

## PRELIMINARY OFFICIAL STATEMENT DATED SEPTEMBER 1, 2016

### NEW ISSUE

Underlying Rating: Moody's "A3"

Standard & Poor's "A-"

Standard & Poor's Insured Rating: Applied For

*In the opinion of Melendres & Melendres, P.C., 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.*

**\$12,000,000\***

**LUNA COUNTY, NEW MEXICO**

**Gross Receipts Tax Revenue Bonds  
Series 2016**

### **Book-Entry Only**

**Dated: Date of Delivery  
cover**

**Due: December 1, as shown on the inside**

The Luna County Gross Receipts Tax Revenue Bonds, Series 2016 (the "Series 2016 Bonds") are being issued as fully registered bonds to be sold in denominations of \$5,000 or any integral multiple thereof. Interest accrues from the Date of Delivery and is payable semiannually on June 1 and December 1 in each year beginning December 1, 2016\*. The principal of the Bonds is payable at the office of the Treasurer of the County (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.

### **See Inside Cover Page for Maturities, Principal Amounts, Interest Rates and Yields**

The Bonds maturing on and after December 1, 2027 are subject to optional redemption at par on and after December 1, 2026, 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 purposes of constructing, purchasing, furnishing, equipping, rehabilitating, making additions to or making improvements to one or more public buildings, including the County detention facility, or purchasing or improving ground relating thereto, or any combination of the foregoing all within the county and providing for the payment of the costs of issuance of the bonds. 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 Underwriters and subject to the delivery of an approving opinion by Melendres & Melendres, P.C., Bond Counsel, and other conditions. Certain legal matters will be passed upon for the County by Jonlyn Martinez, the County's Attorney. Certain legal matters will be passed upon for the Underwriters by Modrall, Sperling, Roehl, Harris & Sisk, P.A. It is expected that delivery of the Bonds will be made on October 14, 2016\*, 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.*

**RBC Capital Markets**

**STIFEL**

\* Preliminary, subject to change.

**Dated: September \_\_, 2016**

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.

## MATURITY SCHEDULE

\$12,000,000\*

LUNA COUNTY, NEW MEXICO

Gross Receipts Tax Revenue Bonds, Series 2016

| <b>Maturity Date<br/>(December 1)</b> | <b>Principal Amount*</b> | <b>Interest Rate</b> | <b>Yields</b> | <b>CUSIP #**</b> |
|---------------------------------------|--------------------------|----------------------|---------------|------------------|
| 2016                                  | \$25,000                 |                      |               |                  |
| 2017                                  | 155,000                  |                      |               |                  |
| 2018                                  | 160,000                  |                      |               |                  |
| 2019                                  | 160,000                  |                      |               |                  |
| 2020                                  | 165,000                  |                      |               |                  |
| 2021                                  | 175,000                  |                      |               |                  |
| 2022                                  | 180,000                  |                      |               |                  |
| 2023                                  | 190,000                  |                      |               |                  |
| 2024                                  | 195,000                  |                      |               |                  |
| 2025                                  | 205,000                  |                      |               |                  |
| 2026                                  | 330,000                  |                      |               |                  |
| 2027                                  | 345,000                  |                      |               |                  |
| 2028                                  | 365,000                  |                      |               |                  |
| 2029                                  | 380,000                  |                      |               |                  |
| 2030                                  | 400,000                  |                      |               |                  |

\$2,320,000, \_\_\_% Term Bonds maturing 12/1/2035\*, to yield \_\_\_% - CUSIP #

\$2,865,000, \_\_\_% Term Bonds maturing 12/1/2040\*, to yield \_\_\_% - CUSIP #

\$3,385,000, \_\_\_% Term Bonds maturing 12/1/2045\*, to yield \_\_\_% - CUSIP #

\* Preliminary, subject to change.

\*\*The above referenced CUSIP numbers have been assigned by an independent company not affiliated with the parties to this bond transaction and are included solely for the convenience of the holders of the Bonds. Neither the County nor the Underwriters are responsible for the selection or uses of such CUSIP numbers, and no representation is made as to their correctness on the Bonds or as indicated above. The CUSIP number for a specific maturity is subject to being changed after the issuance of the Bonds as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of certain maturities.

**LUNA COUNTY**  
**700 S. Silver Ave.**  
**Deming, NM 88030**  
**(575) 546-0494**

**COUNTY COMMISSION**

R. Javier Diaz, Chair  
Joe L. "Oleo" Milo, Member  
Linda Smrkovsky, Member

**COUNTY ADMINISTRATION**

Ira Pearson, County Manager  
Andrea Rodriguez, County Clerk  
Dora Madrid, County Treasurer  
Delilah Rojo, County Assessor  
JoAnne Hethcox, County Finance Director  
Jonlyn Martinez, County Attorney

**BOND COUNSEL**

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**REGISTRAR AND PAYING AGENT**

Luna County Treasurer

**MUNICIPAL ADVISOR**

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6565 Americas Parkway, NE, Suite 860  
Albuquerque, New Mexico 87110  
(505) 872-2320

## **USE OF INFORMATION IN THIS OFFICIAL STATEMENT**

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

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement that involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. The Underwriters have provided the following statement for inclusion in this Official Statement: The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibility to investors under the federal securities law as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the completeness of such information.

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

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

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

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**

**\$12,000,000\***

### **LUNA COUNTY, NEW MEXICO**

#### **Gross Receipts Tax Revenue Bonds, Series 2016**

### **INTRODUCTION**

This Official Statement, which includes the cover page and appendices hereto, provides certain information in connection with the Luna County (the "County") Gross Receipts Tax Revenue Bonds, Series 2016 (the "Bonds"), being issued by the County pursuant to County Ordinance No. 93, adopted March 3, 2015 (the "Bond Ordinance") as supplemented by County Resolution No. \_\_, adopted September 8, 2016 (the "Sale Resolution").

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 the Bond Ordinance.

#### **The Issuer**

The County is located in the southwestern portion of the State of New Mexico approximately 200 miles south of Albuquerque and approximately 90 miles northwest of El Paso, Texas. The County has a land area of approximately 2,950 square miles and, as of December 31, 2013, its population was estimated at approximately 24,659. Deming is the largest community in the County and serves as the county seat. See "THE COUNTY" and "THE LOCAL ECONOMY".

#### **Purpose**

The Bonds are being issued to provide funds for the purposes of constructing, purchasing, furnishing, equipping, rehabilitating, making additions to or making improvements to one or more public buildings, including an addition to and renovation of the County detention facility, or purchasing or improving ground relating thereto, or any combination of the foregoing all within the County; providing for the payment of the costs of issuance of the bonds.

## **Authority for Issuance**

The Bond Ordinance was adopted by the affirmative vote of a majority of the members of the County Commission. For the purpose of protecting the public health, conserving the property, protecting the general welfare and prosperity of the citizens of the County, it is declared necessary that the County, pursuant to the Act, issue its negotiable, fully registered, Gross Receipts Tax Revenue Bonds to be designated Luna County, New Mexico Gross Receipts Tax Revenue Bonds, in one or more series, in an aggregate principal amount not to exceed \$15,000,000 and the issuance, sale and delivery of the Bonds is authorized. The Bonds may be sold from time to time, but not later than two (2) years from the effective date of the Bond Ordinance, at a negotiated sale to the Purchaser.

## **Terms of the Bonds**

### *Payment Dates*

The Bonds will be dated October 14, 2016\*. Interest on the Bonds will be payable on June 1 and December 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 December 1, 2016\*. The Bonds will be issued in the aggregate principal amount of \$12,000,000\* and will mature on the dates and in the amounts shown on the inside cover page (unless redeemed prior to maturity).

### *Denominations*

The Bonds shall be negotiable instruments but shall be issued only as fully registered bonds, in denominations of \$5,000 or any integral multiple thereof, in such numbers and denominations, subject to the Bond Ordinance, as may be requested by the Purchaser, but exchangeable for other fully registered Bonds. The Bonds shall be numbered separately and consecutively and shall be dated as of the date of delivery. The exact principal amount, authorized denominations, transfer restrictions, if any, and maturity schedule and/or mandatory sinking fund schedule for the Bonds shall be established in the Sale Resolution.

The Bonds shall be sold for cash, at, above or below par at a price or prices that result in net effective interest rates that do not exceed the maximum permitted by the Public Securities Act, Sections 6-14-1 to 6-14-3 NMSA 1978.

## **Prior Redemption**

The Bonds maturing on and after December 1, 2027 are subject to optional redemption at par beginning December 1, 2026, and the Bonds maturing December 1, 20\_\_ are subject to sinking fund redemption, as more fully described in "THE BONDS — Prior Redemption."

Notice of redemption shall be given by the Registrar by sending a copy of such notice by registered or certified first-class mail, postage prepaid, at least thirty (30) days prior to the redemption date, to the registered owners of the Bonds to be redeemed at the address shown

on the registration books kept by the Registrar as of the close of business of the Registrar on the fifth (5<sup>th</sup>) day prior to the mailing of notice. The County shall give the Registrar written instructions to give notice of redemption to the registered owners of the Bonds to be redeemed at least forty- five (45) days prior to such redemption date. If the Bonds are subject to mandatory sinking fund redemption pursuant to the Sale Resolution, no notice from the County to the Registrar shall be required for mandatory sinking fund redemptions. Neither the County's failure to give such notice nor the Registrar's failure to give such notice to the registered owners of the Bonds, or any defect therein, shall affect the validity of the proceedings for the redemption of any Bonds for which proper notice was given. Notice of redemption shall specify the amount being redeemed, the date fixed for redemption, and that on such redemption date there will become and be due and payable upon the Bonds 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 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 the 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 Bonds so called for redemption with funds deposited with the Paying Agent by the County.

### **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 the issuance of additional bonds with a lien on the Pledged Revenues on parity with the lien of the Bonds. For a description of these tests, see "THE BONDS — Additional Bonds."

### **Special Limited Obligations**

All of the Bonds and all payments of principal, premium, if any, and interest thereon whether at maturity or on a redemption date, together with any interest accruing thereon, shall be special limited obligations of the County and shall be payable and collectible solely from the Pledged Revenues which revenues are so pledged and are payable as set forth in Section 20 of the Bond Ordinance. The owner of the Bonds may not look to any general or other fund for the payment of the principal of or interest on such obligations, except the designated special funds pledged therefor. The Bonds shall not constitute an indebtedness or a debt of the County within the meaning of any constitutional, charter or statutory provision or limitation, nor shall it be considered or held to be a general obligation of the County, and each of the Bonds shall recite that it is payable and collectible solely out of the Pledged Revenues, pledged as set forth in the Bond Ordinance, and that the holder thereof may not look to any general or other County fund for the payment of the principal of and interest on the Bonds. Nothing herein shall prevent the County, in its sole discretion, from applying other funds of the County legally available therefor to the payment of the Bonds.

## **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.

## **Professionals Involved in the Offering**

At the time of the issuance and sale of the Bonds, Melendres & Melendres, P.C., as Bond Counsel, will deliver a bond opinion in substantially the form included in Appendix A hereto.

Certain legal matters will be passed upon for the County by Jonlyn Martinez, Esq., County Attorney. Certain legal matters will be passed upon for the Underwriters by Modrall, Sperling, Roehl, Harris & Sisk, P.A. George K. Baum & Company is employed as Municipal Advisor to the County in connection with the issuance of the Bonds. The Municipal Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification of, or to assume responsibility for, the accuracy, completeness, or fairness of the information in the Official Statement.

## **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 October 14, 2016\*.

## **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 "RISK FACTORS," 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:

Luna County  
Attention: Ira Pearson, County Manager  
700 S. Silver Ave.  
Deming, NM 88030  
Telephone: (575) 546-0494

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

George K. Baum & Company  
Attention: Mark Valenzuela, First Vice President  
6565 Americas Parkway, NE, Suite 860  
Albuquerque, New Mexico 87110  
Telephone: (505) 872-2320

### **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.

### **Hold Harmless Gross Receipts Tax are Subject to Fluctuation**

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

The Pledged Revenues are based on the hold harmless gross receipts tax of the County. Various circumstances and developments, most of which are beyond the control of the County, may have an adverse effect on the future level of Pledged Revenues. Such circumstances may include, among others, adverse changes in national and local economic and financial conditions generally, reductions in the rates of employment and economic growth in the County, the State

and the region, a decrease in rates of population growth and rates of residential and commercial development in the County, the State and the region and various other factors. Based on 3/8<sup>th</sup> of one percent (0.375%) of the County's taxable gross receipts for the Fiscal Year ending June 30, 2016, the estimated Pledged Revenues for the fiscal year is \$1,142,196. This assumes the County will not receive its food and medical hold harmless distribution from the State going forward because the County has chosen to impose three 1/8<sup>th</sup> increments of Hold Harmless Gross Receipts Tax for a total imposition of 0.375%.

### **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, 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 the 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**

Concurrently with the payment of the Pledged Revenues required, any amounts on deposit in the Revenue Fund shall be used by the County for the payment of principal of and interest on the Parity Bonds, if any hereafter authorized to be, issued and payable from the Pledged Revenues as the same are required to be paid or deposited.

### **Secondary Market**

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

## **State Legislation**

The State Legislature of the State of New Mexico (the “Legislature”) may amend the laws relating to the levy, calculation and/or the distribution of or otherwise impacting the County’s gross receipts tax revenues. In some cases, the Legislature has made amendments which negatively impacted the amount of gross receipts tax revenues received by local government.

In 2004, the Legislature adopted legislation creating a deduction from gross receipts tax for receipts from retail sales of food (not including restaurant sales and certain sales of prepared foods) as defined for federal food stamp program purposes. Retailers are required to report receipts from sales of such groceries and then claim the deduction. The statute provides for payments to be made from the State general fund to reimburse local governments for revenues lost as a result of the new deduction.

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

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.

## **Litigation Concerning the Hold Harmless Gross Receipts Tax**

In Case No. D-101-CV-2015-01396 the City of Española, New Mexico (“Plaintiff”) has requested a declaratory judgment and injunctive relief against Santa Fe County, New Mexico (“Santa Fe County”) and the New Mexico Department of Taxation and Revenue which seeks to prevent Santa Fe County from collecting the county hold harmless gross receipts tax from

persons engaged in taxable activities within the municipal boundaries of the City of Espanola. The lawsuit involves a county's ability to impose its hold harmless gross receipts tax within municipal boundaries but does not challenge a municipality's ability to impose the municipal hold harmless gross receipts tax within its municipal boundaries. Among other allegations, Plaintiff asserts that the result of a county imposing and collecting the three-eighths of one percent hold harmless gross receipts tax within the boundaries of a municipality that has also imposed the hold harmless gross receipts tax at the same rate will result in "a double burden of taxation not intended or authorized by the legislature." The City of Las Cruces intervened as a plaintiff-in-intervention in the litigation, and Doña Ana County, in which the City of Las Cruces is located, intervened as a defendant-in-intervention.

On October 27, 2015, the First Judicial District Court granted the Defendants' joint motion to dismiss. Plaintiff filed a motion to reconsider the order granting the Defendants' joint motion to dismiss, which was also denied on May 9, 2016. On May 10, 2016, Plaintiff appealed the denial of their motion to reconsider. The appeal is currently pending in the New Mexico Court of Appeals, which if denied would result in dismissal of the Plaintiff's complaint. No assurance can be given about the ultimate outcome of the litigation or the potential for other litigation challenging the hold harmless gross receipts tax for counties.

### **Bond Ratings**

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

### **Forward-Looking Statements**

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

## 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 Series 2016 Bonds | \$12,000,000* |
| Reoffering Premium              | \$            |
| TOTAL SOURCES OF FUNDS          | \$            |

#### USES OF FUNDS:

|                                      |      |
|--------------------------------------|------|
| Costs of Issuance                    | \$** |
| Deposit to Project Construction Fund | \$   |
| TOTAL USES OF FUNDS                  | \$   |

\*Preliminary, subject to change.

\*\*Includes bond counsel fees, insurance fees, rating fees, underwriter's discount, and other expenses.

## The Project Plan

The County is authorized by law to issue the Bonds for the purposes of constructing, purchasing, furnishing, equipping, rehabilitating, making additions to or making improvements to one or more public buildings, including the County detention facility, or purchasing or improving ground relating thereto, or any combination of the foregoing all within the County and providing for the payment of the costs of issuance of the bonds.

### PROJECTED COVERAGE SCHEDULE

| Year<br>Ending | Estimated Annual<br>Debt Service Series<br>2016** | Estimated Pledged<br>Revenue* | Estimated Debt<br>Service Coverage |
|----------------|---|-------------------------------|------------------------------------|
| 2016           | \$38,744  | \$1,142,196                   | 7.63x                              |
| 2017           | 609,925   | \$1,142,196                   | 1.57x                              |
| 2018           | 610,575   | \$1,142,196                   | 1.57x                              |
| 2019           | 611,075   | \$1,142,196                   | 1.57x                              |
| 2020           | 611,425   | \$1,142,196                   | 1.57x                              |
| 2021           | 610,025   | \$1,142,196                   | 1.57x                              |
| 2022           | 608,425   | \$1,142,196                   | 1.57x                              |
| 2023           | 611,625   | \$1,142,196                   | 1.57x                              |
| 2024           | 609,425   | \$1,142,196                   | 1.57x                              |
| 2025           | 612,025   | \$1,142,196                   | 1.57x                              |
| 2026           | 729,225   | \$1,142,196                   | 1.57x                              |
| 2027           | 728,225   | \$1,142,196                   | 1.57x                              |
| 2028           | 726,475   | \$1,142,196                   | 1.57x                              |
| 2029           | 728,975   | \$1,142,196                   | 1.57x                              |
| 2030           | 725,475   | \$1,142,196                   | 1.57x                              |
| 2031           | 726,225   | \$1,142,196                   | 1.57x                              |
| 2032           | 725,975   | \$1,142,196                   | 1.57x                              |
| 2033           | 729,725   | \$1,142,196                   | 1.57x                              |
| 2034           | 727,225   | \$1,142,196                   | 1.57x                              |
| 2035           | 728,725   | \$1,142,196                   | 1.57x                              |
| 2036           | 728,975   | \$1,142,196                   | 1.57x                              |
| 2037           | 726,425   | \$1,142,196                   | 1.57x                              |
| 2038           | 728,369   | \$1,142,196                   | 1.57x                              |
| 2039           | 729,638   | \$1,142,196                   | 1.57x                              |
| 2040           | 730,231   | \$1,142,196                   | 1.56x                              |
| 2041           | 730,150   | \$1,142,196                   | 1.56x                              |
| 2042           | 728,625   | \$1,142,196                   | 1.57x                              |
| 2043           | 726,400   | \$1,142,196                   | 1.57x                              |
| 2044           | 728,475   | \$1,142,196                   | 1.57x                              |
| 2045           | 729,675   | \$1,142,196                   | 1.57x                              |

\* Estimate based on 3/8th of one percent (0.375%) of the County's taxable gross receipts in Fiscal Year 2016.

Estimate also assumes the County will not receive its food and medical hold harmless distribution from the State going forward because the County has chosen to impose three 1/8<sup>th</sup> increments of Hold Harmless Gross Receipts Tax for a total imposition of 0.375%.

\*\*Preliminary, subject to change.

SOURCE: George K. Baum & Company.

## THE BONDS

### General

The County is authorized under Section 7-20E-28 NMSA 1978 and Sections 4-62-1 through 4-62-10 NMSA 1978, as amended, to issue gross receipts tax improvement and refunding revenue bonds, including the Bonds, and to pledge gross receipts tax revenues 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 \$12,000,000\*, 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 inside cover page hereof payable on December 1, 2016\*, and semiannually thereafter on June 1 and December 1 in each year, and shall mature on December 1 in the years and in the amounts shown on the inside 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 municipal fund of the County 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 – Regular and Special Record Dates

The principal of and any prior redemption premium applicable to any Bond shall be payable to the Owner thereof as shown on the registration books kept by the Registrar (which is appointed as registrar and transfer agent for the Bonds), upon maturity or prior redemption thereof and upon presentation and surrender at office of the Paying Agent (which is appointed as paying agent for the Bonds). If any Bond shall not be paid upon such presentation and surrender at or after maturity or on a designated prior redemption date on which the County may have exercised its right to prior redeem any Bond pursuant to the Bond Ordinance, it shall continue to draw interest at the rate borne by the Bond until the principal thereof is paid in full. Payment of interest on any Bond shall be made to the registered owner thereof as of the Regular Record Date by check or draft mailed by the Paying Agent, on or before each interest payment date (or, if such interest payment date is not a business day, on or before the next succeeding business day without accruing any additional interest), to the Owner thereof on the Regular Record Date at such Owner's address as it last appears on the registration books kept by the Registrar on the Regular Record Date (or by such other arrangement as may be mutually agreed to by the Paying Agent and any registered owner on such Regular Record Date). All such payments shall be made in lawful money of the United States of America. The person in whose name any Bond is registered at the close of business on any Regular Record Date with respect to any interest payment date shall be entitled to receive the interest payable thereon on such

interest payment date notwithstanding any transfer or exchange thereof subsequent to such Regular Record Date and prior to such interest payment date; but any such interest not so timely paid or duly provided for shall cease to be payable as provided above and shall be payable to the person in whose name any Bond is registered at the close of business on a Special Record Date fixed by the Paying Agent for the payment of any such defaulted interest. Such Special Record Date shall be fixed by the Paying Agent whenever moneys become available for defaulted interest, and notice of any such Special Record Date shall be given not less than ten (10) days prior thereto, by first-class mail, to the Owners of the Bonds as of a date selected by the Paying Agent, stating the Special Record Date and the date fixed for the payment of such defaulted interest.

## **Registration**

### *Transfer and Exchange*

Books for the registration and transfer of the Bonds shall be kept by the Registrar. Upon the surrender for transfer of any Bonds at the office of the Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the Owner or his attorney duly authorized in writing, the Registrar shall authenticate and deliver in the name of the transferee or transferees a new Bond or Bonds of a like aggregate principal amount and of the same maturity, bearing a number or numbers not contemporaneously outstanding. Bonds may be exchanged at the office of the Registrar for an equal aggregate principal amount of Bonds of the same maturity of other authorized denominations. The Registrar shall authenticate and deliver a Bond or Bonds that the Owner making the exchange is entitled to receive, bearing a number or numbers not contemporaneously outstanding. Exchanges and transfers of Bonds as provided in the Bond Ordinance shall be without charge to the owner or any transferee, but the Registrar may require the payment by the Owner of any Bond requesting exchange or transfer of any tax or other governmental charge required to be paid with respect to such exchange or transfer.

### *Times When Transfer or Exchange Not Required*

The Registrar shall not be required (1) to transfer or exchange all or a portion of any Bond subject to prior redemption during the period of fifteen (15) days next preceding the mailing of notice to the Owners calling any Bonds for prior redemption pursuant to the Bond Ordinance, or (2) to transfer or exchange all or a portion of a Bond after the mailing to registered owners of notice calling such Bond or portion thereof for prior redemption.

### *Payment to Registered Owners*

The person in whose name any Bond shall be registered on the registration books kept by the Registrar shall be deemed and regarded as the absolute owner thereof for the purpose of making payment thereof and for all other purposes except as may otherwise be provided with respect to payment of defaulted interest; and payment of or on account of either principal or interest on any Bond shall be made only to or upon the written order of the Owner thereof or the Owner's legal representative, but such registration may be changed upon transfer of such

Bond in the manner and subject to the conditions and limitations provided in the Bond Ordinance. All such payments shall be valid and effectual to discharge the liability upon such Bond to the extent of the sum or sums so paid.

### *Replacement Bonds*

If any Bond is lost, stolen, destroyed or mutilated, the Registrar shall, upon receipt of such evidence, information or indemnity relating thereto as it may reasonably require, authenticate and deliver a replacement Bond or Bonds of a like aggregate principal amount and of the same maturity, bearing a number or numbers not contemporaneously outstanding. If such lost, stolen, destroyed or mutilated Bond shall have matured, the Paying Agent may 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 Underwriters make 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 the responsibility of Direct and Indirect Participants.

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

The Bonds maturing on and after December 1, 2027 are subject to optional redemption in whole or in part at par on or after December 1, 2026.

*Mandatory Sinking Fund Redemption.* The Bonds maturing on December 1, 2035\* are subject to mandatory sinking fund redemption on December 1 in each of the years and principal amounts stated below at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date. As and for a sinking fund for the redemption of Bonds so specified, the County shall cause to be deposited in the Bond Fund a sum which is sufficient to redeem (after credit as provided below) the following principal amounts of such Bonds plus accrued interest to the sinking fund redemption date:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
|-------------|---------------|

\* Maturity Date

The Bonds maturing on December 1, 2040\*, are subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date on December 1, in the years and in the principal amounts stated below:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
|-------------|---------------|

\* Maturity Date

The Bonds maturing on December 1, 2045\*, are subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date on December 1, in the years and in the principal amounts stated below:

| <u>Year</u> | <u>Amount</u> |
|-------------|---------------|
|-------------|---------------|

\* Maturity Date

(1) Not more than seventy (70) days nor less than thirty (30) days prior to each sinking fund redemption date, the Registrar shall proceed to select for redemption (by lot in such manner as the Registrar may determine) from all outstanding Bonds of the applicable maturity subject to sinking fund redemption, a principal amount of Bonds equal to the aggregate principal amount of Bonds redeemable with the required sinking fund payments, shall call such Bonds or portions thereof (each such portion being \$5,000 or an integral multiple thereof) for such redemption on such sinking fund redemption date, and shall give notice of such call.

A. *Notice.* Notice of redemption of this bond will be given by the Registrar by sending a copy of such notice by electronic means to the Securities Depository or by first-class mail, postage prepaid, at least thirty (30) days prior to the redemption date, to the registered owners of the Bonds to be redeemed at the address shown on the registration books kept by the Registrar as of the close of business of the Registrar on the fifth day prior to the mailing of the notice. The County shall give the Registrar written instructions to give notice of redemption to the registered owners of the Bonds to be redeemed at least forty-five (45) days prior to such redemption date.

If the Bonds are subject to mandatory sinking fund redemption pursuant to the Sale Resolution, no notice from the County to the Registrar shall be required for mandatory sinking fund redemptions. Neither the County's failure to give such notice nor the Registrar's failure to give such notice to the registered owners of the Bonds, or any defect therein, shall affect the validity of the proceedings for the redemption of any Bonds for which proper notice was given. Notice of redemption shall specify the amount being redeemed, the date fixed for redemption, and that on such redemption date there will become due and be payable upon the Bonds 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 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 the 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 Bonds so called for redemption with funds deposited with the Paying Agent by the County.

### **Provisions From Bond Ordinance**

*Disposition of Bond Proceeds.* Except as herein otherwise specifically provided the proceeds from the sale of the Bonds shall be used as follows:

A. *Accrued Interest.* First, all moneys received as accrued interest from the sale of the Bonds shall be deposited into the Bond Fund, to be applied to the payment of interest next due on the Bonds.

B. *Reserve Fund.* Second, as may be established in a Sale Resolution, an amount equal to the lesser of: (1) ten percent (10%) of the principal amount of the Bonds; (2) the maximum annual debt service of the Bonds; or (3) one hundred twenty five percent (125%) of the average annual debt service of the Bonds shall be credited to the Reserve Fund.

C. *Expenses.* Third, an amount necessary to pay expenses shall be paid on behalf of the County.

D. *Acquisition Account.* Fourth, an amount necessary, together with funds transferred to the Acquisition Account pursuant to the authorizing Bond Ordinance, if any, to finance the Project in whole or in part from the proceeds derived from the sale of the Bonds shall be credited to the Acquisition Account.

E. *Rebate Fund.* The Rebate Fund within the treasury of the County for the purpose of payment to the United States Department of the Treasury of any rebatable arbitrage due.

The County shall deposit into the Rebate Fund any amounts available from the proceeds of the Bonds, as specified in the Tax Matters Certificate of the County, in the Rebate Fund as will be sufficient to pay any rebate due to the United States Department of the Treasury for the applicable rebate period. Moneys in the Rebate Fund shall be invested in accordance with the Tax Matters Certificate. Excess moneys shall be released from the Rebate Fund at the end of the applicable rebate period.

F. *Use of Proceeds.* Except as otherwise specifically provided in the authorizing Bond Ordinance and Sale Resolution, the proceeds derived from the sale of the Bonds shall be used and paid solely for one or more of the purposes of the Project.

### *Acquisition Account*

A. *Additional Acquisition Account Deposit.* Upon the issuance of the Bonds, the County Treasurer shall cause to be withdrawn from funds legally available therefor and transferred and credited to the Acquisition Account such amount as he or she determines shall be necessary to assure that the amount in the Acquisition Account will be sufficient for the purposes set forth in the

authorizing Bond Ordinance.

*B. Maintenance of the Acquisition Account.* The Acquisition Account shall be maintained by the County in an amount at the time of the deposit and at all times subsequently at least sufficient to pay the costs of the Project, both accrued and not accrued, as the same become due.

*C. Use of the Acquisition Account.* Moneys shall be withdrawn by the County from the Acquisition Account in sufficient amounts and at times to permit the payment without default of the costs of the Project. Any moneys remaining in the Acquisition Account after provision shall have been made for the payment in full of the costs of the Project shall, subject to the provision of the authorizing Bond Ordinance and Sale Resolution, be paid to the County Treasurer to be applied to any lawful purposes as the County may hereafter determine.

*D. Insufficiency of the Acquisition Account.* If, for any reason, the amount in the Acquisition Account shall at any time be insufficient for the purposes of paragraphs B and C of Section 15 of the Bond Ordinance, the County shall forthwith, from the first legally available revenues, deposit in the Acquisition Account such additional moneys as shall be necessary to permit the payment in full of the costs of the Project.

*Purchaser Not Responsible.* The Purchaser, or any subsequent owner of any Bonds, shall in no manner be responsible for the application or disposal by the County, or by any officer or any employee or other agent of the County, of the moneys derived from the sale of the Bonds or of any other moneys designated in the Bond Ordinance.

*Revenue Fund.* So long as the Bonds are outstanding, the Pledged Revenues shall be set aside and deposited monthly in to the Revenue Fund established and thereafter transferred to the Bond Fund, as hereinafter provided.

*Administration of Revenue Fund.* So long as any of the Bonds shall be outstanding, whether as to principal or interest or both, the following payments shall be made from the Pledged Revenues:

*A. Bond Fund Created.* The following amounts shall be withdrawn from the Revenue Fund, and shall be concurrently credited to the Bond Fund:

(1) *Interest Payments.* Monthly, commencing on the first day of the first month following the delivery of any of the Bonds, an amount in equal monthly installments necessary, together with any moneys in the Bond Fund 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) *Principal Payments.* Monthly, commencing on the first day of the first month following the delivery of any of the Bonds, an amount in equal monthly installments necessary, together with any moneys in the Bond Fund 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.

If prior to any interest payment date or principal payment date, there has been accumulated in the Bond Fund the entire amount necessary to pay the next maturing installment of the interest or principal, or both, the payment required under subparagraph (1) or (2) (whichever is applicable) of this paragraph A, may be appropriately reduced and the required monthly amounts again shall be so credited to such account commencing on such interest payment date or principal payment date (whichever is applicable).

*B. Payment of Parity Bonds.* Concurrently with the payment of the Pledged Revenues required by paragraph A of Section 18 of the Bond Ordinance, any amounts on deposit in the Revenue Fund shall be used by the County for the payment of principal of and interest on the Parity Bonds, if any, currently, or hereafter authorized to be, issued and payable from the Pledged Revenues as the same are required to be paid or deposited.

*C. Termination upon Deposits to Maturity.* No payment need be made into the Bond Fund if the amount in the Bond Fund is 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 the Bond Fund in an amount at least equal to such principal and interest requirements shall be used solely to pay such as the same accrue and any moneys in excess thereof in the Bond Fund and any other moneys derived from the Pledged Revenues may be used in any lawful manner determined by the County. The sufficiency of such sum shall be verified by an opinion addressed to the County from an independent accountant.

*D. Use of Moneys in the Bond Fund.* The moneys in the Bond Fund shall be used solely and only for the purpose of paying the principal of and the interest on the Bonds; provided, however, that any moneys in the Bond Fund in excess of accrued and unaccrued principal and interest requirements to the respective maturities of the outstanding Bonds may be used as provided in the authorizing Bond Ordinance.

*E. Reserve Fund Created.* The Reserve Fund, to be held by the County. After the payments required by paragraphs A and B of Section 18 of the Bond Ordinance, there shall be withdrawn from the Revenue Fund, and there shall be concurrently credited to the Reserve Fund, to the extent such amounts are available in the Revenue Fund, such amounts as may be necessary in order that the balance in the Reserve Fund is equal to the lesser of an amount equal to: (1) ten percent (10%) of the original principal amount of Bonds delivered to and purchased by the Purchaser; (2) the maximum annual debt service of the Bonds; or (3) one hundred twenty five percent (125%) of the average annual debt service of the Bonds. If the balance in the Reserve Fund exceeds the amount so determined, the excess shall be withdrawn from the Reserve Fund and concurrently credited to the Bond Fund. Moneys in the Reserve Fund shall be withdrawn from the Reserve Fund and concurrently credited to the Bond Fund, to the extent and at the times necessary, and to the extent such amounts are available in the Reserve Fund, to prevent deficiencies in the payments required to be made pursuant to the authorizing Bond Ordinance.

*F. Use of Surplus Pledged Revenues.* After making the payments required to be made by

paragraphs A, B and D of Section 18 of the Bond Ordinance, the remaining Pledged Revenues, if any, may be paid to the County Treasurer and applied to any other lawful purposes.

*General Administration of Funds.* The funds and accounts designated in Sections 14, 15, 17, 18 and 22 of the Bond Ordinance shall be administered and invested as follows:

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

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

*C. Lien on Pledged Revenues.* The Pledged Revenues, the amounts and securities on deposit in the Bond Fund and the Reserve Fund, and the proceeds thereof, are authorized to be pledged to, and are pledged, and the County grants a security interest therein for the payment of the principal of, premium, if any, and interest on the Bonds, subject to the uses thereof permitted by, and the priorities set forth in, the authorizing Bond Ordinance. The Bonds constitute an irrevocable and first lien, but not necessarily an exclusive first lien, on the Pledged Revenues as set forth herein.

*Bonds or Other Obligations Payable from Pledged Revenues.*

*A. Limitations upon Issuance of Parity Revenue Bonds.* No provision of the authorizing Bond Ordinance shall be construed in such a manner as to prevent the issuance by the County of additional bonds or other obligations payable from Pledged Revenues constituting a lien upon such Pledged Revenues equal to or on a parity with the Bonds, nor to prevent the issuance of bonds or other obligations refunding all or a part of the Bonds; provided, however, that before any such additional bonds are actually issued, including parity refunding bonds and obligations which refund subordinate obligations as provided in Section

20 of the Bond Ordinance, it must be determined that:

(1) The County is then current in all of the accumulations required to be made into the Bond Fund and the Reserve Fund as provided in Section 18 of the authorizing Bond Ordinance; and

(2) No default shall exist in connection with any of the covenants or requirements of the authorizing Bond Ordinance; and

(3) The Pledged Revenues received by the County for the twelve months immediately preceding the date of the issuance of such additional Bonds shall have been sufficient to pay an amount representing one hundred fifty percent (150%) of the combined maximum annual principal and interest coming due in any subsequent Fiscal Year on the then outstanding Bonds and the Parity Bonds proposed to be issued.

*B. Certificate or Opinion of Revenues.* A written certificate by the County Manager that such annual Pledged Revenues are sufficient to pay such amounts shall be conclusively presumed to be accurate in determining the right of the County to authorize, issue, sell and deliver such additional bonds or other obligations on a parity with the Bonds herein authorized.

*C. Subordinate Obligations Permitted.* No provision of the authorizing Bond Ordinance shall be construed in such a manner as to prevent the issuance by the County of additional bonds or other obligations payable from the Pledged Revenues constituting a lien upon such Pledged Revenues subordinate and junior to the lien of the Bonds nor to prevent the issuance of bonds or other obligations refunding all or part of the Bonds herein authorized as permitted by Section 20 of the Bond Ordinance.

*D. Superior Obligations Prohibited.* The County shall not issue bonds payable from the Pledged Revenues having a lien thereon prior and superior to the Bonds.

*Refunding Bonds Payable from Pledged Revenues.* The provisions of Section 21 of the Bond Ordinance are subject to the following exceptions:

*A. Privilege of Issuing Refunding Obligations.* If at any time after the Bonds shall have been issued and remain outstanding, the County shall find it desirable to refund any outstanding bonds or other outstanding obligations payable from the Pledged Revenues, such bonds or other obligations, or any part thereof, may be refunded (but the holders of bonds to be refunded may not be compelled to surrender their bonds, unless the bonds or other obligations, at the time of their required surrender for payment, shall then mature, or shall then be callable for prior redemption at the County's option), regardless of whether the priority of the lien for the payment of the refunding obligations on the Pledged Revenues is changed, except as provided in subparagraph D of Section 21 and in subparagraphs B and C of Section 22 of the Bond Ordinance.

*B. Limitations upon Issuance of Parity Refunding Obligations.* No refunding bonds or other refunding obligations payable from the Pledged Revenues shall be issued on a parity with the Bonds herein authorized, unless the refunding bonds or other refunding obligations are issued in compliance with subparagraph A of Section 22 of the Bond Ordinance.

*C. Refunding Part of an Issue.* The refunding bonds or other obligations so issued shall enjoy complete equality of lien on the Pledged Revenues with the portion of any bonds or other obligations of the same issue which is not refunded, if any; and the holder or holders of such refunding bonds or such other refunding obligations shall be subrogated to all of the rights and privileges enjoyed by the holder or holders of the bonds or other obligations of the same issue refunded. If only a part of the outstanding bonds and any other outstanding obligations of any issue or issues payable from the Pledged Revenues is refunded, then such obligations may not be refunded without the consent of the holder or holders of the unrefunded portion of such obligations, unless the refunding bonds or other refunding obligations are issued in compliance with subparagraph A of Section 22 of the Bond Ordinance.

*D. Limitations upon Issuance of Refunding Obligations.* Any refunding bonds or other refunding obligations payable from the Pledged Revenues shall be issued with such details as the County may provide by ordinance, but without any impairment of any contractual obligations imposed upon the County by any proceedings authorizing the issuance of any unrefunded portion of such outstanding obligations of any one or more issues (including, but not necessarily limited to, the Bonds).

*Protective Covenants.* The County covenants and agrees with each and every holder of the Bonds issued hereunder:

*A. Use of Bond Proceeds.* The County will proceed without delay to apply the proceeds of the Bonds to acquiring the Project.

*B. Payment of the Bonds Herein Authorized.* The County will promptly pay the principal of, interest on, and premium, if any, on the Bonds at the place, on the date and in the manner specified herein and in the Bonds according to the true intent and meaning hereof.

*C. County's Existence.* The County will maintain its corporate identity and existence so long as 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. Prohibition of 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 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 the Bonds then outstanding and of the matured interest on such Bonds, the payment of which has not been extended.

*E. Records for Pledged Revenues.* So long as 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.* The County will, at the time of the annual audit required by law, cause an audit of its books and accounts relating to the Pledged Revenues to be performed by an Independent Accountant showing the receipts and disbursements in connection with the Pledged Revenues. The County agrees to furnish forthwith a copy of each of such audits and reports to the owners of the Bonds upon written request.

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

*H. Duty to Impose Gross Receipts Tax.* If any County ordinance or part thereof, which in any manner affects the Pledged Revenues, shall ever be held to be invalid or unenforceable, it shall be the duty of the County to immediately take any action necessary to produce sufficient Pledged Revenues to comply with the contracted obligations of the authorizing Bond Ordinance.

*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 the Bonds Outstanding, unless such Bonds have been discharged in full or provision has been fully made therefor, or unless the required consents of the holders of the then Outstanding Bonds are obtained pursuant to the authorizing Bond Ordinance.

*Events of Default.* Each of the following events is declared an “Event of Default”:

A. *Nonpayment of Principal or Interest.* Failure to pay the principal of or interest on the Bonds when the same becomes due and payable.

B. *Incapable to Perform.* The County shall, for any reason, be rendered incapable of fulfilling its obligations hereunder.

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, in the authorizing Bond Ordinance, or in the Sale Resolution on its part to be performed, and the continuance of such default (other than a default set forth in the authorizing Bond Ordinance) 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 holder of any Bonds then Outstanding.

*Remedies upon Default.* Upon the happening and continuance of any of the events of default as provided in Section 24 of the authorizing Bond Ordinance, then in every case, the holder, including, but not limited to, a trustee or trustees therefor, may proceed against the County, the County Commission and its agents, officers and employees to protect and enforce the rights of any holder of the Bonds under the authorizing Bond Ordinance by mandamus or other suit, action or special proceedings in equity or at law, in the District Court for the State of New Mexico, Second Judicial District 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 County Commission 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 the 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.

*Duties upon Default.* Upon the happening of any of the Events of Default provided in Section 24 of the authorizing Bond Ordinance, the County will do and perform all proper acts on behalf of 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 the Bonds, either as to principal or interest, are Outstanding and unpaid, shall be applied as set forth in the authorizing Bond Ordinance. In the event the County fails or refuses to proceed as provided in this Section 26 of the Bond Ordinance, the owners of the Bonds then outstanding, after demand in writing, may proceed, protect and enforce the rights of the owners of the Bonds as hereinabove provided.

*Bonds Not Presented when Due.* If the Bonds shall not be duly presented for payment when due at maturity or on the redemption date thereof, and if moneys sufficient to pay such Bonds are on deposit with the Paying Agent for the benefit of the owners of such Bonds, all liability of the County to such owners for the payment of such Bonds shall be completely discharged, such Bonds shall not be deemed to be Outstanding and it shall be the duty of the Paying Agent to segregate and to hold such moneys in trust, without liability for interest thereon, for the benefit of the owners of such Bonds as may be provided in any agreement hereafter entered into between the Paying Agent and an officer of the County.

*Tax and Arbitrage 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 Internal Revenue Code of 1986, as amended (the "Code"). The Chair, County Clerk, County Manager or any other officer 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, (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 Chair, County

Clerk, County Manager and other appropriate officers are authorized and directed to take any and all actions, make calculations and rebate payments, and make or give reports and certifications, as may be appropriate to assure such exclusion of that interest.

*Continuing Disclosure Undertaking.* The County will make a written undertaking by the County Commission on behalf of the County for the benefit of the holders of the Bonds required by Section (b)(5)(i) of Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (17 C.F.R. Part 240, § 240. 15c2-12) (the “Rule”) in the form submitted to the County Commission.

*Delegated Powers.* The officers of the County be, and they are, authorized and directed to take all action necessary or appropriate to effectuate the provisions of the authorizing Bond Ordinance, including, without limiting the generality of the foregoing, the publication of the summary set out in Section 37 of the authorizing Bond Ordinance (with such changes, additions and deletions as they may determine), the distribution of material relating to the Bonds, the printing of the Bonds, the printing, execution and distribution of disclosure documents relating to the Bonds, the execution, of a purchase agreement for the Bonds, and of such other documents as may be required by the Purchaser or bond counsel.

*Amendment of Bond Ordinance.* The authorizing Bond Ordinance may be amended without the consent of the holder of any Bonds to cure any ambiguity or to cure, correct or supplement any defect or inconsistent provision contained herein. Prior to the date of the initial delivery of the Bonds to the Purchaser, the provisions of the authorizing Bond Ordinance may be amended without the written consent of the Purchaser by any Sale Resolution or other resolution of the County Commission with respect to any changes which are not inconsistent with the substantive provisions of the authorizing Bond Ordinance. Except as provided above, the authorizing Bond Ordinance may be amended without receipt by the County of any additional consideration, but with the written consent of two-thirds of all holders of the Bonds then Outstanding; but no amendment adopted without the written consent of the holders of all Outstanding Bonds shall have the effect of permitting:

- A. An extension of the maturity or scheduled payment of any Bonds;
- B. A reduction of the principal amount or interest rate or prior redemption premium of any Bond;
- C. The creation of a lien upon the Pledged Revenues ranking prior to the lien or pledge created by the authorizing Bond Ordinance; or
- D. A reduction of the principal amount of the Bonds required for consent to such amendatory ordinance. Any amendment to the authorizing Bond Ordinance which is not inconsistent with the terms hereof, may be made by resolution of the County Commission; any other amendment to the authorizing Bond Ordinance shall be made by subsequent ordinance of the County Commission.

*Defeasance.* When all principal, interest and prior redemption premiums, if any, in connection with the Bonds authorized have been duly paid, the pledge and lien for the payment of the Bonds shall be discharged and the Bonds shall no longer be deemed to be outstanding within the

meaning of the authorizing Bond Ordinance. The County shall receive an opinion from nationally recognized bond counsel that the defeasance does not adversely affect the exclusion from income of interest on the Bonds for federal income tax purposes. Payment shall be deemed made with respect to the Bonds when the County Commission 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, interest and prior redemption premiums, if any, as the same become due to their final maturities or upon designated redemption dates. The sufficiency of such amount shall be verified by an opinion, which opinion shall be conclusively presumed accurate as to the sufficiency of said deposit, addressed to the County from an Independent Accountant. Any federal securities shall become due when needed in accordance with a schedule agreed upon between the County Commission and such bank at the time of the creation of the escrow. Federal securities within the meaning of Section 32 of the Bond Ordinance shall include only direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America.

### **PLEDGED REVENUES**

The Bonds are payable and collectible solely from the revenues derived from the three-eighths ( $3/8^{\text{th}}$ ) increment of the County Hold Harmless Gross Receipts Tax levied by the County pursuant to Section 7-20E-28, NMSA 1978, imposed on persons engaging in business in the County, which revenues are remitted monthly by the Revenue Division of the Department to the County as authorized by Sections 7-1-6.1 and 7-1-6.13, NMSA 1978, and which remittances currently equal three-eighths ( $3/8^{\text{th}}$ ) of one percent (1%) or (0.375%) of the taxable gross receipts reported for the County for the month for which such remittance is made.

The County imposed the County Hold Harmless Gross Receipts Tax pursuant to Ordinance No. 92 adopted on February 17, 2015. Pursuant to state statute, the County Hold Harmless Gross Receipts Tax became effective July 1, 2015. The New Mexico Department of Taxation and Revenue collects the County Hold Harmless 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 (3%) of the tax collected, in the month following the month of collection.

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

*Exemptions.* 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 (25th) 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.

*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 thirty (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 sixty (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 fifteen percent (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 ten (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.

### **County Hold Harmless Gross Receipts Tax Revenues**

The estimated amount of County Hold Harmless Gross Receipts Tax Revenues the County would have received for each of the past five fiscal years are as follows:

| Fiscal Year<br><u>Ended June 30</u> | County Hold Harmless<br>Gross Receipts<br><u>Tax Revenues</u> |
|-------------------------------------|---|
| 2016*                               | \$1,142,196   |
| 2015**                              | \$1,266,104   |
| 2014**                              | \$1,227,323   |
| 2013**                              | \$1,234,879   |
| 2012**                              | \$1,406,167   |
| 2011**                              | \$1,218,338   |

Source: Luna County.

\* Estimate based on 3/8th of one percent (0.375%) of the County's taxable gross receipts in Fiscal Year 2016. Estimate also assumes the County will not receive its food and medical hold harmless distribution from the State going forward because the County has chosen to impose three 1/8<sup>th</sup> increments of Hold Harmless Gross Receipts Tax for a total imposition of 0.375%.

\*\*Estimate based on the historical revenues of the first increment of the County's County Share Gross Receipts tax which is equal to 1/8<sup>th</sup> or 0.125% and then multiplying that number by three to equal the newly enacted 3/8<sup>th</sup> or 0.375% Hold Harmless Gross Receipts Tax.

There can be no assurance that County Hold Harmless Gross Receipts Tax Revenues received by the County in the future will equal or exceed the estimated amounts set forth above.

### Historical Gross Receipts Tax Rates

| <u>As of</u> | State of<br><u>New Mexico*</u> | County of<br><u>Luna</u> |
|--------------|--------------------------------|--------------------------|
| July 2016    | 5.125%                         | 6.8750%                  |
| July 2015    | 5.125%                         | 6.8750%                  |
| July 2014    | 5.125%                         | 6.5000%                  |
| July 2013    | 5.125%                         | 6.5000%                  |
| July 2012    | 5.125%                         | 6.5000%                  |

\*The Gross Receipts Tax for Luna County is included in the State of New Mexico Gross Receipts Tax.  
Source: State of New Mexico Taxation and Revenue Department.

### 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.

| <u>Fiscal Year</u> | <u>Total Taxable<br/>Gross<br/>Receipts</u> |
|--------------------|---|
| 2016               | \$298,885,518                               |
| 2015               | \$305,957,622                               |
| 2014               | \$293,369,872                               |
| 2013               | \$306,832,097                               |
| 2012               | \$335,473,724                               |

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

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

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.

### **EXISTING COUNTY DEBT**

The County's debt outstanding as of June 30, 2016 consists of the following:

|                                     | <u>Amount<br/>Outstanding</u> | <u>Final Maturity</u> |
|-------------------------------------|-------------------------------|-----------------------|
| Judicial Bond 2007A                 | \$3,320,000                   | July 2032             |
| Entertainment Complex 2015-Refunded | \$5,565,000                   | July 2029             |
| GRT Improvement Bonds 2015A         | \$1,000,000                   | December 2025         |
| NMFA Loan                           | \$208,394                     | May 2017              |

Source: Luna County.

### **HISTORICAL GENERAL FINANCIAL INFORMATION FOR THE COUNTY**

The data 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 chart is included for information purposes only.***

## General Fund Statement of Revenues, Expenditures and Changes in Fund Balances

|  | 2011               | 2012               | 2013               | 2014               | 2015               |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b><u>Revenues</u></b>                       |                    |                    |                    |                    |                    |
| Property taxes                               | \$6,999,801        | \$7,276,034        | \$8,011,779        | \$7,791,293        | \$7,884,447        |
| State shared taxes                           | 1,209,462          | 1,277,270          | 1,051,056          | 540,093            | 582,708            |
| Small counties assistance                    | 143,000            | 148,000            | 148,000            | 169,000            | 205,000            |
| Intergovernmental                            | 414,746            | 34,169             | 460,049            | 375,664            | 400,000            |
| Charges for Services                         | 315,719            | 168,718            | 157,013            | 136,530            | 137,489            |
| Interest Income                              | 79,916             | 71,797             | -                  | -                  | 125,838            |
| Federal grants                               | 189,439            | 45,961             | 50,139             | -                  | -                  |
| Investment earnings                          | -                  | -                  | (21,408)           | 104,336            | -                  |
| State grants/sources                         | 45,604             | 5,246              | 54,151             | 10,000             | 70,203             |
| Other grants                                 | -                  | -                  | -                  | 11,000             | -                  |
| Rental income                                | 99,780             | 72,074             | 85,780             | 129,535            | 146,679            |
| Sale of County property                      | -                  | -                  | 350,000            | 825,087            | -                  |
| Other income                                 | 271,368            | 581,218            | 249,987            | 252,576            | 228,703            |
| <i>Total Revenues</i>                        | <i>9,768,835</i>   | <i>9,680,487</i>   | <i>10,596,546</i>  | <i>10,345,114</i>  | <i>9,781,067</i>   |
| <b><u>Expenditures</u></b>                   |                    |                    |                    |                    |                    |
| Current:                                     |                    |                    |                    |                    |                    |
| General Government                           | 3,829,432          | 4,354,980          | 4,162,939          | 4,315,363          | 4,237,169          |
| Public Safety                                | 3,007,351          | 3,077,955          | 3,864,786          | 3,671,389          | 3,473,131          |
| Public Works                                 | 652,870            | 628,853            | 702,968            | 786,900            | 759,828            |
| Health and Welfare                           | -                  | -                  | -                  | -                  | -                  |
| Culture and Recreation                       | -                  | -                  | -                  | -                  | -                  |
| Debt Service                                 |                    |                    |                    |                    |                    |
| Principal                                    | -                  | -                  | -                  | -                  | -                  |
| Interest                                     | -                  | -                  | -                  | -                  | -                  |
| Capital Outlay                               | 49,703             | 128,417            | 88,718             | 158,421            | -                  |
| <i>Total Expenditures</i>                    | <i>7,539,356</i>   | <i>8,190,205</i>   | <i>8,819,411</i>   | <i>8,932,073</i>   | <i>8,470,128</i>   |
| Excess of Revenues Over (Under) Expenditures | 2,229,479          | 1,490,282          | 1,777,135          | 1,413,041          | 1,310,939          |
| <b><u>Other Financing Sources (Uses)</u></b> |                    |                    |                    |                    |                    |
| Transfers in                                 | -                  | -                  | -                  | 148,035            | 40,039             |
| Transfers (out)                              | (757,412)          | (653,276)          | (2,185,582)        | (1,052,732)        | (488,200)          |
| Loan Proceeds                                | -                  | -                  | -                  | -                  | -                  |
| <i>Total other financing sources (uses)</i>  | <i>(757,412)</i>   | <i>(653,276)</i>   | <i>(2,185,582)</i> | <i>(904,697)</i>   | <i>(448,161)</i>   |
| Net change in fund balance                   | 1,472,067          | 837,006            | (408,447)          | 508,344            | 862,778            |
| <b><i>Fund Balance-Beginning of year</i></b> | <i>4,334,692</i>   | <i>5,806,759</i>   | <i>6,643,765</i>   | <i>6,235,318</i>   | <i>6,743,662</i>   |
| Fund Balance- restated                       | -                  | -                  | -                  | -                  | -                  |
| <b><i>Fund balance- end of year</i></b>      | <i>\$5,806,759</i> | <i>\$6,643,765</i> | <i>\$6,235,318</i> | <i>\$6,743,662</i> | <i>\$7,635,070</i> |

Source: County's audited financial statements for fiscal years ended June 30, 2011-2015.

## THE COUNTY

### General

The County is a county created under the laws of New Mexico. The County was established in 1901. The County is located in southwest New Mexico and has an area of 2,950 square miles. The County Commission appoints the County Manager. Access to the County is provided by U.S. Highways 10, 180 and state highways NM 9, 11 and 26.

### County Administration

Pursuant to State law, the County is governed by the County Commission which is composed of three commissioners, one of whom is designated as the chairman. Each commissioner is elected by the eligible voters residing within such commissioner's district and the chairman is elected by the commissioners from their membership. Members of the County Commission are elected every four years. The current members of the County Commission, as well as other current officials of the County, are as follows:

|                             | <u>Term Expires</u> |
|-----------------------------|---------------------|
| Joe L. "Oleo" Milo, Member  | December 31, 2018   |
| Linda Smrkovsky, Member     | December 31, 2018   |
| R. Javier Diaz, Chairman    | December 31, 2016   |
| Ira Pearson, County Manager | Appointed Position  |
| Dora Madrid, Treasurer      | December 31, 2016   |
| Andrea Rodriguez, Clerk     | December 31, 2016   |

The County has 225 full-time employees including the County Manager, the County Clerk, the County Treasurer, the County Assessor, the County Sheriff and other employees in the areas of building and grounds, road/sanitation, data processing and law enforcement. The County Attorney is an independent contractor. The County's law enforcement department includes the County Sheriff, two Captains, and 30 officers. There are 14 dispatch employees. Fire-fighting services in the County are provided by 2 volunteer fire departments and each of those have a sub-station.

### Public Employee Retirement Association

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

Plan members are required to contribute 16.30% for law enforcement and fire protection employees; and 9.15% for municipal employees of their gross salary. The County is required to contribute 18.5% for law enforcement and fire protection plan members; and 9.15% for municipal plan members of the gross covered salary. The contribution requirements of plan members and Luna County are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The County's contributions to PERA for the fiscal years ending June 30, 2015, 2014, and 2013 were \$846,760, \$841,080, and \$807,570, respectively, which equal the amount of the 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. However, on June 25, 2012, the Governmental Accounting Standards Board approved Statement No. 68 which requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. Statement No. 68 requires cost-sharing employers, such as the County, to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. Statement No. 68 is effective for fiscal years beginning after June 15, 2014.

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. The report is also available from PERA's website at

Actuarial information is shown below:

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

|  |                  |
|--|------------------|
| Membership <sup>1</sup>                  | 106,999          |
| Actuarial Information                    |                  |
| Actuarial Accrued Liability <sup>2</sup> | \$18,786,486,550 |
| Actuarial Value of Assets                | \$14,074,919,042 |
| Unfunded Actuarial Accrued Liability     | \$4,711,567,508  |
| Funded Ratio                             | 74.9%            |

<sup>1</sup> Includes both state and municipal divisions; includes both active members & retired beneficiaries.

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

Source: Public Employees Retirement Association.

As of June 30, 2012, PERA has an amortization or funding period of 128 years, based on the employer and member contribution rates in effect as of July 1, 2013. 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 74.9% as of June 30, 2015 and the unfunded accrued actuarial liability of the PERA Fund was approximately \$4.7 billion. As of June 30, 2014, the funded ratio was 75.8% and the unfunded accrued actuarial

liability of the PERA Fund was calculated to be approximately \$4.3 billion.

### **Post-Employment Benefits – State Retiree Health Care Plan**

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

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

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

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

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the RHCA Board. The Retiree Health Care Act is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an

enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4, or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary.

The County's contributions to RHCA for the year ending June 30, 2015, 2014 and 2013 were \$157,942, \$157,380 and \$156,180 respectively, which equal the required contributions for each year.

### **County Insurance Coverage**

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

## **ECONOMIC AND DEMOGRAPHIC STATISTICS**

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

### **Population**

The following chart shows historic population data for the County and the State.

|                    | Luna          |                   |
|--------------------|---------------|-------------------|
| <u>U.S. Census</u> | <u>County</u> | <u>New Mexico</u> |
| 2015*              | 24,518        | 2,085,109         |
| 2014               | 24,673        | 2,086,000         |
| 2013               | 24,659        | 2,087,000         |
| 2012               | 24,967        | 2,085,000         |
| 2011               | 25,146        | 2,078,000         |

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Source: U.S. Census Bureau Quickfacts.

\* Estimates as of July 1 of each year.

## Age Distribution

The following table sets forth the age distribution profile for Luna County and the State.

| <u>Percentage of Population</u> |                    |                   |                      |
|---------------------------------|--------------------|-------------------|----------------------|
| <u>Age</u>                      | <u>Luna County</u> | <u>New Mexico</u> | <u>United States</u> |
| 0-19                            | 32.6%              | 28.1%             | 26.9%                |
| 20-24                           | 5.0%               | 7.0%              | 7.0%                 |
| 25-44                           | 22.7%              | 25.1%             | 26.7%                |
| 45-54                           | 11.1%              | 13.9%             | 14.4%                |
| 55 and Older                    | 28.6%              | 25.9%             | 25.0%                |

Source: Bureau of the Census.

## Per Capita Personal Income

| <u>Year</u> | <u>Luna County</u> | <u>New Mexico</u> | <u>United States</u> |
|-------------|--------------------|-------------------|----------------------|
| 2014        | \$29,055           | \$37,091          | \$46,049             |
| 2013        | 27,830             | 35,254            | 44,438               |
| 2012        | 28,262             | 35,585            | 44,266               |
| 2011        | 27,650             | 34,556            | 42,453               |
| 2010        | 26,909             | 33,019            | 40,277               |
| 2009        | 25,292             | 32,293            | 39,376               |
| 2008        | 24,075             | 33,374            | 41,082               |
| 2007        | 23,269             | 31,832            | 39,821               |

Source: University of New Mexico Bureau of Business and Economic Research. New Mexico Department of Workforce Solutions. Bureau of Economic Analysis.

## Ten Largest Taxpayers

| Name of Taxpayer         | Nature of Property | 2015<br>Taxable<br>Assessed<br>Valuation | % of Total<br>2015 Taxable<br>Assessed<br>Valuation |
|--------------------------|--------------------|--|---|
| Union Pacific Railroad   | Railroad           | \$37,243,336                             | 6.79%   |
| Public Service Co. of NM | Electric Utility   | 30,110,393                               | 5.49%   |
| El Paso Natural Gas      | Pipeline           | 18,976,908                               | 3.46%   |
| Tucson Electric          | Electric Utility   | 16,421,883                               | 3.00%   |
| BN&SF Railroad           | Railroad           | 10,905,534                               | 1.99%   |
| SFPPLP                   | Pipeline           | 10,213,114                               | 1.86%   |
| El Paso Electric Company | Electric Utility   | 4,707,633                                | 0.86%   |
| Columbus Electric Co-op  | Electric Utility   | 4,304,207                                | 0.79%   |
| Qwest                    | Telephone          | 1,789,636                                | 0.33%   |
| NM RSA 5                 | Cellular           | 1,245,381                                | 0.23%   |
|                          |                    | <u>\$135,918,025</u>                     | <u>24.79%</u>                                       |

Source: State of New Mexico Taxation and Revenue Department.

## Employment

The following table provides a five-year history of employment in Luna County and the State.

| Year | Luna County |                    | State of New Mexico |                    | United States      |
|------|-------------|--------------------|---------------------|--------------------|--------------------|
|      | Labor Force | Percent Unemployed | Labor Force         | Percent Unemployed | Percent Unemployed |
| 2015 | 10,817      | 17.6%              | 919,889             | 6.6%               | 5.3%               |
| 2014 | 10,623      | 18.0%              | 921,380             | 6.7%               | 6.2%               |
| 2013 | 10,676      | 19.2%              | 923,685             | 7.0%               | 7.4%               |
| 2012 | 10,878      | 20.2%              | 928,739             | 7.1%               | 8.1%               |
| 2011 | 10,931      | 20.5%              | 930,356             | 7.5%               | 8.9%               |
| 2010 | 10,844      | 20.5%              | 936,088             | 8.1%               | 9.6%               |

Source: State of New Mexico Department of Workforce Solutions.

## Major Employers

The largest employers in Luna 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.

| <b>Employer</b>         | <b>Business</b>              | <b># of Employees</b> |
|-------------------------|------------------------------|-----------------------|
| Deming Public Schools   | School District              | 879                   |
| Border Foods            | Food Processor               | 300                   |
| Mimbres Memorial        | Hospital                     | 283                   |
| Luna County             | Government                   | 210                   |
| City of Deming          | Government                   | 170                   |
| U.S. Border Patrol      | Border Security              | 108                   |
| First NM Bank           | Banking                      | 45                    |
| Amigo's Mexican Foods   | Food processing              | 35                    |
| Wells Fargo Bank        | Banking                      | 30                    |
| Columbus Electric Coop. | Utility                      | 30                    |
| Luna Energy Facility    | Electric generating facility | 27                    |

Source: Luna County.

### Percent of Household by Effective Buying Income Groups

| Effective Buying<br>Income Group | New Mexico | United States |
|----------------------------------|------------|---------------|
| Under \$25,000                   | 29.57%     | 23.69%        |
| \$25,000 – 34,999                | 12.67%     | 11.10%        |
| \$35,000 – 49,999                | 16.55%     | 15.50%        |
| \$50,000 - 74,999                | 18.31%     | 19.49%        |
| \$75,000 and over                | 22.80%     | 30.22%        |

### Median Household Income

|                                      |          |          |
|--------------------------------------|----------|----------|
| 2014 Est. Median Household<br>Income | \$44,292 | \$51,579 |
| 2013 Est. Median Household<br>Income | \$43,273 | \$49,297 |
| 2012 Est. Median Household<br>Income | \$41,958 | \$49,581 |
| 2011 Est. Median Household<br>Income | \$42,030 | \$49,726 |
| 2010 Est. Median Household<br>Income | \$43,932 | \$52,795 |

Source: U.S. Census Bureau, American Fact Finder.

### Taxable Gross Receipts By Industry

| Classification                                | 2011       | 2012       | 2013       | 2014       | 2015       |
|---|------------|------------|------------|------------|------------|
| Agriculture, Forestry, Fishing<br>and Hunting | \$230,838  | \$260,151  | \$526,733  | \$400,377  | \$405,012  |
| Mining  | 96,429     | 76,431     | 651,801    | 1,711,079  | 701,476    |
| Utilities                                     | 24,114,680 | 26,463,533 | 28,220,364 | 26,078,083 | 31,649,902 |
| Construction                                  | 39,096,072 | 23,863,802 | 36,109,940 | 19,356,056 | 31,355,552 |
| Manufacturing                                 | 3,676,193  | 4,597,209  | 3,918,245  | 5,037,311  | 6,095,968  |
| Wholesale Trade                               | 7,229,617  | 7,142,395  | 4,038,153  | 4,550,570  | 3,793,835  |
| Retail Trade                                  | 86,883,332 | 88,478,755 | 90,518,318 | 94,462,846 | 93,742,893 |
| Transportation and<br>Warehousing             | 285,720    | 4,174,843  | 6,598,914  | 4,222,682  | 4,788,041  |
| Information                                   | 22,984,681 | 21,963,683 | 21,286,713 | 22,941,268 | 22,489,836 |
| Finance and Insurance                         | 1,883,409  | 1,395,365  | 2,074,470  | 1,942,068  | 1,892,134  |
| Real Estate Rental and<br>Leasing             | 2,558,497  | 2,413,067  | 2,520,227  | 3,803,672  | 3,566,469  |

**Taxable Gross Receipts By Industry (continued)**

| <b>Classification</b>  | <b>2011</b>        | <b>2012</b>        | <b>2013</b>        | <b>2014</b>        | <b>2015</b>        |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| Professional, Scientific, and Technical Services                         | 48,016,732         | 62,982,231         | 17,685,215         | 11,395,020         | 10,715,862         |
| Management of Companies and Enterprises                                  | 117,511            | 124,802            | 56,262             | 80,390             | 121,034            |
| Administrative and Support and Waste Management and Remediation Services | 1,712,827          | 1,740,083          | 3,145,662          | 3,007,110          | 3,159,824          |
| Educational Services   | 151,392            | 102,855            | 26,755             | 49,239             | 6,764              |
| Health Care and Social Assistance  | 22,859,761         | 21,975,360         | 25,246,749         | 28,246,615         | 29,095,191         |
| Arts, Entertainment, and Recreation                                      | 1,720,425          | 1,645,530          | 1,577,524          | 1,782,846          | 1,055,446          |
| Accommodation and Food Services  | 29,455,020         | 30,100,370         | 28,548,566         | 31,085,841         | 30,850,630         |
| Other Services (except Public Administration)                            | 32,087,098         | 32,974,409         | 30,693,669         | 31,175,638         | 27,327,302         |
| Public Administration  | 1,038,284          | 650,550            | 903,949            | 2,019,267          | 2,916,147          |
| Unclassified   | 89,928             | 169,123            | 126,867            | 21,893             | 225,652            |
| <b>Total</b>   | <b>326,288,444</b> | <b>333,294,545</b> | <b>304,475,096</b> | <b>293,369,872</b> | <b>305,954,970</b> |

Source: New Mexico Taxation and Revenue Department.

**Wage and Salary Employment**

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

| <b>Sector</b>                     | <b>2011</b> | <b>2012</b> | <b>2013</b> | <b>2014</b> | <b>2015</b> |
|-----------------------------------|-------------|-------------|-------------|-------------|-------------|
| Grand Total                       | 7,666       | 7,640       | 7,681       | 7,858       | 7,799       |
| Total Private                     | 5,468       | 5,470       | 5,568       | 5,778       | 5,705       |
| Ag. For. Fish. & Hunting          | 727         | 755         | 697         | 848         | 766         |
| Mining                            | *           | *           | *           | 15          | 16          |
| Utilities                         | 45          | 44          | 45          | 48          | 49          |
| Construction                      | 169         | 215         | 231         | 234         | 271         |
| Manufacturing                     | 975         | 954         | 924         | 879         | 915         |
| Wholesale Trade                   | 123         | 109         | 120         | 130         | 108         |
| Retail Trade                      | 1,166       | 1,140       | 1,147       | 1,127       | 1,121       |
| Transportation & Warehousing      | 147         | 141         | 168         | 144         | 154         |
| Information                       | *           | *           | *           | *           | *           |
| Finance & Insurance               | 102         | 103         | 107         | 111         | 116         |
| Real Estate & Rental & Leasing    | 64          | 63          | 57          | 58          | 62          |
| Professional & Technical Services | 155         | 141         | 137         | 153         | 131         |

**Wage and Salary Employment (continued)**

| <b>Sector</b>                             | <b>2011</b>  | <b>2012</b>  | <b>2013</b>  | <b>2014</b>  | <b>2015</b>  |
|---|--------------|--------------|--------------|--------------|--------------|
| Management of Companies & Enterprises     | *            | *            | *            | *            | *            |
| Administrative & Waste Services           | 50           | 57           | 75           | 78           | 77           |
| Educational Services                      | *            | *            | *            | *            | *            |
| Health Care & Social Assistance           | 785          | 815          | 911          | 904          | 959          |
| Arts, Entertainment & Recreation          | 87           | 81           | 87           | 95           | 51           |
| Accommodation & Food Services             | 719          | 716          | 724          | 835          | 791          |
| Other Services, ex. Public Administration | 101          | 88           | 84           | 79           | 77           |
| Unclassified                              | *            | *            | *            | *            | *            |
| <b>Total Government</b>                   | <b>2,197</b> | <b>2,170</b> | <b>2,112</b> | <b>2,080</b> | <b>2,094</b> |
| Federal                                   | 574          | 567          | 560          | 528          | 473          |
| State                                     | 291          | 285          | 291          | 296          | 298          |
| Local                                     | 1,332        | 1,318        | 1,262        | 1,257        | 1,323        |

Source: New Mexico Department of Workforce Solutions.

**TAX EXEMPTION****General**

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

### **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 2016, and to provide certain annual financial information and operating data relating to the County by April 1 of each year, and (ii) to provide timely notice of certain enumerated events, if material.

The County has previously entered into continuing disclosure undertaking with respect to its \$4,515,000 Correctional Facility Gross Receipts Tax Revenue Bonds, Series 2007A (the "Series 2007A Bonds"), \$7,165,000 Taxable Capital Outlay Gross Receipts Tax Revenue Bonds, Series 2007B (the "Series 2007B Bonds") and \$3,670,000 Gross Receipts Tax Revenue Bonds, Series 1998 (the "Series 1998 Bonds"). The County's undertakings with respect to the Series 2007A Bonds and Series 2007B Bonds required the County to provide certain annual financial information and operating data within 270 days of the County's fiscal year end. The County's filings for Fiscal Years 2011 through 2015 omitted certain information relating to the County set forth in the tables entitled "THE LOCAL ECONOMY" in the Official Statements for the Series

2007A and Series 2007B Bonds. The County inadvertently omitted some operating information for FY 2011-2015, this information has now been filed with EMMA and policies and procedures have been put in place. The omitted information is being filed in the County's supplemental financial information filing for Fiscal Year 2015. The County did not timely file its audited financials or required annual financial information for fiscal years 2011 through 2015. On March 31, 2014 and September 1, 2016, the County posted corrective failure to provide annual information disclosures related to the Series 2007A and Series 2007B Bonds for Fiscal Years 2011 through 2013. The County filed its audited financial statements for Fiscal Years 2011 through 2013 at this time. For Fiscal Years 2013 through 2015, the County filed its audited financial statements and required annual financial information on March 31 of each year. This constituted a late filing as the continuing disclosure undertakings required a filing within 270 days of the conclusion of each fiscal year, which was a few days prior to March 31 of each year. The late filings occurred as a result of a misunderstanding of the filing due date. The County was under the impression that annual filings were due on March 31st of every year as opposed to the 270 days after the end of the County's fiscal year as specified in the Official Statements for the Series 2007A and Series 2007B Bonds.

On March 24, 2011, S&P Global Ratings, a Standard & Poor's Financial Services LLC Business, revised its outlook on the Series 2007A and Series 2007B Bonds from A- stable to A- negative. On August 29, 2013, S&P Global Ratings revised its outlook on the Series 2007A and Series 2007B Bonds from A- negative to A- stable. No filings were made on the rating changes. On March 18, 2014, S&P Global Ratings upgraded Assured Guaranty Corporation's rating from AA- to AA. On November 30, 2011, S&P Global Ratings downgraded Assured Guaranty Corporation's rating from AA+ to AA-. The County did not provide notice to the market of the downgrade and subsequent upgrade of Assured Guaranty Corporation, which insured certain outstanding obligations of the County.

The County has reviewed its filing requirements pursuant to prior undertakings and has implemented procedures to facilitate compliance with all future undertakings and prior undertakings in all material respects.

## **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.

## **RATINGS**

Moody's Investors Service has assigned its municipal bond rating of "A3". The rating reflects only the view of such rating agency, and an explanation of the significance of such rating may be obtained only from Moody's Investors Services, Inc., 7 World Trade Center, New York, New York 10007, Telephone 212-553-0300, website [www.moodys.com](http://www.moodys.com). There is no assurance that such rating will be continued for any given period of time or that it will not be revised downward or withdrawn entirely by Moody's Investors Services, Inc. if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of the rating may have an adverse effect on the market price of the Bonds.

S&P Global Ratings, a Standard & Poor's Financial Services LLC Business ("S&P") has assigned the Bonds a rating of "A-". Such ratings reflect only the views of such organization and are not a recommendation to buy, sell or hold the Bonds. Any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following address: Standard & Poor's Ratings Services, 55 Water Street, New York, New York 10041, Telephone: (212) 438-2076.

## **LEGAL MATTERS**

The County has engaged Melendres & Melendres, P.C., 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 Jonlyn Martinez, Esq., the County's Attorney. Certain legal matters will be passed upon for the Underwriters by Modrall, Sperling, Roehl, Harris & Sisk, P.A.

## **TRANSCRIPT AND CLOSING DOCUMENTS**

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

## **UNDERWRITING**

The Series 2016 Bonds are being purchased by RBC Capital Markets, LLC as representative of the Underwriters (the "Underwriters"). The Underwriters have agreed to purchase the Series 2016 Bonds at a price of \$\_\_\_\_\_ (representing the par amount of the Series 2016 Bonds of \$\_\_\_\_\_, plus a net original issue premium of \$\_\_\_\_\_, less an Underwriters' discount of \$\_\_\_\_\_). The Bond Purchase Agreement relating to the Series 2016 Bonds provides that the Underwriters will purchase all of the Series 2016 Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in said Bond Purchase Agreement, the approval of certain legal matters by counsel and certain other conditions.

The Underwriters may offer and sell the Series 2016 Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed from time to time by the Underwriters.

The Underwriters and their respective affiliates are full-service financial institutions engaged in various activities that may include securities trading, commercial and investment banking, municipal advisory, brokerage, and asset management. In the ordinary course of business, the Underwriters and their respective affiliates may actively trade debt and, if applicable, equity securities (or related derivative securities) and provide financial instruments (which may include bank loans, credit support or interest rate swaps). The Underwriters and their respective affiliates may engage in transactions for their own accounts involving the securities and instruments made the subject of this securities offering or other offering of the Issuer. The Underwriters and their respective affiliates may make a market in credit default swaps with respect to municipal securities in the future. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and publish independent research views in respect of this securities offering or other offerings of the Issuer.

## **BOND INSURANCE**

### **Bond Insurance Risk Factors**

The Issuer has applied for a bond insurance policy to guarantee the scheduled payment of principal and interest on the Bonds. The Issuer has yet to determine whether an insurance policy will be purchased with the Bonds. If an insurance policy is purchased, the following are risk factors relating to bond insurance.

In the event of default of the payment of principal or interest with respect to the Bonds when all or some becomes due, any owner of the Bonds shall have a claim under the applicable Bond Insurance Policy (the “Policy”) for such payments. However, in the event of any acceleration of the due date of such principal by reason of mandatory or optional redemption or acceleration resulting from default or otherwise, other than any advancement of maturity pursuant to a mandatory sinking fund payment, the payments are to be made in such amounts and at such times as such payments would have been due had there not been any such acceleration. The Policy does not insure against redemption premium, if any. The payment of principal and interest in connection with mandatory or optional prepayment of the Bonds by the issuer which is recovered by the issuer from the bond owner as a voidable preference under applicable bankruptcy law is covered by the insurance policy, however, such payments will be made by the Insurer at such time and in such amounts as would have been due absence such prepayment by the Issuer unless the Bond Insurer chooses to pay such amounts at an earlier date.

Under most circumstances, default of payment of principal and interest does not obligate acceleration of the obligations of the Bond Insurer without appropriate consent. The Bond Insurer may direct and must consent to any remedies and the Bond Insurer’s consent may be required in connection with amendments to any applicable bond documents.

In the event the Bond Insurer is unable to make payment of principal and interest as such payments become due under the Policy, the Bonds are payable solely from the moneys received pursuant to the applicable bond documents. In the event the Bond Insurer becomes obligated to make payments with respect to the Bonds, no assurance is given that such event will not adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds.

The long-term ratings on the Bonds are dependent in part on the financial strength of the Bond Insurer and its claim paying ability. The Bond Insurer's financial strength and claims paying ability are predicated upon a number of factors which could change over time. No assurance is given that the long-term ratings of the Bond Insurer and of the ratings on the Bonds insured by the Bond Insurer will not be subject to downgrade and such event could adversely affect the market price of the Bonds or the marketability (liquidity) for the Bonds. See description of RATINGS herein.

The obligations of the Bond Insurer are general obligations of the Bond Insurer and in an event of default by the Bond Insurer, the remedies available may be limited by applicable bankruptcy law or other similar laws related to insolvency.

Neither the Issuer or Underwriter have made independent investigation into the claims paying ability of the Bond Insurer and no assurance or representation regarding the financial strength or projected financial strength of the Bond Insurer is given. Thus, when making an investment decision, potential investors should carefully consider the ability of the Issuer to pay principal and interest on the Bonds and the claims paying ability of the Bond Insurer, particularly over the life of the investment. See "Bond Insurance" herein for further information provided by the Bond Insurer and the Policy, which includes further instructions for obtaining current financial information concerning the Bond Insurer.

#### **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 700 S. Silver Ave., Deming, NM 88030 or at the offices of George K. Baum, & Company, 6565 Americas Parkway NE, Suite 860, 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 has been authorized by the Board of County Commissioners of Luna County, New Mexico. The Official Statement is duly approved by the Commissioners as of the date on the cover page hereof.

### **LUNA COUNTY**

By: /s/ \_\_\_\_\_  
Chair

## **APPENDIX A - Form of Legal Opinion**



**Melendres & Melendres, P.C.**

October \_\_, 2016

Board of County Commissioners  
Luna County  
700 S. Silver Ave.  
Deming, NM 88030

Re: \$12,000,000 Luna County, New Mexico Gross Receipts Tax Revenue Bonds, Series 2016

Gentlemen and Lady:

We have acted as bond counsel in connection with the issuance by Luna County, New Mexico (the "Issuer") of its Gross Receipts Tax Improvement Revenue Bonds, Series 2016, dated September 8, 2016, in the aggregate principal amount of \$12,000,000 (the "Bonds"), pursuant to, Sections 4-37-1, 4-62-1 through 4-62-5 and Section 7-20E-28, NMSA 1978, as amended (collectively, the "Act"), and Ordinance No. 93 of the Issuer adopted March 3, 2015 and Resolution No. 16-\_\_\_\_\_ of the Issuer adopted September 8, 2016 (collectively, the "Bond Ordinance"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon the representations of the Issuer contained in the Bond Ordinance and in the certified proceedings and other certifications of public officials furnished to us without undertaking to verify the same by independent investigation. Except as expressly defined herein, capitalized terms not defined herein have the meanings given them in the Bond Ordinance.

In connection with the issuance of this opinion, we have assumed the authenticity and genuineness of all signatures on original documents and the conformity of all copies to the original documents.

Based upon the foregoing, and subject to the assumptions and qualifications set forth below, we are of the opinion, under existing law, as follows:

1. The Issuer is duly created and validly existing as a county and political subdivision of the State of New Mexico with the power and authority to adopt the Bond Ordinance, perform the agreements on its part contained therein, and issue the Bonds.

2. The Bond Ordinance has been duly adopted by the Issuer and constitutes a valid and binding special, limited obligation of the Issuer enforceable upon the Issuer.

3. Pursuant to the Act, the Bond Ordinance creates a legally binding and valid lien on the Pledged Revenues pledged by the Bond Ordinance and the Bonds for the security of the Bonds.

4. The Bonds have been duly authorized, executed and delivered by the Issuer and are valid and binding special, limited obligations of the Issuer, payable solely from the sources provided therefor in the Bond Ordinance. As more fully described in the Bond Ordinance, the Bonds are payable as to principal, interest, and any prior redemption premium solely from, and are secured by a first lien pledge (but not an exclusive first lien pledge) of Pledged Gross Receipts Tax Revenues of the County. The owners of the Bonds have no rights to have taxes levied by the County for the payment of principal, interest, and any prior redemption premium 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.

5. Under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is excluded from gross income for federal income tax purposes. We are also of the opinion that the interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; however, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining adjusted current earnings. The opinions set forth in the preceding sentence are subject to the condition that the Issuer comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. Although we are of the opinion that interest on the Bonds is excluded 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 other federal tax consequences arising with respect to the Bonds.

6. The interest on the Bonds is exempt from taxation by the State of New Mexico under present State of New Mexico laws.

The opinions expressed herein are based upon existing law as of the date of issuance and delivery of the Bonds. We express no opinion as of any date subsequent hereto, and our engagement with respect to the Bonds concludes with their issuance. We disclaim any obligation to update this opinion.

The obligations of the County related to the Bonds are subject to the reasonable exercise in the future by the State and its governmental bodies of the police power inherent in the sovereignty of the State and to exercise by the United States of the powers (including bankruptcy powers) delegated to it by the United States Constitution. The obligations of the County and the security

provided therefor, as contained in the Bond Ordinance, may be subject to general principles of equity which permit the exercise of judicial discretion and are subject to the provisions of applicable bankruptcy, insolvency, reorganization, moratorium or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect.

The foregoing opinions represent our legal judgment based upon a review of existing legal authorities as of the date of issuance and delivery of the Bonds that we deem relevant to render such opinions and are not a guarantee of result. We express no opinion with respect to any pending litigation.

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

Respectfully submitted,

Melendres & Melendres, P.C.

**APPENDIX B - County's Audited Financial Report, June 30, 2015**

# **STATE OF NEW MEXICO**

## **COUNTY OF LUNA**

### **FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION**

**JUNE 30, 2015**

**COUNTY OF LUNA**  
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**COUNTY OF LUNA**  
**OFFICIAL ROSTER**  
**JUNE 30, 2015**

**ELECTED OFFICIALS**

| <b><u>Name</u></b>             | <b><u>Title</u></b>               |
|--------------------------------|-----------------------------------|
| <i>Joe L. "Oleo" Milo, Jr.</i> | <i>Chairman</i>                   |
| <i>R. Javier Diaz</i>          | <i>Member</i>                     |
| <i>Linda M. Smrkovsky</i>      | <i>Member</i>                     |
| <i>Andrea Rodriguez</i>        | <i>County Clerk</i>               |
| <i>Dora Madrid</i>             | <i>County Treasurer</i>           |
| <i>Delilah Rojo</i>            | <i>County Assessor</i>            |
| <i>John Mooradian</i>          | <i>County Sheriff</i>             |
| <i>Charles "Tink" Jackson</i>  | <i>County Manager</i>             |
| <i>Martin Miller</i>           | <i>County Road Superintendent</i> |

**INDEPENDENT AUDITORS' REPORT**

Mr. Tim Keller, State Auditor and  
The Mayor and County Commissioners  
County of Luna  
Deming, New Mexico

**Report on Financial Statements**

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 the County of Luna, as of and for the year ended June 30, 2015, and the related notes to the financial statements which collectively comprise the County of Luna's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the County of Luna's nonmajor governmental, nonmajor enterprise, and the budgetary comparisons for the major capital project fund, major proprietary funds, and all nonmajor funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2015, as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of Luna, as of June 30, 2015, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental and nonmajor enterprise funds of the County of Luna as of June 30, 2015, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the major capital projects fund, major proprietary funds, and all nonmajor funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 13 and the pension liability schedules on pages 54 through 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

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

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

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 28, 2015 on our consideration of the County of Luna's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County of Luna's internal control over financial reporting and compliance.

*Kriegel/Gray/Shaw & Co., P.C.*

Kriegel/Gray/Shaw & Co., P.C.  
Las Cruces, New Mexico  
October 28, 2015

**COUNTY OF LUNA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2015**

As management of County of Luna, we offer readers of County of Luna's financial statements this narrative overview and analysis of the financial activities of County of Luna for the fiscal year-ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with the financial statements of County of Luna and additional information provided.

**FINANCIAL HIGHLIGHTS**

- The assets and deferred inflows of County of Luna exceeded its liabilities and deferred outflows at the close of the most recent fiscal year by \$41,356,109 (*net position*). Of this amount, \$13,358,933 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- Revenues for governmental activities decreased by \$64,221 from the prior year.
- Expenditures for governmental activities decreased \$636,755 from the prior year.
- As of June 30, 2015, the County's governmental funds reported combined ending fund balances of \$22,456,490.
- At the close of the current fiscal year, unassigned balance of the general fund was \$7,635,070.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to County of Luna's basic financial statements. County of Luna'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 themselves.

**Government-Wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of County of Luna finances, in a manner similar to a private-sector business.

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

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

Both of the government-wide financial statements distinguish functions of County of Luna 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 County of Luna include general government public safety, public works, and health and welfare. The business-type activity of the County includes a detention facility.

**COUNTY OF LUNA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2015**

**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. County of Luna, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of County of Luna 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 and outflows of spendable resources*, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in determining what financial resources are available in the near future to finance the County's programs.

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 funds balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

County of Luna maintains 27 individual governmental funds organized according to their type (special revenue, debt service, and capital projects). Information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the General Fund, Road Fund, County Maintenance Fund, and Entertainment Complex Bond all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

County of Luna adopts an annual appropriated budget for its general fund and all other funds. A budgetary comparison statement has been provided for the General Fund, Road Fund, County Maintenance Fund and Entertainment Complex Bond to demonstrate compliance with this budget. In addition, the individual financial statements of the non-major governmental fund types include budgetary comparison data.

**Proprietary Funds.** Proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses proprietary funds to account for the Detention Center, the Entertainment Complex, the Commissary, and the Columbus Import/Export Stockyards of the County.

**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 County of Luna's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

County of Luna fiduciary funds account for the collection of property taxes and special fees at the detention facility and their remittance to other governmental agencies.

**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.

**Combining Statements.** The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements.

**COUNTY OF LUNA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2015**

**Analysis of Net Position**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of County of Luna, net position increased from the prior year by \$4,200,084 to total \$37,156,025 at the close of the current fiscal year.

A large portion of County of Luna's net position represents the County's investment of \$33,659,670 (net of accumulated depreciation) in capital assets (e.g., land improvements, buildings, infrastructure and machinery and equipment); less any related outstanding debt used to acquire those assets. County of Luna uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although, County of Luna's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The balance of *unrestricted net position* \$13,358,933 may be used to meet the government's ongoing obligations to citizens and creditors.

**Analysis of Changes in Net Position**

The County's net position, overall, increased by \$4,200,084 during the current fiscal year. This net increase is explained below.

**Governmental Activities.** During the fiscal year, revenues in the Governmental Activities increased slightly with the most significant increase in operating and capital grants. Total Expenditures for Governmental Activities decreased during the year and total revenues exceeded total expenditures by \$3,249,648. Property taxes and state-shared taxes contributed \$12,396,666 to fund the \$9,522,328 net program expense associated with governmental activities.

Governmental revenues, the majority of which are taxes, are not directly associated with any governmental function. Property tax revenue and state shared taxes increased 2% as compared to the prior year.

Investment earnings decreased by more than 30% in the fiscal year ended June 30, 2015. The primary cause for this decrease was a decrease in the market value of the investment portfolio.

**Business-Type Activities.** Business-type activities increased the County's net position by \$950,436. The key element of this increase was due to an increase in detention revenues. Business-type activities expenses decreased by \$330,063 due to cost containment measures in all funds.

**COUNTY OF LUNA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2015**

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

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

**Governmental Funds.** The focus of County of Luna's *governmental funds* is to provide information on near-term inflows, outflows and balances of *spendable resources*. Such Information is useful in assessing County of Luna's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the County include the General Fund, Special Revenue Funds, Capital Project Funds, and Debt Service Funds.

As of the end of the current fiscal year, County of Luna's governmental funds reported combined ending fund balances of \$22,456,490, an increase of \$1,509,728 from the prior year. The increase is primarily due to a concerted effort to control expenditures even though revenues increased.

Revenues for governmental functions overall totaled \$19,847,577, in the fiscal year ended June 30, 2015, which represents an increase of \$333,479 (after restatements) from the fiscal year ended June 30, 2014, due to increases in state grant funds. Expenditures for governmental functions totaled \$16,295,204. This was a decrease of \$1,543,419 from the fiscal year ended June 30, 2014 resulting from a concentrated effort to minimize expenses throughout the County. In the fiscal year ended June 30, 2015, revenues for governmental functions exceeded expenditures by \$3,249,648.

The General Fund is the chief operating fund of County of Luna. At the end of the current fiscal year, *unassigned* fund balance of the General Fund was \$7,635,070. The fund balance of County of Luna's General Fund increased by \$862,778 during the current fiscal year. This increase is primarily due to a decrease in transfers to other funds.

The Road Fund has a total fund balance of \$1,535,150. The net increase in fund balance during the current year in the Road Fund was \$386,151. This increase is due to the reduction in expenditures.

The County Maintenance Fund has a total fund balance of \$6,330,186. The net increase in fund balance during the current year in the County Maintenance Fund was \$190,957. This increase is due to an increase in capital grants.

The Entertainment Complex Bond has a total fund balance of \$609,611. The net decrease is due to bond funding activity.

**Proprietary Funds.** The County's Proprietary Funds provide the same type of information found in the government-wide financial statements, but in more detail.

At the end of the fiscal year, the total unrestricted net position for the Proprietary Funds was (\$1,584,683). The total increase in net position for the Proprietary Funds was \$950,436. The factors concerning the finances of these funds have been addressed previously in the discussion of the County's business-type activities.

**Fiduciary Funds.** The County maintains fiduciary funds for the assets of various agency funds. Changes to the fiduciary funds were immaterial for the fiscal year.

**COUNTY OF LUNA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2015**

**Budgetary Highlights**

The State of New Mexico budget process is defined under State law and regulation. To enhance the process of developing a budget at the county level, County of Luna utilizes goals and objectives defined by the County Commissioners; community input meetings, long-term plans and input from various staff groups to develop the County budget. County priorities are well defined through this process.

**General Fund Budgetary Highlights.** The General Fund accounts for all of the general services provided by the County of Luna.

The County has found it necessary to modify the budget at various times throughout the fiscal year. This is done with resolutions of the Board of County Commissioners. The following chart shows the adjustments for the year.

| Type               | Original<br>Budget | Final<br>Budget    | Modification    | Reason                     |
|--------------------|--------------------|--------------------|-----------------|----------------------------|
| General Government | \$4,585,594        | \$4,601,345        | \$15,751        | Various expenditure needs. |
| Public Safety      | 3,952,737          | 3,960,795          | 8,058           | Various expenditure needs. |
| Public Works       | 845,689            | 845,689            | 0               | N/A                        |
| Capital Outlay     | 174,327            | 174,327            | 0               | N/A                        |
| <b>Totals</b>      | <b>\$9,558,347</b> | <b>\$9,582,156</b> | <b>\$23,809</b> |                            |

**Budget and Actual Revenue by Source – General Fund**

General government expenditures include all administrative functions of the County, which include: County Commissioners, Administration, Finance, Maintenance, Public Safety, and Road Repairs.

**Capital Asset and Debt Administration**

**Capital Assets.** County of Luna's capital assets for its governmental and business-type activities as of June 30, 2015 amount to \$33,659,670 (net of accumulated depreciation). Capital assets include land, land improvements, buildings, machinery, equipment and infrastructure. The total increase in the County's capital assets (excluding accumulated depreciation) for the current fiscal year was \$659,705 for governmental activities. The total increase in business-type capital assets (excluding accumulated depreciation) for the current fiscal year was \$473,634.

**COUNTY OF LUNA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2015**

**Capital Assets Net of Depreciation**  
**June 30, 2015**

|   | Governmental<br>Activities | Business-Type<br>Activities | Totals              |
|---|----------------------------|-----------------------------|---------------------|
| Land and Construction in Progress                             | \$5,698,585                | \$719,714                   | \$6,418,299         |
| Buildings and Improvements                                    | 13,953,313                 | 11,386,499                  | 25,339,812          |
| Leasehold Improvements  | 0                          | 17,230                      | 17,230              |
| Equipment and Furnishings                                     | 1,675,001                  | 209,328                     | 1,884,329           |
| <b><i>Capital Assets, net of Accumulated Depreciation</i></b> | <b>\$21,326,899</b>        | <b>\$12,332,771</b>         | <b>\$33,659,670</b> |

For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures. See Note 5 in the accompanying Notes to the Financial Statements for further information regarding capital assets.

The Statement of Net Position shows the Net investment in Capital Assets-Governmental Funds in the amount of \$10,191,284. This investment includes the land, buildings, land and building improvements, equipment, construction in progress, and all applicable debt service. The total shows a decrease in capital assets of \$310,417 from the prior fiscal year. At fiscal year end, County of Luna continued to have a substantial amount of construction projects in progress.

The most significant construction projects in progress at year end were the Port of Entry at Columbus funded with a GSA federal contract.

The additions in business-type activities total \$0 of Equipment and Furnishings.

The County's debt increased \$970,122 resulting primarily from the new GRT Improvement Bond 2015A. Additional information on the County's debt can be found in Note 6.

The following is a schedule showing the Net Value of the Capital Assets and the application of the principal balances of the notes as of the fiscal year end:

|  | Governmental<br>Activities | Business-type<br>Activities | Balance as of<br>June 30, 2015 |
|--|----------------------------|-----------------------------|--------------------------------|
| Net Value of Capital Assets                          | \$21,326,899               | \$12,332,771                | \$33,659,670                   |
| Long-Term Debt:                                      |                            |                             |                                |
| Judicial Complex Bond 2007A                          | 3,535,440                  | 0                           | 3,535,440                      |
| Entertainment Center Bond 2015                       | 6,185,000                  | 0                           | 6,185,000                      |
| GRT Improvement Bond 2015A                           | 1,000,000                  | 0                           | 1,000,000                      |
| NMFA Loan  | 415,175                    | 0                           | 415,175                        |
| <b><i>Total net investment in capital assets</i></b> | <b>\$10,191,284</b>        | <b>\$12,332,771</b>         | <b>\$22,524,055</b>            |

**COUNTY OF LUNA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2015**

**Comparative Statements**

Presented below are a Comparative Condensed Statement of Activities and a Comparative Statement of Net Position. The County's Business-Type Activities, including the County of Luna Detention Center, the Entertainment Complex and the Columbus Livestock Import/Export Stockyards added \$950,436 to the County's net position at the end of fiscal year 2015. Total Revenue generated by Governmental activities and Business-type activities in the County in 2015 was \$885,305 more than those activities generated in 2014. The primary cause of this increase in revenue was an increase in revenue generated from business-type activities in Detention Center and Capital grants. Expenses for the County's business type operations decreased during the fiscal year, resulting from cost containment measures.

**Condensed Comparative Statement of Activities**

|   | Governmental<br>Activities |                     | Business-type<br>Activities |                    | Total               |                     |
|---|----------------------------|---------------------|-----------------------------|--------------------|---------------------|---------------------|
|   | 2015                       | 2014<br>(restated)  | 2015                        | 2014<br>(restated) | 2015                | 2014<br>(restated)  |
| <b>Revenues:</b>                                      |                            |                     |                             |                    |                     |                     |
| <b>Program Revenues:</b>                              |                            |                     |                             |                    |                     |                     |
| Charges for services                                  | \$416,087                  | \$526,882           | \$7,268,971                 | \$6,754,350        | \$7,685,058         | \$7,281,232         |
| Operating grants and contributions                    | 4,586,788                  | 4,424,124           | 0                           | 0                  | 4,586,788           | 4,424,124           |
| Capital grants and contributions                      | 1,769,001                  | 1,096,043           | 0                           | 0                  | 1,769,001           | 1,096,043           |
| <b>General Revenue:</b>                               |                            |                     |                             |                    |                     |                     |
| Property taxes  | 9,055,519                  | 8,795,191           | 0                           | 0                  | 9,055,519           | 8,795,191           |
| State shared taxes                                    | 3,341,147                  | 3,336,924           | 646,931                     | 683,077            | 3,988,078           | 4,020,001           |
| Other income  | 679,035                    | 1,334,934           | 159,307                     | 85,686             | 838,342             | 1,420,620           |
| <b>Total revenues</b>                                 | <b>19,847,577</b>          | <b>19,514,098</b>   | <b>8,074,939</b>            | <b>7,523,113</b>   | <b>27,922,516</b>   | <b>27,037,211</b>   |
| <b>Expenses:</b>                                      |                            |                     |                             |                    |                     |                     |
| General Government                                    | 4,441,151                  | 5,158,291           | 0                           | 0                  | 4,441,151           | 5,158,291           |
| Public Safety   | 5,993,583                  | 6,064,133           | 0                           | 0                  | 5,993,583           | 6,064,133           |
| Public Works  | 3,014,142                  | 3,042,892           | 0                           | 0                  | 3,014,142           | 3,042,892           |
| Health and Welfare                                    | 1,901,738                  | 2,144,479           | 0                           | 0                  | 1,901,738           | 2,144,479           |
| Culture and Recreation                                | 210,180                    | 228,787             | 0                           | 0                  | 210,180             | 228,787             |
| Pension expense various functions                     | 0                          | 618,480             | 0                           | 291,049            | 0                   | 618,480             |
| Interest on long-term debt                            | 593,114                    | 580,561             | 0                           | 0                  | 593,714             | 871,610             |
| Bond issuance costs                                   | 139,696                    | 0                   | 0                           | 0                  | 139,696             | 0                   |
| Business-Type activities                              | 0                          | 0                   | 7,293,354                   | 7,621,678          | 7,293,354           | 7,621,678           |
| <b>Total expenses</b>                                 | <b>16,294,204</b>          | <b>17,837,623</b>   | <b>7,293,354</b>            | <b>7,912,727</b>   | <b>23,587,558</b>   | <b>25,750,350</b>   |
| Transfers – capital - other governments               | (134,874)                  | 0                   | 0                           | 0                  | (134,874)           | 0                   |
| Transfers – operating                                 | (168,851)                  | 30,600              | 168,851                     | (30,600)           | 0                   | 0                   |
| <b>Change in net position</b>                         | <b>(3,249,648)</b>         | <b>1,707,075</b>    | <b>950,436</b>              | <b>(420,214)</b>   | <b>(4,200,084)</b>  | <b>1,286,861</b>    |
| Net position, beginning of year, as previously stated | 27,358,373                 | 32,541,761          | 9,797,652                   | 13,460,437         | 37,156,025          | 46,002,198          |
| Restatements  | 0                          | (6,890,463)         | 0                           | (3,242,571)        | 0                   | (10,133,034)        |
| Net position, beginning of year, as restated          | 27,358,373                 | 25,651,298          | 9,797,652                   | 10,217,866         | 37,156,025          | 35,869,164          |
| <b>Net position, end of year</b>                      | <b>\$30,608,021</b>        | <b>\$27,358,373</b> | <b>\$10,748,088</b>         | <b>\$9,797,652</b> | <b>\$41,356,109</b> | <b>\$37,156,025</b> |

**COUNTY OF LUNA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2015**

**Condensed Summary of Net Position**

|  | Governmental<br>Activities |                     | Business-Type<br>Activities |                     | Total               |                     |
|--|----------------------------|---------------------|-----------------------------|---------------------|---------------------|---------------------|
|  | 2015                       | 2014<br>(restated)  | 2015                        | 2014<br>(restated)  | 2015                | 2014<br>(restated)  |
| <b>Assets:</b>   |                            |                     |                             |                     |                     |                     |
| Cash and cash equivalents  | \$10,361,606               | \$4,951,624         | \$1,814,388                 | \$805,946           | \$12,175,994        | \$5,757,570         |
| Investments  | 10,324,512                 | 11,698,556          | 0                           | 0                   | 10,324,512          | 11,698,556          |
| Receivables:   |                            |                     |                             |                     |                     |                     |
| Property taxes   | 4,671,648                  | 4,442,810           | 0                           | 0                   | 4,671,648           | 4,442,810           |
| Account  | 61,988                     | 12,194              | 598,187                     | 431,283             | 660,175             | 443,477             |
| Grant  | 1,044,902                  | 1,222,732           | 0                           | 0                   | 1,044,902           | 1,222,732           |
| State shared   | 88,136                     | 0                   | 0                           | 0                   | 88,136              | 0                   |
| Internal balances  | 359,381                    | 359,381             | (359,381)                   | (359,381)           | 0                   | 0                   |
| Due from other governments                                       | 439,233                    | 877,887             | 57,573                      | 118,187             | 496,806             | 966,074             |
| Inventory  | 143,623                    | 138,755             | 17,779                      | 17,779              | 161,402             | 156,534             |
| Restricted cash  | 123,829                    | 2,175,995           | 0                           | 0                   | 123,829             | 2,175,995           |
| Due from external sources  | 0                          | 0                   | 25,033                      | 22,033              | 25,033              | 22,033              |
| Capital assets, net  | 21,326,899                 | 20,379,010          | 12,332,771                  | 12,808,143          | 33,659,670          | 33,187,153          |
| <b>Deferred outflow of resources</b>                             | <b>1,802,561</b>           | <b>618,480</b>      | <b>397,162</b>              | <b>291,050</b>      | <b>2,199,723</b>    | <b>909,530</b>      |
| <b>Total assets and deferred outflows</b>                        | <b>\$50,748,318</b>        | <b>\$46,877,424</b> | <b>\$14,883,512</b>         | <b>\$14,135,040</b> | <b>\$65,631,830</b> | <b>\$61,012,464</b> |
| <b>Liabilities and Net Position:</b>                             |                            |                     |                             |                     |                     |                     |
| Accounts payable   | \$204,745                  | \$262,612           | \$94,046                    | \$189,135           | \$298,791           | \$451,747           |
| Accrued salaries   | 230,571                    | 178,311             | 114,094                     | 102,357             | 344,665             | 280,668             |
| Interest payable   | 152,502                    | 258,599             | 0                           | 0                   | 152,502             | 258,599             |
| Non-Current Liabilities:   |                            |                     |                             |                     |                     |                     |
| Compensated Absences   | 3,824                      | 14,014              | 34,936                      | 2,054               | 38,760              | 16,068              |
| Due within one year  | 566,426                    | 512,599             | 199,824                     | 219,173             | 766,250             | 731,772             |
| Due after one year   |                            |                     |                             |                     |                     |                     |
| Loans Payable  |                            |                     |                             |                     |                     |                     |
| Due within one year  | 878,735                    | 525,568             | 0                           | 0                   | 878,735             | 525,568             |
| Due after one year   | 10,256,880                 | 9,639,925           | 0                           | 0                   | 10,256,880          | 9,639,925           |
| Net pension liability  | 5,570,773                  | 8,127,423           | 2,621,540                   | 3,824,669           | 8,192,313           | 11,952,092          |
| <b>Total liabilities</b>   | <b>17,864,456</b>          | <b>19,519,051</b>   | <b>3,064,440</b>            | <b>4,337,388</b>    | <b>20,928,896</b>   | <b>23,856,439</b>   |
| <b>Deferred inflow of resources</b>                              | <b>2,275,841</b>           | <b>0</b>            | <b>1,070,984</b>            | <b>0</b>            | <b>3,346,825</b>    | <b>0</b>            |
| <b>Net Position:</b>   |                            |                     |                             |                     |                     |                     |
| Net investment in capital assets                                 | 10,191,284                 | 10,501,701          | 12,332,771                  | 12,806,405          | 22,524,055          | 23,308,106          |
| Restricted for   |                            |                     |                             |                     |                     |                     |
| Inventory  | 143,623                    | 138,755             | 17,779                      | 17,779              | 161,402             | 156,534             |
| Debt service   | 2,199,076                  | 1,971,586           | 0                           | 0                   | 2,199,076           | 1,971,586           |
| Other purposes   | 3,112,643                  | 2,722,479           | 0                           | 0                   | 3,112,643           | 2,722,479           |
| Unrestricted   | 14,961,395                 | 12,023,852          | (1,602,462)                 | (3,026,532)         | 13,358,933          | 8,997,320           |
| <b>Total net position</b>  | <b>30,608,021</b>          | <b>27,358,373</b>   | <b>10,748,088</b>           | <b>9,797,652</b>    | <b>41,356,109</b>   | <b>37,156,025</b>   |
| <b>Total liabilities, deferred inflows,<br/>and net position</b> | <b>\$50,748,318</b>        | <b>\$46,877,424</b> | <b>\$14,883,512</b>         | <b>\$14,135,040</b> | <b>\$65,631,830</b> | <b>\$61,012,464</b> |

**COUNTY OF LUNA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2015**

The County's Total Assets increased during the fiscal year, as well as total liabilities. Total Net Position increased during the year. The County of Luna's financial position has improved due to the continuing cost containment measures.

**Contingencies**

Bonds outstanding as June 30, 2015 consisted of Judicial Complex 2007A, Entertainment Complex 2015, NMFA Loan, and GRT Improvement Bond 2015A. Interest on the bonds is due January 1 and July 1 of each year, and the interest for the NMFA Loan is due semi-annually on May 1 and November 1. For additional information concerning these bonds, see Note 6.

**Economic Factors and Next Year's Budgets and Rates**

County of Luna has been affected by the same economic forces at play in the national economy. Unemployment in the County is at high levels although gross receipts tax revenues have increased. Management has been prudently cautious in developing the operating budget for the County for fiscal year 2016. The Board of County Commissioners through very careful attention to budget development and strict budget management and expenditure control has been able to provide some funds for capital renewal and replacement in its 2015 fiscal year budget. In fiscal 2016, the County continues a thoroughly review its priorities, staffing, compensation, projects, and programs with a focus on driving efficiency and effectiveness in its operations, resulting in reduced costs for 2016.

**Requests for Information**

This financial report is designed to provide a general overview of County of Luna's finances for all of those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the County's Budget Officer, 700 S. Silver, Deming, New Mexico 88030.

**COUNTY OF LUNA**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2015**

|  | Primary Government  |                     |                     |
|--|---------------------|---------------------|---------------------|
|  | Governmental        | Business-Type       |                     |
|  | Activities          | Activities          | Total               |
| <b>ASSETS</b>  |                     |                     |                     |
| Cash and cash equivalents  | \$10,361,606        | \$1,814,388         | \$12,175,994        |
| Investments  | 10,324,512          | 0                   | 10,324,512          |
| Receivables:   |                     |                     |                     |
| Property taxes   | 4,671,648           | 0                   | 4,671,648           |
| State shared taxes   | 88,136              | 0                   | 88,136              |
| Grant  | 1,044,902           | 0                   | 1,044,902           |
| Accounts   | 61,988              | 598,187             | 660,175             |
| Internal balances  | 359,381             | (359,381)           | 0                   |
| Due from other governments   | 439,233             | 57,573              | 496,806             |
| Inventory  | 143,623             | 17,779              | 161,402             |
| Restricted cash  | 123,829             | 0                   | 123,829             |
| Due from external sources  | 0                   | 25,033              | 25,033              |
| Capital Assets:  |                     |                     |                     |
| Land and assets net of accumulated depreciation                          | 21,326,899          | 12,332,771          | 33,659,670          |
| <b>Total assets</b>  | <b>48,945,757</b>   | <b>14,486,350</b>   | <b>63,432,107</b>   |
| <b>Deferred Outflow of Resources</b>                                     |                     |                     |                     |
| Refunded bond - interest escrowed  | 637,753             | 0                   | 637,753             |
| Pension contribution   | 942,450             | 397,162             | 1,339,612           |
| Unamortized discount - refunded bond                                     | 222,358             | 0                   | 222,358             |
| <b>Total deferred outflow of resources</b>                               | <b>1,802,561</b>    | <b>397,162</b>      | <b>2,199,723</b>    |
| <b>Total assets and deferred outflow of resources</b>                    | <b>\$50,748,318</b> | <b>\$14,883,512</b> | <b>\$65,631,830</b> |
| <b>LIABILITIES</b>   |                     |                     |                     |
| Accounts payable   | \$204,745           | \$94,046            | \$298,791           |
| Accrued salaries   | 230,571             | 114,094             | 344,665             |
| Interest payable   | 152,502             | 0                   | 152,502             |
| Noncurrent Liabilities:  |                     |                     |                     |
| Compensated absences:  |                     |                     |                     |
| Due within one year  | 3,824               | 34,936              | 38,760              |
| Due after one year   | 566,426             | 199,824             | 766,250             |
| Loans payable:   |                     |                     |                     |
| Due within one year  | 878,735             | 0                   | 878,735             |
| Due after one year   | 10,256,880          | 0                   | 10,256,880          |
| Net pension liability  | 5,570,773           | 2,621,540           | 8,192,313           |
| <b>Total liabilities</b>   | <b>17,864,456</b>   | <b>3,064,440</b>    | <b>20,928,896</b>   |
| <b>Deferred Inflow of Resources</b>                                      |                     |                     |                     |
| Pension actuarial and investment experience                              | 2,275,841           | 1,070,984           | 3,346,825           |
| <b>NET POSITION</b>  |                     |                     |                     |
| Net investment in capital assets   | 10,191,284          | 12,332,771          | 22,524,055          |
| Non expendable inventory   | 143,623             | 17,779              | 161,402             |
| Restricted for:  |                     |                     |                     |
| Debt service   | 2,199,076           | 0                   | 2,199,076           |
| Other purposes   | 3,112,643           | 0                   | 3,112,643           |
| Unrestricted   | 14,961,395          | (1,602,462)         | 13,358,933          |
| <b>Total net position</b>  | <b>30,608,021</b>   | <b>10,748,088</b>   | <b>41,356,109</b>   |
| <b>Total liabilities, deferred inflow of resources, and net position</b> | <b>\$50,748,318</b> | <b>\$14,883,512</b> | <b>\$65,631,830</b> |

The Notes to Financial Statements are an integral part of these statements.

**COUNTY OF LUNA**  
**STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

|                                       |                     | Program Revenues   |                    |                    | Net (Expense) Revenue and Changes in net position |                   |                      |
|---------------------------------------|---------------------|--------------------|--------------------|--------------------|---|-------------------|----------------------|
|                                       |                     |                    | Operating          | Capital            | Primary Government                                |                   |                      |
|                                       |                     | Charges for        | Grants and         | Grants and         | Governmental                                      | Business-type     |                      |
| Functions/Programs                    | Expenses            | Services           | Contributions      | Contributions      | Activities  | Activities        | Total                |
| <b>Primary Government</b>             |                     |                    |                    |                    |   |                   |                      |
| <b>Governmental Activities:</b>       |                     |                    |                    |                    |   |                   |                      |
| General government                    | \$4,441,151         | \$169,991          | \$322,365          | \$135,000          | (\$3,813,795)                                     | \$0               | (\$3,813,795)        |
| Public safety                         | 5,993,583           | 0                  | 1,946,617          | 1,024,541          | (3,022,425)                                       | 0                 | (3,022,425)          |
| Public works                          | 3,014,142           | 4,670              | 0                  | 609,460            | (2,400,012)                                       | 0                 | (2,400,012)          |
| Health and welfare                    | 1,901,738           | 29,260             | 2,317,806          | 0                  | 445,328   | 0                 | 445,328              |
| Culture and recreation                | 210,180             | 212,166            | 0                  | 0                  | 1,986   | 0                 | 1,986                |
| Bond issuance cost                    | 139,696             | 0                  | 0                  | 0                  | (139,696)   | 0                 | (139,696)            |
| Interest on long-term debt            | 593,714             | 0                  | 0                  | 0                  | (593,714)   | 0                 | (593,714)            |
| <i>Total governmental activities</i>  | <i>16,294,204</i>   | <i>416,087</i>     | <i>4,586,788</i>   | <i>1,769,001</i>   | <i>(9,522,328)</i>                                | <i>0</i>          | <i>(9,522,328)</i>   |
| <b>Business-Type Activities:</b>      |                     |                    |                    |                    |   |                   |                      |
| Detention Facility                    | 5,346,332           | 5,509,588          | 0                  | 0                  | 0   | 163,256           | 163,256              |
| Entertainment Complex                 | 1,912,337           | 1,697,913          | 0                  | 0                  | 0   | (214,424)         | (214,424)            |
| Columbus Stockyard                    | 0                   | 0                  | 0                  | 0                  | 0   | 0                 | 0                    |
| Commissary                            | 34,685              | 61,470             | 0                  | 0                  | 0   | 26,785            | 26,785               |
| <i>Total business-type activities</i> | <i>7,293,354</i>    | <i>7,268,971</i>   | <i>0</i>           | <i>0</i>           | <i>0</i>  | <i>(24,383)</i>   | <i>(24,383)</i>      |
| <i>Total primary government</i>       | <i>\$23,587,558</i> | <i>\$7,685,058</i> | <i>\$4,586,788</i> | <i>\$1,769,001</i> | <i>(\$9,522,328)</i>                              | <i>(\$24,383)</i> | <i>(\$9,546,711)</i> |

**General Revenues**

|   |                   |                  |                   |
|---|-------------------|------------------|-------------------|
| Property taxes  | \$9,055,519       | \$0              | \$9,055,519       |
| State shared taxes                                    | 3,341,147         | 646,931          | 3,988,078         |
| Interest earnings                                     | 169,125           | 4,534            | 173,659           |
| Other income  | 509,910           | 154,503          | 664,413           |
| Gain on asset disposal                                | 0                 | 0                | 0                 |
| Capital transfers out - other governments             | (134,874)         | 0                | (134,874)         |
| Transfers in (out)                                    | (168,851)         | 168,851          | 0                 |
| <b>Total general revenues</b>                         | <b>12,771,976</b> | <b>974,819</b>   | <b>13,746,795</b> |
| <br>Change in net position                            | <br>3,249,648     | <br>950,436      | <br>4,200,084     |
| Net position, beginning of year, as previously stated | 35,218,875        | 13,329,533       | 48,548,408        |
| Restatements  | (7,860,502)       | (3,531,881)      | (11,392,383)      |
| Net position, beginning of year, as restated          | 27,358,373        | 9,797,652        | 37,156,025        |
| <br>Net position, end of year                         | <br>\$30,608,021  | <br>\$10,748,088 | <br>\$41,356,109  |

The Notes to Financial Statements are an integral part of these statements.

**COUNTY OF LUNA**  
**GOVERNMENTAL FUNDS**  
**BALANCE SHEETS**  
**JUNE 30, 2015**

|   | Major Funds         |                    |                    |                  | Nonmajor           | Total               |
|---|---------------------|--------------------|--------------------|------------------|--------------------|---------------------|
|   | General             | Road               | County             | Entertainment    | Governmental       | Governmental        |
|   | Fund                | Fund               | Maintenance        | Complex          | Funds              | Funds               |
|   |                     |                    |                    | Bond             |                    |                     |
| <b>ASSETS</b>                             |                     |                    |                    |                  |                    |                     |
| Cash and cash equivalents                 | \$1,966,086         | \$1,247,601        | \$988,145          | \$568,859        | \$5,590,915        | \$10,361,606        |
| Investments                               | 5,428,402           | 0                  | 4,896,110          | 0                | 0                  | 10,324,512          |
| Receivables:                              |                     |                    |                    |                  |                    |                     |
| Due from other governments                | 0                   | 0                  | 0                  | 117,780          | 321,453            | 439,233             |
| Property taxes                            | 2,972,221           | 1,588,536          | 0                  | 0                | 110,891            | 4,671,648           |
| State shared taxes                        | 61,821              | 26,315             | 0                  | 0                | 0                  | 88,136              |
| Grants                                    | 18,726              | 0                  | 445,500            | 0                | 580,676            | 1,044,902           |
| Accounts receivable                       | 1,526               | 0                  | 431                | 0                | 60,031             | 61,988              |
| Due from other funds                      | 359,381             | 0                  | 0                  | 0                | 66,780             | 426,161             |
| Inventory                                 | 0                   | 143,623            | 0                  | 0                | 0                  | 143,623             |
| Restricted cash and cash equivalents      | 0                   | 123,829            | 0                  | 0                | 0                  | 123,829             |
| <b>Total assets</b>                       | <b>\$10,808,163</b> | <b>\$3,129,904</b> | <b>\$6,330,186</b> | <b>\$686,639</b> | <b>\$6,730,746</b> | <b>\$27,685,638</b> |
| <b>LIABILITIES AND FUND BALANCE</b>       |                     |                    |                    |                  |                    |                     |
| <b>Liabilities:</b>                       |                     |                    |                    |                  |                    |                     |
| Accounts payable                          | \$59,283            | \$144              | \$0                | \$0              | \$145,318          | \$204,745           |
| Accrued salaries                          | 164,984             | 25,330             | 0                  | 0                | 40,257             | 230,571             |
| Accrued compensated absences              | 3,824               | 0                  | 0                  | 0                | 0                  | 3,824               |
| Interest payable                          | 0                   | 0                  | 0                  | 77,028           | 75,474             | 152,502             |
| Due to other funds                        | 51,683              | 0                  | 0                  | 0                | 15,097             | 66,780              |
| <b>Total liabilities</b>                  | <b>279,774</b>      | <b>25,474</b>      | <b>0</b>           | <b>77,028</b>    | <b>276,146</b>     | <b>658,422</b>      |
| <b>DEFERRED INFLOWS OF RESOURCES</b>      |                     |                    |                    |                  |                    |                     |
| Property taxes                            | 2,893,319           | 1,569,280          | 0                  | 0                | 108,127            | 4,570,726           |
| <b>Fund Balance:</b>                      |                     |                    |                    |                  |                    |                     |
| Nonspendable                              | 0                   | 143,623            | 0                  | 0                | 0                  | 143,623             |
| Restricted                                | 0                   | 0                  | 0                  | 609,611          | 4,702,108          | 5,311,719           |
| Committed                                 | 0                   | 0                  | 0                  | 0                | 596,760            | 596,760             |
| Assigned                                  | 0                   | 1,391,527          | 6,330,186          | 0                | 1,047,605          | 8,769,318           |
| Unassigned                                | 7,635,070           | 0                  | 0                  | 0                | 0                  | 7,635,070           |
| <b>Total fund balance</b>                 | <b>7,635,070</b>    | <b>1,535,150</b>   | <b>6,330,186</b>   | <b>609,611</b>   | <b>6,346,473</b>   | <b>22,456,490</b>   |
| <b>Total liabilities and fund balance</b> | <b>\$10,808,163</b> | <b>\$3,129,904</b> | <b>\$6,330,186</b> | <b>\$686,639</b> | <b>\$6,730,746</b> | <b>\$27,685,638</b> |

The Notes to Financial Statements are an integral part of these statements.

**COUNTY OF LUNA**  
**RECONCILIATION OF THE FUND BALANCE OF GOVERNMENTAL FUNDS**  
**TO GOVERNMENTAL ACTIVITIES NET POSITION**  
**JUNE 30, 2015**

|  |                            |
|--|----------------------------|
| <b>FUND BALANCE of Governmental Funds</b>  | <b>\$22,456,490</b>        |
| Amounts reported for governmental activities in the statement of net position is different because:  |                            |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.  | 21,326,899                 |
| Certain assets are not available to pay for current-period expenditures and, therefore, are deferred in the funds  | 4,570,726                  |
| Some resources represent net assets that are applicable to future periods and are not recorded in the funds.   | 1,802,561                  |
| Pension actuarial and investment experience is related to long-term liabilities and therefore, is not recorded in the funds.   | (2,275,841)                |
| Long-term liabilities, including bonds payable and compensated absences, net pension liability are not due and payable in the current period and therefore are not reported in the funds | (17,272,814)               |
| <b><u>Net position of governmental activities</u></b>  | <b><u>\$30,608,021</u></b> |

The Notes to Financial Statements are an integral part of these statements.

**COUNTY OF LUNA**  
**GOVERNMENTAL FUNDS**  
**STATEMENTS OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

|  | Major Funds        |                    |                    |                    | Nonmajor           | Total               |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|---------------------|
|  | General            | Road               | County             | Entertainment      | Governmental       | Governmental        |
|  | Fund               | Fund               | Maintenance        | Complex            | Funds              | Funds               |
|  |                    |                    |                    | Bond               |                    |                     |
| <b>REVENUES</b>  |                    |                    |                    |                    |                    |                     |
| Property taxes/PILT                                      | \$7,884,447        | \$640,996          | \$0                | \$0                | \$178,986          | \$8,704,429         |
| State shared taxes                                       | 582,708            | 975,009            | 0                  | 707,531            | 1,075,899          | 3,341,147           |
| Small counties assistance                                | 205,000            | 0                  | 0                  | 0                  | 0                  | 205,000             |
| Intergovernmental  | 400,000            | 0                  | 0                  | 0                  | 755,121            | 1,155,121           |
| Charges for services                                     | 137,489            | 4,062              | 0                  | 0                  | 274,536            | 416,087             |
| Interest income/investment earnings                      | 125,838            | 8,515              | 28,866             | 0                  | 5,906              | 169,125             |
| Federal grants   | 0                  | 0                  | 44,040             | 0                  | 1,208,054          | 1,252,094           |
| State grants/sources                                     | 70,203             | 609,460            | 1,159,541          | 0                  | 1,904,370          | 3,743,574           |
| Rental income  | 146,679            | 0                  | 0                  | 0                  | 0                  | 146,679             |
| Other income   | 228,703            | 4,624              | 510                | 0                  | 129,394            | 363,231             |
| <i>Total revenues</i>                                    | <i>9,781,067</i>   | <i>2,242,666</i>   | <i>1,232,957</i>   | <i>707,531</i>     | <i>5,532,266</i>   | <i>19,496,487</i>   |
| <b>EXPENDITURES</b>                                      |                    |                    |                    |                    |                    |                     |
| <b>Current:</b>  |                    |                    |                    |                    |                    |                     |
| General government                                       | 4,237,169          | 0                  | 0                  | 0                  | 173,421            | 4,410,590           |
| Public safety  | 3,473,131          | 0                  | 0                  | 0                  | 2,271,994          | 5,745,125           |
| Public works   | 759,828            | 2,061,726          | 0                  | 0                  | 0                  | 2,821,554           |
| Health and welfare                                       | 0                  | 0                  | 0                  | 0                  | 1,776,456          | 1,776,456           |
| Culture and recreation                                   |                    |                    |                    |                    | 209,764            | 209,764             |
| Debt Service   |                    |                    |                    |                    |                    |                     |
| Principal  | 0                  | 205,568            | 0                  | 185,000            | 135,000            | 525,568             |
| Escrow payment-refunding debt                            | 0                  | 0                  | 0                  | 6,695,304          | 0                  | 6,695,304           |
| Interest expense   | 0                  | 4,221              | 0                  | 252,708            | 190,903            | 447,832             |
| Bond issuance cost                                       | 0                  | 0                  | 0                  | 139,696            | 0                  | 139,696             |
| Capital outlay   | 0                  | 0                  | 1,028,524          | 0                  | 1,202,495          | 2,231,019           |
| <i>Total expenditures</i>                                | <i>8,470,128</i>   | <i>2,271,515</i>   | <i>1,028,524</i>   | <i>7,272,708</i>   | <i>5,960,033</i>   | <i>25,002,908</i>   |
| <i>Excess (deficiency) of revenues over expenditures</i> | <i>1,310,939</i>   | <i>(28,849)</i>    | <i>204,433</i>     | <i>(6,565,177)</i> | <i>(427,767)</i>   | <i>(5,506,421)</i>  |
| <b>Other Financing Sources (Uses):</b>                   |                    |                    |                    |                    |                    |                     |
| Bond proceeds  | 0                  | 0                  | 0                  | 6,185,000          | 1,000,000          | 7,185,000           |
| Loan proceeds  | 0                  | 0                  | 0                  | 0                  | 0                  | 0                   |
| Operating transfers in                                   | 40,039             | 415,000            | 1,149              | 0                  | 352,070            | 808,258             |
| Operating transfers (out)                                | (488,200)          | 0                  | (14,625)           | (420,000)          | (54,284)           | (977,109)           |
| <i>Total other financing sources (uses)</i>              | <i>(448,161)</i>   | <i>415,000</i>     | <i>(13,476)</i>    | <i>5,765,000</i>   | <i>1,297,786</i>   | <i>7,016,149</i>    |
| <i>Net changes in fund balances</i>                      | <i>862,778</i>     | <i>386,151</i>     | <i>190,957</i>     | <i>(800,177)</i>   | <i>870,019</i>     | <i>1,509,728</i>    |
| Fund balance - beginning of year, as previously stated   | 6,743,662          | 1,148,999          | 6,139,229          | 1,409,788          | 5,568,459          | 21,010,137          |
| Restatements   | 28,630             | 0                  | 0                  | 0                  | (92,005)           | (63,375)            |
| Fund balance - beginning of year, as restated            | 6,772,292          | 1,148,999          | 6,139,229          | 1,409,788          | 5,476,454          | 20,946,762          |
| <b>Fund balance - end of year</b>                        | <b>\$7,635,070</b> | <b>\$1,535,150</b> | <b>\$6,330,186</b> | <b>\$609,611</b>   | <b>\$6,346,473</b> | <b>\$22,456,490</b> |

The Notes to Financial Statements are an integral part of these statements.

**COUNTY OF LUNA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES AND CHANGES IN FUND BALANCE OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

|   |                           |
|---|---------------------------|
| <b>Net change in fund balances - Governmental Funds</b>   | <b>\$1,509,728</b>        |
| Amounts reported for governmental activities in the statement of activities are different because:  |                           |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay of \$2,298,669 was exceeded by depreciation expense of \$1,215,906 in the current period.  | 1,082,763                 |
| Property taxes are deferred in the funds based on available and measurable criteria. In the Statement of Activities they are recorded as revenue.   | 351,090                   |
| Repayment of bond principal is an expenditure in the governmental funds but reduce the liability in the statement of net position (net of discount amortization).   | 7,074,989                 |
| Disposition of capital assets   | (134,874)                 |
| Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This is the amount of compensated absences liability. | (53,827)                  |
| Pension expenses and actuarial and investment experiences have not been recorded in the funds as they relate to long-term liabilities.  | 604,779                   |
| Bond proceeds are recorded in the funds as other financing resources but increase the long-term liabilities in the statement of net position.   | (7,185,000)               |
| <b><u>Change in net position of governmental activities</u></b>   | <b><u>\$3,249,648</u></b> |

The Notes to Financial Statements are an integral part of these statements.

# COUNTY OF LUNA

## GENERAL FUND

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS) FOR THE FISCAL YEAR ENDED JUNE 30, 2015

|   | Original<br>Approved<br>Budget | Final<br>Approved<br>Budget | Actual           | Favorable<br>(Unfavorable) |
|---|--------------------------------|-----------------------------|------------------|----------------------------|
| <b>REVENUES</b>   |                                |                             |                  |                            |
| Property taxes  | \$7,895,259                    | \$7,895,259                 | \$7,889,800      | (\$5,459)                  |
| State shared taxes  | 495,000                        | 495,000                     | 527,466          | 32,466                     |
| Small counties assistance   | 140,000                        | 140,000                     | 205,000          | 65,000                     |
| Intergovernmental revenue   | 415,000                        | 415,000                     | 406,074          | (8,926)                    |
| Charges for services  | 108,100                        | 108,100                     | 138,444          | 30,344                     |
| Interest income   | 75,000                         | 75,000                      | 177,696          | 102,696                    |
| Federal grants  | 0                              | 0                           | 0                | 0                          |
| State grants/state sources  | 66,000                         | 66,000                      | 82,308           | 16,308                     |
| Rental income   | 176,100                        | 176,100                     | 145,379          | (30,721)                   |
| Other income  | 174,000                        | 174,000                     | 263,625          | 89,625                     |
| <i>Total revenues</i>   | <i>9,544,459</i>               | <i>9,544,459</i>            | <i>9,835,792</i> | <i>291,333</i>             |
| <b>EXPENDITURES</b>   |                                |                             |                  |                            |
| <b>Current:</b>   |                                |                             |                  |                            |
| General government  | 4,585,594                      | 4,601,345                   | 4,148,912        | 452,433                    |
| Public safety   | 3,952,737                      | 3,960,795                   | 3,470,029        | 490,766                    |
| Public works  | 845,689                        | 845,689                     | 768,859          | 76,830                     |
| Capital outlay  | 174,327                        | 174,327                     | 112,272          | 62,055                     |
| <i>Total expenditures</i>   | <i>9,558,347</i>               | <i>9,582,156</i>            | <i>8,500,072</i> | <i>1,082,084</i>           |
| <i>Excess (deficiency) of revenues over expenditures</i>  | <i>(13,888)</i>                | <i>(37,697)</i>             | <i>1,335,720</i> | <i>1,373,417</i>           |
| <b>Other Financing Sources (Uses):</b>  |                                |                             |                  |                            |
| Operating transfers in  | 40,039                         | 40,039                      | 40,039           | 0                          |
| Operating transfers (out)   | (488,200)                      | (488,200)                   | (488,200)        | 0                          |
| <i>Total other financing sources (uses)</i>   | <i>(448,161)</i>               | <i>(448,161)</i>            | <i>(448,161)</i> | <i>0</i>                   |
| <i>Excess (deficiency) of revenues over expenditures<br/>and other financing sources (uses)</i> | <i>(462,049)</i>               | <i>(485,858)</i>            | <i>\$887,559</i> | <i>\$1,373,417</i>         |
| <i>Budgeted cash carryover</i>  | <i>462,049</i>                 | <i>485,858</i>              |                  |                            |
|   | <i>\$0</i>                     | <i>\$0</i>                  |                  |                            |

#### Budgetary - GAAP Reporting Reconciliation:

|   |                  |
|---|------------------|
| Excess (deficiency) of revenues over expenditures and<br>other financing sources (uses) | \$887,559        |
| Adjustments for revenue accruals  | (54,725)         |
| Adjustments for expenditures accruals   | 29,944           |
| <b>Net changes in fund balance (GAAP basis)</b>   | <b>\$862,778</b> |

The Notes to Financial Statements are an integral part of these statements.

# COUNTY OF LUNA

## ROAD FUND

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET (NON-GAAP BASIS) AND ACTUAL (CASH BASIS) FOR THE FISCAL YEAR ENDED JUNE 30, 2015

|   | Original<br>Approved<br>Budget | Final<br>Approved<br>Budget | Actual           | Favorable<br>(Unfavorable) |
|---|--------------------------------|-----------------------------|------------------|----------------------------|
| <b>REVENUES</b>   |                                |                             |                  |                            |
| Property tax  | \$861,903                      | \$861,903                   | \$640,827        | (\$221,076)                |
| State shared taxes  | 955,000                        | 955,000                     | 825,884          | (129,116)                  |
| Intergovernmental revenue   | 0                              | 0                           | 4,586            | 4,586                      |
| Charges for services  | 3,500                          | 3,500                       | 4,802            | 1,302                      |
| Interest income   | 4,000                          | 4,000                       | 7,778            | 3,778                      |
| Federal grants  | 0                              | 0                           | 0                | 0                          |
| State grants/sources  | 591,077                        | 591,077                     | 1,043,488        | 452,411                    |
| Other revenue   | 4,225                          | 4,225                       | 3,882            | (343)                      |
| <i>Total revenues</i>   | <i>2,419,705</i>               | <i>2,419,705</i>            | <i>2,531,247</i> | <i>111,542</i>             |
| <b>EXPENDITURES</b>   |                                |                             |                  |                            |
| <b>Current:</b>   |                                |                             |                  |                            |
| Public works  | 2,526,173                      | 2,530,557                   | 1,880,345        | 650,212                    |
| Capital outlay  | 0                              | 0                           | 0                | 0                          |
| Principal, interest and fees  | 330,000                        | 330,000                     | 209,789          | 120,211                    |
| <i>Total expenditures</i>   | <i>2,856,173</i>               | <i>2,860,557</i>            | <i>2,090,134</i> | <i>770,423</i>             |
| <i>Excess (deficiency) of revenues over expenditures</i>  | <i>(436,468)</i>               | <i>(440,852)</i>            | <i>441,113</i>   | <i>881,965</i>             |
| <b>Other Financing Sources (Uses):</b>  |                                |                             |                  |                            |
| Operating transfers in  | 415,000                        | 415,000                     | 415,000          | 0                          |
| <i>Total other financing sources (uses)</i>   | <i>415,000</i>                 | <i>415,000</i>              | <i>415,000</i>   | <i>0</i>                   |
| <i>Excess (deficiency) of revenues over expenditures<br/>and other financing sources (uses)</i> | <i>(21,468)</i>                | <i>(25,852)</i>             | <i>\$856,113</i> | <i>\$881,965</i>           |
| <i>Budgeted cash carryover</i>  | <i>21,468</i>                  | <i>25,852</i>               |                  |                            |
|   | <i>\$0</i>                     | <i>\$0</i>                  |                  |                            |

#### Budgetary - GAAP Reporting Reconciliation:

|   |                  |
|---|------------------|
| Excess (deficiency) of revenues over expenditures and<br>other financing sources (uses) | \$856,113        |
| Adjustments for revenue accruals  | (288,581)        |
| Adjustments for expenditures accruals   | (181,381)        |
| <b>Net changes in fund balance (GAAP basis)</b>   | <b>\$386,151</b> |

The Notes to Financial Statements are an integral part of these statements.

**COUNTY OF LUNA**  
**PROPRIETARY FUNDS**  
**STATEMENTS OF FUND NET POSITION**  
**JUNE 30, 2015**

|   | Detention<br>Center       | Entertainment<br>Complex<br>Operations | Nonmajor<br>Funds      | Totals                     |
|---|---------------------------|--|------------------------|----------------------------|
| <b>ASSETS</b>   |                           |  |                        |                            |
| <b>Current Assets:</b>  |                           |  |                        |                            |
| Cash and cash equivalents   | \$863,775                 | \$875,306                              | \$75,307               | \$1,814,388                |
| Accounts receivable   | 590,079                   | 3,057                                  | 5,051                  | 598,187                    |
| Inventory   | 0                         | 17,779                                 | 0                      | 17,779                     |
| Due from other governments  | 57,573                    | 0                                      | 0                      | 57,573                     |
| Due from external sources   | 25,033                    | 0                                      | 0                      | 25,033                     |
| <i>Total current assets</i>   | <i>1,536,460</i>          | <i>896,142</i>                         | <i>80,358</i>          | <i>2,512,960</i>           |
| <b>Non-Current Assets</b>   |                           |  |                        |                            |
| Capital assets  | 7,231,780                 | 9,869,377                              | 0                      | 17,101,157                 |
| Accumulated depreciation  | (3,247,372)               | (1,521,014)                            | 0                      | (4,768,386)                |
| <i>Total non-current assets</i>   | <i>3,984,408</i>          | <i>8,348,363</i>                       | <i>0</i>               | <i>12,332,771</i>          |
| <b>Deferred Outflows of Resources</b>   |                           |  |                        |                            |
| Pension contributions   | 386,405                   | 10,757                                 | 0                      | 397,162                    |
| <b><i>Total assets and deferred outflows<br/>of resources</i></b>                         | <b><i>\$5,907,273</i></b> | <b><i>\$9,255,262</i></b>              | <b><i>\$80,358</i></b> | <b><i>\$15,242,893</i></b> |
| <b>LIABILITIES AND FUND NET POSITION</b>  |                           |  |                        |                            |
| <b>Current Liabilities:</b>   |                           |  |                        |                            |
| Accounts payable  | \$61,749                  | \$32,297                               | \$0                    | \$94,046                   |
| Accrued salaries  | 100,450                   | 13,644                                 | 0                      | 114,094                    |
| Due to other funds  | 11,447                    | 0                                      | 347,934                | 359,381                    |
| Accrued compensation - current  | 34,936                    | 0                                      | 0                      | 34,936                     |
| Long-term accrued compensated absences  | 187,857                   | 11,967                                 | 0                      | 199,824                    |
| Net pension liability   | 2,539,618                 | 81,922                                 | 0                      | 2,621,540                  |
| <i>Total liabilities</i>  | <i>2,936,057</i>          | <i>139,830</i>                         | <i>347,934</i>         | <i>3,423,821</i>           |
| <b>Deferred Inflows of Resources</b>  |                           |  |                        |                            |
| Pension actuarial and investment experience   | 1,037,516                 | 33,468                                 | 0                      | 1,070,984                  |
| <b>Fund Net Position:</b>   |                           |  |                        |                            |
| Net investment in capital assets  | 3,984,408                 | 8,348,363                              | 0                      | 12,332,771                 |
| Unrestricted  | (2,050,708)               | 733,601                                | (267,576)              | (1,584,683)                |
| <i>Total fund net position</i>  | <i>1,933,700</i>          | <i>9,081,964</i>                       | <i>(267,576)</i>       | <i>10,748,088</i>          |
| <b><i>Total liabilities, deferred inflows of<br/>recourses, and fund net position</i></b> | <b><i>\$5,907,273</i></b> | <b><i>\$9,255,262</i></b>              | <b><i>\$80,358</i></b> | <b><i>\$15,242,893</i></b> |

The Notes to Financial Statements are an integral part of these statements.

**COUNTY OF LUNA**  
**PROPRIETARY FUNDS**  
**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

|  | Detention<br>Center | Entertainment<br>Complex<br>Operations | Nonmajor<br>Funds  | Totals              |
|--|---------------------|--|--------------------|---------------------|
| <b>OPERATING REVENUES</b>  |                     |  |                    |                     |
| Starmax revenues   | \$0                 | \$1,697,913                            | \$0                | \$1,697,913         |
| Correction fees  | 346,068             | 0                                      | 0                  | 346,068             |
| Adult and juvenile prisoner fees                                 | 5,163,520           | 0                                      | 0                  | 5,163,520           |
| State shared taxes   | 646,931             | 0                                      | 0                  | 646,931             |
| Sale of County property  | 0                   | 0                                      | 0                  | 0                   |
| Miscellaneous revenue  | 154,503             | 0                                      | 61,470             | 215,973             |
| <i>Total operating revenues</i>                                  | <i>6,311,022</i>    | <i>1,697,913</i>                       | <i>61,470</i>      | <i>8,070,405</i>    |
| <b>OPERATING EXPENDITURES</b>                                    |                     |  |                    |                     |
| Personnel expenses   | 3,603,325           | 421,993                                | 0                  | 4,025,318           |
| Depreciation   | 156,134             | 319,238                                | 0                  | 475,372             |
| Other operating costs  | 1,586,873           | 1,171,106                              | 34,685             | 2,792,664           |
| <i>Total operating expenditures</i>                              | <i>5,346,332</i>    | <i>1,912,337</i>                       | <i>34,685</i>      | <i>7,293,354</i>    |
| <i>Operating income (loss)</i>                                   | <i>964,690</i>      | <i>(214,424)</i>                       | <i>26,785</i>      | <i>777,051</i>      |
| <b>NON-OPERATING REVENUES (EXPENSES)</b>                         |                     |  |                    |                     |
| Interest revenue   | 4,534               | 0                                      | 0                  | 4,534               |
| <i>Net income (loss) before transfers</i>                        | <i>969,224</i>      | <i>(214,424)</i>                       | <i>26,785</i>      | <i>781,585</i>      |
| <b>Other Financing Sources (Uses):</b>                           |                     |  |                    |                     |
| Operating transfers in   | 0                   | 660,079                                | 511                | 660,590             |
| Operating transfers (out)  | (251,660)           | 0                                      | (240,079)          | (491,739)           |
| <i>Total other financing sources (uses)</i>                      | <i>(251,660)</i>    | <i>660,079</i>                         | <i>(239,568)</i>   | <i>168,851</i>      |
| <i>Change in fund net position</i>                               | <i>717,564</i>      | <i>445,655</i>                         | <i>(212,783)</i>   | <i>950,436</i>      |
| Total fund net position, beginning of year, as previously stated | 4,640,330           | 8,741,380                              | (52,177)           | 13,329,533          |
| Restatements   | (3,424,194)         | (105,071)                              | (2,616)            | (3,531,881)         |
| Total fund net position, beginning of year, as restated          | 1,216,136           | 8,636,309                              | (54,793)           | 9,797,652           |
| <b>Total fund net position, end of year</b>                      | <b>\$1,933,700</b>  | <b>\$9,081,964</b>                     | <b>(\$267,576)</b> | <b>\$10,748,088</b> |

The Notes to Financial Statements are an integral part of these statements.

**COUNTY OF LUNA**  
**PROPRIETARY FUND TYPES**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

|   | Detention<br>Center     | Entertainment<br>Complex<br>Operations | Nonmajor<br>Funds      | Totals                    |
|---|-------------------------|--|------------------------|---------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>  |                         |  |                        |                           |
| Cash received from customers  | \$6,192,357             | \$1,711,403                            | \$60,355               | \$7,964,115               |
| Cash payments to suppliers for goods and services   | (1,642,032)             | (1,214,184)                            | (35,510)               | (2,891,726)               |
| Cash payments to employees for services   | (3,814,611)             | (419,721)                              | 0                      | (4,234,332)               |
| <i>Net cash provided (used) by operating activities</i>                                       | <i>735,714</i>          | <i>77,498</i>                          | <i>24,845</i>          | <i>838,057</i>            |
| <b>CASH FLOWS FROM NON-CAPITAL AND RELATED FINANCING ACTIVITIES:</b>                          |                         |  |                        |                           |
| Temporary loans - to/from other funds   | (3,000)                 | 0                                      | 0                      | (3,000)                   |
| Net transfers in (out)  | (251,660)               | 660,079                                | (239,568)              | 168,851                   |
| <i>Net cash provided (used) by non-capital and related financing activities</i>               | <i>(254,660)</i>        | <i>660,079</i>                         | <i>(239,568)</i>       | <i>165,851</i>            |
| <b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>                              |                         |  |                        |                           |
| Acquisition of equity interest  | 0                       | 0                                      | 0                      | 0                         |
| Acquisition of capital assets   | 0                       | 0                                      | 0                      | 0                         |
| <i>Net cash provided (used) by capital and related financing activities</i>                   | <i>0</i>                | <i>0</i>                               | <i>0</i>               | <i>0</i>                  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>  |                         |  |                        |                           |
| Interest income   | 4,534                   | 0                                      | 0                      | 4,534                     |
| <i>Net cash provided (used) by investing activities</i>                                       | <i>4,534</i>            | <i>0</i>                               | <i>0</i>               | <i>4,534</i>              |
| <i>Net increase (decrease) in cash</i>  | <i>485,588</i>          | <i>737,577</i>                         | <i>(214,723)</i>       | <i>1,008,442</i>          |
| Cash and cash equivalents, beginning of year  | 378,187                 | 137,729                                | 290,030                | 805,946                   |
| <b><i>Cash and cash equivalents, end of year</i></b>  | <b><i>\$863,775</i></b> | <b><i>\$875,306</i></b>                | <b><i>\$75,307</i></b> | <b><i>\$1,814,388</i></b> |
| <b>Reconciliation of operating income to net cash provided (used) by operating activities</b> |                         |  |                        |                           |
| Operating income (loss)   | \$964,690               | (\$214,424)                            | \$26,785               | \$777,051                 |
| Depreciation  | 156,134                 | 319,238                                | 0                      | 475,372                   |
| Receivables   | (118,665)               | 13,490                                 | (1,115)                | (106,290)                 |
| Inventory   | 0                       | 0                                      | 0                      | 0                         |
| Accrued payroll expenses  | 21,180                  | 4,090                                  | 0                      | 25,270                    |
| Pension liability and contribution  | (232,466)               | (5,792)                                | 0                      | (238,258)                 |
| Accounts payable  | (55,159)                | (39,104)                               | (825)                  | (95,088)                  |
| <b><i>Net cash provided (used) by operating activities</i></b>                                | <b><i>\$735,714</i></b> | <b><i>\$77,498</i></b>                 | <b><i>\$24,845</i></b> | <b><i>\$838,057</i></b>   |

The Notes to Financial Statements are an integral part of these statements.

**COUNTY OF LUNA**  
**FIDUCIARY FUNDS**  
**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUNDS**  
**JUNE 30, 2015**

|                                 | <u>Agency<br/>Funds</u>   |
|---------------------------------|---------------------------|
| <b>ASSETS</b>                   |                           |
| Cash and temporary investments  | \$277,736                 |
| Receivables:                    |                           |
| Property taxes                  | 3,593,669                 |
| Due from inmates                | 32,489                    |
| <b><i>Total assets</i></b>      | <b><i>\$3,903,894</i></b> |
| <b>LIABILITIES</b>              |                           |
| Due to inmates                  | \$10,423                  |
| Due to Luna County              | 25,033                    |
| Due to others                   | 72,921                    |
| Due to other governments        | 3,712,806                 |
| Prepaid taxes                   | 2,127                     |
| Overpayment of taxes            | 7,049                     |
| Taxes paid in advance           | 43,527                    |
| Due to taxpayers                | 30,008                    |
| <b><i>Total liabilities</i></b> | <b><i>\$3,903,894</i></b> |

The Notes to Financial Statements are an integral part of these statements.

**COUNTY OF LUNA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The County of Luna (the "County"), New Mexico was founded in 1901 and operates under the Commission-Manager system. There are three elected commissioners serving four-year terms. In addition, the following County Officials are elected for four-year terms: assessor, clerk, sheriff, treasurer, and probate judge. The County provides traditional services such as public safety, culture and recreation, public works, roads, tax collection, and licensing and regulation of businesses.

The financial statements of the County have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial reported Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of the County's accounting policies are described below.

**Reporting Entity**

In evaluating how to define the County, for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB 14 and 39. The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence 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 whether the activity benefits the County and/or its citizens, or whether the activity is conducted within the geographic boundaries of the County and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the County is able to exercise oversight responsibilities. Based upon the application of these criteria, the County has no component units, and is not a component unit of another governmental agency.

**Basis of Presentation**

**Government-Wide and Fund Financial Statements**

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

**COUNTY OF LUNA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though neither fiduciary funds nor component units that are fiduciary in nature are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting**

***Government-Wide Financial Statements***

The government-wide, proprietary, and agency fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. All assets, all liabilities and deferred outflows and inflows of resources are included on the statement of net position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Non-exchange transactions in which the County gives (or receives) value without directly receiving (or giving) equal value in exchange, include gross receipts taxes and property taxes, grants, and entitlements. On an accrual basis, revenue from property taxes, net of estimated refunds and uncollectible amounts, is recognized as revenues in the year for which they are levied. Revenue from grants and entitlements is recognized in the fiscal year in which all eligibility requirements are met.

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 expenditures are incurred, there are both restricted and unrestricted net position 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.

Amounts reported as program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included amount program revenues are reported instead as general revenues.

The County reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. The County does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified by function and is included in the direct expense of each function.

**COUNTY OF LUNA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Governmental Fund Financial Statements***

The Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. The County considers all revenues to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Revenues not considered available are recorded as deferred inflows of resources. Property taxes, gross receipts taxes, franchise taxes, and interest are considered susceptible to accrual. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period.

For this purpose, the government considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government because they are not measurable or reasonably estimateable.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing resources.

Governmental funds are used to account for the County's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition of construction of general capital assets and the servicing of general long-term debt.

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided through property and other taxes, federal sources, state sources, charges for services, licenses and fees, and other miscellaneous recoveries and revenue. Expenditures include all costs associated with the daily operation of the County except for items included in other funds.

The Special Revenue Funds account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The Capital Projects Funds account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

Under the requirements of GASB No. 34, the County is required to present certain of its governmental funds as major based upon certain criteria. The major funds presented in the fund financial statements include the following (in addition to the General Fund), which includes funds that are not required to be presented as major but were at the discretion of management.

Entertainment Complex Bond Fund is used to account for the accumulation of resources and the payment of general long-term debt principal, interest and related costs for the building of an addition to the Luna County Detention Center.

The County Maintenance Fund is used to account for the federal and state grants funds and expenditures by the County for various maintenance projects established by the County as authorized by NMSA 1978 24-10A-6.

**COUNTY OF LUNA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

The Road Fund is used to account for the distribution of gasoline taxes, and motor vehicles registration fees to the County and the expenditure for construction, reconstruction, resurfacing, or other improvement or maintenance of public roads as authorized by NMSA 1978 Section 7-24A-5.

The County reports the following major business-type funds:

The Detention Center Fund accounts for the operation and maintenance of the Detention Facility for the County.

The Entertainment Complex Operations Fund to account for the operating activity of the Complex.

Additionally, the government reports the following fund types:

The Fiduciary Funds are purely custodial (assets equal liabilities) and do not involve measurement of results of operations. The County's fiduciary funds are used to account for the collection and payment of property taxes and special fees to other governmental agencies.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal operations. The principal operating revenue of the County's proprietary fund is charges for correction fees. Operating expenses for proprietary funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

**Assets, Liabilities and Net Position or Equity**

***Cash and Cash Equivalents***

A "Pooled Cash" concept is used in maintaining the cash in the accounting records. Under this method, all cash is pooled and each fund has equity in the pooled amount. All amounts included in pool cash are considered to be cash equivalents for the purposes of the statement of cash flows. Negative cash balances in certain funds have been reclassified as due to other funds at year end.

***Deposits and Investments***

The County's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the County to invest in Certificates of Deposit, obligations, of the U.S. Government, and fully collateralized repurchase agreements.

Investments for the County are reported at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

**COUNTY OF LUNA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Receivables and Payables***

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds or internal balances” (i.e., the current portion of interfund loans) or “advances to/from other funds or internal balances” (i.e., the non-current portion of inter-fund loans). All other outstanding balances between funds are reported as “due to/from other funds.” If one fund has overdrawn its share of an internal investment pool, an inter-fund liability to the fund that loaned the amount is reported.

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 when levied.

Property taxes attach as an unsubordinated enforceable lien on property as of January 1 of the assessment year. Current year taxes are levied on November 1, unless a formal extension of time is obtained from the Property Tax Division of the New Mexico Department of Finance and Administration. Taxes are due in total on November 10, or optionally in two equal installments on November 10 and April 10 of the next tax year. Although due on November 10 and April 10, the taxes are not delinquent until December 10 and May 10, respectively. In the event the original levy date is formally extended, the respective due dates and delinquency dates are correspondingly extended.

Property taxes are levied on November 1 based on the assessed value of property as listed on the previous January 1 and are due in two payments by November 10 and April 10. Property taxes uncollected after November 10 and April 10 are considered delinquent and the County may assess penalties and interest. The taxes attached as an enforceable lien on property thirty (30) days thereafter, at which time they become delinquent.

***Inventories and Prepaid Items***

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund type inventories are recorded as expenditures when consumed rather than when purchased.

***Deferred Outflows of Resources***

Deferred outflows of resources represent the County’s net assets that are applicable to a future reporting period. The County has recognized deferred outflows for pension contribution – See Note 8.

The County also recognizes deferred outflows for a refunded bond escrowed interest and unamortized discount.

***Net Position***

Net investment in capital assets, net of related debt. This category reflects the portion of net position that is associated with capital assets less outstanding capital asset related debt.

Restricted Net Position – Restricted net position results from the constraints placed on the use of net position when externally imposed by creditors, grantors, laws and regulations of other governments and imposed by law through constitutional provisions or enabling legislation. Certain proceeds of proprietary fund revenue bonds, as well as certain resources for their repayment, are required to be classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

Unrestricted Net Position – This category reflects net position of the County, not restricted for any project or other purpose.

**COUNTY OF LUNA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Fund Equity***

In the fund financial statements, governmental funds report reservations of fund balance that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

***Inter-Fund Transactions***

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund from expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other inter-fund transactions, except quasi-external transactions and reimbursements, are reported as operating transfers.

***Capital Assets***

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets including computer software are defined by the government as assets with no limitation on initial or individual cost. The New Mexico Audit Act (Section 12-6-10 NMSA 1978) requires agencies to capitalize only chattels and equipment that cost over \$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. County of Luna was a phase III government for purpose of implementing GASB 34 and therefore, was not required to record infrastructure assets retroactively back to fiscal years ending after June 30, 1980. However, County of Luna is required to record infrastructure assets on a prospective basis beginning with fiscal year ended June 30, 2004. There were no infrastructure assets placed in service during the fiscal year ended June 30, 2015. 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 asset lives are not capitalized. No computer software is developed in-house.

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction.

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

| <u>Assets</u>           | <u>Years</u> |
|-------------------------|--------------|
| Buildings               | 40           |
| Improvements            | 20           |
| Machinery and Equipment | 5-10         |

***Accrued Salaries***

Accrued salaries are comprised of the payroll expenditures based on amounts earned by the employees through June 30, 2015.

**COUNTY OF LUNA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

***Deferred Inflows of Resources***

Deferred inflows of resources represents the acquisition of net assets that are applicable to a future reporting period. The County reports property taxes receivable received beyond 60 days after year end as deferred inflows. The County has also recognized deferred inflows for pension actuarial and investment experience – See Note 8.

***Compensated Absences***

Paid time off is the component of accrued compensated absences. The County accumulates paid time off per employee, per year, and per years of service. Currently, employees with one or more but less than five years of service accumulate 15 days of paid time off per year. Employees with more than five years but less than fifteen years of service accumulate 20 days of paid time off per year. In addition, employees with an excess of fifteen years of service accumulate 25 days of paid time off per year. There is no separate accumulation of sick leave.

An employee may accumulate no more than 45 days (360 hours) of paid time off. Accumulated paid time off for the County total \$793,043 as of June 30, 2015.

***Pensions***

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

***Long-Term Obligations***

In the government-wide fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. 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.

***Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

***Subsequent Events***

Management has evaluated events through November 7, 2015, the date the financial statements were available to be issued.

**COUNTY OF LUNA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information**

Preliminary annual budgets of the County are prepared prior to June 1 and must be approved by resolution of the Board of County Commissioners, and submitted to the Local Government Division of the State Department of Finance and Administration for approval. The budget is formally approved prior to July 31. Any amendments must also be approved by the Board of County Commissioners and the Department of Finance and Administration.

A separate budget is prepared for each fund. Line items within each budget may be over expended; however, it is not legally permissible to over expend at the fund level.

These budgets are prepared on the Non-GAAP cash basis and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent year.

The budget information presented in these financial statements has been amended in accordance with the above procedures.

Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds, and Proprietary Funds.

The County is required to balance its budgets each year. Accordingly, amounts that are excess or deficient are presented as changes in cash designated for expenditures, not as an excess or deficiency of revenues over expenditures.

**Other Required Individual Fund Disclosures:**

Generally accepted accounting principles require disclosure, as part of the basic financial statements, of certain information concerning individual funds including:

- A. Deficit fund balance (or fund net position) of individual funds:
  - Columbus Stockyards (\$107,855)
- B. Designated cash appropriations in excess of available balances:
  - Detention Center (\$75,119)
  - Domestic Violence Shelter Detention Center (\$2,672)
  - KLCB Aluminum (\$2,062)
  - Law Enforcement (\$100,728)
- C. Excess of fund actual expenditures over budget:

| Fund                       | Budget Amount | Actual Amount | Over Expended |
|----------------------------|---------------|---------------|---------------|
| Entertainment Complex Bond | \$540,045     | \$1,191,307   | \$651,262     |
| LCDC Series 2015 Bond      | \$0           | \$39,955      | \$39,955      |
| Entertainment Complex      | \$1,565,077   | \$1,606,110   | \$41,033      |

**COUNTY OF LUNA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 3. CASH AND INVESTMENTS**

State statutes authorize the investment of County funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the County properly followed State investment requirements as of June 30, 2015.

Deposits of funds may be made in interest or non interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the County. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

The rate of interest in non demand interest bearing accounts shall be set 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.

Excess, of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

**Cash Deposited with Financial Institutions**

The County maintains cash in two financial institutions within Deming, New Mexico. The County's deposits are carried at cost.

As of June 30, 2015, the amount of cash reported on the financial statements differs from the amount on deposits with the various institutions because of transactions in transit and outstanding checks. The locations and amounts deposited are as follows:

|   | Per<br>Institution  | Reconciling<br>Items | Per Financial<br>Statements |
|---|---------------------|----------------------|-----------------------------|
| First New Mexico Bank                           | \$12,428,257        | (\$693,114)          | \$11,735,142                |
| Wells Fargo Bank                                | 552,121             | 0                    | 552,121                     |
| Western Heritage Bank                           | 4,403               | 0                    | 4,403                       |
| <i>Total cash deposits</i>                      | <i>\$12,984,781</i> | <i>(\$693,114)</i>   | <i>12,291,666</i>           |
| Cash on hand                                    |                     |                      | 4,443                       |
| Cash held with Trustee – State Treasurer        |                     |                      | 123,829                     |
| Wells Fargo Investments – Money Market Accounts |                     |                      | 157,621                     |
|   |                     |                      | <b>\$12,577,559</b>         |

The amounts reported as cash for the primary government within the financial statement is displayed as:

|                                      |                     |
|--------------------------------------|---------------------|
| Cash and cash equivalents            | \$12,175,994        |
| Restricted cash and cash equivalents | 123,829             |
| Agency funds                         | 277,736             |
| <i>Statement of net position</i>     | <b>\$12,577,559</b> |

**COUNTY OF LUNA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 3. CASH AND INVESTMENTS (CONTINUED)**

Except for items in transit, the carrying value of deposits by the respective depositories equated to the carrying value by the County.

All deposits are collateralized with eligible securities, as described by New Mexico State Statute, in amounts equal to at least 50% of the Bank deposit balance of the deposits less the applicable FDIC coverage.

Such collateral, as permitted by the state statutes is held in each respective depository bank's collateral pool at a Federal Reserve Bank, or member bank other than the depository bank, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds with the exception of deposit insurance provided by the federal Deposit Insurance Corporation.

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk. New Mexico State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the County for at least one half of the amount on deposit with the institution. As of June 30, 2015, \$9,796,537 of the County's bank balances of \$12,984,781 were exposed to custodial credit risk as follows:

|   | Western<br>Heritage Bank | First New<br>Mexico Bank | Wells Fargo<br>Bank |
|---|--------------------------|--------------------------|---------------------|
| Year ended June 30, 2015:   |                          |                          |                     |
| Total amount of deposits  | \$4,403                  | \$12,428,257             | \$552,121           |
| FDIC Coverage   | (4,403)                  | (250,000)                | (250,000)           |
| <i>Total uninsured public funds</i>   | 0                        | 12,178,257               | 302,121             |
| Collateralized by securities held by the pledging institution or by its trust department or agent in other than the County's name | 0                        | 2,381,720                | 332,999             |
| <i>Over (under) collateralization</i>   | \$0                      | (\$9,796,537)            | \$30,878            |
| Collateral requirement (50% of uninsured public funds)  | \$0                      | \$6,089,128              | \$151,061           |
| Pledged securities  | 0                        | 2,381,720                | 332,999             |
| <i>Over (under) collateralization</i>   | \$0                      | (\$3,707,408)            | \$181,938           |

The collateral pledged is listed on the supplemental schedule of collateral pledged by depositor of public funds on this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

**COUNTY OF LUNA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 3. CASH AND INVESTMENTS (CONTINUED)**

**Custodial Credit Risk – Investments**

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the County will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The County does not have an investment policy for custodial credit risk. New Mexico State Statutes require collateral pledged to be delivered for securities underlying an overnight repurchase agreement, or a joint safekeeping receipt be issued to the County for at least one hundred two percent of the fair value of the securities underlying oversight repurchase accounts invested with the institution. At June 30, 2015, the County's investment balances were exposed to custodial credit risk as follows:

| Investment Type                              | Credit Risk Rating | Fair Value          | Weighted Average Maturity (Days) | Percent of Portfolio |
|--|--------------------|---------------------|----------------------------------|----------------------|
| Certificates of Deposit                      | N/A                | \$8,634,079         |                                  | 82.37%               |
| US Government Securities                     | N/A                | 300,040             |                                  | 13.27%               |
| New Mexico Municipals                        | A to AAA           | 1,390,393           |                                  | 2.86%                |
| Money Market Accounts                        | N/A                | 157,621             |                                  | 1.50%                |
| <i>Total fair value</i>                      |                    | 10,482,133          | 1,150                            | 100.00%              |
| <u>Less cash equivalents – shown as cash</u> |                    | <u>157,621</u>      |                                  |                      |
|  |                    | <u>\$10,324,512</u> |                                  |                      |

County of Luna maintains an investment policy which states that “funds will be invested in compliance with the provisions of the State of New Mexico, Department of Finance and Administration, Local Government Division.” The County has established an investment committee which meets at least bi-monthly to review and evaluate investment activity. The committee includes the County Treasurer, the County Treasurer's Investment Officer, the County Manager and one other county employee. This committee reports to the County Board of Finance which includes the County Treasurer, the County Manager, three Commissioners and the County Clerk.

*Interest Rate Risk.* The County's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

*Credit Risk.* The County's investments shall be in accordance with State Law, 6-10-10, and 6-10-10.1 NMSA 1978 in that credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments. The County invests in securities issued by the U.S. government or its agencies, money market funds consisting of U.S. government and/or U.S. government-sponsored agency securities, and New Mexico State Treasurer's Investment Pool.

*Concentration of Credit Risk.* The County's investment policy places no limit on the amounts the County may invest in anyone issuer.

**COUNTY OF LUNA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 4. INTERFUND RECEIVABLES, PAYABLE AND TRANSFERS**

**Interfund Transactions**

There are transactions that constitute reimbursements to a fund for expenditures initially expended from one fund that are properly applicable to another fund, are recorded as expenditures in the reimbursing fund and as reductions of expenditure in the fund that is reimbursed.

Interfund payables and receivables are reflected in the appropriate fund.

| <b><u>Interfund Transfers In (Out)</u></b> | <b><u>Operating Transfers Out</u></b> |                       |                     |                               |                                   |                                  | <b>Totals</b>      |
|--|---------------------------------------|-----------------------|---------------------|-------------------------------|-----------------------------------|----------------------------------|--------------------|
|  | General<br>Fund                       | County<br>Maintenance | Detention<br>Center | Entertainment<br>Complex Bond | Nonmajor<br>Governmental<br>Funds | Nonmajor<br>Proprietary<br>Funds |                    |
| <b>Operating Transfers In:</b>             |                                       |                       |                     |                               |                                   |                                  |                    |
| General fund                               | \$0                                   | \$14,625              | \$0                 | \$0                           | \$25,414                          | \$0                              | \$40,039           |
| County maintenance                         | 0                                     | 0                     | 1,149               | 0                             | 0                                 | 0                                | 1,149              |
| Entertainment Complex Operations           | 0                                     | 0                     | 0                   | 420,000                       | 0                                 | 240,079                          | 660,079            |
| Road Fund                                  | 415,000                               | 0                     | 0                   | 0                             | 0                                 | 0                                | 415,000            |
| Nonmajor governmental funds                | 73,200                                | 0                     | 250,000             | 0                             | 28,870                            | 0                                | 352,070            |
| Nonmajor proprietary funds                 | 0                                     | 0                     | 511                 | 0                             | 0                                 | 0                                | 511                |
| <b>Totals</b>                              | <b>\$488,200</b>                      | <b>\$14,625</b>       | <b>\$251,660</b>    | <b>\$420,000</b>              | <b>\$54,284</b>                   | <b>\$240,079</b>                 | <b>\$1,468,848</b> |

| <b><u>Due From (to) Other Funds</u></b> | <b><u>Due To:</u></b> |                   |                                   |                                  | <b>Totals</b>    |
|---|-----------------------|-------------------|-----------------------------------|----------------------------------|------------------|
|   | General<br>Fund       | Detention<br>Fund | Nonmajor<br>Governmental<br>Funds | Nonmajor<br>Proprietary<br>Funds |                  |
| <b>Due From:</b>                        |                       |                   |                                   |                                  |                  |
| General fund                            | \$0                   | \$11,447          | \$0                               | \$347,934                        | \$359,381        |
| Nonmajor governmental funds             | 51,683                | 0                 | 15,097                            | 0                                | 66,780           |
| <b>Totals</b>                           | <b>\$51,683</b>       | <b>\$11,447</b>   | <b>\$15,097</b>                   | <b>\$347,934</b>                 | <b>\$426,161</b> |

**COUNTY OF LUNA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 5. CAPITAL ASSETS**

A summary of capital assets and changes occurring during the year ended June 30, 2015 is as follows:

|   | Balance<br>June 30, 2014   | Restatements              | Additions                 | Retirements               | Transfers          | Balance<br>June 30, 2015   |
|---|----------------------------|---------------------------|---------------------------|---------------------------|--------------------|----------------------------|
| Governmental Activities:                                  |                            |                           |                           |                           |                    |                            |
| Capital assets not being depreciated                      |                            |                           |                           |                           |                    |                            |
| Land  | \$1,462,663                | \$0                       | \$89,897                  | (\$21,783)                | \$0                | \$1,530,777                |
| Construction in progress                                  | 4,704,569                  | (288,184)                 | 2,051,912                 | 0                         | (2,300,489)        | 4,167,808                  |
| <i>Total capital assets not being depreciated</i>         | <i>6,167,232</i>           | <i>(288,184)</i>          | <i>2,141,809</i>          | <i>(21,783)</i>           | <i>(2,300,489)</i> | <i>5,698,585</i>           |
| Capital assets being depreciated                          |                            |                           |                           |                           |                    |                            |
| Buildings   | 15,721,599                 | 0                         | 44,170                    | (152,482)                 | 2,300,489          | 17,913,776                 |
| Equipment and furnishings                                 | 11,180,018                 | (80,989)                  | 112,690                   | (20,294)                  | 0                  | 11,191,425                 |
| <i>Total capital assets being depreciated</i>             | <i>26,901,617</i>          | <i>(80,989)</i>           | <i>156,860</i>            | <i>(172,776)</i>          | <i>2,300,489</i>   | <i>29,105,201</i>          |
| Less accumulated depreciation for:                        |                            |                           |                           |                           |                    |                            |
| Buildings   | (3,613,417)                | 0                         | (386,437)                 | 39,391                    | 0                  | (3,960,463)                |
| Equipment and furnishings                                 | (8,788,238)                | 80,989                    | (829,469)                 | 20,294                    | 0                  | (9,516,424)                |
| <i>Total accumulated depreciation</i>                     | <i>(12,401,655)</i>        | <i>80,989</i>             | <i>(1,215,906)</i>        | <i>59,685</i>             | <i>0</i>           | <i>(13,476,887)</i>        |
| <b><i>Governmental activities capital assets, net</i></b> | <b><i>\$20,667,194</i></b> | <b><i>(\$288,184)</i></b> | <b><i>\$1,082,763</i></b> | <b><i>(\$134,874)</i></b> | <b><i>\$0</i></b>  | <b><i>\$21,326,899</i></b> |

Depreciation expense for the year ended June 30, 2015 was charged to the following functions and funds:

|                        |                           |
|------------------------|---------------------------|
| General Government     | \$260,077                 |
| Public Safety          | 511,892                   |
| Public Works           | 261,440                   |
| Health and Welfare     | 182,081                   |
| Culture and Recreation | 416                       |
|                        | <b><u>\$1,215,906</u></b> |

**COUNTY OF LUNA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 5. CAPITAL ASSETS (CONTINUED)**

|  | Balance<br>June 30, 2014   | Restatements          | Additions                 | Retirements       | Balance<br>June 30, 2015   |
|--|----------------------------|-----------------------|---------------------------|-------------------|----------------------------|
| <b>Business-Type Activities:</b>                           |                            |                       |                           |                   |                            |
| Capital assets not being depreciated                       |                            |                       |                           |                   |                            |
| Land   | \$719,714                  | \$0                   | \$0                       | \$0               | \$719,714                  |
| <i>Total capital assets not being depreciated</i>          | <i>719,714</i>             | <i>0</i>              | <i>0</i>                  | <i>0</i>          | <i>719,714</i>             |
| Capital assets being depreciated                           |                            |                       |                           |                   |                            |
| Buildings  | 15,185,704                 | 0                     | 0                         | 0                 | 15,185,704                 |
| Leasehold improvements                                     | 33,253                     | 0                     | 0                         | 0                 | 33,253                     |
| Equipment and furnishings                                  | 1,254,880                  | (92,394)              | 0                         | 0                 | 1,162,486                  |
| <i>Total capital assets being depreciated</i>              | <i>16,473,837</i>          | <i>(92,394)</i>       | <i>0</i>                  | <i>0</i>          | <i>16,381,443</i>          |
| Less accumulated depreciation for:                         |                            |                       |                           |                   |                            |
| Buildings  | (3,430,613)                | 0                     | (368,592)                 | 0                 | (3,799,205)                |
| Leasehold improvements                                     | (2,084)                    | 0                     | (13,939)                  | 0                 | (16,023)                   |
| Equipment and furnishings                                  | (954,449)                  | 94,132                | (92,841)                  | 0                 | (953,158)                  |
| <i>Total accumulated depreciation</i>                      | <i>(4,387,146)</i>         | <i>94,132</i>         | <i>(475,372)</i>          | <i>0</i>          | <i>(4,768,386)</i>         |
| <b><i>Business-Type activities capital assets, net</i></b> | <b><i>\$12,806,405</i></b> | <b><i>\$1,738</i></b> | <b><i>(\$475,372)</i></b> | <b><i>\$0</i></b> | <b><i>\$12,332,771</i></b> |

Depreciation expense for business-type activities for the year ended June 30, 2015 was \$475,372.

**COUNTY OF LUNA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 6. LONG-TERM DEBT**

Governmental Activities: During the year ended June 30, 2015, the following changes occurred in the liabilities reported in the government-wide statement of net position:

|                                 | Balance<br>June 30, 2014 | Additions          | Reductions           | Balance<br>June 30, 2015 | Due Within<br>One Year |
|---------------------------------|--------------------------|--------------------|----------------------|--------------------------|------------------------|
| Judicial Bond 2007A             | \$3,666,348              | \$0                | (\$130,908)          | \$3,535,440              | \$140,000              |
| Entertainment Complex 2007B     | 5,878,402                | 0                  | (5,878,402)          | 0                        | 0                      |
| Entertainment Complex 2015      | 0                        | 6,185,000          | 0                    | 6,185,000                | 450,000                |
| GRT Improvement Bonds 2015A     | 0                        | 1,000,000          | 0                    | 1,000,000                | 81,954                 |
| NMFA Loan                       | 620,743                  | 0                  | (205,568)            | 415,175                  | 206,781                |
| Compensated absences            | 526,613                  | 456,598            | (412,961)            | 570,250                  | 3,824                  |
| <b>Total primary government</b> | <b>\$10,692,106</b>      | <b>\$7,641,598</b> | <b>(\$6,627,839)</b> | <b>\$11,705,865</b>      | <b>\$882,559</b>       |

Liabilities for compensated absences are generally liquidated by the fund from which the employee's salaries are paid; the majority of the County's liability will be satisfied by payments from the General Fund.

Bond – Judicial Complex 2007A

On October 19, 2007, the County entered into a bond agreement for the construction of a Judicial Complex. The bond maturity amount is \$4,515,000, but was discounted \$102,295 so the County received funds of \$4,412,705. The County pledged Correctional Facility Gross Receipts Tax for the repayment of the bond. Interest on the bond is due January 1 and July 1 of each year beginning in 2008. Interest rates for the bond began at 3.55% and increase until maturity up to 4.45%. The term of the bond is 25 years.

Loan debt service requirements to maturity are as follows:

| <u>Years Ending June 30,</u> | <u>Interest Rate</u> | <u>Principal</u>   | <u>Interest</u>    | <u>Total</u>       |
|------------------------------|----------------------|--------------------|--------------------|--------------------|
| 2016                         | 3.750%               | \$140,000          | \$148,323          | \$288,323          |
| 2017                         | 3.850%               | 145,000            | 142,979            | 287,979            |
| 2018                         | 3.900%               | 150,000            | 137,372            | 287,372            |
| 2019                         | 3.900%               | 155,000            | 131,463            | 286,463            |
| 2020                         | 4.000%               | 165,000            | 125,140            | 290,140            |
| 2021-2025                    | 4.000%-4.200%        | 920,000            | 519,430            | 1,439,430          |
| 2026-2030                    | 4.200%-4.450%        | 1,130,000          | 305,242            | 1,435,242          |
| 2031-2033                    | 4.450%               | 800,000            | 54,512             | 854,512            |
| Discount remaining           |                      | (69,560)           | 0                  | (69,560)           |
|                              |                      | <b>\$3,535,440</b> | <b>\$1,564,461</b> | <b>\$5,099,901</b> |

**COUNTY OF LUNA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 6. LONG-TERM DEBT (CONTINUED)**

Bond – Entertainment Complex 2007B

On October 19, 2007, the County entered into a bond agreement for the construction of an Entertainment Complex. The bond maturity amount is \$7,165,000 but was discounted \$328,605 so the County received funds of \$6,836,395. The County pledged Taxable Capital Outlay Gross Receipts Tax for the repayment of the bond. Interest on the bond is due January 1 and July 1 of each year beginning in 2008. Interest rates for the bond began at 5.10% and increase until maturity up to 6.00%. The term of the bond is 25 years.

This bond was refunded February 4, 2015 and in substance defeased through the placement of funds in an irrevocable trust account. See Bond – Entertainment Complex 2015 below.

Bond – Entertainment Complex 2015

On February 4, 2015, the County issued \$6,185,000 in capital outlay gross receipts tax refunding revenue bonds with an interest rate of 3.05%. The County issued the bonds to advance refund \$5,930,000 of outstanding Entertainment Complex 2007 B series gross receipts tax revenue bonds with interest rates ranging from 5.10% to 6.00%. The County used the net proceeds along with an additional \$650,000 of County money to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the 2006 series bond. As a result, that portion of the 2006 series bonds is considered defeased and the County has removed the liability from its accounts. The outstanding principal of the defeased bonds is \$5,930,000 at June 30, 2015. The advance refunding reduced total debt service payments over the next 17 years by \$2,009,442. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$1,271,782. The net present value savings is \$621,782 after consideration of the County equity contribution to escrow of \$650,000.

Interest and principal are payable semi-annually on January 1 and July 1 of each year beginning July 1, 2015. The final maturity of the bond is July 1, 2029.

Loan debt service requirements to maturity are as follows:

| <u>Years Ending June 30,</u> | <u>Principal</u>   | <u>Interest</u>    | <u>Total</u>       |
|------------------------------|--------------------|--------------------|--------------------|
| 2016                         | \$450,000          | \$167,157          | \$617,157          |
| 2017                         | 350,000            | 172,325            | 522,325            |
| 2018                         | 355,000            | 161,574            | 516,574            |
| 2019                         | 370,000            | 150,594            | 520,594            |
| 2020                         | 380,000            | 139,232            | 519,232            |
| 2021-2025                    | 2,105,000          | 512,705            | 2,617,705          |
| 2026-2030                    | 2,175,000          | 169,351            | 2,344,351          |
|                              | <u>\$6,185,000</u> | <u>\$1,472,938</u> | <u>\$7,657,938</u> |

**COUNTY OF LUNA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 6. LONG-TERM DEBT (CONTINUED)**

Bond – Gross Receipts Tax Improvement Revenue Bonds 2015A

On March 12, 2015, the County entered into a \$1,000,000 bond agreement for capital improvements at the Luna County Detention Center. The gross receipts tax improvement revenue bonds bear interest 2.90% and are to be repaid with gross receipts tax improvement revenue. Interest is payable semi-annually on December 1 and June 1 commencing on December 1, 2015. Principal payments are due annually on December 1 to commence on December 1, 2016.

| <u>Years Ending June 30,</u> | <u>Principal</u>   | <u>Interest</u>  | <u>Total</u>       |
|------------------------------|--------------------|------------------|--------------------|
| 2016                         | \$81,954           | \$35,847         | \$117,801          |
| 2017                         | 90,578             | 28,201           | 118,779            |
| 2018                         | 93,244             | 25,665           | 118,909            |
| 2019                         | 95,987             | 22,963           | 118,950            |
| 2020                         | 98,812             | 20,181           | 118,993            |
| 2021-2025                    | 539,425            | 57,910           | 597,335            |
|                              | <u>\$1,000,000</u> | <u>\$190,767</u> | <u>\$1,190,767</u> |

NMFA Loan – Motor Graders #402

On December 14, 2012, the County entered into a loan and incept agreement with New Mexico Finance Authority for the purchase of four motor graders in the amount of \$875,691. Pledged gas tax monthly revenues of \$17,482 are intercepted and deposited into a debt service account with the State Treasurer on behalf of Luna County. Annual principal payments are paid from the debt service account on November 1<sup>st</sup>. The interest rate ranges from .38% to .78% with an additional maintenance fee of .100%. Interest is paid from the debt service account semi-annually on May 1<sup>st</sup> and November 1<sup>st</sup>. The loan term is 5.5 years and matures with the final payment on May 1, 2017.

Loan debt service requirements to maturity are as follows:

| <u>Years Ending June 30,</u> | <u>Interest Rate</u> | <u>Principal</u> | <u>Interest and<br/>Maintenance<br/>Fee</u> | <u>Total</u>     |
|------------------------------|----------------------|------------------|---|------------------|
| 2016                         | .59%-.78%            | \$206,781        | \$3,008                                     | \$209,789        |
| 2017                         | .78%                 | 208,394          | 1,396                                       | 209,790          |
|                              |                      | <u>\$415,175</u> | <u>\$4,404</u>                              | <u>\$419,579</u> |

Business-Type Activities: During the year ended June 30, 2015, the following changes occurred in the liabilities reported in the government-wide statement of net position:

|                      | <u>Balance<br/>June 30, 2014</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance<br/>June 30, 2015</u> | <u>Due Within<br/>One Year</u> |
|----------------------|----------------------------------|------------------|-------------------|----------------------------------|--------------------------------|
| Compensated absences | \$221,227                        | \$225,254        | \$211,721         | \$234,760                        | \$34,936                       |

Liabilities for compensated absences are generally liquidated in the detention center fund.

**COUNTY OF LUNA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 7. RISK MANAGEMENT**

The County is subject to risk of loss through areas of general liability, worker's compensation, and natural disaster. To minimize the risk of loss for general liability, the County has insurance coverage through a private common carrier. The coverage includes commercial general liability, property, inland marine, crime, errors and omissions and automobile. The coverage limitation varies for each type of coverage purchased.

For the policy period of July 1, 2014 through June 30, 2015, the premiums paid were \$639,574. The assumption of risk transfers upon payment of premiums within the policy limits. To minimize the risk of loss for workers' compensation, the County participates in the New Mexico County Insurance Association (a risk pool of counties within the State of New Mexico). The pool is self insured for workers' compensation claims up to \$300,000. Above that amount, the pool maintains an Excess Employers' Reinsurance Policy.

**COUNTY OF LUNA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 8. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION**

**General Information about the Pension Plan**

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

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

**Benefits provided.** For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2014 available at [http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366\\_Public\\_Employees\\_Retirement\\_Association\\_2014.pdf](http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2014.pdf).

**Contributions.** The contribution requirements of defined benefit plan members and the County of Luna are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY14 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY14 annual audit report at [http://osanm.org/media/audits/366\\_Public\\_Employees\\_Retirement\\_Association\\_2014.pdf](http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2014.pdf). The PERA coverage options that apply to County of Luna are: Municipal General and Municipal Police. Statutorily required contributions to the pension plan from the County of Luna were \$846,760 and employer paid member benefits that were “picked up” by the employer were \$492,852 for the year ended June 30, 2015.

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

**COUNTY OF LUNA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 8. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)**

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The County of Luna's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2014. Only employer contributions for the pay period end dates that fell within the period of July 1, 2013 to June 30, 2014 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2014 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

**For PERA Fund Division Municipal General**, at June 30, 2015, the County of Luna reported a liability of \$5,965,481 for its proportionate share of the net pension liability. At June 30, 2014, the County of Luna's proportion was .7647 percent, which was unchanged from its proportion measured as of June 30, 2013, due to the insignificance of the difference.

For the year ended June 30, 2015, the County of Luna recognized PERA Fund Division municipal general pension expense of \$700,723. At June 30, 2015, the County of Luna reported PERA Fund Division municipal general deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

|   | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|---|---|--|
| Differences between expected and actual experience  |   |  |
| Changes of assumptions  | \$0   | \$4,043                                      |
| Net difference between projected and actual earnings on pension plan investments                                    | 0   | 2,333,853                                    |
| Changes in proportion and differences between County of Luna contributions and proportionate share of contributions | 0   | 0  |
| <b>County of Luna contributions subsequent to the measurement date</b>  | <b>1,040,351</b>                              | <b>0</b>                                     |
| <b>Total</b>  | <b>\$1,040,351</b>                            | <b>\$2,337,896</b>                           |

\$1,140,351 reported as deferred outflows of resources related to pensions resulting from County of Luna contributions subsequent to the measurement date June 30, 2014 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**COUNTY OF LUNA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 8. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)**

|                     |               |
|---------------------|---------------|
| Year ended June 30: |               |
| 2016                | (\$584,469)   |
| 2017                | (584,469)     |
| 2018                | (584,469)     |
| 2019                | (584,469)     |
| 2020                | (20)          |
| Thereafter          | (\$2,337,896) |

**For PERA Fund Division Municipal Police**, at June 30, 2015, the County of Luna reported a liability of \$2,226,832 for its proportionate share of the net pension liability. At June 30, 2014, the County of Luna's proportion was .6831 percent, which was an increase of zero from its proportion measured as of June 30, 2013, due to the insignificance of the difference.

For the year ended June 30, 2015, the County of Luna recognized PERA Fund Division municipal police pension expense of \$208,806. At June 30, 2015, the County of Luna reported PERA Fund Division municipal police deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

|   | <b>Deferred<br/>Outflows of<br/>Resources</b> | <b>Deferred<br/>Inflows of<br/>Resources</b> |
|---|---|--|
| Differences between expected and actual experience  |   |  |
| Changes of assumptions  | \$0   | \$180,895                                    |
| Net difference between projected and actual earnings on pension plan investments                                    | 0   | 828,034                                      |
| Changes in proportion and differences between County of Luna contributions and proportionate share of contributions | 0   | 0  |
| County of Luna contributions subsequent to the measurement date   | 299,261                                       | 0  |
| <b>Total</b>  | <b>\$299,261</b>                              | <b>\$1,008,929</b>                           |

\$299,261 reported as deferred outflows of resources related to pensions resulting from County of Luna contributions subsequent to the measurement date June 30, 2014 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**COUNTY OF LUNA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 8. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)**

Year ended June 30:

|            |               |
|------------|---------------|
| 2016       | (\$252,007)   |
| 2017       | (255,007)     |
| 2018       | (255,007)     |
| 2019       | (255,007)     |
| 2020       | (901)         |
| Thereafter | (\$1,008,929) |

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

|                              |  |
|------------------------------|--|
| Actuarial valuation date     | June 30, 2013                                |
| Actuarial cost method        | Entry age normal                             |
| Amortization method          | Level percentage of pay                      |
| Amortization period          | Solved for based on statutory rates          |
| Asset valuation method       | Fair value                                   |
| Actuarial assumptions:       |  |
| • Investment rate of return  | 7.75% annual rate, net of investment expense |
| • Payroll growth             | 3.50% annual rate                            |
| • Projected salary increases | 3.50% to 14.25% annual rate                  |
| • Includes inflation at      | 3.00% annual rate                            |

The long-term expected rate of return on pension plan investments was determined using a statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**COUNTY OF LUNA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 8. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)**

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

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

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

| <b>PERA Fund Division Municipal General</b>                       | <b>1% Decrease<br/>(6.75%)</b> | <b>Current Discount<br/>Rate (7.75%)</b> | <b>1% Increase<br/>(8.75%)</b> |
|---|--------------------------------|--|--------------------------------|
| County of Luna's proportionate share of the net pension liability | \$11,246,272                   | \$5,965,481                              | \$1,885,816                    |
| <b>PERA Fund Division Municipal Police</b>                        | <b>1% Decrease<br/>(6.75%)</b> | <b>Current Discount<br/>Rate (7.75%)</b> | <b>1% Increase<br/>(8.75%)</b> |
| County of Luna's proportionate share of the net pension liability | \$4,246,572                    | \$2,226,832                              | \$718,719                      |

**Pension plan fiduciary net position.** Detailed information about the pension plan's fiduciary net position is available in the separately issued FY14 Restated PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

**Payables to the pension plan.** County of Luna is legally required to make defined contribution to the cost sharing pension plan on behalf of its participant employees. At June 30, 2015, the School had paid all required contributions and therefore, there is no payable to the pension plan.

**COUNTY OF LUNA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 9. POST-EMPLOYMENT BENEFITS – STATE RETIREE HEALTH CARE PLAN**

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

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

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

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

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

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2015, the statutes required each participating employer to contribute 2.5 of each participating employee's annual salary; and each participating employee was required to contribute 1.25 of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2015, the statute required each participating employer to contribute 2.0 of each participating employee's annual salary; each participating employee was required to contribute 1.0 of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The County of Luna's contributions to the RHCA for the years ended June 30, 2015, 2014 and 2013 were \$157,942, \$157,380 and \$156,180, respectively, which equal the required contributions for each year.

**COUNTY OF LUNA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 10. CONTINGENT LIABILITIES**

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 amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the County expects such amount, if any, to be immaterial.

The County is involved in various claims and lawsuits arising in the normal course of business. The County is insured through the New Mexico County Insurance Authority. In the opinion of management, the outcome of these matters will not have a material effect on the financial position of the County.

**NOTE 11. FUND BALANCE CLASSIFICATIONS**

The County has defined fund balance classifications for governmental funds as follows:

Nonspendable Fund Balance – includes amounts that by their nature are not expendable such as inventories, prepaids and long-term notes receivable.

Restricted Fund Balance – includes amounts that have constraints placed on their use which are:

externally imposed by:

- Creditors (such as debt covenants)
- Grantors
- Contributors
- Laws or regulations of other governments (state and federal)

OR

imposed by law through constitutional provisions or enabling legislation.

Enabling legislation authorizes the County to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purpose stipulated in the legislation. Legal enforceability means that a government can be compelled by an external party – such as citizens, public interest groups, or the judiciary - to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed Fund Balance – includes amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolution of the County's Commission. These committed amounts cannot be used for any other purposes unless the government removes or changes the specified use by resolution (the same type of action taken to commit the funds).

Assigned Fund Balance – includes amounts that are constrained by the County's intent to be used for specific purposes, but are neither restricted nor committed. Intent is expressed by the County Commission, a finance or budget committee, or the County Manager to which the Commission has delegated the authority to assign amounts to be used for specific purposes.

Unassigned Fund Balance – includes amounts in the General Fund that have not been classified in any other fund balance category noted above.

**COUNTY OF LUNA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 11. FUND BALANCE CLASSIFICATIONS (CONTINUED)**

Hierarchy of Application of Expenditures

The County will apply restricted resources first when an expenditure is incurred for which both restricted and unrestricted fund balance or net position is available.

The County will apply committed resources first, then assigned, then unassigned when an expenditure is incurred for which amounts in any of these unrestricted fund balance classifications could be used.

The classification of governmental fund balances are as follows:

|                                | General Fund       | Major Special<br>Revenue<br>Fund-Road | Major Capital<br>Projects Fund-<br>County<br>Maintenance | Entertainment<br>Complex<br>Bond | Other Funds        | Total               |
|--------------------------------|--------------------|---------------------------------------|--|----------------------------------|--------------------|---------------------|
| <b>Fund Balances:</b>          |                    |                                       |  |                                  |                    |                     |
| <b>Nonspendable:</b>           |                    |                                       |  |                                  |                    |                     |
| Inventory                      | \$0                | \$143,623                             | \$0  | \$0                              | \$0                | \$143,623           |
| <b>Restricted for:</b>         |                    |                                       |  |                                  |                    |                     |
| Ambulance services             | 0                  | 0                                     | 0  | 0                                | 403,095            | 403,095             |
| Health and social services     | 0                  | 0                                     | 0  | 0                                | 476,268            | 476,268             |
| DWI prevention/education       | 0                  | 0                                     | 0  | 0                                | 139,273            | 139,273             |
| DWI services                   | 0                  | 0                                     | 0  | 0                                | 22,871             | 22,871              |
| Conservation and range control | 0                  | 0                                     | 0  | 0                                | 29,308             | 29,308              |
| Fire protection                | 0                  | 0                                     | 0  | 0                                | 62,396             | 62,396              |
| Indigent claims – health       | 0                  | 0                                     | 0  | 0                                | 749,879            | 749,879             |
| Law enforcement                | 0                  | 0                                     | 0  | 0                                | 260,062            | 260,062             |
| Recreation                     | 0                  | 0                                     | 0  | 0                                | 143                | 143                 |
| Reappraisals                   | 0                  | 0                                     | 0  | 0                                | 499,261            | 499,261             |
| Volunteer fire services        | 0                  | 0                                     | 0  | 0                                | 470,087            | 470,087             |
| Debt service                   | 0                  | 0                                     | 0  | 609,611                          | 1,589,465          | 2,199,076           |
| <b>Committed To:</b>           |                    |                                       |  |                                  |                    |                     |
| Capital projects               | 0                  | 0                                     | 0  | 0                                | 596,760            | 596,760             |
| <b>Assigned To:</b>            |                    |                                       |  |                                  |                    |                     |
| Road surface repairs           | 0                  | 1,391,527                             | 0  | 0                                | 0                  | 1,391,527           |
| County maintenance/projects    | 0                  | 0                                     | 6,330,186  | 0                                | 0                  | 6,330,186           |
| Clerk's office                 | 0                  | 0                                     | 0  | 0                                | 102,172            | 102,172             |
| Education                      | 0                  | 0                                     | 0  | 0                                | 493,453            | 493,453             |
| Waste/recycling                | 0                  | 0                                     | 0  | 0                                | 5,889              | 5,889               |
| Treasurer's office             | 0                  | 0                                     | 0  | 0                                | 372,233            | 372,233             |
| Assessor's non-rendition fees  | 0                  | 0                                     | 0  | 0                                | 73,858             | 73,858              |
| <b>Unassigned</b>              | <b>7,635,070</b>   | <b>0</b>                              | <b>0</b>   | <b>0</b>                         | <b>0</b>           | <b>7,635,070</b>    |
| <b>Total fund balances</b>     | <b>\$7,635,070</b> | <b>\$1,535,150</b>                    | <b>\$6,330,186</b>                                       | <b>\$609,611</b>                 | <b>\$6,346,473</b> | <b>\$22,456,490</b> |

**COUNTY OF LUNA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2015**

**NOTE 12. STARMAX ENTERTAINMENT COMPLEX OPERATIONS**

In September 2012, the County took over the operations of the Starmax Entertainment Complex after the contracted operator and the County mutually terminated the operating agreement. As the operator of the facility the County entered into agreements with the movie production companies to receive digital film. The film companies required an individual guarantor. Therefore, the County Manager was named as the guarantor. The operations of the Entertainment Complex are shown in these financial statements as a proprietary fund and operated as a limited liability company.

**NOTE 13. RESTATEMENTS**

Governmental Activities:

|  |               |
|--|---------------|
| Capital asset corrections                                | (\$369,173)   |
| Accumulated depreciation – prior depreciation correction | 80,989        |
| Grant receivable correction                              | (63,375)      |
| Net pension liability at June 30, 2014                   | (7,508,943)   |
|  | (\$7,860,502) |

Business-Type Activities/Proprietary Funds:

|  |               |
|--|---------------|
| Capital asset corrections – Detention  | (\$999)       |
| Net pension liability as of June 30, 2014 – Detention                        | (3,423,195)   |
| Net pension liability as of June 30, 2014 – Entertainment Complex Operations | (110,425)     |
| Capital asset corrections – Entertainment Complex Operations                 | 5,354         |
| Capital asset corrections – Columbus Stockyards                              | (2,616)       |
|  | (\$3,531,881) |

Governmental Funds:

|                             |            |
|-----------------------------|------------|
| General Fund                |            |
| Grant receivable correction | \$28,630   |
| Nonmajor Governmental Funds |            |
| Grant receivable correction | (92,005)   |
|                             | (\$63,375) |

## **APPENDIX C - Continuing Disclosure Undertaking**

### **Continuing Disclosure Undertaking**

**\$12,000,000\***

**LUNA COUNTY, NEW MEXICO**

**GROSS RECEIPTS TAX BONDS**

**SERIES 2016**

This instrument constitutes the written undertaking by Luna County, New Mexico (the “Issuer”) for the benefit of the holders of the above-captioned bonds (the “Bonds”) required by Section (b)(5)(i) of Securities and Exchange Commission Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (17 C.F.R. Part 240, § 240.15c2-12) (the “Rule”). Capitalized terms used in this undertaking and not otherwise defined in an Ordinance adopted by the Board of County Commissioners on March 3, 2015 (the “Ordinance”) shall have the meanings assigned such terms in subsection 3 hereof.

1. The Issuer undertakes to provide the following information as provided herein:
  - a. Annual Financial Information;
  - b. Audited Financial Statements, if any; and
  - c. Material Event Notices.

2. a. The Issuer shall, while any Bonds are Outstanding, provide the Annual Financial Information on or before March 31 of each year (the “Report Date”), beginning in 2016 to EMMA. The Issuer may adjust the Report Date if the Issuer changes its fiscal year by providing written notice of the change of fiscal year and the new Report Date to EMMA; provided that the new Report Date shall be 270 days after the end of the new fiscal year and provided further that the period between the final Report Date relating to the former fiscal year and the initial Report Date relating to the new fiscal year shall not exceed one year in duration. It shall be sufficient if the Issuer provides to EMMA, the Annual Financial Information by specific reference to documents previously provided to EMMA or filed with the Securities and Exchange Commission and, if such a document is a final official statement within the meaning of the Rule, available from the Municipal Securities Rulemaking Board.

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

c. If a Material Event occurs while any Bonds are Outstanding, the Issuer shall provide a Material Event Notice in a timely manner to EMMA. Each Material Event Notice shall be so captioned and shall prominently state the date, title and CUSIP numbers of the Bonds.

d. The Issuer shall provide in a timely manner to EMMA, notice of any failure by the Issuer while any Bonds are Outstanding to provide to EMMA, Annual Financial Information on or before the Report Date.

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.

3. The following are the definitions of the capitalized terms used herein and not otherwise defined in the Ordinance:

a. ***“Annual Financial Information”*** means the financial information (which shall be based on financial statements prepared in accordance with generally accepted accounting principles (“GAAP”) for governmental units as prescribed by the Governmental Accounting Standards Board (“GASB”)) or operating data with respect to the Issuer, provided at least annually, of the type included in the final official statement with respect to the Bonds; which Annual Financial Information may, but is not required to, include Audited Financial Statements.

b. ***“Audited Financial Statements”*** means the Issuer’s annual financial statements, prepared in accordance with GAAP for governmental units as prescribed by GASB, which financial statements shall have been audited by such auditor as shall be then required or permitted by the laws of the State.

c. ***“EMMA”*** means the Municipal Securities Rulemaking Board’s Electronic Municipal Market Access System located on its website at [emma.msrb.org](http://emma.msrb.org).

d. ***“Material Event”*** means any of the following events, if material, with respect to the Bonds:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults;
- (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 or events affecting the tax-exempt status of the security;

(vii) Modifications to rights of security holders;

(viii) Bond calls;

(ix) Defeasances;

(x) Release, substitution, or sale of property securing repayment of the securities;

(xi) Rating changes;

(xii) Tender offers;

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

(xiv) 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

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

e. ***“Material Event Notice”*** means written or electronic notice of a Material Event.

4. Unless otherwise required by law and subject to technical and economic feasibility, the Issuer shall employ such methods of information transmission as shall be requested or recommended by the designated recipients of the Issuer’s information.

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

6. Any failure by the Issuer to perform in accordance herewith shall not constitute an “Event of Default” under the Bonds and the Ordinance, and the rights and remedies provided

by the Ordinance upon the occurrence of an “Event of Default” shall not apply to any such failure; however, Bondholders may sue to enforce performance of the undertakings set forth herein.

**IN WITNESS WHEREOF**, Luna County, New Mexico has caused this instrument to be signed, subscribed, and executed, and attested with the signature of the Chair of the Board of County Commissioners; has caused its corporate seal to be affixed on this instrument; all as of \_\_\_\_\_, 2016.

**LUNA COUNTY, NEW MEXICO BOARD OF COUNTY  
COMMISSIONERS**

/s/ \_\_\_\_\_  
Chair