insurance coverage, available general fund resources or an increase in property taxes as necessary.

## **RATING**

Standard and Poor's has assigned the Bonds a rating of "A+". This rating reflects only the view of such rating agency, and an explanation of the significance of such rating may be obtained only from the rating agency. There is no assurance that any such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency if in the judgment of such rating agency circumstances so warrant. Any such downward revision or withdrawal of a rating may have an adverse effect on the market price of the Bonds.

## **LEGAL MATTERS**

The County has engaged Modrall, Sperling, Roehl, Harris & Sisk, P.A., Albuquerque, New Mexico, as Bond Counsel in connection with the issuance of the Bonds. Legal matters incident to the issuance of the Bonds and with regard to the tax-exempt status of the interest thereon (see "TAX EXEMPTION") are subject to the approving legal opinion of Bond Counsel. A signed copy of the opinion, dated the date of the original delivery of the Bonds will be delivered at the time of the original delivery of the Bonds. Certain legal matters will be passed upon for the County by John W. Caldwell, County Attorney.

## **VERIFICATION OF CERTAIN MATHEMATICAL COMPUTATIONS**

The mathematical accuracy of (i) the computations of the adequacy of the principal amounts and the interest thereon of the Federal Securities and other funds to be deposited in the Escrow Fund, to provide for the payment, of the principal of, premium and interest on the Refunded Bonds when due or upon early redemption thereof, and (ii) the computations made supporting the conclusion that the yield on the Federal Securities held pursuant to the Escrow Agreement is less than the yield on the Bonds for federal income tax purposes, will be verified by Grant Thornton LLP. Such verification will be based, in part, upon information supplied to the certified public accountant and consultant by the Financial Advisor.

## **INDEPENDENT ACCOUNTANTS**

Hinkle & Landers, P.C., certified public accountants, audited the County's financial statements for the fiscal year ended June 30, 2011. The County's auditors have not been requested to review this official statement and have not done so. Further, Hinkle & Landers, P.C., has not been engaged to perform and has not performed any procedures in relation to financial information or any other information contained in this Official Statement.

## **TRANSCRIPT AND CLOSING DOCUMENTS**

A complete transcript of proceedings and a no-litigation certificate (described above under “LITIGATION AND INSURANCE”) will be delivered by the County when the Bonds are delivered. The County will at that time also provide a certificate 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 845 N. Motel Blvd., Las Cruces, New Mexico 88007 or at the offices of Southwest Securities, Inc., 6565 Americas Parkway NE, Ste 239, Albuquerque, New Mexico, 87110.

## **OFFICIAL STATEMENT CERTIFICATION**

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

The preparation of this Official Statement and its distribution have been authorized by the Board. The Official Statement is hereby duly approved by the Board as of the date on the cover page hereof.

DOÑA ANA COUNTY, NEW MEXICO

By \_\_\_\_\_  
Chairperson, Board of County Commissioners

**APPENDIX A – Form of Legal Opinion**

\_\_\_\_\_, 2012

Doña Ana County, New Mexico  
Las Cruces, New Mexico

**\$ \_\_\_\_\_**  
**Doña Ana County, New Mexico**  
**Gross Receipts Tax Refunding Revenue Bonds**  
**Series 2012**

Ladies and Gentlemen:

We have acted as bond counsel to Doña Ana County, New Mexico (the “County”) in connection with the issuance and sale of its \$ \_\_\_\_\_ Gross Receipts Tax Refunding Revenue Bonds, Series 2012 (the “Bonds”). The Bonds are issued pursuant to the Constitution and laws of the State of New Mexico (the “State”), and Ordinance No. \_\_\_\_\_, adopted on October 10, 2012 (the “Bond Ordinance”). Except as expressly defined herein, capitalized terms used herein have the same meanings as such terms have in the Bond Ordinance.

We have examined the laws of the State and the United States of America relevant to the opinions herein, and other proceedings and documents relevant to the issuance by the County of the Bonds. As to the questions of fact material to our opinion, we have relied upon representations of the County contained in the certified proceedings and other certifications furnished to us, without undertaking to verify the same by independent investigation.

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

1. The Bonds are valid and binding special, limited obligations of the County under and in accordance with the Bond Ordinance.
2. The Bond Ordinance has been duly authorized, executed and delivered by the County and the provisions of the Bond Ordinance are valid and binding on the County.
3. The Bonds are payable as to principal, interest and any prior redemption premium, solely from, and are secured by a lien (but not an exclusive lien) on certain Pledged Revenues, as defined and more fully described in the Bond Ordinance. The owners of the Bonds have no right to have ad valorem property taxes levied by the County for the payment of principal and interest on the Bonds and the Bonds do not represent or constitute a debt or pledge of, or a charge against, the general credit of the County.
4. The Bond Ordinance creates the lien on the Pledged Revenues that it purports to create.

5. Under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is excludable from gross income for federal income tax purposes. We are also of the opinion that interest on the Bonds is not a specific preference item for purposes of the alternative minimum tax provisions contained in the Internal Revenue Code of 1986, as amended (the "Code"); however, such interest on the Bonds will be included in the adjusted current earnings of certain corporations, and such corporations are required to include in the calculation of alternative minimum tax 75% of the excess of a corporation's adjusted current earnings over its alternative minimum taxable income (determined without regard to this adjustment and prior to reduction for certain net operating losses). Although we are of the opinion that interest on the Bonds is excludable from gross income for federal income tax purposes, the accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

6. Interest on the Bonds is excludable from net income for present State income tax purposes.

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

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

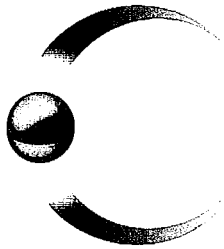
The obligations of the County related to the Bonds are subject to the reasonable exercise in the future by the State and its governmental bodies of the police power inherent in the sovereignty of the State and to the exercise by the United States of the powers (including bankruptcy powers) delegated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

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

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

Respectfully submitted,

## **APPENDIX B - Financial Statements**



# HINKLE + LANDERS

Certified Public Accountants + Business Consultants

**STATE OF NEW MEXICO**  
**DONA ANA COUNTY**  
FINANCIAL STATEMENTS  
For The Year Ended June 30, 2011

## **INTRODUCTORY SECTION**

**STATE OF NEW MEXICO  
DOÑA ANA COUNTY  
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For The Year Ended June 30, 2011**

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DOÑA ANA COUNTY  
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**STATE OF NEW MEXICO  
DOÑA ANA COUNTY  
Official Roster  
As of June 30, 2011**

**County Officials**

<b>Name</b>	<b>Title</b>
Billy G. Garrett	Commissioner – District 1
Dolores Saldana-Caviness	Chair, Commissioner – District 2
Karen G. Perez	Vice-Chair, Commissioner – District 3
Scott A. Krahling	Commissioner – District 4
Leticia Duarte-Benavidez	Commissioner – District 5

**Administrative Officials**

Brian D. Haines	County Manager
David Gutierrez	County Treasurer
Lynn Ellins	County Clerk
Andy Segovia	County Assessor
Alice M. Salcido	Probate Judge
Todd Garrison	County Sheriff

## **FINANCIAL SECTION**

**INDEPENDENT AUDITORS' REPORT**

Mr. Hector H. Balderas, State Auditor and  
The Board of County Commissioners  
Doña Ana County  
Las Cruces, New Mexico

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of Doña Ana County (the County), as of and for the year ended June 30, 2011, which collectively comprise the agency's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the County's nonmajor governmental, nonmajor enterprise, internal service and fiduciary funds, and the budgetary comparisons for the major debt service funds, and all nonmajor funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2011, 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 *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the 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 respective financial position of each nonmajor governmental, nonmajor enterprise, internal service, and fiduciary fund of the County as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the major debt service funds, and all nonmajor funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, the County implemented Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2011 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 4 through 13 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, the combining and individual fund financial statements, the schedule of changes in assets and liabilities - agency funds, and budgetary comparisons. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The additional schedules listed as "other supplemental information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Hinkle + Landers, P.C.

November 14, 2011

**STATE OF NEW MEXICO  
DOÑA ANA COUNTY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

Doña Ana County's management discussion and analysis presents an overview of the County's financial activities for the fiscal year ended June 30, 2011. Please read it in conjunction with Doña Ana County's financial statements beginning on page 14.

**FINANCIAL HIGHLIGHTS**

- The County completed fiscal year 2011 with \$357,936,156 in total assets; this is roughly a 1.2% decrease in assets when compared to the \$362,458,134 in fiscal year 2010. Total Liabilities for net assets decreased by roughly 4.3% or \$2,751,323 to \$61,309,236; while Total Net Assets decreased slightly more than one-half percent or \$1,770,655 to complete the fiscal year at \$296,626,920.
- Net Assets for Governmental Activity decreased 0.12% or \$297,318 to end the fiscal year at \$249,060,347; while Business-Type Activities decreased by 3.0% or \$1,473,337 for a fiscal year net asset balance of \$47,566,573. Overall revenues decreased by 3.1% to \$119,961,265 and expenditures decreased by roughly 0.59% to \$121,839,103.
- The County's financial analysis of County Governmental Funds indicates an increase in total assets of \$1,159,796 or 1.1% to \$110,156,667; total liabilities decreased by \$1,962,903 or 14.2%, while total fund balance increased by \$3,122,699 or 3.3%.
- On February 10, 2005, Dona Ana County and the City of Sunland Park entered into a Memorandum of Understanding (DAC #05-259) and an Interim JPA (DAC #05-260) for the purposes of combining all the City water and wastewater facilities and operations with certain defined County water and wastewater facilities and designating subdivision, zoning, planning and platting jurisdiction within a certain designated interim service area. These agreements were superseded by JPA, DAC #09-191, enacted February 24, 2009. Section 6 of the 2009 JPA anticipates the transfer of the respective City and County fixed assets to a new independent "Camino Real Regional Utility Authority". The current worth of County assets to be transferred approximates \$14,000,000. JPA #09-191 is still in effect in the current fiscal year and the transfer of County assets has not yet occurred.
- Dona Ana County received state appropriations totaling \$1,870,000 for the Colonias Initiative to improve infrastructure within the 40 substandard designated colonia communities within the County's boundaries. In fiscal year 2011, \$264,097 has been expended and the \$700,000 projects have been completed.
- Dona Ana County received American Recovery and Reinvestment Act (ARRA) stimulus funding totaling \$3,142,804. Of that amount, \$446,900 was received in the form of the Energy Efficiency and Conservation Block Grant from the Department of Energy; \$2,168,207 from the US Department of Transportation passed through the State for improvements on East Berino Road; and \$527,697 from the US Department of Justice passed through the State for the purchase and equipping of police vehicles. In fiscal year 2011, \$390,518 has been expended on the energy efficiency; \$1,545,588 has been expended on road improvements; and \$2,727 has been expended on vehicle maintenance with the completion of the US Department of Justice grant.
- Total bonded debt at June 30, 2011 for the County was \$42,060,000.

**STATE OF NEW MEXICO  
DOÑA ANA COUNTY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Government-Wide Financial Statements**

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

The *Statement of Net Assets* presents information on all the County's assets and liabilities, with the difference between the two reported as net assets.

The *Statement of Activities* presents information showing how the County's net assets changed during fiscal year 2010. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned and unused vacation leave).

Both of these financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the County include General Government, Public Safety, Public Works, Health and Welfare, and Cultural and Recreation. The business-type activities of the County include Water, Wastewater, and Rental Housing Fund Financial Statements.

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds**

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

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

**STATE OF NEW MEXICO  
DOÑA ANA COUNTY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

governmental funds and governmental activities.

The County adopts an annual appropriated budget for its general, special revenue, debt service and capital projects funds. A budgetary comparison statement has been provided for these funds to demonstrate budgetary compliance.

The basic governmental fund financial statements begin on page 16 of this report.

**Proprietary Fund**

The County maintains two types of proprietary funds. *Enterprise funds* are used to report the same function presented as business-type activities in the government-wide financial statements. The County uses enterprise funds to account for the fiscal activities relating to various Water and Wastewater Utilities, and the County's Public Housing Authority, as well as operations. An internal service fund is utilized to charge costs of fleet maintenance to individual funds.

The basic proprietary fund financial statements begin on page 25 of this report.

**Fiduciary Funds**

*Fiduciary funds* are used to account for resources held for the benefit of parties outside the 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.

The basic fiduciary fund financial statements begin on page 33 of this report.

**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 fund financial statements. The notes to the financial statements can be found on pages 34-60 of this report.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. Required supplementary information can be found starting on page 61 of this report.

The combining statements referred to earlier in connection with Nonmajor funds and Nonmajor proprietary funds are presented in the supplementary information section of this report. Combining schedules can be found on pages 64-136 of this report.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS (Broad Overview of Finances)**

The County implemented the new financial reporting model required by Accounting Standards Board Statement No. 34 in fiscal year ended June 30, 2003. Over time, as year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the County, as a whole.

**STATE OF NEW MEXICO  
DOÑA ANA COUNTY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

Dona Ana County Condensed  
Schedule of Net Assets  
As of June 30, 2011 and 2010

	2011	2010	2011	2010	2011	2010
	Governmental Activities	Governmental Activities	Business- Type Activities	Business- Type Activities	Total Primary Government	Total Primary Government
<b>Assets:</b>						
Current and Other Assets	\$ 109,489,362	104,292,040	5,237,097	7,088,704	114,726,459	111,380,744
Capital Assets	<u>187,444,449</u>	<u>195,064,421</u>	<u>55,765,248</u>	<u>56,012,969</u>	<u>243,209,697</u>	<u>251,077,390</u>
Total Assets	<u>296,933,811</u>	<u>299,356,461</u>	<u>61,002,345</u>	<u>63,101,673</u>	<u>357,936,156</u>	<u>362,458,134</u>
<b>Liabilities:</b>						
Current Liabilities	13,161,994	12,185,177	2,221,039	3,019,976	15,383,033	15,205,153
Non-Current Liabilities	<u>34,711,470</u>	<u>37,813,619</u>	<u>11,214,733</u>	<u>11,041,786</u>	<u>45,926,203</u>	<u>48,855,405</u>
Total Liabilities	<u>47,873,464</u>	<u>49,998,796</u>	<u>13,435,772</u>	<u>14,061,762</u>	<u>61,309,236</u>	<u>64,060,558</u>
<b>Net Assets:</b>						
Invested in Capital Assets	151,007,232	155,549,395	43,200,177	44,290,987	194,207,409	199,840,382
Restricted Assets	32,373,899	-	1,201,782	1,201,782	33,575,681	1,201,782
Unrestricted Assets	<u>65,679,216</u>	<u>93,808,270</u>	<u>3,164,614</u>	<u>3,547,142</u>	<u>68,843,830</u>	<u>97,355,412</u>
Total Net Assets	<u>249,060,347</u>	<u>249,357,665</u>	<u>47,566,573</u>	<u>49,039,911</u>	<u>296,626,920</u>	<u>298,397,576</u>
Total Liabilities And Net Assets	<u>\$ 296,933,811</u>	<u>299,356,461</u>	<u>61,002,345</u>	<u>63,101,673</u>	<u>357,936,156</u>	<u>362,458,134</u>

The largest portion of the County's net assets reflects its investment in capital assets (i.e., land, land improvements, buildings, equipment, and utility infrastructure); less any related outstanding debt used to acquire those assets. The County uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although, the County's investment in its capital assets is reported net of related debt, it should be noted that there sources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted* net assets may be used to meet the County's ongoing obligations to citizens and creditors.

**Governmental Activities**

Governmental activities decreased the County's net assets by \$297,318 to \$249,060,347. The decrease is due predominantly to a loss on disposition of capital assets.

On June 1, 2004, the County and the City of Las Cruces terminated the lease of the County and City-owned hospital to Memorial Medical Center, The. (MMCI, a non-profit corporation) and executed a new 40-year lease to Province Healthcare, Inc. (PHI), now taken over by Life Point. The County and City each began receiving half of MMCI's assets from the resulting liquidation of the corporation. The increase in Net assets mentioned above is primarily a result of the prepayment of the 40-year lease by PHI and the liquidation of MMCI. More detailed information about the hospital lease is presented on page 59, Note 12 to the financial statements.

**Business-Type Activities**

The overall financial position of the business-type activities changed predominantly due to an decrease in grant revenue for housing as well as an decrease in expenses for housing assistance.

Construction continues on water and wastewater utilities for the County. The County is anticipating the transfer of assets of the Border (Santa Teresa) Water and Wastewater facilities to the Camino Real

**STATE OF NEW MEXICO  
DOÑA ANA COUNTY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

Regional Utility Authority. Overall the County utility connections increased by 16 connections for a total of 3,203.

Dona Ana County Condensed  
Summary of Changes in Net Assets  
For the Years Ended June 30, 2011 and 2010

	2011	2010	2011	2010	2011	2010
	Governmental	Governmental	Business- Type	Business- Type	Total Primary	Total Primary
	Activities	Activities	Activities	Activities	Government	Government
<b>Revenues</b>						
<b>Program Revenues</b>						
Changes for Services	\$ 16,701,400	16,503,488	1,151,012	1,287,635	17,852,412	17,791,123
Operating Grants and Contributions	18,618,623	16,545,224	2,558,258	2,753,939	21,176,881	19,299,163
Capital Grants and Contributions	6,676,520	12,300,371	-	-	6,676,520	12,300,371
<b>General Revenue</b>						
Taxes, Penalties and interest	72,236,435	70,532,722	-	-	72,236,435	70,532,722
Investment Income	3,203,990	1,392,986	39,196	40,864	3,243,186	1,433,850
Other Revenue	(1,923,706)	1,737,750	699,537	706,578	(1,224,169)	2,444,328
<b>Total Revenue</b>	<b>115,513,262</b>	<b>119,012,541</b>	<b>4,448,003</b>	<b>4,789,016</b>	<b>119,961,265</b>	<b>123,801,557</b>
<b>Expenses</b>						
General Governmental	27,232,263	27,096,161	-	-	27,232,263	27,096,161
Public Safety	49,105,706	48,468,172	-	-	49,105,706	48,468,172
Public Works	20,500,979	21,477,074	-	-	20,500,979	21,477,074
Health and Welfare	16,757,369	17,308,464	-	-	16,757,369	17,308,464
Cultural Recreation	141,366	165,338	-	-	141,366	165,338
Bond Interest	2,442,985	2,264,423	-	-	2,442,985	2,264,423
Fiscal Agent's Fees	28,790	30,580	-	-	28,790	30,580
Housing Assistance	-	-	2,477,529	2,730,008	2,477,529	2,730,008
Water	-	-	216,160	211,788	216,160	211,788
Wastewater	-	-	2,700,691	2,585,904	2,700,691	2,585,904
Other utility services	-	-	235,265	228,769	235,265	228,769
<b>Total Expenses</b>	<b>116,209,458</b>	<b>116,810,212</b>	<b>5,629,645</b>	<b>5,756,469</b>	<b>121,839,103</b>	<b>122,566,681</b>
Increase in net assets before transfers	(696,196)	2,202,329	(1,181,642)	(967,453)	(1,877,838)	1,234,876
Transfers	398,878	(163,192)	(398,878)	163,192	-	-
<b>Change in Net Assets</b>	<b>(297,318)</b>	<b>2,039,137</b>	<b>(1,580,520)</b>	<b>(804,261)</b>	<b>(1,877,838)</b>	<b>1,234,876</b>
Net Assets-Beginning of year	249,357,665	245,243,974	49,039,911	50,172,441	298,397,576	295,416,415
Restatements of net assets	-	2,074,554	107,182	(328,269)	107,182	1,746,285
Net Assets-Beginning of year, restated	249,357,665	247,318,528	49,147,093	49,844,172	298,504,758	297,162,700
<b>Net Assets-End of year</b>	<b>\$ 249,060,347</b>	<b>249,357,665</b>	<b>47,566,573</b>	<b>49,039,911</b>	<b>296,626,920</b>	<b>298,397,576</b>

**FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS**

**GOVERNMENTAL FUNDS**

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, Unreserved Fund Balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

**STATE OF NEW MEXICO  
DOÑA ANA COUNTY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

Dona Ana County  
Condensed Balance Sheet of Governmental Funds  
As of June 30, 2011 and 2010

	2011	2010	2011	2010	2011	2010	2011	2010
	General Fund	General Fund	Health Services (SLAIG)	Health Services (SLAIG)	Colonia's Initiative	Colonia's Initiative	State Approp	State Approp
<b>Assets</b>								
Pooled Cash and investment	\$ 58,544,544	51,547,958	4,921,055	5,258,434	187,950	-	-	-
Interest receivable	256,687	170,289	5,192	1,015	-	-	-	-
Taxes receivable, net allowance	6,021,906	5,609,311	-	-	-	-	-	-
Accounts receivable, net	1,592,200	2,226,306	16,125	91,580	-	1,809,101	1,540,748	2,458,885
Intergovernmental receivables	944,241	438,873	-	-	-	-	-	-
Due from other funds	1,328,218	4,085,770	-	-	-	-	-	-
Inventories and prepaids	10,273	8,668	-	-	-	-	-	-
Bonds receivable	-	-	-	-	-	-	-	-
<b>Total Assets</b>	<b>\$ 68,698,069</b>	<b>64,087,175</b>	<b>4,942,372</b>	<b>5,351,029</b>	<b>187,950</b>	<b>1,809,101</b>	<b>1,540,748</b>	<b>2,458,885</b>
<b>Liabilities and Fund Balance</b>								
<b>Liabilities</b>								
A/P, accruals and other liabilities	\$ 2,362,608	1,762,712	153,940	250,983	33,491	1,621,151	1,000,264	1,921,141
Deferred revenues	6,521,511	9,545,227	71,793	72,408	-	-	-	-
<b>Total Liabilities</b>	<b>8,884,119</b>	<b>11,307,939</b>	<b>225,733</b>	<b>323,391</b>	<b>33,491</b>	<b>1,621,151</b>	<b>1,000,264</b>	<b>1,921,141</b>
<b>Fund Balance</b>								
Reserved	10,273	8,668	-	-	-	-	-	-
Unreserved	59,803,677	52,770,568	4,716,639	5,027,638	154,459	187,950	540,484	537,744
<b>Total Fund Balances</b>	<b>59,813,950</b>	<b>52,779,236</b>	<b>4,716,639</b>	<b>5,027,638</b>	<b>154,459</b>	<b>187,950</b>	<b>540,484</b>	<b>537,744</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 68,698,069</b>	<b>64,087,175</b>	<b>4,942,372</b>	<b>5,351,029</b>	<b>187,950</b>	<b>1,809,101</b>	<b>1,540,748</b>	<b>2,458,885</b>
	2011	2010	2011	2010	2011	2010		
	Debt Service Fund	Debt Service Fund	Nonmajor Governmental Funds	Nonmajor Governmental Funds	Total Governmental Funds	Total Governmental Funds		
<b>Assets</b>								
Pooled Cash and investment	\$ 6,159,063	6,004,780	24,863,073	25,568,202	94,675,685	88,379,374		
Interest receivable	24,040	23,562	18,354	4,549	304,273	199,415		
Taxes receivable, net allowance	63,853	60,759	2,512,977	2,375,003	8,598,736	8,045,073		
Accounts receivable, net	-	-	205,750	266,002	3,354,823	6,851,874		
Intergovernmental receivables	-	-	940,418	987,481	1,884,659	1,426,354		
Due from other funds	-	-	-	343	1,328,218	4,086,113		
Inventories and prepaids	-	-	-	-	10,273	8,668		
Bonds receivable	-	-	-	-	-	-		
<b>Total Assets</b>	<b>\$ 6,246,956</b>	<b>6,089,101</b>	<b>28,540,572</b>	<b>29,201,580</b>	<b>110,156,667</b>	<b>108,996,871</b>		
<b>Liabilities and Fund Balance</b>								
<b>Liabilities</b>								
A/P, accruals and other liabilities	\$ 399,116	438,485	849,618	853,463	4,799,037	6,847,935		
Deferred revenues	55,273	110,842	423,154	552,778	7,071,731	10,281,255		
<b>Total Liabilities</b>	<b>454,389</b>	<b>549,327</b>	<b>1,272,772</b>	<b>1,406,241</b>	<b>11,870,768</b>	<b>17,129,190</b>		
<b>Fund Balance</b>								
Reserved	5,595,195	5,415,034	387,695	-	5,993,163	5,423,702		
Unreserved	197,372	124,740	26,880,105	27,795,339	92,292,736	86,443,979		
<b>Total Fund Balances</b>	<b>5,792,567</b>	<b>5,539,774</b>	<b>27,267,800</b>	<b>27,795,339</b>	<b>98,285,899</b>	<b>91,867,681</b>		
<b>Total Liabilities and Fund Balance</b>	<b>\$ 6,246,956</b>	<b>6,089,101</b>	<b>28,540,572</b>	<b>29,201,580</b>	<b>110,156,667</b>	<b>108,996,871</b>		

The table above has not been updated for GASB 54 presentation due to the comparative nature of the table. Specific information related to the application of GASB 54 to the major and non-major governmental funds is disclosed in the audit in Note 1.

As of the end of fiscal year 2011, the County's governmental funds reported combined ending fund balances of \$98,285,899, an increase of \$3,122,699 in comparison with the prior year. The general fund ending fund balance at the end of fiscal year 2011 is reported at \$59,813,950, which is an increase of \$3,794,616. This shows that total governmental fund revenues increased substantially while expenditures decreased minimally.

**STATE OF NEW MEXICO  
DOÑA ANA COUNTY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

Dona Ana County  
Condensed Statement of Revenues, Expenditures, And Changes In Fund Balances  
As of June 30, 2011 and 2010

	2011	2010	2011	2010	2011	2010	2011	2010
	General Fund	General Fund	Health Services (SLAIG)	Health Services (SLAIG)	Colonia's Initiative	Colonia's Initiative	State Approp	State Approp
<b>Operating</b>								
Total Revenues	\$ 73,287,199	71,525,351	13,963,598	11,814,197	264,097	1,929,634	4,019,977	5,931,097
Total Expenditures	(72,629,614)	(71,127,063)	(7,062,158)	(9,314,576)	(297,588)	(1,946,483)	(4,017,237)	(5,505,046)
<b>Other Financing Sources</b>								
Issuance of long-term debt	213,426	-	-	-	-	-	-	-
Transfers In	37,220,146	44,525,960	7,072	-	-	-	-	75,000
Transfers Out	(34,296,541)	(41,574,013)	(7,219,511)	(7,588,832)	-	-	-	-
Total Other Financing Sources/(Uses)	3,137,031	2,951,947	(7,212,439)	(7,588,832)	-	-	-	75,000
Net Changes in Fund Balance	3,794,616	3,350,235	(310,999)	(5,089,211)	(33,491)	(16,849)	2,740	501,051
Fund balance-Beginning of year	56,019,334	51,817,695	5,027,638	10,116,849	187,950	204,799	537,744	(76,969)
Restatements of fund balance	-	851,404	-	-	-	-	-	113,662
Fund balance-Beginning of year, restated	56,019,334	52,669,099	5,027,638	10,116,849	187,950	204,799	537,744	36,693
Fund balance-End of year	\$ 59,813,950	56,019,334	4,716,639	5,027,638	154,459	187,950	540,484	537,744

	2011	2010	2011	2010	2011	2010
	Debt Service Fund	Debt Service Fund	Nonmajor Governmental Funds	Nonmajor Governmental Funds	Total Governmental Funds	Total Governmental Funds
<b>Operating</b>						
Total Revenues	\$ 1,895,100	1,615,086	23,037,970	21,642,828	116,467,941	114,458,193
Total Expenditures	(5,574,961)	(5,253,287)	(22,570,987)	(19,690,246)	(112,152,545)	(112,836,701)
<b>Other Financing Sources</b>						
Issuance of long-term debt	-	-	-	-	213,426	-
Transfers In	3,877,233	3,831,732	2,433,292	5,048,964	43,537,743	53,481,666
Transfers Out	-	(13,370)	(2,427,814)	(4,718,634)	(43,943,866)	(53,894,849)
Total Other Financing Sources/(Uses)	3,877,233	3,818,362	5,478	330,330	(192,697)	(413,193)
Net Changes in Fund Balance	197,372	180,161	472,461	2,282,912	4,122,699	1,208,299
Fund balance-Beginning of year	5,595,195	5,415,034	26,795,339	25,868,736	94,163,200	93,346,144
Restatements of fund balance	-	-	-	(1,356,309)	-	(391,243)
Fund balance-Beginning of year, restated	5,595,195	5,415,034	26,795,339	24,512,427	94,163,200	92,954,901
Fund balance-End of year	\$ 5,792,567	5,595,195	27,267,800	26,795,339	98,285,899	94,163,200

**Proprietary Funds**

The County's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Proprietary funds are business-type funds, which include Water and Wastewater Systems, and the County's Public Housing Authority. The County's Internal Service Fund is also included as a proprietary fund; however it is considered part of governmental activities for the government-wide financial statements.

Total net assets of proprietary funds at the end of the year amounted to \$48,534,480.

Other factors concerning the finances of these funds have been addressed in the discussion of the County's business-type activities and capital assets.

**STATE OF NEW MEXICO  
DOÑA ANA COUNTY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

Dona Ana County  
Condensed Statement of Revenues, Expenditures, And Changes In Net Assets  
For The Years Ended June 30, 2011 and 2010

	2011	2010	2011	2010	2011	2010	2011	2010
	Border Wastewater	Border Wastewater	Border Water System	Border Water System	NMED County Utilities	NMED County Utilities	South Central Wastewater	South Central Wastewater
Total Operating Revenues	\$ 52,402	94,467	104,029	161,383	289,884	289,884	722,819	655,038
Total Operating Expenditures	(177,956)	(153,172)	(216,160)	(211,788)	(144,770)	(216,959)	(1,525,334)	(1,479,950)
Net Income From Operations	(125,554)	(58,705)	(112,131)	(50,405)	145,114	159,925	(802,515)	(824,912)
Non-Operating Revenue (Expenses)	(111,366)	(79,574)	6,635	7,724	(82,702)	(87,573)	4,829	(423)
Net Income	(236,920)	(138,279)	(105,496)	(42,681)	62,412	72,352	(797,686)	(825,335)
Net Transfers in/(out)	-	13,370	-	-	(202,473)	66,900	(39,905)	112,775
Change in Net Assets	(236,920)	(124,909)	(105,496)	(42,681)	(140,061)	139,252	(837,591)	(712,560)
Net Assets-Beginning of year	531,274	656,183	9,906,636	9,949,317	1,653,271	1,733,534	21,559,666	21,993,977
Restatements of net assets	-	-	-	-	-	(219,515)	-	278,249
Net Assets-Beginning of year, restated	531,274	656,183	9,906,636	9,949,317	1,653,271	1,514,019	21,559,666	22,272,226
Net Assets-End of year	\$ 294,354	531,274	9,801,140	9,906,636	1,513,210	1,653,271	20,722,075	21,559,666

	2011	2010	2011	2010	2011	2010
	Nonmajor Enterprise Funds	Nonmajor Enterprise Funds	Total Enterprise Funds	Total Enterprise Funds	Internal Service Fund	Internal Service Fund
Total Operating Revenues	\$ 681,415	747,837	1,850,549	1,948,609	1,936,869	1,800,443
Total Operating Expenditures	(3,365,732)	(3,567,013)	(5,429,952)	(5,541,882)	(2,407,202)	(2,145,211)
Net Income From Operations	(2,684,317)	(2,819,176)	(3,579,403)	(3,593,273)	(470,333)	(344,768)
Non-Operating Revenue (Expenses)	2,580,365	2,785,666	2,397,761	2,625,820	-	-
Net Income	(103,952)	(33,510)	(1,181,642)	(967,453)	(470,333)	(344,768)
Net Transfers in/(out)	(156,500)	(29,853)	(398,878)	163,192	805,000	250,000
Change in Net Assets	(260,452)	(63,363)	(1,580,520)	(804,261)	334,667	(94,768)
Net Assets-Beginning of year	15,389,064	15,839,430	49,039,911	50,172,441	633,240	732,164
Restatements of net assets	107,182	(387,003)	107,182	(328,269)	-	(4,156)
Net Assets-Beginning of year, restated	15,496,246	15,452,427	49,147,093	49,844,172	633,240	728,008
Net Assets-End of year	\$ 15,235,794	15,389,064	47,566,573	49,039,911	967,907	633,240

**GENERAL FUND BUDGETARY ANALYSIS**

- The General Fund revenue budget increased \$970,152 from \$72,904,601 to a final budget of \$73,874,753. With the economic pain felt across the county, the PILT (payment-in-lieu-of-taxes) program assisted local communities by distributing larger payments that reflect the results of annual inflationary adjustments to the per acre and population variables used in the formula to compute payment amounts. In addition, intergovernmental grant revenue increased due to the County's acceptance of a sub-grant agreement from the New Mexico Department of Homeland Security and Emergency Management and additional awarded state appropriations.
- The County's General Fund actual revenues at fiscal year-end totaled \$74,016,995 versus a budget of \$73,874,753 for an additional \$142,242. The County experienced a gradual increase in all revenue sources which offset a significant decrease in charges for services.
- The General Fund expenditure budget increased approximately \$1,023,129 from \$80,014,207 to a final budget of \$81,037,336. This increase was due primarily to the County's acceptance of a sub-grant agreement from the New Mexico Department of Homeland Security and Emergency Management as well as the acceptance of additional state grant funding.
- The County's General Fund expenditure budget at fiscal year-end totaled \$81,037,336 while actual expenditures totaled \$71,907,540, or \$9,129,796 under budget. Due to the economic downturn, the County was forced to implement a freeze on filling vacant positions, limit travel for continuing education and cut back on capital purchases.

**STATE OF NEW MEXICO  
DOÑA ANA COUNTY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

Construction was completed on the Vado/Del Cerro and the Montana Vista Forcemain projects. The costs were transferred from the Business Type Construction-In-Progress account to the Infrastructure capital asset account in fiscal year 2011.

Construction was completed on the La Mesa Community Center, the Anthony Library, the Juvenile Detention Center reroof, the Road & Drainage on Swannack Rd. and the Airport Runway Extension Phase 1B projects. The costs were transferred from the Governmental Type Construction-In-Progress account to the Infrastructure capital asset account in fiscal year 2011.

Major capital asset events during fiscal year 2011 included:

- Reclassification of the Airport Runway Project from Construction-In-Progress to Infrastructure.
- Reclassification of Doña Ana County road projects donated, returned or from the - Construction-In-Progress to Infrastructure.
- Continued construction on the County's Utility and Road projects.

**Long-Term Debt**

The County's outstanding notes and bonded debt decreased by \$3,419,052 or 6.7% during the fiscal year 2011. Notes payable decreased by \$289,052 or 4.8%. Bonded debt decreased by \$3,130,000 or 6.9% during the fiscal year.

At the end of fiscal year 2011, the County had total long-term debt outstanding to various agencies of \$47,817,956 or a 6.7% (\$3,419,052) decrease from the prior fiscal year.

Dona Ana County  
Condensed Schedule of Outstanding Debt  
As of June 30, 2011 and 2010

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total Activity</u>	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenue Bonds	\$ 28,010,000	30,280,000	6,665,000	6,665,000	34,675,000	36,945,000
Special Assessment Bonds	5,800,000	6,160,000	-	-	5,800,000	6,160,000
General Obligation Bonds	1,585,000	2,085,000	-	-	1,585,000	2,085,000
Notes Payable	1,042,217	990,026	4,715,739	5,056,982	5,757,956	6,047,008
Total Outstanding Debt	\$ <u>36,437,217</u>	<u>39,515,026</u>	<u>11,380,739</u>	<u>11,721,982</u>	<u>47,817,956</u>	<u>51,237,008</u>

Additional information on the County's debt can be found in Note 6 beginning on page 50 of this report.

**Economic Outlook**

The County was slower to enter the recent recession than most parts of the country. Some states entered recession in late 2007 and others throughout 2008. According to Moody's Economy, the State of New Mexico was slow to feel the impact of the national downturn and Dona Ana County did not enter recession until Spring of 2009. Moody's Economy reported that the County moved from recession to recovery in November 2009.

Gross receipts have shown recovery throughout the past fiscal year. Receipts grew by 4% in the first half of the year and by 11% in the second half over the same periods in the previous fiscal year. Recovery is

**STATE OF NEW MEXICO  
DOÑA ANA COUNTY  
MANAGEMENT DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2011**

expected to continue at a modest pace and gross receipts will be aided by major construction activity in the County, including a new \$400+ million Union Pacific rail facility.

Property taxes, a major revenue for the County, have continued to experience growth, though at a slower rate than in recent years. Assessed value decreased a little below 1% from 2010 to 2011. Gross Receipts Taxes have started to show recovery and grew 2% in the last quarter of the fiscal year over the same period in the prior year.

**REQUEST FOR INFORMATION**

The financial report is designed to present users with a general overview of the County's finances and to demonstrate the County's accountability. If you have questions concerning any of the information provided in this report or need additional information, contact the County's Financial Services Director, 845 N Motel Blvd., Las Cruces, New Mexico, 88007.

**STATE OF NEW MEXICO  
DONA ANA COUNTY  
STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2011**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 42,906,899	4,200,049	47,106,948
Investments	52,144,167	51,971	52,196,138
Receivables, net	2,024,296	371,270	2,395,566
Taxes receivables	8,598,736	-	8,598,736
Intergovernmental receivables	3,441,532	-	3,441,532
Other receivables	304,273	307,927	612,200
Due from other funds	-	-	-
Inventory and prepaid expenses	69,459	-	69,459
Bond issuance costs, net	-	-	-
Other assets	-	17,450	17,450
<b>Total current assets</b>	<b>109,489,362</b>	<b>4,948,667</b>	<b>114,438,029</b>
<b>Non-current assets:</b>			
Restricted cash and cash equivalents	-	1,472,762	1,472,762
Restricted cash held in investments	-	-	-
Land and construction in progress	19,135,502	7,416,244	26,551,746
Other capital assets, net of accumulated depreciation	168,308,947	47,164,672	215,473,619
<b>Total non-current assets</b>	<b>187,444,449</b>	<b>56,053,678</b>	<b>243,498,127</b>
<b>Total assets</b>	<b>\$ 296,933,811</b>	<b>61,002,345</b>	<b>357,936,156</b>
<b>Liabilities</b>			
<b>Current liabilities:</b>			
Accounts payable	\$ 1,878,493	132,444	2,010,937
Due to other funds	-	-	-
Accrued payroll liabilities	1,220,938	934	1,221,872
Accrued interest payable	408,567	37,965	446,532
Bonds and notes payable	3,447,598	202,965	3,650,563
Deposits	-	1,239	1,239
Compensated absences	2,869,752	61,599	2,931,351
Deferred revenue	3,264,338	1,758,691	5,023,029
Other liabilities	72,308	25,202	97,510
<b>Total current liabilities</b>	<b>13,161,994</b>	<b>2,221,039</b>	<b>15,383,033</b>
<b>Long-term liabilities:</b>			
Compensated absences - long-term portion	1,721,851	36,959	1,758,810
Bonds and notes payable - long-term portion	32,989,619	11,177,774	44,167,393
Landfill post-closure costs	-	-	-
<b>Total long-term liabilities</b>	<b>34,711,470</b>	<b>11,214,733</b>	<b>45,926,203</b>
<b>Total liabilities</b>	<b>47,873,464</b>	<b>13,435,772</b>	<b>61,309,236</b>
<b>Net assets</b>			
Invested in capital assets, net of related debt	151,007,232	43,200,177	194,207,409
Restricted for:			
Other purposes	32,373,899	1,490,212	33,864,111
Unrestricted	65,679,216	2,876,184	68,555,400
<b>Total net assets</b>	<b>249,060,347</b>	<b>47,566,573</b>	<b>296,626,920</b>
<b>Total liabilities and net assets</b>	<b>\$ 296,933,811</b>	<b>61,002,345</b>	<b>357,936,156</b>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
DONA ANA COUNTY  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2011**

Functions/Program	Program Revenues			Net (Expenses, Revenues, and Changes in Net Assets			
	Expenses	Operating		Governmental Activities	Primary Government		Total
		Charges for services	Grants and Contributions		Capital Grants and Contributions	Business-type Activities	
<b>Primary government</b>							
<b>Governmental Activities:</b>							
General government	\$ 27,232,263	4,489,448	210,072	(22,532,743)	-	(22,532,743)	
Public safety	49,105,706	9,715,926	6,062,376	(33,327,404)	-	(33,327,404)	
Public works	20,500,979	2,496,026	2,897,173	(10,431,260)	-	(10,431,260)	
Health and welfare	16,757,369	-	9,449,002	(5,308,367)	-	(5,308,367)	
Cultural and recreation	141,366	-	-	(141,366)	-	(141,366)	
Debt service interest	2,442,985	-	-	(2,442,985)	-	(2,442,985)	
Fiscal agent's fees	28,790	-	-	(28,790)	-	(28,790)	
Total governmental activities	116,209,458	16,701,400	18,618,623	(74,212,915)	-	(74,212,915)	
<b>Business-Type Activities:</b>							
Wastewater services	2,700,691	1,031,839	-	-	(1,668,852)	(1,668,852)	
Water services	216,160	104,029	-	-	(112,131)	(112,131)	
Other utility services	235,265	-	-	-	(235,265)	(235,265)	
Public housing assistance	2,477,529	15,144	2,558,258	-	95,873	95,873	
Total Business-type activities	5,629,645	1,151,012	2,558,258	-	(1,920,375)	(1,920,375)	
Total primary government	\$ 121,839,103	17,852,412	21,176,881	(74,212,915)	(1,920,375)	(76,133,290)	

**General Revenues:**

Taxes:		\$
Property taxes, levied for general purposes		35,673,086
State shared taxes and fees		31,641,156
Payments in lieu of taxes		3,736,087
License and permits		377,965
Penalties and Interest		1,186,106
Miscellaneous		2,338,443
Gain/loss on disposition of capital assets		(4,640,114)
Investment earnings		3,203,990
Operating transfers, net		398,878
Total general revenues and transfers		73,915,597
Change in net assets		(297,318)
Net Assets, beginning		249,357,665
Restatements		-
Net Assets, beginning restated		249,357,665
Net assets, ending		\$ 249,060,347

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
DONA ANA COUNTY  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
AS OF JUNE 30, 2011**

	Special Revenue Funds							Total Governmental Funds
	General Fund	Health Services (SLIAG)	Colonia's Initiative	State Appropriations	Debt Service Fund	Nonmajor Governmental Funds		
<b>ASSETS</b>								
Cash and cash equivalents	\$ 12,400,377	4,921,055	187,950	-	159,063	24,863,073	42,531,518	
Investments	46,144,167	-	-	-	6,000,000	-	52,144,167	
Receivables, net	1,592,200	-	-	-	-	205,750	1,797,950	
Taxes receivable	6,021,906	-	-	-	63,853	2,512,977	8,598,736	
Intergovernmental receivables	944,241	16,125	-	1,540,748	-	940,418	3,441,532	
Interest receivable	256,687	5,192	-	-	24,040	18,354	304,273	
Due from other funds	1,328,218	-	-	-	-	-	1,328,218	
Prepaid expenses & inventories	10,273	-	-	-	-	-	10,273	
Other assets	-	-	-	-	-	-	-	
Total assets	\$ 68,698,069	4,942,372	187,950	1,540,748	6,246,956	28,540,572	110,156,667	
<b>LIABILITIES AND FUND BALANCES</b>								
<b>LIABILITIES</b>								
Accounts payable	\$ 1,148,238	125,042	33,491	220,915	(4,828)	261,407	1,784,265	
Accrued payroll liabilities	1,143,395	28,898	-	-	-	33,386	1,205,679	
Accrued interest payable	267	-	-	-	403,944	4,356	408,567	
Due to other funds	-	-	-	779,349	-	548,869	1,328,218	
Deposits	-	-	-	-	-	-	-	
Deferred revenues	6,521,511	71,793	-	-	55,273	423,154	7,071,731	
Other liabilities	70,708	-	-	-	-	1,600	72,308	
Total Liabilities	8,884,119	225,733	33,491	1,000,264	454,389	1,272,772	11,870,768	
<b>FUND BALANCES</b>								
Nonspendable	10,273	-	-	-	-	-	10,273	
Restricted	745,027	-	154,459	540,484	4,562,255	26,371,674	32,373,899	
Committed	2,447,964	-	-	-	1,181,998	243,026	3,872,988	
Assigned	6,399,199	4,716,639	-	-	48,314	653,100	11,817,252	
Unassigned	50,211,487	-	-	-	-	-	50,211,487	
Total Fund Balance	59,813,950	4,716,639	154,459	540,484	5,792,567	27,267,800	98,285,899	
Total liabilities and fund balances	\$ 68,698,069	4,942,372	187,950	1,540,748	6,246,956	28,540,572	110,156,667	

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
DONA ANA COUNTY  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE  
TO STATEMENT OF NET ASSETS  
AS OF JUNE 30, 2011**

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

Total fund balance - total governmental funds	\$	98,285,899
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet (less Internal Service Funds).		186,966,918
Internal service funds are used by management to charge the cost of certain activities, such as insurance and fleet management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the government-wide statement of net assets. Internal Service Fund balances not included in other reconciling items:		967,907
Long-term liabilities are not due and payable in the current period and, therefore, they are not reported in the governmental funds balance sheet:		
Bonds and notes payable		(32,989,619)
Compensated absences (less Internal Service Funds)		(1,698,957)
Other current liabilities (bonds payable) are not available to pay for current period expenditures and therefore are deferred in the funds:		
Bonds payable		(3,447,598)
Compensated absences (less Internal Service Funds)		(2,831,596)
In order to convert to the full accrual basis of accounting, it is necessary to recognize deferred revenue as revenue.		3,807,393
Net assets of governmental activities	\$	<u><u>249,060,347</u></u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
DONA ANA COUNTY  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NON-MAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

	General Fund	Special Revenue Funds				Debt Service Fund	Nonmajor Governmental Funds	Total Governmental Funds
		Health Services (SLIAG)	Colonia's Initiative	State Appropriations				
<b>REVENUES</b>								
Taxes:								
Property taxes	\$ 34,916,437	-	-	-	568,896	-	-	35,485,333
General sales and use taxes	14,014,669	2,237,227	-	-	-	15,190,205	-	31,442,101
Payment in lieu of tax	2,853,799	-	-	-	882,288	-	-	3,736,087
Penalties and interest	1,280,623	-	-	-	-	325	-	1,280,948
Licenses and permits	377,965	-	-	-	-	-	-	377,965
Intergovernmental revenue and grants	3,424,629	98,365	264,097	4,019,977	-	5,871,538	-	13,678,606
Charges for services	13,668,532	-	-	-	-	1,007,092	-	14,675,624
Contributions/donations private services	5,000	9,339,400	-	-	-	-	-	9,344,400
Investment earnings	304,682	2,151,297	-	-	443,916	304,096	-	3,203,991
Rents and royalties	381,287	-	-	-	-	6,075	-	387,362
Other revenue	2,059,576	137,309	-	-	-	658,639	-	2,855,524
Total revenues	<u>73,287,199</u>	<u>13,963,598</u>	<u>264,097</u>	<u>4,019,977</u>	<u>1,895,100</u>	<u>23,037,970</u>		<u>116,467,941</u>
<b>EXPENDITURES</b>								
Current:								
General government	22,097,615	-	-	-	-	-	-	22,097,615
Public safety	38,931,239	-	-	88,167	-	6,842,303	-	45,861,709
Public works	8,449,796	-	-	2,982,019	-	848,324	-	12,280,139
Health and welfare	408,221	7,062,158	-	-	-	9,126,921	-	16,597,300
Culture and recreation	70,732	-	-	-	-	-	-	70,732
Debt Service:								
Principal payments	42,751	-	-	-	3,130,000	118,484	-	3,291,235
Interest payments	8,310	-	-	-	2,416,171	18,504	-	2,442,985
Fiscal agent's fees	-	-	-	-	28,790	-	-	28,790
Capital Outlay:								
Capital Outlay	2,620,950	-	297,588	947,051	-	5,616,451	-	9,482,040
Total Expenditures	<u>72,629,614</u>	<u>7,062,158</u>	<u>297,588</u>	<u>4,017,237</u>	<u>5,574,961</u>	<u>22,570,987</u>		<u>112,152,545</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
DONA ANA COUNTY  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
NON-MAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011

	Special Revenue Funds						Total Governmental Funds
	General Fund	Health Services (SLIAG)	Colonia's Initiative	State Appropriations	Debt Service Fund	Nonmajor Governmental Funds	
Excess (deficiency) of revenues over expenditures	\$ 657,585	6,901,440	(33,491)	2,740	(3,679,861)	466,983	4,315,396
<b>OTHER FINANCING SOURCES (USES)</b>							
Proceeds from issuance of long-term capital-related debt	213,426	-	-	-	-	-	213,426
Transfers in	37,220,146	7,072	-	-	3,877,233	2,433,292	43,537,743
Transfers out	(34,296,541)	(7,219,511)	-	-	-	(2,427,814)	(43,943,866)
Total other financing sources (uses)	<u>3,137,031</u>	<u>(7,212,439)</u>	<u>-</u>	<u>-</u>	<u>3,877,233</u>	<u>5,478</u>	<u>(192,697)</u>
Net change in fund balance	3,794,616	(310,999)	(33,491)	2,740	197,372	472,461	4,122,699
Fund balances-beginning of year	56,019,334	5,027,638	187,950	537,744	5,595,195	26,795,339	94,163,200
Restatements	-	-	-	-	-	-	-
Fund balances-beginning of year, as restated	<u>56,019,334</u>	<u>5,027,638</u>	<u>187,950</u>	<u>537,744</u>	<u>5,595,195</u>	<u>26,795,339</u>	<u>94,163,200</u>
Fund balances-end of the year	<u>59,813,950</u>	<u>4,716,639</u>	<u>154,459</u>	<u>540,484</u>	<u>5,792,567</u>	<u>27,267,800</u>	<u>98,285,899</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
DONA ANA COUNTY  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2011**

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

Net change in fund balance - total governmental funds	\$	4,122,699
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital expenditures recorded in capital outlay		9,482,040
Capital assets received as donations		1,456,602
Capital expenditures recorded in other expense lines		3,872,196

In the Statement of Activities, a loss is recorded for assets that are removed from service that are not fully depreciated. Thus, the change in net assets differs from the change in fund balance by the amount of loss recorded for deleted capital assets.		(4,640,114)
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Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net assets, but they do not require the use of current financial resources. Therefore depreciation expense is not reported as expenditure in governmental funds.		(17,960,316)
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Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet management to individual funds. The net change of the internal service funds resulting from transactions not recorded with governmental funds.		334,667
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The issuance of long-term debt (e.g. bonds, notes, capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of premiums and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities.

Increase in noncurrent and current accrued compensated absences		(334,866)
Issuance of long-term debt		(213,426)
Principal payments on long-term debt payable		3,291,235

Other reclassifications are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting to show the revenue earned from the current year's tax levy.		291,964
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Changes due to rounding		<u>1</u>
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Change in net assets of governmental activities	\$	<u><u>(297,318)</u></u>
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**STATE OF NEW MEXICO  
DONA ANA COUNTY  
STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2011**

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ 49,191,977	49,191,977	49,284,451	92,474
Payment-in-Lieu-of-taxes	2,770,000	2,770,000	2,853,799	83,799
Licenses and permits	266,300	266,300	377,965	111,665
Intergovernmental revenue and grants	2,025,040	2,981,895	3,759,778	777,883
Charges for services	14,781,911	14,795,208	13,763,959	(1,031,249)
Investment earnings	609,872	609,872	520,319	(89,553)
Other revenue	3,259,501	3,259,501	3,456,724	197,223
Total revenues	72,904,601	73,874,753	74,016,995	142,242
<b>EXPENDITURES</b>				
Current:				
Personnel costs	45,319,006	45,095,668	40,426,837	4,668,831
Operating costs	31,675,058	32,771,071	28,833,436	3,937,635
Capital outlay	2,968,143	3,118,597	2,596,176	522,421
Debt Service:				
Principal payments	52,000	52,000	51,091	909
Interest payments	-	-	-	-
Fiscal agent's fees	-	-	-	-
Total expenditures	80,014,207	81,037,336	71,907,540	9,129,796
Excess (deficiency) of revenues over (under) expenditures	(7,109,606)	(7,162,583)	2,109,455	(9,272,038)
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from issuance of long-term capital-related debt	-	-	213,426	213,426
Sale of real and personal property	-	-	-	-
Transfers in	39,284,379	39,446,176	37,220,146	(2,226,030)
Transfers out	(36,657,053)	(36,901,117)	(34,296,541)	2,604,576
Total other financing sources (uses)	2,627,326	2,545,059	3,137,031	591,972
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(4,482,280)	(4,617,524)	5,246,486	(8,680,066)
Budgeted cash carryover	4,482,280	4,617,524		
Total	\$ -	-		
<b>RECONCILIATION FROM BUDGET/ACTUAL TO GAAP</b>				
Change in net assets (Budget Basis)			\$ 5,246,486	
To adjust applicable revenue accruals and deferrals			(729,808)	
To adjust applicable expenditure accruals			(722,062)	
Change in net assets (GAAP basis)			\$ 3,794,616	

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
DONA ANA COUNTY  
STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
HEALTH SERVICES (SLIAG) - SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2011**

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ 1,846,712	1,846,712	-	(1,846,712)
Payment-in-Lieu-of-taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental revenue and grants	293,000	293,000	173,205	(119,795)
Charges for services	-	-	-	-
Investment earnings	80,082	80,082	2,147,121	2,067,039
Other revenue	9,445,100	9,445,100	9,476,709	31,609
Total revenues	11,664,894	11,664,894	11,797,035	132,141
<b>EXPENDITURES</b>				
Current:				
Personnel costs	1,596,563	1,594,153	1,013,325	580,828
Operating costs	7,563,872	7,566,282	3,908,847	3,657,435
Capital outlay	-	-	-	-
Debt Service:				
Principal payments	-	-	-	-
Interest payments	-	-	-	-
Fiscal agent's fees	-	-	-	-
Total expenditures	9,160,435	9,160,435	4,922,172	4,238,263
Excess (deficiency) of revenues over (under) expenditures	2,504,459	2,504,459	6,874,863	(4,370,404)
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from issuance of long-term capital-related debt	-	-	-	-
Sale of real and personal property	-	-	-	-
Transfers in	-	7,072	7,072	-
Transfers out	(7,219,511)	(7,219,511)	(7,219,511)	-
Total other financing sources (uses)	(7,219,511)	(7,212,439)	(7,212,439)	-
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(4,715,052)	(4,707,980)	(337,576)	(4,370,404)
Budgeted cash carryover	4,715,052	4,707,980		
Total	\$ -	-		
<b>RECONCILIATION FROM BUDGET/ACTUAL TO GAAP</b>				
Change in net assets (Budget Basis)			\$ (337,576)	
To adjust applicable revenue accruals and deferrals			2,166,564	
To adjust applicable expenditure accruals			(2,139,987)	
Change in net assets (GAAP basis)			\$ (310,999)	

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
DONA ANA COUNTY  
STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
COLONIA'S INITIATIVE - SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2011**

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ -	-	-	-
Payment-in-Lieu-of-taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental revenue and grants	1,065,632	2,235,632	1,065,632	(1,170,000)
Charges for services	-	-	-	-
Investment earnings	-	-	-	-
Other revenue	-	-	-	-
Total revenues	1,065,632	2,235,632	1,065,632	(1,170,000)
<b>EXPENDITURES</b>				
Current:				
Personnel costs	-	-	-	-
Operating costs	-	-	-	-
Capital outlay	264,097	1,434,097	264,097	1,170,000
Debt Service:				
Principal payments	-	-	-	-
Interest payments	-	-	-	-
Fiscal agent's fees	-	-	-	-
Total expenditures	264,097	1,434,097	264,097	1,170,000
Excess (deficiency) of revenues over (under) expenditures	801,535	801,535	801,535	-
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from issuance of long-term capital-related debt	-	-	-	-
Sale of real and personal property	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	801,535	801,535	801,535	-
Budgeted cash carryover	-	-		
Total	\$ 801,535	801,535		
<b>RECONCILIATION FROM BUDGET/ACTUAL TO GAAP</b>				
Change in net assets (Budget Basis)			\$ 801,535	
To adjust applicable revenue accruals and deferrals			(801,535)	
To adjust applicable expenditure accruals			(33,491)	
Change in net assets (GAAP basis)			\$ (33,491)	

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
DONA ANA COUNTY  
STATEMENT OF REVENUES AND EXPENDITURES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
STATE APPROPRIATIONS - SPECIAL REVENUE FUND  
FOR THE YEAR ENDED JUNE 30, 2011**

	Original Approved Budget	Final Approved Budget	Actual	Favorable (Unfavorable)
<b>REVENUES</b>				
Taxes	\$ -	-	-	-
Payment-in-Lieu-of-taxes	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental revenue and grants	8,628,520	8,698,058	3,813,944	(4,884,114)
Charges for services	-	-	-	-
Investment earnings	-	-	-	-
Other revenue	-	-	-	-
Total revenues	8,628,520	8,698,058	3,813,944	(4,884,114)
<b>EXPENDITURES</b>				
Current:				
Personnel costs	-	-	-	-
Operating costs	6,674,223	6,616,155	2,933,219	3,682,936
Capital outlay	1,929,262	2,056,868	955,293	1,101,575
Debt Service:				
Principal payments	-	-	-	-
Interest payments	-	-	-	-
Fiscal agent's fees	-	-	-	-
Total expenditures	8,603,485	8,673,023	3,888,512	4,784,511
Excess (deficiency) of revenues over (under) expenditures	25,035	25,035	(74,568)	99,603
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from issuance of long-term capital-related debt				
capital-related debt	-	-	-	-
Sale of real and personal property	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	25,035	25,035	(74,568)	99,603
Budgeted cash carryover	-	-		
Total	\$ 25,035	25,035		

**RECONCILIATION FROM BUDGET/ACTUAL TO GAAP**

Change in net assets (Budget Basis)	\$ (74,568)
To adjust applicable revenue accruals and deferrals	113,932
To adjust applicable expenditure accruals	(36,624)
Change in net assets (GAAP basis)	\$ 2,740

The accompanying notes are an integral part of these financial statements.

**DONA ANA COUNTY  
PROPRIETARY FUNDS  
STATEMENTS OF NET ASSETS  
AS OF JUNE 30, 2011**

	Business-Type Activities Enterprise Funds			
	Border Wastewater	Border Water System	NMED County Utilities	South Central Wastewater
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents	\$ 818,403	569,445	1,256,765	278,550
Investments	-	-	-	-
Receivable, net	-	-	-	34,083
Interest receivables	7,171	438	450	243
Other receivables	-	-	-	-
Deposits	-	-	-	-
Inventory	-	-	-	-
Due from other funds	-	-	-	-
Total current assets	<u>825,574</u>	<u>569,883</u>	<u>1,257,215</u>	<u>312,876</u>
Non-current assets:				
Restricted cash and cash equivalents	-	-	-	-
Restricted cash held in investments	-	-	-	-
Capital assets, net	<u>6,662,427</u>	<u>9,830,704</u>	<u>2,134,565</u>	<u>22,739,149</u>
Total non-current assets	<u>6,662,427</u>	<u>9,830,704</u>	<u>2,134,565</u>	<u>22,739,149</u>
Total assets	<u>\$ 7,488,001</u>	<u>10,400,587</u>	<u>3,391,780</u>	<u>23,052,025</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 21,180	43,329	-	21,853
Due to other funds	-	-	-	-
Bonds and notes payable	-	-	202,965	-
Accrued interest payable	10,956	-	8,834	12,654
Accrued payroll liabilities	-	275	-	206
Compensated absences	-	1,683	-	38,690
Other liabilities	1,311	3,150	-	12,592
Deposits	-	-	-	-
Deferred revenues	<u>495,200</u>	<u>550,000</u>	<u>713,491</u>	<u>-</u>
Total current liabilities	<u>528,647</u>	<u>598,437</u>	<u>925,290</u>	<u>85,995</u>
Non-current liabilities:				
Bonds and notes payable	6,665,000	-	953,280	2,220,742
Compensated absences	-	1,010	-	23,213
Total non-current liabilities	<u>6,665,000</u>	<u>1,010</u>	<u>953,280</u>	<u>2,243,955</u>
Total liabilities	<u>7,193,647</u>	<u>599,447</u>	<u>1,878,570</u>	<u>2,329,950</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	(2,573)	9,830,704	978,320	20,518,407
Restricted for:				
Customer Deposits	-	-	-	-
Other purposes	-	-	-	-
Unrestricted	<u>296,927</u>	<u>(29,564)</u>	<u>534,890</u>	<u>203,668</u>
Total net assets	<u>294,354</u>	<u>9,801,140</u>	<u>1,513,210</u>	<u>20,722,075</u>
Total liabilities and net assets	<u>\$ 7,488,001</u>	<u>10,400,587</u>	<u>3,391,780</u>	<u>23,052,025</u>

The accompanying notes are an integral part of these financial statements.

**DONA ANA COUNTY  
PROPRIETARY FUNDS  
STATEMENTS OF NET ASSETS  
AS OF JUNE 30, 2011**

	Business-Type Activities		Governmental Activities
	Total Non-major Enterprise Funds	Total Enterprise Funds	Internal Service Fund Fleet
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 1,276,886	4,200,049	375,381
Investments	51,971	51,971	-
Receivable, net	337,187	371,270	226,346
Interest receivables	2,273	10,575	-
Other receivables	297,352	297,352	-
Deposits	17,450	17,450	-
Inventory and prepaids	-	-	59,186
Due from other funds	-	-	-
Total current assets	<u>1,983,119</u>	<u>4,948,667</u>	<u>660,913</u>
Non-current assets:			
Restricted cash and cash equivalents	1,472,762	1,472,762	-
Restricted cash held in investments	-	-	-
Capital assets, net	13,214,071	54,580,916	477,531
Total non-current assets	<u>14,686,833</u>	<u>56,053,678</u>	<u>477,531</u>
Total assets	<u>\$ 16,669,952</u>	<u>61,002,345</u>	<u>1,138,444</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 46,082	132,444	94,228
Due to other funds	-	-	-
Bonds and notes payable	-	202,965	-
Accrued interest payable	5,521	37,965	-
Accrued payroll liabilities	453	934	15,259
Compensated absences	21,226	61,599	38,156
Other liabilities	8,149	25,202	-
Deposits	1,239	1,239	-
Deferred revenues	-	1,758,691	-
Total current liabilities	<u>82,670</u>	<u>2,221,039</u>	<u>147,643</u>
Non-current liabilities:			
Bonds and notes payable	1,338,752	11,177,774	-
Compensated absences	12,736	36,959	22,894
Total non-current liabilities	<u>1,351,488</u>	<u>11,214,733</u>	<u>22,894</u>
Total liabilities	<u>1,434,158</u>	<u>13,435,772</u>	<u>170,537</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	11,875,319	43,200,177	477,531
Restricted for:			
Customer Deposits	17,450	17,450	-
Other purposes	1,472,762	1,472,762	-
Unrestricted	1,870,263	2,876,184	490,376
Total net assets	<u>15,235,794</u>	<u>47,566,573</u>	<u>967,907</u>
Total liabilities and net assets	<u>\$ 16,669,952</u>	<u>61,002,345</u>	<u>1,138,444</u>

The accompanying notes are an integral part of these financial statements.

**DONA ANA COUNTY  
PROPRIETARY FUNDS  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2011**

	Business-Type Activities Enterprise Funds			
	Border Wastewater	Border Water System	NMED County Utilities	South Central Wastewater
<b>OPERATING REVENUES</b>				
Charges for services	\$ -	650	-	53,385
Charges for water services	30,332	108,722	-	59,148
Charges for sewerage service	8,116	(5,343)	-	556,528
Rents and royalties	-	-	-	-
Other revenue	13,954	-	289,884	53,758
Total operating revenues	<u>52,402</u>	<u>104,029</u>	<u>289,884</u>	<u>722,819</u>
<b>OPERATING EXPENSES</b>				
Personnel services -salaries and wages	25,921	29,802	-	179,040
Personnel services -employee benefits	1,988	12,483	-	77,543
Purchased professional and technical services	-	778	-	6,612
Utilities	43,831	26,168	-	153,003
Other operating expenses	10,893	19,020	-	348,406
Depreciation	95,323	127,909	144,770	760,730
Total operating expenses	<u>177,956</u>	<u>216,160</u>	<u>144,770</u>	<u>1,525,334</u>
Operating income (loss)	(125,554)	(112,131)	145,114	(802,515)
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Gain (loss) on sale of property	-	-	-	-
Grants (not capital grants)	-	-	-	-
Grants -capital	-	-	-	-
Investment earnings	7,361	6,635	7,793	4,250
Interest expense -non-operating	(118,727)	-	(90,495)	579
Total non-operating revenues (expenses)	<u>(111,366)</u>	<u>6,635</u>	<u>(82,702)</u>	<u>4,829</u>
Income (loss) before transfers	(236,920)	(105,496)	62,412	(797,686)
Transfers in	-	-	237,690	-
Capital transfer in	-	-	-	-
Capital transfer out	-	-	-	-
Transfers out	-	-	(440,163)	(39,905)
Total transfers in (out)	<u>-</u>	<u>-</u>	<u>(202,473)</u>	<u>(39,905)</u>
Change in net assets	(236,920)	(105,496)	(140,061)	(837,591)
Beginning net assets	531,274	9,906,636	1,653,271	21,559,666
Restatement	-	-	-	-
Beginning net assets-as restated	<u>531,274</u>	<u>9,906,636</u>	<u>1,653,271</u>	<u>21,559,666</u>
Net assets-end of the year	<u>\$ 294,354</u>	<u>9,801,140</u>	<u>1,513,210</u>	<u>20,722,075</u>

The accompanying notes are an integral part of these financial statements.

**DONA ANA COUNTY  
PROPRIETARY FUNDS  
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
FOR THE YEAR ENDED JUNE 30, 2011**

	Business-Type Activities		Governmental
	Total Non-major	Total	Activities
	Enterprise Funds	Enterprise Funds	Internal Service Fund Fleet
<b>OPERATING REVENUES</b>			
Charges for services	\$ 19,278	73,313	1,932,790
Charges for water services	-	198,202	-
Charges for sewerage service	305,052	864,353	-
Rents and royalties	15,144	15,144	-
Other revenue	341,941	699,537	4,079
Total operating revenues	<u>681,415</u>	<u>1,850,549</u>	<u>1,936,869</u>
<b>OPERATING EXPENSES</b>			
Personnel services -salaries and wages	202,930	437,693	434,296
Personnel services -employee benefits	98,005	190,019	201,131
Purchased professional and technical services	129,994	137,384	-
Utilities	64,436	287,438	15,692
Other operating expenses	2,460,001	2,838,320	1,713,085
Depreciation	410,366	1,539,098	42,998
Total operating expenses	<u>3,365,732</u>	<u>5,429,952</u>	<u>2,407,202</u>
Operating income (loss)	(2,684,317)	(3,579,403)	(470,333)
<b>NON-OPERATING REVENUES (EXPENSES)</b>			
Gain (loss) on sale of property	-	-	-
Grants (not capital grants)	2,558,258	2,558,258	-
Grants -capital	-	-	-
Investment earnings	13,157	39,196	-
Interest expense -non-operating	8,950	(199,693)	-
Total non-operating revenues (expenses)	<u>2,580,365</u>	<u>2,397,761</u>	<u>-</u>
Income (loss) before transfers	(103,952)	(1,181,642)	(470,333)
Transfers in	89,600	327,290	805,000
Capital transfer in	-	-	-
Capital transfer out	-	-	-
Transfers out	(246,100)	(726,168)	-
Total transfers in (out)	<u>(156,500)</u>	<u>(398,878)</u>	<u>805,000</u>
Change in net assets	(260,452)	(1,580,520)	334,667
Beginning net assets	15,389,064	49,039,911	633,240
Restatement	107,182	107,182	-
Beginning net assets-as restated	<u>15,496,246</u>	<u>49,147,093</u>	<u>633,240</u>
Net assets-end of the year	<u>\$ 15,235,794</u>	<u>47,566,573</u>	<u>967,907</u>

The accompanying notes are an integral part of these financial statements.

**DONA ANA COUNTY  
PROPRIETARY FUNDS  
STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2011**

	Business-Type Activities Enterprise Funds			
	Border Wastewater	Border Water System	NMED County Utilities	South Central Wastewater
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Receipts from customers	\$ 65,764	85,632	(291,234)	632,645
Payments to employees	(27,909)	(40,101)	-	(252,520)
Payments to suppliers	(68,681)	(46,507)	(404)	(444,945)
Other receipts/(payments)	13,954	-	289,884	53,758
<i>Net cash provided (used) by operating activities</i>	<u>(16,872)</u>	<u>(976)</u>	<u>(1,754)</u>	<u>(11,062)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>				
Intergovernmental HUD subsidy	-	-	-	-
Transfers from other funds	-	-	14,920	-
Operating subsidies and transfers to other funds	-	-	(440,163)	(39,905)
<i>Net cash provided by (used for) noncapital financing activities</i>	<u>-</u>	<u>-</u>	<u>(425,243)</u>	<u>(39,905)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Capital contributions	-	-	-	-
Purchase of capital assets	-	-	-	(91,153)
Proceeds from sale of capital assets	-	-	-	-
Proceeds from issuance of debt	-	-	-	-
Principal payments	-	-	(198,985)	-
Interest payments	(118,727)	-	(90,495)	579
Due to HACLC	-	-	-	-
Grant revenue	-	-	-	-
Utility deposit	-	-	-	-
<i>Net cash provided by (used for) capital and related financing activities</i>	<u>(118,727)</u>	<u>-</u>	<u>(289,480)</u>	<u>(90,574)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Proceeds from sales and maturities of investments	-	-	-	-
Issuance of mortgages to homeowners	-	-	-	-
Repayment of mortgages received	-	-	-	-
Purchase of investments	-	-	-	-
Interest and dividends	7,361	6,635	7,793	4,247
<i>Net cash provided by (used for) investing activities</i>	<u>7,361</u>	<u>6,635</u>	<u>7,793</u>	<u>4,247</u>
Net increase/(decrease) in cash and cash equivalents	(128,238)	5,659	(708,684)	(137,294)
Balances - beginning of year	946,641	563,786	1,965,449	415,843
Balances - end of year	<u>\$ 818,403</u>	<u>569,445</u>	<u>1,256,765</u>	<u>278,549</u>

The accompanying notes are an integral part of these financial statements.

**DONA ANA COUNTY  
 PROPRIETARY FUNDS  
 STATEMENTS OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2011**

	Business-Type Activities			
	Enterprise Funds			
	Border Wastewater	Border Water System	NMED County Utilities	South Central Wastewater
Reconciliation of operating income/(loss) to net cash provided/(used) by operating activities:				
Operating income/(loss)	\$ (125,554)	(112,131)	145,114	(802,515)
Adjustments:				
Depreciation expense	95,323	127,909	144,770	760,730
Bad debt expense	-	(833)	-	39,015
Change in assets and liabilities:				
Receivables	27,316	55,873	(263)	(36,416)
Due from other funds	-	-	-	-
Inventories and prepaid expenses	-	-	-	-
Deposits held for others	-	-	-	-
Accounts Payable	-	-	-	19,282
Accrued expenses and other liabilities	(13,957)	292	(404)	4,779
Compensated absences	-	2,184	-	4,063
Deposits	-	-	-	-
Deferred revenue	-	(74,270)	(290,971)	-
Due to other funds	-	-	-	-
Net cash provided by (used for) operating activities	<u>\$ (16,872)</u>	<u>(976)</u>	<u>(1,754)</u>	<u>(11,062)</u>

The accompanying notes are an integral part of these financial statements.

**DONA ANA COUNTY  
PROPRIETARY FUNDS  
STATEMENTS OF CASH FLOWS  
FOR THE YEAR ENDED JUNE 30, 2011**

	Business-Type Activities		Governmental Activities
	Nonmajor Total Enterprise Funds	Total Enterprise Funds	Internal Service Fund Fleet
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Receipts from customers	\$ 339,460	832,267	1,972,096
Payments to employees	(290,865)	(611,395)	(618,231)
Payments to suppliers	(2,644,997)	(3,205,534)	(1,610,217)
Other receipts/(payments)	341,941	699,537	4,079
<i>Net cash provided (used) by operating activities</i>	<u>(2,254,461)</u>	<u>(2,285,125)</u>	<u>(252,273)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>			
Intergovernmental HUD subsidy	2,558,258	2,558,258	-
Transfers from other funds	89,600	104,520	805,000
Operating subsidies and transfers to other funds	(23,330)	(503,398)	-
<i>Net cash provided by (used for) noncapital financing activities</i>	<u>2,624,528</u>	<u>2,159,380</u>	<u>805,000</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Capital contributions	-	-	-
Purchase of capital assets	(15,892)	(107,045)	(212,617)
Proceeds from sale of capital assets	-	-	-
Proceeds from issuance of debt	-	-	-
Principal payments	(37,263)	(236,248)	-
Interest payments	8,950	(199,693)	-
Due to HACLC	-	-	-
Intergovernmental HUD subsidy	-	-	-
Utility deposit	-	-	-
<i>Net cash provided by (used for) capital and related financing activities</i>	<u>(44,205)</u>	<u>(542,986)</u>	<u>(212,617)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Proceeds from sales and maturities of investments	-	-	-
Issuance of mortgages to homeowners	(220,000)	(220,000)	-
Repayment of mortgages received	1,199	1,199	-
Purchase of investments	(464)	(464)	-
Interest and dividends	10,959	36,995	-
<i>Net cash provided by (used for) investing activities</i>	<u>(208,306)</u>	<u>(182,270)</u>	<u>-</u>
Net increase/(decrease) in cash and cash equivalents	117,556	(851,001)	340,110
Balances - beginning of year	<u>2,632,092</u>	<u>6,523,811</u>	<u>35,271</u>
Balances - end of year	<u>\$ 2,749,648</u>	<u>5,672,810</u>	<u>375,381</u>

The accompanying notes are an integral part of these financial statements.

**DONA ANA COUNTY  
 PROPRIETARY FUNDS  
 STATEMENTS OF CASH FLOWS  
 FOR THE YEAR ENDED JUNE 30, 2011**

	Business-Type Activities		Governmental Activities
	Nonmajor Total	Total	Internal
	Enterprise Funds	Enterprise Funds	Service Fund Fleet
Reconciliation of operating income/(loss) to net cash provided/(used) by operating activities:			
Operating income/(loss)	\$ (2,684,317)	(3,579,403)	(470,333)
Adjustments:			
Depreciation expense	410,366	1,539,098	42,998
Bad debt expense	20,711	58,893	-
Change in assets and liabilities:			
Receivables	(14)	46,496	39,306
Due from other funds	-	-	-
Inventories and prepaid expenses	-	-	21,174
Deposits held for others	-	-	-
Accounts Payable	(2,500)	16,782	94,228
Accrued expenses and other liabilities	(8,777)	(18,067)	3,158
Compensated absences	10,070	16,317	17,196
Deposits	-	-	-
Deferred revenue	-	(365,241)	-
Due to other funds	-	-	-
Net cash provided by (used for) operating activities	\$ <u>(2,254,461)</u>	<u>(2,285,125)</u>	<u>(252,273)</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO**  
**DONA ANA COUNTY**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS**  
**FIDUCIARY FUNDS**  
**AS OF JUNE 30, 2011**

		Agency Funds
<b>ASSETS</b>		
Cash and cash equivalents	\$	1,399,536
Taxes receivable, net of allowance		7,210,354
Other receivables		48,709
<b>Total assets</b>	<b>\$</b>	<b>8,658,599</b>
<b>LIABILITIES</b>		
Accounts payable	\$	644
Overpayments		2,462
Taxes paid in advance		153,635
Taxes in suspense -bankruptcies		270,597
Taxes in suspense -mortgages		-
Due to others		2,011,268
Deferred revenue		6,219,993
<b>Total Liabilities</b>	<b>\$</b>	<b>8,658,599</b>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
DOÑA ANA COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES**

**Description and Reporting Entity**

The function of Doña Ana County is briefly addressed in the grant of powers provided to all New Mexico counties pursuant to state statute 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 County operates under a Commission form of government rule, which oversees:

- the assessment, collection, and distribution of ad valorem taxes by an elected assessor and treasurer;
- law enforcement by an elected sheriff;
- recording and filing by an elected county clerk and elected probate judge;
- fire protection by volunteer fire departments;
- road maintenance by an appointed road superintendent;
- purchasing by an appointed purchasing agent;
- indigent hospital care by an appointed indigent coordinator;
- administrative services by an appointed county manager; and,
- planning, health, welfare, recreation, and cultural affairs by appointed citizen advisory boards.

The financial statements of the County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The County's most significant accounting policies are described below.

***A. Reporting Entity***

The financial statements of the County encompass the activities of the County Commission, County Clerk, Tax Assessor, County Treasurer, Sheriff; and Probate Judge. The commission activity includes the function of the County Manager's office, the County Road Superintendent, the County Purchasing Agent, the Indigent Claims Coordinator, and the volunteer fire districts throughout the county.

In evaluating how to define the County, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB No. 14 and No. 39. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

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 operations, 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

**STATE OF NEW MEXICO**  
**DOÑA ANA COUNTY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED JUNE 30, 2011**

whether the activity benefits the government and/or 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. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the County's reporting entity.

The Housing Authority of Doña Ana County is determined to be a department of the County whose governing body is substantively the same as the Board of County Commissioners. Accordingly, the Housing Authority is reported as part of the primary government. A separate report is also issued by the Doña Ana County Public Housing Authority that describes their operations and activity in more detail. This report can be obtained by contacting the Housing Authority's administrative office by writing to Doña Ana County Public Housing Authority, 926 S San Pedro Street, Las Cruces, New Mexico, 88001-3637.

There were no other component units identified as needing to be disclosed or presented as part of the reporting entity.

*B. Basis of Presentation*

*Government-Wide Statements* – The Statement of Net Assets and the Statement of Activities display information about the government (the County). These statements include the financial activities of the overall government, except for fiduciary activities. The statements also distinguish between the governmental and business-type activities of the County. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for the different business type activities of the County and for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

*Fund Financial Statements* – The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category (governmental, proprietary, and fiduciary) are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

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DOÑA ANA COUNTY  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2011**

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The County reports the *general fund* as a major governmental fund. This is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

In addition, the County reports the following other major funds:

*Governmental funds*

- Special Revenue Fund - The *Health Services Fund* accounts for the activities of the County's indigent health care, which provides services to the residents of the County for local health services.
- Special Revenue Fund - The *Colonia's Initiative* fund accounts for the activities of the County to improve the quality of life for residents of the colonias of Doña Ana County. Colonias are defined as communities within 150 miles of the U.S./Mexico border that lack one or more of the following: potable water, centralized sewer system, safe, sanitary, and decent housing, and improved roads.
- Special Revenue Fund - The *State Appropriations* fund is used to account for various appropriations from the State Legislature for various projects.
- Debt Service Fund - The *Debt Service Fund* accounts for the County's accumulation of resources for, and the payment of governmental fund debt principal and interest.

*Proprietary funds*

- Enterprise Fund - The *Border Wastewater* fund accounts for wastewater system activities for residents in a portion of the southern part of the County.
- Enterprise Fund - The *Border Water* fund accounts for the service activities of this water system for residents in a portion of the southern part of the County.
- Enterprise Fund - The *NMED County Utilities* fund accounts for the service activities of the various County utility systems.
- Enterprise Fund - The *South Central Wastewater* fund accounts for the activities of the wastewater utility, which provides service to the residents in Vado/Del Cerro, Chamberino, Berino and south central areas of the County.

The County also reports the following fund types:

- *Internal Service Fund* accounts for fleet maintenance services provided to other departments of the government. Services are provided on a cost reimbursement basis.

**STATE OF NEW MEXICO  
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- *Fiduciary Funds* account for monies held by the County in a custodial capacity. As a result, they do not report operations.

*C. Measurement Focus. Basis of Accounting*

*Government-Wide, Propriety, and Fiduciary Fund Financial Statements* – The government-wide, propriety, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government-wide and propriety fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Property taxes are recognized as revenues in the year for which they are billed net of estimated refunds and uncollectible amounts.

Nonexchange transactions, in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and Donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and Donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

*Governmental Fund Financial Statements* – Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The County considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Property taxes, sales taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Revenue from derived taxes (sales taxes, gas taxes, and motor vehicle taxes) is recognized when the underlying transaction takes place (when the retail sale is generated). Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the County funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the County's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

All governmental and business-type activities of the County follow FASB Statements and Interpretations issued on or before November 30, 1989, Accounting Principles Board Opinions, and Accounting Research Bulletins, unless those pronouncements conflict with GASB pronouncements. The County has also elected to apply FASB Statements and Interpretations issued after November 30, 1989, unless those pronouncements conflict with GASB pronouncements.

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*D. Assets, Liabilities, and Equity*

Cash Equivalents

The County pools idle cash from all funds for the purpose of increasing income through investment activities. A "Pooled Cash" concept is used in maintaining the cash and investment accounts in the accounting records. Under this method, all cash is pooled for investment purposes and each fund has equity in the pooled amount. All amounts included in pooled cash and investments are considered to be cash equivalents for the purposes of the statement of cash flows, except for certificates of deposit or other investments that have original maturities of more than 90 days.

Investments

The County's investments are regulated by state law as well as by guidelines and rules promulgated by the State Investment Council and the State Treasurer. All investments are generally highly liquid in nature and are integrated with cash on the financial statements with appropriate disclosure. Investments are stated at fair value, which is determined using selected bases. Certificates of deposit are reported at carrying amount, which reasonably estimates fair value. Investments in a U.S. Treasury Fund and repurchase agreements are valued at the last reported sales price at current exchange rates. Additional cash, investment information, and fair values are presented in Note 2.

The County also participates in the State Treasurer Local Government Investment Pool. State law and regulations regulate this pool. Investment in the pool is reported at carrying amount, which reasonably estimates fair value.

Receivables and Payables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In the government-wide and governmental fund financial statements, delinquent property taxes are recorded as revenue when levied, net of estimated refunds and uncollectable amounts.

Inventories and Prepaid Items

Inventories in governmental funds consist of expendable supplies held for consumption, and are valued at cost using a first-in, first-out (FIFO) method. Expendable supplies are accounted for using the consumption method. Proprietary fund inventories are recorded at the lower of cost or market on a first-in, first-out basis, and consist of operating supplies held for use in operations and are recorded as expenditures when consumed rather than when purchased.

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

Capital Assets

Capital assets, which include property, plant, equipment, 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

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by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are included as part of the governmental capital assets reported in the government wide statements. Information technology equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C (5). 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 asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense capitalized by the County during the current fiscal year was \$0. No interest was included as part of the cost of capital assets under construction.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Type</u>	<u>Years</u>
Land	Perpetuity
Construction in progress	Perpetuity
Land Improvements	10 - 40
Buildings and Improvements	10 - 40
Furniture, fixtures, and equipment	3 - 10
Vehicles	5 - 10
Infrastructure	10 - 25

Deferred Revenue

There are two types of deferred revenue. Under both the accrual and modified accrual basis of accounting, revenue may be recognized only when it is earned. If assets are recognized in connection with a transaction before the earnings process is complete, those assets must be offset by a corresponding liability for deferred revenue (commonly referred to as unearned revenue). The other type of deferred revenue is "unavailable revenue." Under the modified accrual basis of accounting, it is not enough that revenue has been earned if it is to be recognized as revenue of the current period. It must also be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period). If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred revenue.

The taxes receivable are an aggregate of uncollected amounts assessed for the current fiscal year, as well as delinquent balances carried forward from the nine preceding fiscal years. Except for taxes received in advance or under protest, tax revenue received is distributed within thirty days to other local governmental units and county funds. While some of the delinquent outstanding balances will eventually be eliminated through corrections, litigation, and other property tax administrative procedures, the majority of the balances will ultimately be realized through delinquent payment or tax sales. The aggregate amount of this ultimate realization is generally

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difficult to ascertain at any point in time. Thus, taxes not collected within sixty days official year end are carried in the liability section of the balance sheet as deferred revenue on the fund basis financial statements

Compensated Absences

Accrued annual leave, sick leave, and compensatory time are the components of accrued compensated absences. An employee may not carry over more than 288 hours of vacation leave into a new calendar year, nor receive payment for more than 288 hours upon separation. Under a human resources policy adopted November 27, 1999, employees retiring under PERA, with a minimum of 15 years of County service, shall be paid for accrued sick leave hours, limited to a maximum of 600 hours, subject to a maximum cash payment of \$15,000. In addition, such employees shall be compensated for any unused sick leave hours accrued as of November 27, 1999, at the employee's pay rate in effect on that date. Compensatory time is accrued in full for non-exempt employees under the Fair Labor Standards Act.

Long-term Obligations

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. For bonds issued after GASB 34 was implemented, bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. For fund financial reporting, bond premiums, discounts as well as issuance costs, are recognized in the period the bonds are issued. Bond proceeds are reported as another financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

Net Assets

Equity is classified as net assets and displayed in three components on the government-wide financial statements as well as the proprietary fund financial statements:

- *Invested in capital assets, net of related debt* – Net assets invested in capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- *Restricted Net Assets* – Consist of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.
- *Unrestricted Net Assets* – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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GASB Statement 54

Beginning with fiscal year 2011, the County implemented GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions." This Statement provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a government's fund balances more transparent. The following classifications describe the relative strength of the spending constraints:

- *Nonspendable* – Amounts not in a spendable form, such as prepaid expenses, inventories, or long-term portion of receivables or property held for resale, if the use of the proceeds from the collection/sale of property held for resale is not otherwise constrained. Nonspendable amounts also includes amounts legally or contractually required to remain intact, such as the principal of a permanent fund.
- *Restricted* – Amounts constrained to specific purposes that are externally imposed or imposed by law through constitutional provisions or enabling legislation (such as taxpayers, grantors, bondholders, and higher levels of government).
- *Committed* – Amounts constrained to specific purposes by the governmental entity's highest level of decision-making authority (the County Commission). To be reported as committed, amounts cannot be used for any other purpose unless the County Commission takes the same highest level action to remove or change the constraint.
- *Assigned* – Amounts constrained by the County intends to be used for a specific purposes. Intent can be expressed by the governing body (County Commission) or an official or body to which the governing body delegates authority.
- *Unassigned* – Balances available for any purpose. Positive amounts are reported only in the general fund.

The County Commission establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by County through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes).

See the Schedule of Fund Balances on page 141 for additional information about fund balances.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the County considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the County considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless County Commission or the finance department has provided otherwise in its commitment or assignment actions.

*D. Budgets and Budgetary Accounting*

The County adopts budgets for each individual fund (governmental and proprietary).

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In late winter or early spring, the County prepares a budget calendar, thus starting the budgetary process for the upcoming July 1 fiscal year. Budget request forms are distributed to County departments and local service agencies with a specified completion date. Legally mandated advance notices are formally published for grant availability and other purposes once budget hearings have been scheduled. The budget hearings are then held with all County department heads and local service agency representatives. Generally, in late May or early June, a budget meeting is held for tentative approval of the completed budget. After tentative approval at the County level, the budget is submitted to the New Mexico Department of Finance and Administration (DFA) for approval of a temporary operational budget beginning July 1.

Immediately after July 1, when ending cash balances for the preceding fiscal year have been accurately ascertained, a final hearing is convened for finalization of the budget, and it is resubmitted to DFA for formal approval. None of the above budgetary processes are legally required to occur at any specified time; however DFA requires that the time frame be such that they (DFA) render their final budget approval no later than September 1 of the budget year in question.

During the course of the fiscal year, the County prepares monthly budget reports. Under New Mexico State law, each year's budget appropriation legally lapses at year-end.

*Budgetary Compliance* – Budgetary control is required to be maintained at the individual fund level with the exception of the Housing Authority.

Actual fund revenues may be either over or under the budgeted amounts; however, the variance is required to be reasonable, particularly in the case of over-budgeted revenues. Major over-budgeted revenues require a budget amendment as soon as the extent of the shortage is reasonably ascertainable.

*Budget Amendments* – Budget increases and decreases can only be accomplished by Commission resolution, followed by DFA approval. Similarly, budget transfers must follow the same procedure.

*Budgetary Basis* – State law prescribes that the County's budget be prepared on the basis of cash receipts and cash expenditures. Therefore, budgetary comparisons shown in exhibits are prepared on a cash basis to compare actual revenues and expenditures with a cash basis budget as amended.

*Budget – Housing Authority* – The housing program budgets are established annually and approved by HUD (Housing and Urban Development). These housing budgets are used only as a guide. Should the housing programs incur expenditures over and above the original budgeted amount (predominantly housing assistance payments - section 8 program) additional funding will be requested and received from HUD. Therefore, the housing program budgets are a guide only and the grantor analyzes Housing Assistance Payments in relation to administrative costs to determine if additional funding is warranted.

The accompanying Statements of Revenue, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual present comparisons of the legally adopted budget with actual data on a budgetary basis.

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Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) a reconciliation of resultant basis, perspective, equity and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2011 is presented. Reconciliations between the Non-GAAP budgetary basis amounts and the financial statements on the GAAP basis by fund can be found on each individual budgetary statement.

*E. Income Taxes*

As a local government entity, the County is not subject to federal or state income taxes.

*F. Interfund Activity*

Interfund activity is reported as loans, services provided, reimbursements, or transfers.

Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or between proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

**NOTE 2 – CASH AND INVESTMENTS**

The County's cash balances consist of demand deposits, interest bearing savings accounts, money market accounts and repurchase agreements. The repurchase agreements have varying interest rates and maturity dates. The majority of County's cash and investments are pooled. All interest income is accounted for in the related funds.

The County's investments consist of certificates of deposit, US government agency securities and investments in the NM State Treasurer's LGIP fund.

The County's cash and cash equivalents and investments are listed on pages 137-138 of this report.

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The following is a summary of the County's cash and investment balances by fund type as of June 30, 2011:

<u>Fund Type</u>	<u>Amount</u>
Cash and equivalents	
Governmental funds	\$ 42,531,518
Internal service fund	<u>375,381</u>
Total governmental activities	42,906,899
Business-type activities	5,672,811
Fiduciary funds	<u>1,399,536</u>
Subtotal cash and cash equivalents	<u>49,979,246</u>
Investments	
Governmental funds	52,144,167
Internal service fund	-
Total governmental activities	<u>52,144,167</u>
Business-type activities	51,971
Fiduciary funds	-
Subtotal investments	<u>52,196,138</u>
Total cash and investments	<u>\$ 102,175,384</u>

State regulations require that uninsured demand deposits and deposit-type investments such as certificates of deposit be collateralized by the depository thrift or banking institution. At present, state statutes require that a minimum of fifty percent of uninsured balances on deposit with anyone institution must be collateralized, with higher requirements up to 100% for financially troubled institutions. Investments in repurchase agreements must be collateralized at 102% of the contract. In addition, some bond covenants require debt service reserve amounts to be collateralized at 105%. The County's Schedule of Collateral is presented on pages 139-140 of this report.

The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, County, or political subdivision of the State of New Mexico.

A summary of the County's investments as of June 30, 2011 is as follows:

<u>Investment Type</u>	<u>Cost Basis</u>	<u>Market Value</u>	<u>Credit Risk- Rating</u>	<u>Weighted Average Maturity Days</u>
U.S. Government Agencies	\$ 43,714,935	43,550,969	NR	N/A
Reserve Contingency Fund **	213,035	178,198	NR	◆
CD's	1,801,971	1,801,971	NR	228
DAC Water System Bonds	<u>6,665,000</u>	<u>6,665,000</u>	NR	N/A
	<u>\$ 52,394,941</u>	<u>52,196,138</u>		

\*\*The County's investment in Statement Investment Pool was not rated, although the securities within the pool are rated.

- a. The investments are valued at fair value based on quoted market prices as of the valuation date;
- b. The State Treasurer Local Government Investment Pool is not SEC registered. The State Treasurer is authorized to invest the short-term investment funds with the advice and consent of the State Board of Finance in accordance with Sections 6-10-10 I through 6-10-10 P and Sections 6-10-10 1A and E, NMSA 1978

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- c. The pool does not have unit shares. Per Section 6-10-10 1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts fund were invested; and
- d. Participation in the local government investment pool is voluntary.

◆ The Reserve Contingency Fund was established from the State Investment Pool LGIP's remaining position in the Reserve Primary Fund. The Reserve Contingency Fund, which is not rated, is a non-performing asset and, as such, a WAM cannot be calculated. The remaining balance of the fund has been written down based on the estimated recoverable amount.

A portion of the investments in US government agencies totaling \$228,306, or approximately 0.5% of the overall investment balance, is in the form of a US Treasury STRIP. Although these types of investment can be considered derivatives if they are traded before maturity due to the nature of the investments, it is the County's intent to hold them until maturity. As a result of this strategy, the risk associated with the investment considered minimal and is the equivalent as a US Treasury Note. Due to the immaterial amount if the investments to the overall investment balances of the County, disclosures related to derivatives were determined not to be necessary.

As of June 30, 2011, certain amounts of the County's cash and investments were held in trust and directed by others as part of its debt service requirements. These amounts were as follows:

	<u>Cost</u>	<u>Market</u>	<u>Risk Rating</u>
Directed by NMFA			
Bank of Albuquerque:			
PILT 2004 Debt Service Reserve	\$ 986,807	986,807	Aaa
Bank of NY Mellon Trust:			
NMFA Reserve Account-Flood	\$ 165,398	165,398	N/A
Directed by third-party agent			
US Bank:			
First Union Combined Fds	\$ 2,412,000	2,412,000	Aaa
First American Treasury Obligation	34,619	34,619	Aaa
First American Treasury Obligation	196,858	196,858	Aaa
First American Treasury Obligation	68,466	68,466	Aaa
First American Treasury Obligation	191,889	191,889	Aaa
First American Treasury Obligation	20	20	Aaa
First American Treasury Obligation	2	2	Aaa
FGIC Capital Market Services			
Dated 2/16/2001 5.650%	221,500	221,500	Aaa
FGTC Capital Market Services			
Dated 2/16/2001 5.650%	556,000	556,000	Aaa
	<u>3,681,354</u>	<u>3,681,354</u>	
Total amounts held in trust	\$ <u>4,833,559</u>	<u>4,833,559</u>	

*Custodial Credit Risk Deposits* - Custodial credit risk is the risk that in the event of a bank failure, the County funds may not be returned. The County is required to obtain from each bank that is a deposit only for public funds pledged collateral in an aggregate amount equal to 50% of the public money in each account. The pledged securities must be in the name of the governmental entity and held by the entity or its agent.

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As of June 30, 2011, the County's bank and investment balances of \$104,693,597 were exposed to custodial credit risk as follows:

Uninsured, collateralized with securities held by pledging financial institution's trust department or agent in the County's name.	\$ 34,140,431
Uninsured and uncollateralized	<u>14,788,396</u>
Total uninsured deposits	<u>\$ 48,928,827</u>

*Custodial Credit Risk Investments* - Custodial Credit Risk is the risk that, in the event of failure of the counterparty, the County will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County's investments are not exposed to custodial credit risk. All are fully collateralized and the collateral is held in the County's name.

*Concentration of Credit Risk* - Concentration of credit risk is the risk of loss attributed to the magnitude of the County's investment in a single issuer. The County's investments are diversified to avoid including concentration of credit risk. With the exception of authorized pools, no more than 50% of the total investment portfolio is in one single security type or financial institution.

*Credit Risk* - The County's investments shall be in accordance with State Law 6-10-10 and 6-10-10.1 NMSA 1978, including but not limited to the following: Treasury Bills, Notes, Bonds, Strips, and US Government securities which are backed by the full faith and credit of the U.S. Government. Negotiable securities of the State of New Mexico or any county, municipality, or school district with the advice and consent of the Board of Finance per 6-10-44 NMSA 1978, 6-10-10 NMSA 1978, 6-10-10 NMSA 1978.

*Interest Rate Risk* - Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the County investments. The County's investment policy follows New Mexico State Statute Section 6-10-36E (NMSA, 1978 Comp) requiring the interest rate on time deposits shall not be less than the rate fixed by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States Treasury bills of the same maturity on the day of deposit.

*Foreign Currency Risk - Deposits and Investments* - The County is not exposed to the risk that changes in exchange rates will adversely affect the fair value of an investment as none of the investments pools nor certificates of deposit are dominated in a foreign currency.

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**NOTE 3 – RECEIVABLES**

Receivables at year-end of the County's major individual funds and nonmajor and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts are as follows:

Governmental Activities						
	General Fund	Health Services	Colonia's Initiative	State Appropriations		
Accounts	\$ 1,723,997	-	-	-		
Taxes:						
Property	3,803,081	-	-	-		
State	2,218,825	-	-	-		
Other intergovernmental	944,241	16,125	-	1,540,748		
Interest	256,687	5,192	-	-		
Other	-	-	-	-		
Subtotal	<u>8,946,831</u>	<u>21,317</u>	<u>-</u>	<u>1,540,748</u>		
Less: Allowance for uncollectibles	<u>(131,797)</u>	<u>-</u>	<u>-</u>	<u>-</u>		
Net Receivables	<u>\$ 8,815,034</u>	<u>21,317</u>	<u>-</u>	<u>1,540,748</u>		
	Debt Service	Nonmajor Funds	Internal Service Fund	Total Receivables		
Accounts	\$ -	209,031	226,346	2,159,374		
Taxes:						
Property	64,826	367,401	-	4,235,308		
State	-	2,151,087	-	4,369,912		
Other intergovernmental	-	940,418	-	3,441,532		
Interest	24,040	18,354	-	304,273		
Other	-	-	-	-		
Subtotal	<u>88,866</u>	<u>3,686,291</u>	<u>226,346</u>	<u>14,510,399</u>		
Less: Allowance for uncollectibles	<u>(973)</u>	<u>(8,792)</u>	<u>-</u>	<u>(141,562)</u>		
Net Receivables	<u>\$ 87,893</u>	<u>3,677,499</u>	<u>226,346</u>	<u>14,368,837</u>		
Business-type Activities						
	Border Wastewater	Border Water System	NMED County Utilities	South Central Wastewater	Nonmajor Enterprise Funds	Total Receivables
Accounts	\$ -	-	-	214,487	341,592	556,079
Interest	7,171	438	450	243	2,273	10,575
Other	-	-	-	-	427,219	427,219
Subtotal	<u>7,171</u>	<u>438</u>	<u>450</u>	<u>214,730</u>	<u>771,084</u>	<u>993,873</u>
Less: Allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>(180,404)</u>	<u>(134,272)</u>	<u>(314,676)</u>
Net Receivables	<u>\$ 7,171</u>	<u>438</u>	<u>450</u>	<u>34,326</u>	<u>636,812</u>	<u>679,197</u>

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**NOTE 4 – PROPERTY TAXES**

Property taxes attach as an unsubordinated enforceable lien on property as of January 1 of the assessment year. Current year taxes are levied within five days of the rate setting order received from New Mexico Department of Finance and Administration (7-38-32 thru 7-38-36). Tax bills are mailed by November 1, unless the Doña Ana County Assessor obtains a formal extension of time from the New Mexico Property Tax Division. Taxpayers have the option to pay in two equal installments due by the close of business November 10<sup>th</sup> and April 10<sup>th</sup>. Penalty and interest will be accrued after the delinquency due dates of December 10<sup>th</sup> and May 10<sup>th</sup>. In the event of a formal extension, the respective dates are correspondingly extended.

The County bills and collects its own taxes, as well as taxes for the State of New Mexico, city governments (Las Cruces, Hatch, Mesilla and Sunland Park), Doña Ana Branch Community College, Public School Districts (Las Cruces, Hatch and Gadsden) and Flood Districts (Lower Rio Grande and Hueco). In tax year 2011, the County charged the following mil rates:

<u>Tax District</u>	<u>Residential</u>	<u>Non-residential</u>
02 (Las Cruces-In)	0.027868	0.032666
03 (Las Cruces-Out)	0.022812	0.026645
04 Mesilla	0.023508	0.028724
11 (Hatch-In)	0.030571	0.033945
12 (Hatch-Out)	0.025791	0.029642
16 (Sunland Park-In)	0.032465	0.037258
17 Unincorporated (Anthony/Chaparral)	0.029644	0.033483
18 Incorporated (Anthony)	0.029644	0.033483

The County's share of the property taxes equal approximately 33.9% of the total and is used for general governmental services and retirement of long term debt. The statutory maximum rate for servicing long-term debt with property tax revenue is unlimited, although the total amount of outstanding debt at any one time is restricted by other factors.

The County is required to report all real property delinquencies in excess of three years to the New Mexico Property Tax Division. The State, in turn administers all subsequent collection actions and proceedings.

**NOTE 5 – CAPITAL ASSETS**

A summary of capital assets and changes occurring during the year ended June 30, 2011 follows. Land and construction in progress are not subject to depreciation.

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<b>GOVERNMENTAL ACTIVITIES</b> <i>includes Internal Service Funds</i>	Balance 06/30/10	Additions	Deletions	Reclass	Balance 06/30/11
<b>Non-depreciable capital assets:</b>					
Land	\$ 7,662,040	38,595	-	-	7,700,635
Construction in progress	10,862,447	8,495,690	-	(7,923,271)	11,434,866
<b>Total non-depreciable capital assets</b>	<b>18,524,487</b>	<b>8,534,285</b>	<b>-</b>	<b>(7,923,271)</b>	<b>19,135,501</b>
<b>Capital assets being depreciated:</b>					
Land improvements	6,810,209	-	-	249,971	7,060,180
Buildings and improvements	78,000,313	419,339	-	2,009,289	80,428,941
Furniture, fixtures, & equipment	20,244,833	1,214,514	(445,586)	31,475	21,045,236
Vehicles	20,104,988	2,126,291	(600,814)	-	21,630,465
Infrastructure	268,953,363	2,729,025	(14,584,107)	5,632,536	267,730,817
<b>Total capital assets being depreciated</b>	<b>394,113,706</b>	<b>6,489,169</b>	<b>(15,630,507)</b>	<b>7,923,271</b>	<b>392,895,639</b>
<b>Less accumulated depreciation for:</b>					
Land improvements	(3,605,336)	(667,459)	-	-	(4,272,795)
Buildings and improvements	(25,067,891)	(3,283,740)	-	-	(28,351,631)
Furniture, fixtures, & equipment	(15,359,019)	(1,903,508)	385,023	-	(16,877,504)
Vehicles	(11,024,734)	(2,018,245)	540,149	-	(12,502,830)
Infrastructure	(162,516,792)	(10,130,361)	10,065,222	-	(162,581,931)
<b>Total accumulated depreciation</b>	<b>(217,573,772)</b>	<b>(18,003,313)</b>	<b>10,990,394</b>	<b>-</b>	<b>(224,586,691)</b>
<b>Total capital assets being depreciated</b>	<b>176,539,934</b>	<b>(11,514,144)</b>	<b>(4,640,113)</b>	<b>7,923,271</b>	<b>168,308,948</b>
<b>Total capital assets, net of depreciation</b>	<b>\$ 195,064,421</b>	<b>(2,979,859)</b>	<b>(4,640,113)</b>	<b>-</b>	<b>187,444,449</b>
<b>BUSINESS-TYPE ACTIVITIES</b>	Balance 06/30/10	Additions	Deletions	Reclass	Balance 06/30/11
<b>Non-depreciable capital assets:</b>					
Land	\$ 7,243,042	-	-	-	7,243,042
Construction in progress	1,595,255	21,658	-	(434,620)	1,182,293
<b>Total non-depreciable capital assets</b>	<b>8,838,297</b>	<b>21,658</b>	<b>-</b>	<b>(434,620)</b>	<b>8,425,335</b>
<b>Capital assets being depreciated:</b>					
Land improvements	21,485	-	-	-	21,485
Buildings and improvements	379,931	15,892	-	-	395,823
Furniture, fixtures, & equipment	128,484	6,917	-	-	135,401
Vehicles	356,322	-	-	-	356,322
Infrastructure	55,527,978	62,578	-	434,620	56,025,176
<b>Total capital assets being depreciated</b>	<b>56,414,200</b>	<b>85,387</b>	<b>-</b>	<b>434,620</b>	<b>56,934,207</b>
<b>Less accumulated depreciation for:</b>					
Land improvements	(6,893)	(2,148)	-	-	(9,041)
Buildings and improvements	(326,897)	(22,425)	-	-	(349,322)
Furniture, fixtures, & equipment	(60,940)	(25,932)	-	-	(86,872)
Vehicles	(194,469)	(46,203)	-	-	(240,672)
Infrastructure	(8,650,329)	(1,442,390)	-	-	(10,092,719)
<b>Total accumulated depreciation</b>	<b>(9,239,528)</b>	<b>(1,539,098)</b>	<b>-</b>	<b>-</b>	<b>(10,778,626)</b>
<b>Total capital assets being depreciated</b>	<b>47,174,672</b>	<b>(1,453,711)</b>	<b>-</b>	<b>434,620</b>	<b>46,155,581</b>
<b>Total capital assets, net of depreciation</b>	<b>\$ 56,012,969</b>	<b>(1,432,053)</b>	<b>-</b>	<b>-</b>	<b>54,580,916</b>

There was a loss on disposal of assets totaling \$4,640,113 related to the incorporation of certain communities within the County.

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Depreciation expense for the year ended June 30, 2011 was charged to the following functions and funds:

Governmental activities:	
General government	\$ 2,392,579
Public safety	3,243,997
Public works	12,093,036
Culture and recreation	70,634
Health and welfare	160,069
Total	<u>17,960,315</u>
Internal Service Fund	42,998
Total governmental activities	<u>\$ 18,003,313</u>
Business type activities	<u>\$ 1,539,098</u>

**NOTE 6 – LONG-TERM DEBT**

Long-term liability activity for the year ended June 30, 2011, was as follows:

	Balance June 30, 2010	Increases	Decreases	Balance June 30, 2011	Amount due within one year
Governmental funds debt					
Compensated absences	\$ 4,195,687	2,743,167	(2,408,301)	4,530,553	2,831,596
Notes payable	990,026	213,426	(161,235)	1,042,217	167,598
Capital lease payable	-	-	-	-	-
General obligation bonds	2,085,000	-	(500,000)	1,585,000	515,000
Special assessment district bonds	6,160,000	-	(360,000)	5,800,000	385,000
Revenue bond	30,280,000	-	(2,270,000)	28,010,000	2,380,000
Total	<u>43,710,713</u>	<u>2,956,593</u>	<u>(5,699,536)</u>	<u>40,967,770</u>	<u>6,279,194</u>
Internal service funds debt					
Compensated absences	43,854	43,764	(26,568)	61,050	38,156
Total	<u>43,854</u>	<u>43,764</u>	<u>(26,568)</u>	<u>61,050</u>	<u>38,156</u>
Total governmental activities	<u>\$ 43,754,567</u>	<u>3,000,357</u>	<u>(5,726,104)</u>	<u>41,028,820</u>	<u>6,317,350</u>
Business-type funds debt					
Compensated absences	\$ 82,239	33,808	(17,489)	98,558	61,599
Notes payable	5,056,982	-	(341,243)	4,715,739	202,965
Revenue bond	6,665,000	-	-	6,665,000	-
Total business-type activities	<u>\$ 11,804,221</u>	<u>33,808</u>	<u>(358,732)</u>	<u>11,479,297</u>	<u>264,564</u>

Bonds are liquidated from the debt service funds and other long-term liabilities are liquidated from the general fund and special revenue funds. No short-term debt was incurred during fiscal year 2011.

The annual principal and interest requirements on long-term debt outstanding as of June 30, 2011 are as follows.

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**Governmental Activities:**

General Obligation Bonds

On June 20, 2003, the County issued \$4,805,000 in General Obligation Bonds with an average interest rate of 2% to advance refund \$4,560,000 of outstanding 1993 and 1994 series bonds with an average interest rate of 5.3%. The net proceeds of \$4,682,569 after payment of bond issuance costs plus an additional \$339,487 of 1993 and 1994 sinking fund monies were used to fund an irrevocable trust with an escrow agent to provide for all future debt service payments on the 1993 and 1994 series bonds. As a result, the 1993 and 1994 series bonds are considered to be defeased and the liability for these bonds have been removed from the debts of the County

Future payment requirements in the Series 2003 General Obligation Refunding Bonds are as follows.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 515,000	38,651	553,651
2013	530,000	23,885	553,885
2014	540,000	8,100	548,100
Total	<u>\$ 1,585,000</u>	<u>70,636</u>	<u>1,655,636</u>

Revenue Bonds

The County has three series of revenue bonds to service in governmental activities.

<u>Description</u>	<u>Date</u>	<u>Due</u>	<u>Original Issue</u>	<u>Outstanding</u>	<u>Rates</u>
Gross Receipts Tax Refunding Improvement, Series 1998	4/1/1998	6/1/2016	\$ 27,890,000	11,115,000	4.5% to 5.59%
Gross receipts Tax Refunding and Improvement, Series 2003	10/1/2003	5/1/2028	7,145,000	5,430,000	2.5% to 5.2%
PILT Revenue Bonds, Series 2004A	6/1/2004	12/1/2028	13,800,000	11,465,000	4.0% to 5.5%
			<u>\$ 48,835,000</u>	<u>28,010,000</u>	

Gross Receipts Tax Refunding and Improvement Revenue Bonds, Subordinate Series 1998 (\$27,890,000) were issued by the County to provide funds for an advance refunding of outstanding debt and for making improvements to the existing County Jail and juvenile detention facility. Principal and interest are serviced from a non-exclusive first lien on Correctional System Revenues and a subordinate lien on the County's Gross Receipts Tax Revenues.

On October 1, 2003, the County issued Gross Receipts Tax Refunding and Improvement Revenue Bonds, Series 2003 in the amount of \$7,145,000 with interest rates ranging from 2.50% to 3.25%. The bonds mature serially on May 1 annually from 2004 through 2028 with term bonds, subject to mandatory redemption, maturing May 1, 2025 and May 1, 2028. The gross bond proceeds of \$7,189,428 were used for purchasing, constructing, or otherwise acquiring buildings, including but not limited to County administrative facilities and to refund a loan to the County from the New Mexico Finance Authority of \$822,552, which was deposited in an escrow account. The proceeds, after payment of issuance costs and the NMFA loan, of \$6,077,346 were deposited in an Acquisition Fund. The bonds are payable from revenues received by the New Mexico Department of Taxation and Revenue's Equalization Revenues.

On June 1, 2004, the County issued New Mexico Payment-in-Lieu-of-Taxes (PILT) Revenue Bonds, Series 2004A in the amount of \$13,800,000 with interest rates ranging from 4.500% to 5.300%. The

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bond proceeds of \$13,857,148 were used for the purposes of providing funds for designing, acquiring, constructing, furnishing, and equipping County buildings, including but not limited to, County administrative facilities, purchasing, or improving any ground, including parking lots, or any combination thereof. Of the proceeds discussed above, \$986,874 was deposited in the Debt Service Reserve Fund to be used only to prevent deficiencies in the payment of the principal and interest on the bonds. The remaining proceeds, after payment of issuance costs and various deposits in other funds, of \$12,109,440 was deposited in an Acquisition Fund. The bond principal and interest will be paid from the PILT revenue received from the Bureau of Land Management on an annual basis.

Future payment requirements on the governmental activities revenue bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 2,380,000	1,441,469	3,821,469
2013	2,500,000	1,324,994	3,824,994
2014	2,680,000	1,199,087	3,879,087
2015	2,765,000	1,055,288	3,820,288
2016	4,195,000	906,588	5,101,588
2017-2021	4,325,000	2,981,341	7,306,341
2022-2026	5,550,000	1,759,259	7,309,259
2027-2029	3,615,000	292,685	3,907,685
Total	<u>\$ 28,010,000</u>	<u>10,960,711</u>	<u>38,970,711</u>

Special Assessment Debt

In 2001, the County issued \$7,775,000 of Santa Teresa Improvement District bonds. Proceeds of the 2001 A Bonds were used to finance the acquisition of certain road improvements previously constructed in the Airport Road District. The 2001 A Bonds are secured by the pledge of certain special assessments secured by liens on property within the Airport Road District and money and securities on deposit in specified funds described in the 2001 A indenture. The 2001 B Bonds are secured by certain pledged property, including special assessments secured by liens on property with the Border Industrial Park District and money and securities on deposit in specified funds described in the 2001 B Indenture. The final maturity date is January 1, 2021. The interest rate for the 2001 A Bonds is 8.375% and 8.875% for the 2001 B Bonds.

Future payment requirements on the governmental activities special assessment bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 385,000	506,575	891,575
2013	420,000	472,956	892,956
2014	455,000	436,281	891,281
2015	495,000	396,550	891,550
2016	545,000	353,319	898,319
2017-2021	3,500,000	969,181	4,469,181
Total	<u>\$ 5,800,000</u>	<u>3,134,862</u>	<u>8,934,862</u>

Notes Payable

Prior to fiscal year 2000, the County had drawn \$676,528 against proceeds available from a \$750,000 loan granted by the State of New Mexico Environment Department for the purpose of developing a consolidated liquid waste treatment and disposal system. On September 10, 1999, the loan agreement

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was amended. Accrued construction interest of \$147,663 was rolled into the total disbursements to become part of the principal. The terms of the loan were amended March 12, 2001 providing for annual payments \$51,091 including interest calculated at a rate of 2% per annum, with the final payment due June 17, 2019. As of June 30, 2011 the balance is \$417,016, with repayments to be provided from general fund sources. Net revenues from the operation of the septic disposal facilities and environmental services gross receipts tax revenues are pledged as security.

During fiscal year 1999, the County drew \$1,579,030 against proceeds available from a \$2,215,217 loan from the New Mexico Finance Authority for the purpose of providing flood protection. Of the net loan proceeds, \$165,374 was deposited into a reserve account. Upon completion of the project, \$485,000 that had not been drawn, including construction period interest earned, was applied as prepayment on the last four years' maturities. The terms of the loan, as revised, call for annual payments ranging from \$152,363 to \$135,006, including interest ranging from 4.05% to 5.05% per annum and an administrative fee 0.25% with the final payment due May 1, 2015. As of June 30, 2011, the balance is \$573,010 with repayments to be provided from the Flood Commission Special Revenue Fund. Revenues generated by the County Flood Fund ad valorem tax are pledged as security.

In November 1999, the County borrowed \$85,640 from the New Mexico Finance Authority for the acquisition and construction of an equipment building for the Chaparral Fire District. The terms of the loan call for annual payments of \$10,322 for 10 years, including interest ranging from 3.930% to 5.200% per annum and an administrative fee of 0.25%, with the final payment due May 1, 2010. As of June 30, 2011, this note was fully repaid.

In January 2008, the County and the City of Las Cruces were approved under New Mexico Finance Authority Project No. 1947-DW for loan proceeds of \$3,535,000 each to be used for the clean-up of the Griggs Walnut superfund site. The initial terms of the loan called for the funds to be fully drawn down by January 2011 with regular principal payments due beginning in June 2012. An extension was received in 2011 to allow for drawdown of the funds through June 2012. The terms of the note call for annual principal payments ranging from \$145,416 to \$212,042 for 20 years with semi-annual interest payments of 2% per annum.

The County began drawing funds on the note in October 2010 and expects to withdraw the full amount by the June 2012 closing date. The County forwards any drawdowns directly to the City of Las Cruces as they are the administrative office for the project. Total drawdowns as of June 30, 2011 totaled \$213,426.

The future payments required for notes payable accounted for in Governmental Activities funds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 381,024	30,243	411,267
2013	174,316	23,245	197,561
2014	181,388	15,878	197,266
2015	110,949	8,119	119,068
2016	47,200	3,891	51,091
2017-2019	<u>147,340</u>	<u>5,933</u>	<u>153,273</u>
Total	<u>\$ 1,042,217</u>	<u>87,309</u>	<u>1,129,526</u>

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**Business-type Activities:**

Water System Revenue Bond, Series 2008

In December 2008, the County issued refunding bonds to defease the Water System/Gross Receipts Tax Revenue Bonds, Series 1999 and payoff the Verde Group Liability with the issuance of \$7,765,000 in Bonds with variable rates of 2% to 3.5% to mature December 15, 2033. The 2008 bonds were purchased by the County with Doña Ana Hospital Lease Funds and are shown as an investment in that fund on the fund financial statements.

Upon issuance of the bonds, \$5,295,000 was placed in an escrow fund to defease the Series 1999 bonds. In addition, the County paid off a negotiated payoff balance to the Verde Group of \$1,200,000 including interest. This negotiated payoff resulted in income to the County of \$1,116,671.

As a result of the County's negotiated payoff of the Verde Group Liability an early principal payment totaling \$1,100,000 was made on the bonds resulting in a June 30, 2011 balance of \$6,665,000. The next principal payment is not due until December 2015.

Future payment requirements on the Water System-GRT Revenue Bond Series 2008 are as follows.

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2012	\$ -	133,300	133,300
2013	-	133,300	133,300
2014	-	133,300	133,300
2015	-	133,300	133,300
2016	55,000	132,750	187,750
2017-2021	1,400,000	593,000	1,993,000
2022-2026	1,705,000	438,550	2,143,550
2027-2031	2,055,000	251,150	2,306,150
2032-2034	1,450,000	44,200	1,494,200
Total \$	<u>6,665,000</u>	<u>1,992,850</u>	<u>8,657,850</u>

Notes Payable

On June 30, 2003, the County entered into a loan agreement in the amount of \$5,400,000 with the New Mexico Environment Department. The loan proceeds are to be used to improve or construct a Sanitary Sewer System by constructing, extending, enlarging, repairing, and otherwise improving the County's wastewater collection system, conveyance, and treatment facilities. The loan calls for 20 annual payments of \$289,884 and interest is calculated at a rate of 2.0% per annum. As of June 30, 2011, the balance is \$4,345,946.

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The future payments required for the NMED note payable are as follows:

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2012	\$ 202,965	86,919	289,884
2013	207,024	82,860	289,884
2014	211,165	78,719	289,884
2015	215,388	74,496	289,884
2016	219,696	70,188	289,884
2017-2021	1,166,171	283,248	1,449,419
2022-2026	1,287,547	161,872	1,449,419
2027-2029	835,990	33,660	869,650
	<u>\$ 4,345,946</u>	<u>871,962</u>	<u>5,217,908</u>

In March 2008, the Doña Ana County Housing Authority entered into two promissory notes with the New Mexico Finance Authority. The purpose of the notes were to provide funds related the Housing Authority's Casas Del Quinto Sol project for the acquisition, rehabilitation or construction of twenty-one home lots into affordable single family residences located in the Colonia of Vado, Doña Ana County.

The terms on Note #1 were for \$735,000 in the form of a non-amortizing loan with a 24 month term. The note was to be repaid at the earlier of the sale or refinancing of the project or March 26, 2010. As of June 30, 2011, the unpaid balance on the note was \$271,104. During the year ended June 30, 2011, the balance of the note was adjusted down by NMFA by \$104,993. This restatement is discussed further in Note 14.

The terms of Note #2 were for \$400,000 to be repaid proportionally as each lot was sold or upon maturity. The loan accrued interest at the rate of 2.00% per annum. While no principal monthly principal payments were required, the terms call for monthly interest payments throughout the life of the note. The final maturity date of the note was April 1, 2010. As of June 30, 2011, the unpaid balance on the note was \$98,690.

As of June 30, 2011, both notes were considered past due by NMFA, however no conclusion had been reached as to the disposition of the amounts owed. The future of the Casas Del Quinto Sol project is currently under review by Housing Authority management. If the project is terminated, it is the intent to repay the outstanding notes with the proceeds of the sale. As of the date of the financial statements, no conclusion had been reached on the resolution of the project. The entire outstanding balance of \$369,793 was shown as a current liability in the financial statements.

**NOTE 7 – INTERFUND BALANCES AND TRANSFERS**

The County recorded interfund transfers to reflect activity occurring between funds. Transfers and payments within the County are substantially for the purpose of subsidizing operating functions and funding various projects within the County. All transfers made during the year were considered routine and were consistent with the general characteristics of the County's transfer policy.

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The composition of interfund transfers during the year ended June 30, 2011 was as follows:

	Transfers In							Total
	General	Health Services	Debt Service	Non-Major Governmental	NMED County Utilities	Non-Major Enterprise Funds	Internal Service	
General	\$ 29,020,354	-	3,828,919	552,768	-	89,500	805,000	34,296,541
Health Services	7,139,429	-	-	80,082	-	-	-	7,219,511
Transfers Out								
Non-Major Governmental	620,200	7,072	-	1,800,442	-	100	-	2,427,814
NMED	440,163	-	-	-	-	-	-	440,163
South Central WW	-	-	36,905	-	3,000	-	-	39,905
Non-Major Enterprise	-	-	11,410	-	234,690	-	-	246,100
Total	<u>\$ 37,220,146</u>	<u>7,072</u>	<u>3,877,234</u>	<u>2,433,292</u>	<u>237,690</u>	<u>89,600</u>	<u>805,000</u>	<u>44,670,034</u>

Transfers totaling \$882,288 were made from the County's agency funds to the Debt Service Fund. These transfers were reclassified as incoming revenue for the Debt Service Fund in the accompanying financial statements.

The County recorded interfund receivables/payables to reflect temporary loans between funds. The purpose of the loans was to cover cash shortages until grant reimbursements or other funding measures could be obtained. All interfund receivables/payables are expected to be repaid within one year. Interfund balances as of June 30, 2011 are as follows:

Due To Fund	Due From Fund	Amount
General Fund	State Appropriations - Major fund	\$ 779,349
	Non-major Special Revenue Funds	
General Fund	Airport FAA Projects	318,042
General Fund	Sheriff's Grant State	160,895
General Fund	Chaparral Wastewater System - SAP	65,370
General Fund	Community Services	4,562
		<u>\$ 1,328,218</u>

**NOTE 8 – COMMITMENTS, CONTINGENCIES, AND SUBSEQUENT EVENTS**

The County receives significant financial assistance from federal and state grants and entitlements. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The County believes that any liabilities resulting from disallowed amounts will not have a material effect on the County's financial statements.

The County is party to various legal proceedings, which are the unavoidable results of governmental operations. Specifically, the County is involved in three environmental issues that may result in cleanup/remediation costs.

The County continues to cooperate fully with the Environmental Protection Agency (EPA) during their investigation related to a Superfund Site. The County and the City of Las Cruces have accepted shared responsibility for the remediation effort. In addition, the County believes that EPA will name another responsible party who will have significant responsibility to share in the costs. The County expended

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\$306,358 for fiscal year 2011. This is comprised of 92,932 in expenses and \$213,426 in draws on notes available for the project. It is estimated that removing the contamination from the ground water will require approximately 15-20 years. The City and County have obtained a loan with the New Mexico Finance Authority for \$7 million to pay for costs of infrastructure. The County does not make any payments for the principal until the entire loan is drawn down, which is at the end of the construction phase. Revenues from the sale of treated water will partly offset operation costs during the remediation phase. The EPA may also seek to recover costs incurred during the Remedial Investigation and prior to naming the County, City and the potential third party as responsible parties. That cost is estimated to be \$5.3 million.

The County remains non-compliant with its state issued permits for the liquid waste facility at Mesquite, New Mexico. The New Mexico Environment Department is aware of this issue; however, as the County is aggressively trying to remedy the situation, it is not anticipated that any fines will be assessed. The County is currently completing the design phase of a construction project to remedy the situation. The County is seeking possible funding solutions for the construction phase.

There is also an issue with arsenic levels in southern Doña Ana County that could result in litigation between the state and the county. There may be EPA penalties, although an order has not been issued. The County believes their liability in this matter is minimal, but at this time is not determinable.

**NOTE 9 – DEFINED BENEFIT PENSION PLAN**

*Plan Description* – Substantially all of Doña Ana 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 benefits, 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 supplement information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA's website at [www.pera.state.nm.us](http://www.pera.state.nm.us).

*Funding Policy* – For covered employees other than law enforcement personnel and fire fighters, participants are required to contribute 13.15 percent of their gross salary to the plan. The County contributes 75 percent of the 13.15 percent of employee required contribution as well as a required matching contribution of 9.15 percent of general participant's gross salary. The contribution rate is 16.3 percent of gross salaries for law enforcement participants (excluding detention employees). The County's portion of law enforcement participants is 18.50 percent of gross salaries. Detention employees are considered general participants. The contribution rate for fire fighter members is 16.20 percent, and the County is required to contribute 21.25 percent of their gross salaries. The contribution requirements of plan members and Doña Ana County are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature.

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Contributions to PERA for the following fiscal years were:

	<u>2011</u>	<u>2010</u>	<u>2009</u>
County contributions	\$ 5,235,551	5,241,395	4,980,794
Employee contributions	1,731,049	1,758,729	1,643,689
Total contributions	<u>\$ 6,966,600</u>	<u>7,000,124</u>	<u>6,624,483</u>

**NOTE 10 – DEFERRED COMPENSATION PLAN**

Doña Ana County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all permanent County employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the National Association of Counties (without being restricted to the provisions of benefits under the plan), subject only to the claims of the National Association of Counties general creditors.

Participant's rights under the plan are equal to those of general creditors of the National Association of Counties in an amount equal to the fair market value of the deferred account for each participant. All amounts of deferred compensation have been remitted to the National Association of Counties, which administers the plan. Total employee contributions to the plan for the year ended June 30, 2011 were \$367,223.

**NOTE 11 – OPERATING LEASES**

The reporting entity has entered into a number of operating leases, which contain cancellation provisions and are subject to annual appropriations. The rent expenditures for these leases were primarily from the General Fund. Future minimum lease payments are:

<u>Fiscal Year</u>	
<u>Ending June 30,</u>	<u>Amount</u>
2012	\$ 162,125
2013	61,964
2014	58,500
2015	58,500
2016	<u>34,125</u>
Total	<u>\$ 375,214</u>

Rental payments charged to current operations for the year ended June 30, 2011 totaled \$211,950.

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**NOTE 12 – HOSPITAL LEASE**

**MEDICAL CENTER-PROVINCE HOSPITAL (TELSHORE FACILITY)**

In 1966 the County and the City adopted a joint resolution to create a joint county-municipal hospital to provide medical services to all of the citizens of Doña Ana County. The hospital was constructed and operated by the City and County through a Board of Trustees until 1998, when it was leased to Memorial Medical Center, Inc. (MMCI), a New Mexico not-for-profit corporation.

On June 1, 2004, the City, the County and MMCI, jointly terminated the lease. On that date, the City and County executed a 40-year lease agreement for the hospital facilities and equipment with PHC-Las Cruces, Inc. (PHC), a New Mexico corporation and a wholly-owned subsidiary of Province Healthcare Corporation, a Delaware corporation. In accordance with the lease agreement, PHC has deposited certain amounts into escrow accounts to cover certain contingencies of the hospital and paid certain hospital liabilities, including outstanding bonds. The lease transaction was recorded during fiscal year 2004.

The proceeds of the PHC lease were reported in a sub-fund of the General Fund and the resulting equity has been reserved for health related programs and health related capital projects.

Pursuant to the Termination Agreement, MMCI began distributing its cash and investments equally between the County and the City in July 2004. MMCI retained cash to pay certain liabilities; any cash remaining at the end of the liquidation process will be distributed equally between the County and the City.

In addition, PHC made a one-time grant of \$5 million to Doña Ana County to be distributed in the sole discretion of the County and City to improve the integration of services provided by the clinics in the County operated by the federally qualified health center organizations, the hospital, and the existing family residency program and to expand the service hours of the same clinics. The grant is accounted for as deferred revenue in the General Fund. The unexpended portion of the grant at June 30, 2011 is \$3,056,800.

**NOTE 13 – RESTATEMENTS OF BEGINNING FUND BALANCES/NET ASSETS**

Restatements were made as follows:

<u>Fund</u>	<u>Purpose/Reason</u>	<u>Amount</u>
Non-major enterprise funds		
DAC Housing Authority	Prior year long-term debt was adjusted by NMFA	2,189
DAC Housing Authority	Adjustments to prior year expenses deemed as restatements by HUD	<u>104,993</u>
Total DAC Housing Authority		<u>107,182</u>
Total non-major enterprise funds		<u>107,182</u>
Total enterprise funds		<u><u>107,182</u></u>

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**NOTE 14 – OTHER REQUIRED DISCLOSURES**

The following funds incurred a deficit fund balance at June 30, 2011:

<b>Fund</b>	<b>Fund Type</b>	<b>Amount</b>
Wastewater Projects/Grants	Capital Projects Fund	\$ (2)

Management intends to transfer sufficient funds from General Fund to cover any deficits.

**NOTE 15 – RISK MANAGEMENT**

**Multi-line Risk Pool**

The County participates in the New Mexico Association of Counties insurance programs. The County's premium is re-determined every year, and is based on the County's loss experience over the previous three years. The deductibles at the County level are as follows:

\$1,000	per incident for accident/loss to County property
\$6,000	per incident for Civil Rights related claims
\$10,000	per incident for Law Enforcement related claims

Limits of coverage through the risk pool are as follows:

\$2,000,000	Employee Dishonesty
\$2,000,000	Worker's Compensation per accident or occupational disease
\$2,000,000	Crime Coverage
\$1,750,000	Tort and Law Enforcement related claims
\$150,000,000	per occurrence for property losses
\$4,000,000	additional coverage for Excess Foreign Jurisdiction claims
\$3,000,000	Environmental Liability Insurance
\$255,000	Volunteer Firefighters Accident
\$20,000	Land Use Coverage per occurrence and \$40,000 aggregate
\$30,000,000	Earthquake and Flood
\$6,000,000	Foreign Jurisdiction Liability

Contributions paid to the pool for the 2009/2010 fiscal year were \$3,417,832.

**Commercial Insurance**

Commercial liability insurance covers the County's airport operations up to \$10,000,000 per occurrence. There is no deductible. Premiums paid for 2010/2011 were \$3,793. In addition, the County maintains commercial liability policies for Accidental Death and Dismemberment of the County's Independent Fire Districts (premium paid of \$70,023) and Pollution and Remediation Legal Liability (premium paid of \$61,217).

## APPENDIX C - Continuing Disclosure Undertaking

### CONTINUING DISCLOSURE UNDERTAKING

Section 1. Recitals. This Continuing Disclosure Undertaking (the "Undertaking") is executed and delivered by the County Commission of Doña Ana County, New Mexico (the "County"), in connection with the issuance of the Lincoln County, New Mexico Gross Receipts Tax Refunding Revenue Bonds, Series 2012 (the "Bonds"). The Bonds are being issued pursuant to County Ordinance No. \_\_\_\_\_ adopted by the County Commission on October 10, 2012 (the "Ordinance"). Pursuant to the Ordinance, to allow the underwriter of the Bonds to comply with the Rule (defined below), the County is required to make certain continuing disclosure undertakings for the benefit of owners (including beneficial owners) of the Bonds (the "Owners"). This Undertaking is intended to satisfy the requirements of the Rule.

#### Section 2. Definitions.

(a) "Annual Financial Information" means the financial information (which will be based on financial statements prepared in accordance with generally accepted accounting principles, as in effect from time to time ("GAAP"), for governmental units as prescribed by the Governmental Accounting Standards Board ("GASB")) and operating data with respect to the County, delivered at least annually pursuant to Sections 3(a) and 3(b) of this Undertaking, consisting of information of the type set forth under the captions "THE PLEDGED REVENUES," "EXISTING COUNTY DEBT," and "HISTORICAL GENERAL FINANCIAL INFORMATION FOR THE COUNTY" in the Official Statement.

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

(c) "EMMA" means the MSRB's Electronic Municipal Market Access system located on its website at [emma.msrb.org](http://emma.msrb.org).

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

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

(f) "Official Statement" means the Official Statement dated October 10, 2012, delivered in connection with the original issue and sale of the Bonds.

(g) "Report Date" means March 31 of each year, beginning in 2013.

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

(i) "SEC" means the Securities and Exchange Commission.

(j) "State" means the State of New Mexico.

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

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

(b) If Audited Financial Statements are not provided as a part of the Annual Financial Information, the County, or its designated agent, will provide unaudited financial statements as part of the Annual Financial Information. In such cases, Audited Financial Statements will be provided to EMMA when and if available.

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

(d) The County will provide, in a timely manner, to each NRMSIR or the MSRB, and any SID, notice of any of the following events with respect to the Bonds, if material:

(i) principal and interest payment delinquencies;

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

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

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

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

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

- (vii) modifications to rights of Bondholders, if material;
- (viii) bond calls, if material, or tender offers;
- (ix) defeasances;
- (x) release, substitution or sale of property securing repayment of the Bond, if material; and
- (xi) rating changes.
- (xii) bankruptcy, insolvency, receivership or a similar event with respect to the District or an obligated person;
- (xiii) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (xiv) appointment of a successor or additional trustee, or a change of name of a trustee, if material.

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

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

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

Section 6. Term. The County's obligations under this Undertaking will be in effect from and after the issuance and delivery of the Bonds and will extend to the earliest of (i) the date all principal and interest on the Bonds has been paid or legally defeased pursuant to the terms of the Ordinance; (ii) the date on which the County is no longer an "obligated person" with

respect to the Bonds within the meaning of the Rule; or (iii) the date on which those portions of the Rule which require this Undertaking are determined to be invalid or unenforceable by a court of competent jurisdiction in a non-appealable action, have been repealed retroactively or otherwise do not apply to the Bonds.

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

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

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

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

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

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

Section 9. Requesting Information. Persons seeking to obtain the Annual Financial Information, including the Audited Financial Statements, may obtain such information by contacting the County Manager at 300 Central Avenue, Carrizozo, New Mexico 88301, telephone number (575) 648-2385.

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

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

Date: \_\_\_\_\_, 2012

DOÑA ANA COUNTY, NEW MEXICO

By \_\_\_\_\_  
Chairperson