

Official Statement dated September 15, 2016

NEW ISSUE

RATING: Moody's: "Aa2"
See "RATING" herein.

In the opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A., Bond Counsel, under existing laws, regulations, rulings and judicial decisions, and assuming compliance with certain covenants described in "TAX EXEMPTION" herein, interest on the Series 2016 Bonds (including original issue discount treated as interest) (a) is excludable from the gross income of the recipients thereof; for federal income tax purposes, under Section 103 of the Internal Revenue Code of 1986, as amended (b) is not a specific preference item for purposes of the federal alternative minimum tax for individuals and corporations, but such interest on the Series 2016 Bonds will be included in the adjusted current earnings of certain corporations. The Bonds and income from the Bonds are exempt from all taxation by the State of New Mexico or any political subdivision thereof. For a more complete description of such opinion of Bond Counsel and a description of certain provisions of the Internal Revenue Code of 1986, as amended, which may affect the federal tax treatment of interest on the Series 2016 Bonds for certain owners of such bonds, see "TAX EXEMPTION" herein.

\$16,375,000

**CITY OF LAS CRUCES, NEW MEXICO
JOINT UTILITY SYSTEM IMPROVEMENT REVENUE BONDS
SERIES 2016**

BOOK-ENTRY ONLY

Dated: Date of Delivery

Due: June 1, as shown on inside cover

The City of Las Cruces, New Mexico (the "City") will issue its Joint Utility System Improvement Revenue Bonds, Series 2016 (the "Series 2016 Bonds," or the "Bonds") to provide funds to finance the costs of acquiring, extending, enlarging, bettering, repairing or otherwise improving the City's Joint Utility System, to purchase a reserve fund surety bond or otherwise fund a debt service reserve account for the Series 2016 Bonds and to pay all costs of issuance of the Series 2016 Bonds. See "THE PROJECT" and "SOURCES AND USES OF FUNDS" herein.

The Series 2016 Bonds are special limited obligations of the City, payable solely from and secured by a first lien (but not necessarily an exclusive first lien) upon the Net Revenues (as defined herein) of the System. The Master Ordinance (as defined herein) authorizes the issuance of additional bonds subordinate to or on parity with the Series 2016 Bonds. Upon issuance of the Series 2016 Bonds, the City's Joint Utility System Refunding Revenue Bonds, Series 2010 (the "Series 2010 Bonds"), the City's Joint Utility System Refunding Revenue Bonds, Series 2014A (the "Series 2014A Bonds"), the City's Joint Utility System Improvement Revenue Bonds, Series 2014B (the "Series 2014B Bonds"), the City's Joint Utility System Refunding and Improvement Bonds, Series 2015 (the "Series 2015 Bonds") and the City's Joint Utility System Improvement Revenue Bonds, Series 2015A (the "Series 2015A Bonds"), will be the only outstanding obligations of the City on parity with the Series 2016 Bonds with respect to the Net Revenues. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 BONDS" herein.

The Series 2016 Bonds are issuable as fully registered bonds, and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company ("DTC"), New York, New York. Individual purchases and sales of the Series 2016 Bonds may be made in book-entry form only in denominations of \$5,000 and integral multiples thereof. Purchasers will not receive certificates from the City or the Paying Agent (as defined herein) representing their interest in the Series 2016 Bonds purchased. Principal of the Series 2016 Bonds is payable on June 1 of the years, in the amounts and at the rates shown on the Maturity Schedule set forth on the inside cover. Interest on the Series 2016 Bonds will be payable on June 1 and December 1 commencing on December 1, 2016. So long as the Series 2016 Bonds are held by DTC, the principal of, interest and premium, if any, on the Series 2016 Bonds will be payable by wire transfer to DTC, which in turn is required to remit such principal, interest and premium, if any, to the DTC Participants for subsequent disbursement to the Beneficial Owners of the Series 2016 Bonds, as more fully described herein.

The Series 2016 Bonds are subject to redemption prior to maturity at the option of the City. See "THE SERIES 2016 BONDS--Redemption" herein.

The Series 2016 Bonds, together with the interest accruing thereon, will be payable and collectible solely out of the Net Revenues and will be secured by a first lien (but not necessarily an exclusive first lien) on the Net Revenues. Net Revenues consist of all income and revenue directly or indirectly derived from the operation and use of the System, less Operation and Maintenance Expenses (as defined herein). Upon issuance, the registered owners of the Series 2016 Bonds may not look to any general or other funds for the payment of the principal of or interest and premium, if any, on such obligations, except for the Net Revenues. The Series 2016 Bonds do not constitute an indebtedness of the City within the meaning of any constitutional, charter or statutory provision or limitation, nor will they be considered or held to be general obligations of the City. Neither the full faith and credit of the City nor the general taxing power or general resources of the City, the State of New Mexico or any political subdivision or public agency thereof is pledged to the payment of the Series 2016 Bonds.

This cover page is not intended to be a summary of the terms of, or the security for, the Series 2016 Bonds. Investors are advised to read the Official Statement in its entirety to obtain information essential to the making of an informed investment decision.

The Series 2016 Bonds are offered when, as and if issued by the City subject to the approval of validity by Modrall, Sperling, Roehl, Harris & Sisk, P.A., Albuquerque, New Mexico, Bond Counsel, and certain other conditions. Certain legal matters will be passed on for the City by William R. Babington, Jr., Esq., City Attorney. Modrall, Sperling, Roehl, Harris & Sisk, P.A., has also acted as special counsel to the City in connection with the preparation of this Official Statement and the sale of the Series 2016 Bonds. It is anticipated that the Series 2016 Bonds will be available for delivery on or about October 19, 2016 through the facilities of The Depository Trust Company ("DTC") New York, New York.

Dated: September 15, 2016

\$16,375,000
CITY OF LAS CRUCES, NEW MEXICO
Joint Utility System Improvement Revenue Bonds
Series 2016

MATURITY SCHEDULE

Maturity Date June 1	Amount	Interest Rate	Price	CUSIP
2017	\$ 345,000	5.000%	102.615	517496FZ3
2018	580,000	5.000%	106.715	517496GA7
2019	610,000	5.000%	110.523	517496GB5
2020	640,000	5.000%	114.057	517496GC3
2021	670,000	5.000%	117.359	517496GD1
2022	705,000	4.000%	114.694	517496GE9
2023	735,000	4.000%	116.168	517496GF6
2024	760,000	4.000%	117.379	517496GG4
2025	795,000	4.000%	118.449	517496GH2
2026*	825,000	4.000%	117.485	517496GJ8
2027*	860,000	4.000%	116.617	517496GK5
2028	890,000	2.125%	99.132	517496GL3
2029	910,000	2.250%	99.020	517496GM1
2030	930,000	2.375%	99.249	517496GN9
2031	955,000	2.500%	99.633	517496GP4
2032	975,000	2.500%	98.468	517496GQ2
2033*	1,000,000	3.000%	102.290	517496GR0
2034*	1,030,000	3.000%	101.673	517496GS8
2035*	1,065,000	3.000%	101.136	517496GT6
2036*	1,095,000	3.000%	100.755	517496GU3

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

CITY OF LAS CRUCES, NEW MEXICO

City Hall, 700 North Main Street
P.O. Box 20000
Las Cruces, New Mexico 88004
(575) 541-2000

MAYOR

Ken Miyagishima

CITY COUNCIL

Gregory Z. Smith, Mayor Pro Tem
Kasandra Gandara, Councillor
Olga Pedroza, Councillor
Jack Eakman, Councillor
Gill M. Sorg, Councillor
Cecelia H. Levatino, Councillor

CITY ADMINISTRATION

David Dollahon, AICP, Interim City Manager (since August 29, 2016)
Daniel Avila Interim City Manager (through August 28, 2016)
Victoria Fredrick, CMA, Director of Financial Services
Karin Byrum, CGFM, Interim City Treasurer
Linda Lewis, City Clerk
William R. Babington, Jr., Esq., City Attorney

MUNICIPAL ADVISOR

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6301 Uptown Boulevard, N.E., Suite 110
Albuquerque, New Mexico 87110
(505) 872-5999

BOND COUNSEL

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P.O. Box 2168 (87103-2168)
Albuquerque, New Mexico 87102
(505) 848-1800

PAYING AGENT AND REGISTRAR

City Treasurer, City of Las Cruces
City Hall, 700 North Main Street
P.O. Box 20000
Las Cruces, New Mexico 88004
(575) 541-2000

USE OF INFORMATION IN THIS OFFICIAL STATEMENT

No dealer, salesman or other person has been authorized by the City of Las Cruces, New Mexico (the "City") to give any information or to make any statements or representations, other than those contained in this Official Statement, and, if given or made, such other information, statements or representations must not be relied upon as having been authorized. This Official Statement does not constitute an offer to sell or solicitation of an offer to buy any of the Bonds in any jurisdiction in which such offer or solicitation is not authorized, or in which any person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. The information set forth or included in this Official Statement has been provided by the City and from other sources believed by the City 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 City described herein since the date hereof. This Official Statement contains, in part, estimates and matters of opinion that are not intended as statements of fact, and no representation or warranty is made as to the correctness of such estimates and opinions or that they will be realized.

The Bonds have not been registered under the Securities Act of 1933 in reliance upon exemptions contained in such Act. The registration and qualification of the Bonds in accordance with applicable provisions of the securities law of the states in which the Bonds have registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation thereof. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity, nor any agency or department thereof, has passed upon the merits of the Series 2016 Bonds or the accuracy or completeness of this Official Statement. Any representation to the contrary may be a criminal offense.

This Official Statement is "deemed final" by the City for purposes of Rule 15c2-12 promulgated by the Securities and Exchange Commission. The City 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.

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.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE CITY 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.

Copies of the Bond Ordinance authorizing the issuance of the Bonds are available upon request at the office of the City Clerk, City Hall, 700 North Main Street, Las Cruces, New Mexico 88004, (575) 541-2000.

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\$16,375,000
City of Las Cruces, New Mexico
Joint Utility System Improvement Revenue Bonds
Series 2016

SERIES 2016 BONDS-SUMMARY OF INFORMATION

There follows a summary of certain provisions discussed in this Official Statement relating to the City of Las Cruces, New Mexico (the “City”) Joint Utility System Improvement Revenue Bonds, Series 2016 (the “Series 2016 Bonds,” or the “Bonds”). SUCH SUMMARY DOES NOT PURPORT TO BE COMPREHENSIVE OR DEFINITIVE AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE COMPLETE OFFICIAL STATEMENT. This Summary is only a brief statement and a full review of the entire Official Statement, as it relates to the Bonds, should be made by potential investors.

Issuer:	The City operates under a home rule charter pursuant to Article X, Section 6 of the New Mexico Constitution, with a Council-Manager form of government. The City is located near the Texas and Mexico border. Las Cruces is the second largest city in the State of New Mexico and is the commercial service and cultural center of Southern New Mexico. See “THE CITY” and “APPENDIX C – Certain General Information Regarding the City of Las Cruces” herein.
Dated:	Date of Delivery.
Principal Payment:	The Series 2016 Bonds are registered bonds maturing on June 1 of the years set forth on the inside front cover of this Official Statement.
Interest Payment:	Interest will be payable semiannually on December 1 and June 1, commencing December 1, 2016.
Purpose:	The Series 2016 Bonds are being issued by the City to: (a) acquire, extend, enlarge, better, repair or otherwise improve the City’s Joint Utility System, (b) purchase a reserve fund surety bond or otherwise fund a debt service reserve account for the Series 2016 Bonds and (c) pay all costs of issuance of the Series 2016 Bonds. See “THE PROJECT” and “SOURCES AND USES OF FUNDS” herein.
Authorization:	The City is authorized pursuant to Sections 3-31-1 to 3-31-12 NMSA 1978 (the “Act”), the Charter and other applicable New Mexico law to issue the Series 2016 Bonds. The Series 2016 Bonds are being issued in accordance with the Act and the Charter and pursuant to Ordinance No. 1593, adopted by the City Council of the City on December 18, 1996, as amended by Ordinance No. 2750, adopted by the City Council on April 8, 2015 (the “Master Ordinance”) and Ordinance No. 2789, adopted on September 15, 2016 (the “2016 Ordinance”).
Security:	The Series 2016 Bonds are payable from and secured by an irrevocable first lien (but not necessarily an exclusive first lien) upon the Net Revenues. Net Revenues consist of all income and revenues directly or indirectly derived from the operation and use of the City’s joint water, wastewater and natural gas utility systems (collectively, the “System”), less Operation and Maintenance Expenses (defined herein). See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 BONDS” herein.

Reserve Account:	<p>At the time of the issuance of the Series 2016 Bonds, a portion of the proceeds of the Series 2016 Bonds will be utilized to purchase a reserve fund insurance policy or to otherwise fund the reserve account in the amount of \$22,483.52 equal to the Reserve Requirement (defined in herein).</p> <p>See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 BONDS – Series 2016 Reserve Account” herein.</p>
Special Obligations:	<p>THE PRINCIPAL OF, INTEREST AND PREMIUM, IF ANY, ON THE SERIES 2016 BONDS SHALL BE PAYABLE FROM THE NET REVENUES AND SHALL NOT BE PAYABLE FROM ANY FUNDS OF THE CITY EXCEPT THE DESIGNATED SPECIAL FUNDS PLEDGED TO THE PAYMENT OF THE SERIES 2016 BONDS. THE SERIES 2016 BONDS SHALL NOT CONSTITUTE AN INDEBTEDNESS NOR A DEBT OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL, CHARTER OR STATUTORY PROVISION OR LIMITATION, NOR WILL THEY BE CONSIDERED OR HELD TO BE GENERAL OBLIGATIONS OF THE CITY. NEITHER THE FULL FAITH AND CREDIT OF THE CITY NOR THE GENERAL TAXING POWER OR GENERAL RESOURCES OF THE CITY, THE STATE OR ANY POLITICAL SUBDIVISION OR PUBLIC AGENCY THEREOF, ARE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST AND PREMIUM, IF ANY, ON THE SERIES 2016 BONDS. NO OWNER HAS THE RIGHT TO COMPEL THE EXERCISE OF THE TAXING POWER OF THE CITY OR THE FORFEITURE OF ANY OF ITS PROPERTY IN CONNECTION WITH ANY DEFAULT UNDER THE MASTER ORDINANCE.</p>
Rate Covenant:	<p>Pursuant to the Master Ordinance, the City has covenanted to fix rates and collect charges in connection with the use of the System and to increase such rates and other charges from time to time if and when necessary to produce (a) Gross Revenues (defined herein) of the System sufficient to maintain the funds and accounts established in the Master Ordinance and to pay the annual Operation and Maintenance Expenses (defined herein) of the System and (b) Net Revenues (defined herein) sufficient in amount to be at least equal to 125% of the debt service requirements on the Series 2016 Bonds and any other obligations on parity with the Series 2016 Bonds.</p>
Redemption:	<p>The Series 2016 Bonds maturing on and after June 1, 2026 are subject to optional redemption prior to maturity in one or more units of principal of \$5,000 on and after June 1, 2025. See “THE SERIES 2016 BONDS – Redemption” herein.</p>
Registration:	<p>The Series 2016 Bonds will be issued as fully registered bonds in book-entry form only in denominations of \$5,000 each or any integral multiple thereof.</p>
Parity Bonds:	<p>In addition to the Series 2016 Bonds, additional bonds (“Parity Bonds”) may hereafter be issued and secured by and paid from the Net Revenues on a parity basis. The City’s Joint Utility System Refunding Revenue Bonds, Series 2010 (the “Series 2010 Bonds”), the City’s Joint Utility System Refunding Revenue Bonds, Series 2014A (the “Series 2014A Bonds”), the City’s Joint Utility System</p>

Improvement Revenue Bonds, Series 2014B (the “Series 2014B Bonds”), the City’s Joint Utility System Refunding and Improvement Bonds, Series 2015 (the “Series 2015 Bonds”) and the City’s Joint Utility System Improvement Revenue Bonds, Series 2015A (the “Series 2015A Bonds”) will be the only other outstanding obligations that have a lien on the Net Revenues on parity with the lien thereon of the Series 2016 Bonds. The issuance of Parity Bonds is subject to certain conditions provided in the Master Ordinance. The City may also issue bonds with a pledge on the Net Revenues subordinate to the pledge thereon of the Series 2016 Bonds. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 BONDS -Parity Bonds” herein.

Delivery:	Delivery of the Series 2016 Bonds is expected on or about October 19, 2016.
Secondary Market Disclosure:	The City will enter into an undertaking (the “Undertaking”) for the benefit of the holders of the Series 2016 Bonds to file certain financial information and operating data and to provide notice of certain material events, pursuant to the requirements of Section (b)(5)(i) of Securities and Exchange Commission Rule 15c2-12 (17 C.F.R. Part 240, § 240.15c2-12). See “CONTINUING DISCLOSURE” herein and Appendix D hereto.
Tax Exemption:	In the opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A., Bond Counsel, interest on the Series 2016 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 Series 2016 Bonds will be included in the adjusted current earnings of certain corporations, and (c) is exempt from all taxation by the State of New Mexico or any political subdivision thereof. See “TAX EXEMPTION” herein.
Bond Counsel:	Modrall, Sperling, Roehl, Harris & Sisk, P.A., Albuquerque, New Mexico.
Registrar/Paying Agent:	City Treasurer, City of Las Cruces, New Mexico

OFFICIAL STATEMENT

\$16,375,000

**City of Las Cruces, New Mexico
Joint Utility System Improvement Revenue Bonds
Series 2016**

INTRODUCTION

This Official Statement, including the cover page and the Appendices hereto (the “Official Statement”), sets forth certain information in connection with the sale and delivery of \$16,375,000 aggregate principal amount of City of Las Cruces, New Mexico Joint Utility System Improvement Revenue Bonds, Series 2016 (the “Series 2016 Bonds,” or the “Bonds”) by the City of Las Cruces, Doña Ana County, New Mexico (the “City”). The City is a political subdivision and municipality operating under a home rule charter (the “Charter”) pursuant to the Constitution and laws of the State of New Mexico (the “State”). See “THE CITY” and “APPENDIX C - Certain General Information Regarding the City of Las Cruces.”

The City is authorized pursuant to Sections 3-31-1 to 3-31-12 NMSA 1978 as amended and supplemented (the “Act”), the Charter and other applicable New Mexico laws to issue the Series 2016 Bonds. The Series 2016 Bonds are being issued in accordance with the Act and the Charter and pursuant to Ordinance No. 1593, adopted by the City Council of the City on December 18, 1996, as amended by Ordinance No. 2750, adopted by the City Council of the City on April 8, 2015 (the “Master Ordinance”) and Ordinance No. 2789, adopted on September 15, 2016 (the “2016 Ordinance”) for the purposes of acquiring, extending, enlarging, bettering, repairing or otherwise improving the City’s Joint Utility System, purchasing a debt service reserve surety bond or otherwise funding a debt service reserve account in an amount equal to the Series 2016 Reserve Requirement, and paying all costs of issuance of the Series 2016 Bonds. See “THE PROJECT” and “SOURCES AND USES OF FUNDS” herein. The Master Ordinance and the 2016 Ordinance are sometimes referred to herein as the “Bond Legislation.”

The Series 2016 Bonds are payable from and secured by an irrevocable lien (but not an exclusive lien) on the Net Revenues (defined as Gross Revenues minus Operation and Maintenance Expenses) of the joint water, wastewater and natural gas utility systems (the “System”) described under “JOINT UTILITY SYSTEM” herein. The Master Ordinance authorizes the issuance of additional bonds subordinate to or on parity with the Series 2016 Bonds. The City’s Joint Utility System Refunding Revenue Bonds, Series 2010 (the “Series 2010 Bonds”), the City’s Joint Utility System Refunding Revenue Bonds, Series 2014A (the “Series 2014A Bonds”), the City’s Joint Utility System Improvement Revenue Bonds, Series 2014B (the “Series 2014B Bonds”), the City’s Joint Utility System Refunding and Improvement Bonds, Series 2015 (the “Series 2015 Bonds”) and the City’s Joint Utility System Improvement Revenue Bonds, Series 2015A (the “Series 2015A Bonds”) will be the only obligations with a lien on parity with the lien thereon of the Series 2016 Bonds. The Series 2016 Bonds, the Series 2015A Bonds, the Series 2015 Bonds, the Series 2014A Bonds, the Series 2014B Bonds, the Series 2010 Bonds, and any Parity Bonds issued pursuant to the Master Ordinance, are referred to herein as the “Parity Bonds.” See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 BONDS - Parity Bonds” herein.

THE PRINCIPAL OF, INTEREST AND PREMIUM, IF ANY, ON THE SERIES 2016 BONDS SHALL BE PAYABLE FROM THE NET REVENUES AND SHALL NOT BE PAYABLE FROM ANY FUNDS OF THE CITY EXCEPT THE DESIGNATED SPECIAL FUNDS PLEDGED TO THE PAYMENT OF THE SERIES 2016 BONDS. THE SERIES 2016 BONDS SHALL NOT CONSTITUTE AN INDEBTEDNESS NOR A DEBT OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL, CHARTER OR STATUTORY PROVISION OR LIMITATION NOR WILL THEY BE CONSIDERED OR HELD TO BE GENERAL OBLIGATIONS OF THE CITY. NEITHER THE FULL FAITH AND CREDIT OF THE CITY NOR THE GENERAL TAXING POWER OR GENERAL RESOURCES OF THE CITY, THE STATE OR ANY POLITICAL SUBDIVISION OR PUBLIC AGENCY THEREOF, ARE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST AND PREMIUM, IF ANY, ON THE SERIES 2016 BONDS. NO OWNER HAS THE RIGHT TO COMPEL THE EXERCISE OF THE TAXING POWER OF THE CITY OR THE FORFEITURE OF ANY OF ITS PROPERTY IN CONNECTION WITH ANY DEFAULT UNDER THE MASTER ORDINANCE.

Pursuant to the Master Ordinance, the City has covenanted to fix rates and collect charges in connection with the use of the System and to increase such rates and other charges from time to time if and when necessary to produce (a) Gross Revenues of the System sufficient to maintain the funds and accounts established in the Master Ordinance and to pay the annual Operation and Maintenance Expenses of the System and (b) Net Revenues sufficient in amount to be at least equal to 125% of the debt service requirements on the Series 2016 Bonds and any other obligations on parity with the Series 2016 Bonds.

The descriptions and summaries of various documents herein set forth do not purport to be comprehensive or definitive, and reference is made to each such document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to such documents. Descriptions of the Master Ordinance and the Series 2016 Bonds are qualified by reference to bankruptcy laws affecting the remedies for the rights and security provided therein and the effect of the exercise of the police power by any entity having jurisdiction. All capitalized terms used in this Official Statement and not otherwise defined herein have the same meanings as in the Master Ordinance.

THE SERIES 2016 PROJECT

The Series 2016 Bonds are being issued to finance the Series 2016 Project (or the “Project”), which is defined in the 2016 Ordinance as, collectively, (i), acquiring, extending, enlarging, bettering, repairing or otherwise improving the City’s Joint Utility System, including, without limitation the acquisition of the assets of the Jornada Water System (see “*Asset-Only Acquisition of Jornada Water System*” in the following paragraph), (ii) purchasing a reserve fund surety bond or otherwise funding the Series 2016 Reserve Account in an amount equal to the Series 2016 Reserve Requirement, and (iii) paying all Costs of Issuance and expenses pertaining to the issuance of the Series 2016 Bonds. See “SOURCES AND USES OF FUNDS” herein.

Asset-Only Acquisition of Jornada Water System. The Series 2016 Project includes the acquisition of the assets of the Jornada Water System (“Jornada”), a privately owned water

system serving both residential and commercial customers, including four schools. Jornada generates approximately \$1,500,000 in revenues per year. The System Revenues will cover Jornada's operating expenses, and there will be no financial impact to existing Water Utility customers. The service area for the Jornada Water System includes areas both within and outside the City limits on the East Mesa, in the Mesilla Park area, in the south valley, and Las Alturas. Of Jornada's 3,500 customers, 1,484 (42%) are within the City limits. Jornada currently holds 5,961 acre-feet of water rights, with 2,486 acre-feet perfected. The Jornada system includes 20 well sites, 8 booster stations, 8 storage tanks, 4 pressure tanks, more than 375 hydrants, 961 water distribution system valves, 158 pump station and well valves, 38 check valves, 4 pressure reducing valves, 3 altitude valves and approximately 90 miles of water lines, sizes two-inch to 12-inch. Associated land and easements are included in the acquisition.

SOURCES AND USES OF FUNDS

The estimated sources of funds from the proceeds to be received from the sale of the Series 2016 Bonds and the estimated uses of such funds to finance the Project, establish the Series 2016 Reserve Account and pay the costs and expenses related to the issuance and sale of the Series 2016 Bonds, are shown in the following table:

Sources

Principal Amount of Series 2016 Bonds	\$16,375,000.00
Net Original Issue Discount/Premium	<u>1,125,192.25</u>
Total Sources	<u><u>\$17,500,192.25</u></u>

Uses

Deposit to Series 2016 Acquisition Account	\$17,000,000.00
Underwriter's Discount	313,943.79
Costs of Issuance*	160,000.00
Surety Reserve Premium	22,483.52
Additional Proceeds	<u>3,764.94</u>
Total Uses	<u><u>\$17,500,192.25</u></u>

*Includes Municipal Advisor fees, legal fees and other miscellaneous costs and contingencies.

RISK FACTORS

The ability of the City to pay Debt Service Requirements on the Series 2016 Bonds depends primarily upon the receipt of Net Revenues. No assurance can be made that the Net Revenues of the System, estimated or otherwise, will be realized by the City in amounts sufficient to pay Debt Service Requirements for the Series 2016 Bonds and other System Bonds. Among other matters, drought, general national and local economic conditions and changes in law and government regulations (including initiatives relating to water conservation, moratoriums and growth) could adversely affect the amount of Net Revenues realized by the City. In addition, the realization of future Net Revenues is subject to, among other things, the capabilities of the management of the City, the ability of the City to provide services to its

customers and the ability of the City to establish, maintain and collect rates and charges sufficient to pay for Operation and Maintenance Expenses and Debt Service Requirements.

The City Utility Department (“LCU”) has developed a long-term (40-year) Water Management Plan that was accepted by the New Mexico Office of the State Engineer in May 2009. The Plan is currently being used and will be updated or a progress report submitted every 10 years.

LCU filed a Water and Wastewater rate case in August 2009, based on a Cost of Service methodology. The Las Cruces Utilities Board (“LCU Board”) approved the rate increase in October, 2010. A Gas rate case was filed and a rate increase was approved by the LCU Board in August, 2012. A Solid Waste rate case was filed in December 2013, followed by a rate increase approval by the LCU Board in September 2014.

In December 2010, Customer Service functions were reorganized and placed under the LCU’s management. The reorganization of Customer Service consisted of creating a new sub-section, Billing and Collections, to improve billing services and address the timely collection of revenues. The change also allowed Customer Service to focus on customer responsiveness in all utility services. The creation of the new sub-section with distinct accountability and responsibility for billing and collections has already reduced outstanding receivable balances.

LCU also developed a new billing and service regulations document that clearly defines policies and procedures for billing adjustments, customer service fees and charges, deposits, refunds and collections, applications, billing payment for services, and shut-off services for non-payment; as well as terms and conditions to pay delinquent balances for service restoration. This document provides consistency in the application of policies and procedures as it relates to customer service billing and collection of revenues.

Although the City has covenanted to maintain rates and charges at the level necessary to pay Debt Service Requirements for the Series 2016 Bonds and other System Bonds, there can be no assurance that such amounts will be collected in the amount and at the time necessary to pay the Debt Service Requirements for the Series 2016 Bonds and other System Bonds.

The City cannot predict the degree of economic volatility or fiscal problems that may be encountered in this or in future Fiscal Years or what measures may be taken by the State or federal government to address such volatility or problems. Accordingly, the City cannot predict the final outcome of future State or federal actions or the impact that such actions may have on the demand for services provided by the System, the ability of customers to pay for services provided by the System, or the System’s overall finances and operations.

THE SERIES 2016 BONDS

General

The Series 2016 Bonds will be issued in the aggregate principal amount of \$16,375,000. The Series 2016 Bonds will be dated the date of delivery, and will bear interest (computed on the basis of a year of 360 days consisting of twelve 30-day months) at the rates and will mature in the amounts and on the dates set forth on the inside front cover page of this Official Statement.

Interest on the Series 2016 Bonds will be payable on December 1, 2016 and thereafter on June 1 and December 1 of each year (each an “Interest Payment Date”). The Series 2016 Bonds are issuable only in fully registered form in the denomination of \$5,000 or any integral multiple thereof.

The principal of and premium, if any, on any Series 2016 Bond will be paid to the registered owner thereof as shown on the registration books with respect to the Series 2016 Bonds, upon maturity and upon presentation and surrender to the Treasurer of the City of Las Cruces, as paying agent and registrar (in each respective capacity, the “Paying Agent” or the “Registrar”) in Las Cruces, New Mexico. Payment of interest on any Series 2016 Bond will be made by check or draft mailed by the Paying Agent, on or before each Interest Payment Date (or, if such Interest Payment Date is not a business day, on or before the next succeeding business day), to the registered owner thereof as of the fifteenth (15th) day of the calendar month (whether or not a business day) preceding each regularly scheduled Interest Payment Date (the “Regular Record Date”) at the address as it last appears on such registration books on the Regular Record Date (or by such other arrangements as may be mutually agreed to by the Paying Agent and any registered owner on such Regular Record Date) notwithstanding any transfer or exchange thereof subsequent to such Regular Record Date and prior to such Interest Payment Date. Any interest not so timely paid or duly provided for will cease to be payable as described above and will be payable to the person in whose name any Series 2016 Bond is registered at the close of business on a special record date to be fixed by the Registrar whenever moneys become available for payment of the overdue interest (the “Special Record Date”). Notice of the Special Record Date will be given not less than ten (10) days prior thereto, by first-class mail, to the registered owners of the Series 2016 Bonds.

All payments of principal of and interest on the Series 2016 Bonds will be made in lawful money of the United States of America. The City and the Registrar may treat the registered owner of a Series 2016 Bond as the absolute owner thereof for all purposes except as otherwise provided in the Master Ordinance with respect to the Regular Record Date and the Special Record Date for the payment of interest. Payment of or on account of either principal of or interest on any Series 2016 Bond will be made only to or upon the written order of the registered owner thereof or such owner’s legal representative. All such payments will be valid and effectual to discharge the liability upon the Series 2016 Bond to the extent of the sum or sums so paid.

Redemption

Optional Redemption

The Series 2016 Bonds maturing on and after June 1, 2026 are subject to redemption at the option of the City prior to maturity in one or more units of principal of \$5,000 on and after June 1, 2025, in whole or in part at any time, in such order of maturities as the City may determine (and by lot if less than all of the Series 2016 Bonds of any maturity is called, such selection by lot to be made by the Registrar in such manner considered appropriate and fair) for a redemption price equal to the principal amount of each \$5,000 unit so redeemed, with accrued interest thereon to the redemption date.

Registration, Transfer and Exchange of Series 2016 Bonds

Any Series 2016 Bond may be transferred upon the registration books upon surrender of such Series 2016 Bond at the principal office of the Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner or such owner's attorney duly authorized in writing. Upon such surrender, the Registrar will authenticate and deliver in the name of the transferee or transferees a new Series 2016 Bond or Series 2016 Bonds of a like aggregate principal amount and of the same maturity. Series 2016 Bonds may be exchanged at the principal office of the Registrar for an equal aggregate principal amount of Bonds of the same maturity of other Authorized Denominations. Exchanges and transfers of Bonds will 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.

If any Series 2016 Bond is lost, stolen, destroyed or mutilated, the Registrar will, upon receipt of such Series 2016 Bond, if mutilated, and such evidence, information or indemnity relating thereto as it may reasonably require, authenticate and deliver a replacement Series 2016 Bond or Series 2016 Bonds of like aggregate principal amount and of the same maturity and interest terms, bearing a number or numbers not then outstanding. If such lost, stolen, destroyed or mutilated Series 2016 Bond shall have matured, the Registrar may direct the Paying Agent to pay such Series 2016 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. The City makes no representations as to the accuracy or the completeness of such information. The Beneficial Owners of the Series 2016 Bonds should confirm the following information with DTC, the Direct Participants or the Indirect Participants.

NEITHER THE CITY NOR THE FISCAL AGENT WILL HAVE 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 SERIES 2016 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 SERIES 2016 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 SERIES 2016 BONDS; (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNERS OF SERIES 2016 BONDS; OR (F) ANY OTHER MATTER REGARDING DTC.

General

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Series 2016 Bonds. The Series 2016 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 Series 2016 Bond certificate will be issued for the Series 2016 Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world’s largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to Direct Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com. The City undertakes no responsibility for and makes no representations as to the accuracy or the completeness of the content of such material contained on that website as described in the preceding sentence including, but not limited to, updates of such information or links to other Internet sites accessed through the aforementioned website.

Purchases of the Series 2016 Bonds under the DTC system must be made by or through Direct or Indirect Participants, which will receive a credit for the Series 2016 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series 2016 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2016 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 Series 2016 Bonds, except in the event that use of the book-entry system for the Series 2016 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2016 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 Series 2016 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2016 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2016 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.

While the Series 2016 Bonds are in the book-entry only system, redemption notices will be sent to DTC. If less than all of the Series 2016 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2016 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2016 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series 2016 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the City or agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2016 Bonds at any time by giving reasonable notice to the City. Under such circumstances, in the event that a successor depository is not obtained, certificates representing the Series 2016 Bonds are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, certificates representing the Series 2016 Bonds will be printed and delivered to DTC.

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

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 BONDS

Source of Payment

The Series 2016 Bonds are limited obligations of the City and are payable as to principal, interest and premium, if any, exclusively from the Net Revenues. The Series 2016 Bonds create or constitute a first lien (but not an exclusive first lien) on the Net Revenues and with priority over any subordinate bonds to be issued separately under the Master Ordinance. The Net Revenues consist of Gross Revenues (described below) less Operation and Maintenance Expenses (as described below).

The Net Revenues will be received and held by the City for the benefit of the Owners of the Series 2016 Bonds, and will be disbursed, allocated and applied solely for the uses and purposes described in the Bond Legislation. Amounts on deposit in each of the funds and accounts established pursuant to the Master Ordinance will be invested in Permitted Investments. Investment income on amounts in any fund or account will be credited to such fund or account, and any loss will be charged to such fund or account.

THE PRINCIPAL OF, INTEREST AND PREMIUM, IF ANY, ON THE SERIES 2016 BONDS SHALL BE PAYABLE FROM NET REVENUES AND SHALL NOT BE PAYABLE FROM ANY FUNDS OF THE CITY EXCEPT THE DESIGNATED SPECIAL FUNDS PLEDGED TO THE PAYMENT OF THE SERIES 2016 BONDS. THE SERIES 2016 BONDS SHALL NOT CONSTITUTE AN INDEBTEDNESS NOR A DEBT OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL, CHARTER OR STATUTORY PROVISION OR LIMITATION NOR WILL THEY BE CONSIDERED OR HELD TO BE GENERAL OBLIGATIONS OF THE CITY. NEITHER THE FULL FAITH AND CREDIT OF THE CITY NOR THE GENERAL TAXING POWER OR GENERAL RESOURCES OF THE CITY, THE STATE OR ANY POLITICAL SUBDIVISION OR PUBLIC AGENCY THEREOF, ARE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST AND PREMIUM, IF ANY, ON THE SERIES 2016 BONDS. NO OWNER HAS THE RIGHT TO COMPEL THE EXERCISE OF THE TAXING POWER OF THE CITY OR THE FORFEITURE OF ANY OF ITS PROPERTY IN CONNECTION WITH ANY DEFAULT UNDER THE MASTER ORDINANCE.

Gross Revenues are all income and revenues directly or indirectly derived by the City from the operation and use of the System, or any part of the System, and includes, without limitation, all revenues received by the City, or any municipal corporation or agency succeeding to the rights of the City, from the System and from the sale and use of water, sanitary sewer and natural gas services or facilities, or any other service, commodity or facility or any combination thereof furnished to the inhabitants in the Service Area. Such term also includes:

(a) all income derived from the investment of any money in the Acquisition Fund, Income Fund, Debt Service Fund, Reserve Fund and Rate Stabilization Fund and from surplus Net Revenues;

(b) money released from the Rebate Fund to the City;

(c) money released from the Rate Stabilization Fund to the extent that the amount released is used to pay Operation and Maintenance Expenses or Debt Service Requirements on System Bonds in the year released; provided that withdrawals from the Rate Stabilization Fund shall not be included in Gross Revenues for the purposes of the Rate Covenant in any two consecutive calendar years;

(d) property insurance proceeds which are not necessary to restore or replace the property lost or damaged and the proceeds of the sale or other disposition of any part of the System; and

(e) such other amounts that may be designated as Gross Revenues in a Supplemental Ordinance.

Gross Revenues do not include:

(a) any money received as (i) grants or gifts from the United States of America, the State or other sources or (ii) the proceeds of any charge or tax intended as a replacement therefor or other capital contributions from any source which are restricted as to use;

(b) gross receipts taxes, other taxes and/or fees collected by the City and remitted to other governmental agencies; and

(c) condemnation proceeds or the proceeds of any insurance policy, except any insurance proceeds derived in respect of loss of use or business interruption.

Operation and Maintenance Expenses are all reasonable and necessary current expenses of the System, in any particular Fiscal Year or period to which such term is applicable, paid or accrued, related to operating, maintaining and repairing the System, including, without limiting the generality of the foregoing:

(a) legal and overhead expenses of the various City departments directly related and reasonably allocable to the administration of the System;

(b) insurance premiums for the System, including, without limitation, premiums for property insurance, public liability insurance and workmen's compensation insurance, whether or not self-funded;

(c) premiums, expenses and other costs (other than required reimbursements of insurance proceeds and other amounts advanced to pay Debt Service Requirements on System Bonds) for Credit Facilities;

(d) expenses other than Expenses paid from the proceeds of System Bonds;

(e) the costs of audits of the books and accounts of the System;

(f) amounts required to be deposited in the Rebate Fund;

(g) salaries, administrative expenses, labor costs, surety bonds and the cost of water, natural gas, materials and supplies used for or in connection with the current operation of the System; and

(h) any fees required to be paid under any operation, maintenance and/or management agreement with respect to the System.

Operation and Maintenance Expenses do not include any allowance for depreciation, payments in lieu of taxes, franchise fees payable or other transfers to the City's general fund, liabilities incurred by the City as a result of its negligence or other misconduct in the operation of the System, any charges for the accumulation of reserves for capital replacements or any Operation and Maintenance Expenses payable from moneys other than Gross Revenues.

Application of Gross Revenues

As long as any System Bonds are outstanding, all Gross Revenues shall be deposited in the Income Fund and transferred from that Fund to the following funds and accounts or for payment of the following amounts in the order listed:

(a) ***Operation and Maintenance Expenses.*** A sufficient amount of Gross Revenues shall be set aside each month into the Operation and Maintenance Fund to be used to pay the current Operation and Maintenance Expenses as they become due.

(b) ***Debt Service Accounts for Parity Bonds.*** Net Revenues shall be transferred to the Debt Service Accounts established for the Series 2016 Bonds and each series of Outstanding Parity Bonds in approximately equal amounts each month to provide an amount sufficient to pay Debt Service Requirements on the Series 2016 Bonds and such series of Parity Bonds as they become due.

(c) ***Reserve Account.*** Net Revenues shall be transferred to the Reserve Account for the Series 2016 Bonds, and to each Reserve Account for each series of Parity Bonds with a Reserve Requirement each month to the extent that deposits are required to be made as a result of any draws on a Reserve Account Insurance Policy or deficiency in the Series 2016 Reserve Requirement, or a series of Parity Bonds.

(d) ***Subordinated Bonds.*** Net Revenues shall be transferred to such funds and accounts as may be established by Supplemental Ordinance with respect to one or more series of Subordinated Bonds and used to pay Debt Service Requirements on Subordinated Bonds and to fund any Reserve Requirement for Subordinated Bonds.

(e) ***Replacement Fund.*** At the option of the City, Net Revenues may be transferred to the Replacement Fund to be used for the purposes stated in the Master Ordinance.

(f) ***Rate Stabilization Fund.*** At the option of the City, Net Revenues may be transferred to the Rate Stabilization Fund to be used for the purposes stated in the Master Ordinance.

(g) ***Surplus Net Revenues.*** Net Revenues shall be retained in the Income Fund or used for any other lawful System purpose, including, but not limited to, redeeming or purchasing System Bonds or paying costs and expenses of the City relating to the administration of System Bonds, but shall not be transferred to the general fund of the City except for Operation and Maintenance Expenses owed by the System to the City and taxes, payments in lieu of taxes, assessments and other municipal or governmental charges of the City lawfully levied or assessed upon the System.

(h) ***Accumulation of Revenues.*** Gross Revenues need not be retained for any use or in any fund or account created under the Master Ordinance in excess of the Gross Revenues required for any current use or deposit. For the purposes of this subparagraph, the term current shall mean the month during which the Net Revenues are being distributed and the immediately following period until the next payment date for Debt Service Requirements on System Bonds.

Rate Covenant

The City has covenanted in the Master Ordinance that it will at all times fix rates and collect charges for each class of service rendered by the System and, from time to time, amend or adjust such rates so that Gross Revenues of the System will always be sufficient to provide for payment of the Debt Service Requirements on all outstanding System Bonds as and when the same become due and payable, to maintain the funds and accounts established under the Master Ordinance, to provide for the payment of expenses of administration, Operation and Maintenance Expenses of the System which may be necessary to preserve the same in good repair and working order, including necessary reserves therefor and all other payments necessary to meet ongoing legal obligations to be paid at that time. The City has further covenanted in the Master Ordinance that it will at all times fix, charge and collect such rates and charges as are required in order that in each Fiscal Year the Net Revenues will at least equal 125% of the Debt Service Requirements on the Series 2016 Bonds and any additional Parity Bonds Outstanding in such Fiscal Year. The foregoing covenants are herein referred to as the "Rate Covenant."

The City's failure to comply with the Rate Covenant in any Fiscal Year will not constitute an event of default under the Master Ordinance so long as the City, within 180 days after the end of any such Fiscal Year, adopts the schedule of rates and charges recommended or approved by a Consulting Engineer which would bring the City into compliance with the Rate

Covenant. The City is also required under the Master Ordinance in each Fiscal Year to complete a review of its financial condition for the purpose of estimating whether the Net Revenues for such Fiscal Year and the next succeeding Fiscal Year will be sufficient to comply with the Rate Covenant. If the City determines that the Net Revenues may not be so sufficient, it will forthwith cause the Consulting Engineer to make a study for the purpose of recommending a schedule of fees, rates and charges for the System which, in the opinion of the Consulting Engineer, will cause sufficient Gross Revenues to be collected in such Fiscal Year sufficient to eliminate the amount of any deficiency at the earlier practicable time within such Fiscal Year.

Reserve Account

The Master Ordinance requires that a Reserve Account be created for the Series 2016 Bonds, and funded in an amount equal to the Reserve Requirement. Amounts on deposit in the Reserve Account for the Series 2016 Bonds (the "Series 2016 Reserve Account") shall only be used to make payments of principal and interest on the Series 2016 Bonds.

Initially, on the date of issuance of the Series 2016 Bonds, the Reserve Requirement for the Series 2016 Bonds (the "Series 2016 Reserve Requirement") will be satisfied by depositing a Reserve Account Insurance Policy purchased from Build America Mutual Assurance Company ("BAM") with coverage equal to the Series 2016 Reserve Requirement.

No payments need be made into the Series 2016 Reserve Account as long as the sums of the money in the Series 2016 Reserve Account and the insurance in effect under any Reserve Account Insurance Policy are equal to or greater than the Series 2016 Reserve Requirement and all proceeds paid pursuant to the Series 2016 Reserve Account Insurance Policy, if any, have been repaid. Money in the Series 2016 Reserve Account will be accumulated and maintained as a continuing reserve to be used, except as provided in the Master Ordinance, only to prevent deficiencies in the payment of the principal or interest on the Series 2016 Bonds. In the future, the City may fund all or a portion of the Series 2016 Reserve Requirement with respect to the Series 2016 Reserve Account with a Reserve Account Insurance Policy. A Reserve Account Insurance Policy may be any insurance policy, letter of credit or surety bond deposited in the Series 2016 Reserve Account in lieu of or in partial substitution for cash or securities. Any such Reserve Account Insurance Policy must either extend to the final maturity of the Series 2016 Bonds, or the City must agree, by supplemental ordinance, that the City will replace such Reserve Account Insurance Policy prior to its expiration with another Reserve Account Insurance Policy, or with cash, and the face amount of the Reserve Account Insurance Policies, together with amounts on deposit in the Series 2016 Reserve Account, including the face amount of any other Reserve Account Insurance Policy, are at least equal to the Reserve Requirement. For purposes of determining the amount on deposit in the Series 2016 Reserve Account, a Reserve Account Insurance Policy held by, or the benefit of which is available to, the City as security for the Series 2016 Bonds will be deemed to be a deposit in the stated amount of the Reserve Account Insurance Policy, except that, if the amount available under the Reserve Account Insurance Policy has been reduced as a result of a payment having been made thereunder or as a result of the termination, cancellation or failure of the Reserve Account Insurance Policy and not reinstated or another surety bond or credit facility provided, then, in valuing the Series 2016 Reserve Account, the value of the Reserve Account Insurance Policy will be reduced accordingly.

If the amount on deposit in the Debt Service Account for the Series 2016 Bonds (the “Series 2016 Debt Service Account”) on a payment date and available Net Revenues are insufficient to pay the amount becoming due on the Series 2016 Bonds on that date, an amount equal to the deficiency will be transferred from the Series 2016 Reserve Account to the Series 2016 Debt Service Account.

A sum equal to the amount in the Series 2016 Reserve Account used to pay Debt Service Requirements on the Series 2016 Bonds, plus interest, if any, owed on amounts advanced pursuant to a Reserve Account Insurance Policy, if any, will be deposited in the Series 2016 Reserve Account on a parity basis with other reserve accounts created for Parity Bonds, from the first Net Revenues received by the City which are not required to be used for another purpose.

If all proceeds drawn on the Series 2016 Reserve Account have been reimbursed and paid, any amount on deposit in the Series 2016 Reserve Account in excess of the Series 2016 Reserve Requirement (taking into consideration the amount of insurance in effect under any applicable Reserve Account Insurance Policy, if any) may be withdrawn at any time from the Series 2016 Reserve Account and deposited in the Replacement Fund. However, any excess which represents original proceeds of the Series 2016 Bonds, or interest thereon, will first be used to pay Debt Service Requirements on the Series 2016 Bonds.

Rate Stabilization Fund

Under certain circumstances, the City may use amounts on deposit in the Rate Stabilization Fund to satisfy its Rate Covenant obligation or to meet the prerequisites for the issuance of additional Parity Bonds. See “-Parity Bonds” and “-Rate Covenant” herein. Presently, there are no amounts on deposit in the Rate Stabilization Fund. During the next few years, the City expects to continue to use excess revenues of the System to fund capital infrastructure improvements and does not anticipate generating excess cash to deposit in the Rate Stabilization Fund.

Parity Bonds

Parity Bonds in addition to the Series 2016 Bonds may be issued for System purposes including, but not limited to, (a) financing the Costs of a Project; or (b) providing funds for deposit into a Reserve Account or the Replacement Fund and paying the costs incident to the issuance of such Parity Bonds or any combination of the foregoing.

The tests described below shall be performed without adjustment for payments to or withdrawals from the Rate Stabilization Fund or interest accrued (other than amounts representing capitalized interest) in the Acquisition Fund. Except as permitted by the Master Ordinance, prior to the issuance of additional Parity Bonds, the City shall be current in making all deposits required by the Master Ordinance and either of the following tests shall be satisfied:

(a) a certificate prepared by an Authorized Officer of the City showing that the Net Revenues for the Historic Test Period (i.e. any 12 consecutive months within the 18-month period next preceding the delivery of additional Parity Bonds) of were at least equal to 125% of the maximum combined annual Debt Service Requirements for all Outstanding Parity

Bonds which will be Outstanding immediately after the issuance of the proposed Parity Bonds;
or

(b) a certificate prepared by a Consulting Engineer showing that:

(i) the Net Revenues for the Historic Test Period were at least equal to 115% of the maximum combined annual Debt Service Requirements for all Outstanding Parity Bonds immediately preceding the issuance of the proposed additional Parity Bonds;

(ii) for each Fiscal Year during the period from the date of delivery of such certificate until the latest estimated Completion Date of the Project being financed, the Consulting Engineer estimates that the City will be in compliance with the Rate Covenant; and

(iii) the estimated Net Revenues for each of the three Fiscal Years immediately following the latest estimated Completion Date for the specified Project to be financed with proceeds of such additional Parity Bonds, as certified to the Consulting Engineer by an Authorized officer of the City will be at least equal to 125% of the maximum combined annual Debt Service Requirements for all Outstanding Parity Bonds which will be Outstanding immediately after the issuance of the proposed additional Parity Bonds.

For purposes of subsection (b)(i) and (ii) above, in estimating Net Revenues, the Consulting Engineer may take into account (a) reasonable Gross Revenues from specified Projects expected to become available, (b) any increase in fees, rates, charges, rentals or other sources of Gross Revenues which has been approved by the City and will be in effect during the period for which the estimates are provided and (c) any other increases in Gross Revenues for such period which the Consulting Engineer certifies to be a reasonable for purposes of such certificate. With respect to Operation and Maintenance Expenses, the Consulting Engineer will use such assumptions as the Consulting Engineer believes to be reasonable, taking into account, (a) historical Operation and Maintenance Expenses, (b) Operation and Maintenance Expenses associated with the specified Projects and (c) such other factors including inflation and changing operations or policies of the City, as the Consulting Engineer believes to be appropriate. The Consulting Engineer will include in the certificate or in a separate accompanying report a description of the assumptions used and the calculations made in determining the estimated Net Revenues and shall also set forth the calculations of the maximum combined annual Debt Service Requirements, which calculations may be based upon information provided by another Consulting Engineer or Consultant.

For purposes of preparing the certificate or certificates described above, the Consulting Engineer or Consulting Engineers may rely upon financial statements prepared by the City which have not been subject to audit by an independent certified public accountant if audited financial statements for the Fiscal Year or period are not available; provided, however, that an Authorized Officer of the City shall certify as to their accuracy and that such financial statements were prepared substantially in accordance with generally accepted accounting principles, subject to year-end adjustments.

Superior Obligations. As long as Parity Bonds are Outstanding, the City will not issue additional System Bonds having a lien on the Net Revenues prior and superior to the lien of Parity Bonds on Net Revenues.

Subordinate Obligations. Nothing contained in the Master Ordinance prevents the City from issuing bonds or other obligations with no lien on Net Revenues or a lien on Net Revenues subordinate to the lien of the Parity Bonds on Net Revenues.

Refunding Bonds. The provisions of the Master Ordinance provide for the issuance of refunding bonds subject to certain conditions. If at any time while System Bonds remain Outstanding, the City desires to refund Outstanding System Bonds or other obligations payable from Net Revenues, those System Bonds or other obligations, or any part thereof, may be refunded regardless of whether the priority of the lien for the payment of the refunding System Bonds on the Net Revenues is changed except that no obligation may be created having a lien on Net Revenues superior to the lien of Parity Bonds on Net Revenues.

Limitation Upon Issuance of Refunding Parity Bonds. No refunding bonds or other refunding obligations shall be issued as Parity Bonds unless (i) there is delivered a certificate of the Authorized Officer of the City showing that the combined Debt Service Requirements on all Outstanding Parity Bonds for any Fiscal Year after the issuance of refunding Parity Bonds will not exceed the combined Debt Service Requirements for such Fiscal Year on all Outstanding Parity Bonds authorized prior to the issuance of such refunding Parity Bonds by more than ten percent (10%) in any such Fiscal Year, and the City is in current compliance with the Rate Covenant, or (ii) the refunding Parity Bonds are issued in compliance with the Parity Bonds test.

DEBT SERVICE REQUIREMENTS FOR THE SERIES 2016 BONDS

The following table shows the debt service requirements for the Series 2016 Bonds for each fiscal year ending June 30:

TABLE 1
SERIES 2016 BONDS

<u>Fiscal Year Ending June 30</u>	<u>Principal</u>	<u>Interest⁽¹⁾</u>	<u>Total Debt Service⁽¹⁾</u>
2017	\$ 345,000	\$ 348,340	\$ 693,340
2018	580,000	547,625	1,127,625
2019	610,000	518,625	1,128,625
2020	640,000	488,125	1,128,125
2021	670,000	456,125	1,126,125
2022	705,000	422,625	1,127,625
2023	735,000	394,425	1,129,425
2024	760,000	365,025	1,125,025
2025	795,000	334,625	1,129,625
2026	825,000	302,825	1,127,825
2027	860,000	269,825	1,129,825
2028	890,000	235,425	1,125,425
2029	910,000	216,512	1,126,512
2030	930,000	196,037	1,126,037
2031	955,000	173,950	1,128,950
2032	975,000	150,075	1,125,075
2033	1,000,000	125,700	1,125,700
2034	1,030,000	95,700	1,125,700
2035	1,065,000	64,800	1,129,800
2036	1,095,000	32,850	1,127,850
Totals	<u>\$16,375,000</u>	<u>\$ 5,739,239</u>	<u>\$22,114,239</u>

⁽¹⁾ Rounded to the nearest dollar.

PRO FORMA SCHEDULE OF NET REVENUES, DEBT SERVICE AND COVERAGE

The following table sets out debt service requirements for the Series 2016 Bonds, estimated Net Revenues (based upon the amount of unaudited Net Revenues that the City received for its fiscal year ended June 30, 2016, without any adjustment for changes in such amount in future years) and calculations of the respective debt service coverage ratio for each of the following Fiscal Years:

TABLE 2
City of Las Cruces, New Mexico
Pro Forma Schedule of Net Revenues,
Debt Service and Coverage⁽¹⁾

Fiscal Year Ending June 30	Series 2010 Refunding	Series 2014A Refunding	Series 2014B New Money	Series 2015 Refunding and New Money	Series 2015A New Money	Series 2016 New Money	Combined Total	Pledged Revenues ⁽²⁾	Debt Service Coverage ⁽³⁾
2017	\$ 2,618,963	\$ 778,100	\$ 249,781	\$ 1,650,825	\$ 1,249,444	\$ 693,340	\$ 7,240,453	\$10,583,429	1.46
2018	2,624,063	779,700	250,731	1,648,725	1,249,944	1,127,625	7,680,788	10,583,429	1.37
2019	2,617,363	777,500	251,531	1,646,225	1,248,944	1,128,625	7,670,188	10,583,429	1.37
2020	2,609,163	775,100	244,281	1,643,325	1,251,444	1,128,125	7,651,438	10,583,429	1.38
2021	2,609,463	782,500	242,031	1,643,375	1,252,194	1,126,125	7,655,688	10,583,429	1.38
2022	2,612,963	776,500	239,531	1,648,375	1,251,194	1,127,625	7,656,188	10,583,429	1.38
2023	2,614,225	774,700	236,781	1,650,125	1,253,444	1,129,425	7,658,700	10,583,429	1.38
2024	2,618,675	781,900	233,781	1,643,625	1,248,694	1,125,025	7,651,700	10,583,429	1.38
2025	2,563,475	780,000	233,831	1,649,125	1,252,194	1,129,625	7,608,250	10,583,429	1.39
2026	2,571,875	-	238,731	1,650,175	1,253,444	1,127,825	6,842,050	10,583,429	1.54
2027	2,551,275	-	238,331	469,875	1,251,594	1,129,825	5,640,900	10,583,429	1.87
2028	-	-	235,931	473,625	1,248,394	1,125,425	3,083,375	10,583,429	3.43
2029	-	-	235,231	471,925	1,252,031	1,126,512	3,085,699	10,583,429	3.42
2030	-	-	234,381	474,925	1,252,031	1,126,037	3,087,374	10,583,429	3.42
2031	-	-	233,181	472,475	1,250,806	1,128,950	3,085,412	10,583,429	3.43
2032	-	-	236,775	309,725	1,248,706	1,125,075	2,920,281	10,583,429	3.62
2033	-	-	239,788	306,475	1,249,331	1,125,700	2,921,294	10,583,429	3.62
2034	-	-	237,475	308,075	1,248,863	1,125,700	2,920,113	10,583,429	3.62
2035	-	-	-	309,375	1,250,838	1,129,800	2,690,013	10,583,429	3.93
2036	-	-	-	-	-	1,127,850	1,127,850	10,583,429	9.38
	<u>\$28,611,503</u>	<u>\$7,006,000</u>	<u>\$4,312,103</u>	<u>\$20,070,375</u>	<u>\$23,763,534</u>	<u>\$22,114,239</u>	<u>\$105,877,754</u>		

⁽¹⁾ Rounded to the nearest dollar.

⁽²⁾ Pledged Revenues are based upon the amount of unaudited Net Revenues that the City received for its fiscal year ended June 30, 2016 and does not include revenues anticipated to be received through the acquisition of the assets of the Jornada Water Company. See "THE 2016 PROJECT-- *Asset-Only Acquisition of Jornada Water System*" herein. Net Revenues are subject to fluctuation and no assurance can be given that Net Revenues in future years will equal or exceed the figures shown herein. See "RISK FACTORS" herein.

⁽³⁾ Equal to Net Revenues divided by the sum of the Debt Service Requirements for the Parity Bonds.

Sources: The City of Las Cruces and RBC Capital Markets, LLC.

JOINT UTILITY SYSTEM

General

The City currently owns and operates four public utilities for its own account: natural gas, water, wastewater and solid waste. The City manages the natural gas utility through the Gas Section and the water and wastewater utilities through the Water Resources Section, both within the City's Joint Utilities Department (the "Joint Utilities Department") under the direction of the Director of Utilities.

The proceeds of sale of the Series 2016 Bonds will be used to finance the costs of the Series 2016 Project, as more fully described under "THE PROJECT" above. The term "System" as used in this Official Statement refers to the joint water, wastewater and natural gas utilities, the Net Revenues of which are pledged on a parity basis pursuant to the Master Ordinance to secure the Series 2010 Bonds, the Series 2014A Bonds, the Series 2014B Bonds, the Series 2015 Bonds, the Series 2015A Bonds and any Additional System Bonds, as described under "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 BONDS" above. The term "System" does not include the solid waste utility.

Utility Governance

City Council Resolution No. 16-222, approved on May 16, 2016, adopted a new utility rate setting process pursuant to which the Board of Utility Commissioners (the "Utility Board") reviews and makes a recommendation on utility rates to the City Council for final approval. The City Council may remand the recommended rates to the Utility Board with strategic guidance. The Utility Board establishes policies for the System and governs the operation and management of the System. Before 2006, the City Council had exclusive authority to approve rates and charges for natural gas, water and wastewater services provided by the System. In 2003-2004, the City Council directed the Joint Utilities Department to develop alternatives for future rate making and to explore governance alternatives. The Joint Utilities Department retained the Mercer Group (the "Consultant"), a well-known management consulting firm to undertake such a study. The Consultant recommended that the City Council establish an independent utilities board with rate making authority for the System.

Under the City's Home Rule Charter, the City Council had the authority to create a Board of Utility Commissioners, but could not delegate the rate making process. In November 2005, the question "should the Council be allowed to delegate its authority to regulate the rates charged for services by a City owned and operated public utility to a municipal board of utility commissioners" was presented to the voters. The voters approved the question, thereby amending the City's Home Rule Charter and authorizing the City Council to delegate its authority to the Utility Board.

The Utility Board is authorized to develop a long-range strategic policy direction for the System, recommends rates to the City Council for the System and water/wastewater development impact fees, using industry accepted methodology. The Utility Board does not have the authority to approve rates, issue debt, sell or dispose of assets, or initiate litigation in the name of the City. Initially, membership of the Utility Board consisted of the members of the

City Council. Pursuant to the Utility Board's By-Laws, five non-council members were subsequently appointed to serve on the Utility Board. Two City Council members will always remain on the Utility Board and shall serve four-year terms, while the remaining five members will be public members serving unlimited four-year terms. The City Manager and the Utilities Director serve as ex-officio non-voting members of the Utility Board. The current Utility Board consists of Councillor Gill Sorg (Chair), Mr. William Little (Vice-Chair), Mr. Jim Carmichael, Mr. Jim Ericson, Dr. Harry Johnson, Mr. Steven Baumgarn, and Councillor Olga Pedroza.

Eligibility for public membership on the Utility Board requires a member to be a registered voter and a customer of one or more of the System utilities for at least one year prior to appointment; prohibits a member from holding any elected or appointed public office or being a City employee; and prohibits a member from being a contractor or consultant or having a contractual relationship with the City for the benefit of the System. Utility Board members are also required to have significant technical expertise in one or more of the following fields: banking/finance; business; economics; engineering; and related utility management. Utility Board members are not compensated.

Utility Management

The day-to-day management of the System is under the direction of the Director of Utilities. The Director of Utilities of the City is selected by the City Manager from qualified candidates that are identified through a selection committee process. On December 2, 1996, the City Council of the City adopted an ordinance amending the City's Personnel Code to provide that the Director of Utilities (among other senior staff positions in the City) have a contract with the City and have similar classified status under the Personnel Code as regular salaried exempt employees.

The Director of Utilities and the Director of Public Works are responsible for supervising the design and construction of development and rehabilitation projects and all capital improvements for the System. The Gas Administrator directs day-to-day management of the portion of the System consisting of the natural gas utility, and the Water Resources Administrator directs day-to-day management of the portion of the System consisting of the water and wastewater utilities. The Gas Administrator and the Water Resources Administrator are hired by the Director of Utilities and are employed in accordance with the City's Personnel Code.

Jorge Garcia, PhD is the current Director of Utilities of the City, having served in that position since March 2001. From November 1989 to August 1996, Dr. Garcia was the Water Resources Design Engineer for the Utilities Engineering Department of the City and for a portion of that time also acted as an Adjunct Associate Professor in the Department of Engineering Technology at New Mexico State University. Prior to November 1989, Dr. Garcia worked for approximately five years as a Research Engineer in the Department of Agricultural and Irrigation Engineering at Utah State University in Logan, Utah. Dr. Garcia is a Registered Professional Engineer in New Mexico and Colorado. Dr. Garcia received his Ph.D. degree in Civil and Environmental Engineering from Utah State University in 1989, his Master of Science degree in Civil and Environmental Engineering from Utah State University in 1983 and his Bachelor of Science degree in Agricultural and Irrigation Engineering from Utah State University in 1981.

Dr. Garcia is a member in several national professional engineering societies and has published and presented several papers related to engineering matters.

Adrienne L. Widmer is the current Water Resources Administrator of the City, having served in this position since December 2013. From November 2010 to December 2013, Ms. Widmer served as the Regulatory Environmental Services and Technical Support Administrator and from August 2006 to November 2010 served as the Utilities Project Manager for Capital Improvement Utility Infrastructure projects for the City. Prior to August 2006, Ms. Widmer was a Utility Design Engineer for 11½ years with Molzen-Corbin and Associates, an engineering water and wastewater consulting firm. Ms. Widmer is a Registered Professional Engineer in the State of New Mexico and received her Bachelor of Science in Civil Engineering from New Mexico State University in December 1991.

Lucio M. Garcia, P.E., CEM is the current Gas Distribution and Construction Administrator for the Utilities Department, having served in this position since August 2015. Mr. Garcia earned a Bachelor of Science degree in Mechanical Engineering from New Mexico State University (NMSU) in 1990 and has completed graduate course work in Mechanical Engineering and Public Utility Regulation at NMSU's Center for Public Utilities. In addition, he has over 25 years' experience as a project manager, mechanical engineer, plant engineer, design engineer, and in utilities operations and maintenance. Mr. Garcia is licensed as a Professional Engineer (P.E.) in the State of New Mexico and is an energy professional, certified by the Association of Energy Engineers (AEE) as a Certified Energy Manager (CEM).

Employees

For fiscal year 2017, the Joint Utilities Department was authorized to employ 284.4 full-time employees, of which 60 work in Administrative Services, 27 work in Regulatory and Environmental Services/Technical Support, 7.4 are under the Director's Office, 57 work in Gas Services, 42 work in Wastewater Services, 44 work in Water Services and 47 work in Solid Waste Services. The City reports that its relationship with the employees of the Joint Utilities Department is good.

Budgeting

The budget for the Joint Utilities Funds for the System is prepared on a basis consistent with generally accepted accounting principles, using an estimate of the anticipated revenues and expenditures. An annual budget of appropriated funds is adopted for the Joint Utilities Funds. All unexpended appropriations lapse at the end of the fiscal year. The New Mexico Department of Finance and Administration allows GAAP budgeting to the extent that cash and investments required for operations are available.

New Mexico law prohibits a municipality from making expenditures in excess of approved appropriations. If a fund (such as the Joint Utilities Fund) is not overspent, it is in compliance with State law. The adopted budget may be amended by the City Council upon the recommendation by the Utility Board. Approval by the New Mexico Department of Finance and Administration must be obtained for budget increases and budget transfers between funds.

The accrual basis of accounting is followed in the Joint Utilities Funds. Revenues are recognized in the accounting period in which they are earned, and expenses are recorded in the period in which they are incurred.

Accounting and Auditing

The New Mexico Audit Act (Sections 12-6-1 through 12-6-14 NMSA 1978) provides that the financial affairs of all municipalities in the State of New Mexico (among others) must be thoroughly examined and audited annually in accordance with generally accepted auditing standards by the New Mexico State Auditor or his staff or by independent auditors approved by the State Auditor. The State Auditor may also cause the financial affairs and transactions of any municipality to be audited in whole or in part.

Enforcement of Rates and Charges

New Mexico law provides that any charge imposed by ordinance for service rendered by a municipal utility (such as the System) will be (a) payable by the owner, personally, at the time the charge accrues and becomes payable and (b) a lien upon the tract or parcel of land being served from such time. Once the lien is filed in accordance with New Mexico law, it is a first and prior lien on the property subject only to the lien of general state and county taxes. The lien may be enforced in the manner provided by New Mexico law, including foreclosure of real estate in the same manner that mortgages or other liens against real estate are foreclosed, with like rights of redemption, and foreclosure against personal property in the same manner that security interests are foreclosed. The proceeds realized from the sale of property pursuant to a foreclosure sale are applied in the manner required by New Mexico law. The City has covenanted in the Master Ordinance to cause each lien to be perfected in accordance with New Mexico law and to take all necessary steps to enforce the lien against any parcel of property the owner of which is delinquent for more than six months in the payment of charges imposed for the use of the System.

New Mexico law provides that if payment of any fee or other charge for water or sewer service is not made within 30 days from the date the payment is due, the applicable service may be discontinued and will not be again supplied to the person liable for the payment until the arrears with interest and penalties have been fully paid. The City has covenanted in the Master Ordinance to discontinue providing water service if a bill is not paid within the required time.

Connection, Billing and Collection Procedures

Connection Requirement. In accordance with New Mexico law, the City is authorized to require the owner, agent or occupant of a building on a lot or land adjoining a street in which a sanitary sewer exists to connect the building to the sanitary sewer. Ordinance No. 1317, adopted by the City Council of the City on June 7, 1993, requires owners or occupants within the City to connect to the City sewer system unless (a) such premises commence at a point beyond 200 feet from the nearest point to which a connection with the sewer system could be made or (b) access to the City sewer system is not available due to insufficient grade or right-of-way limitations. The City actively enforces this connection policy.

Billing Procedures. The City sends a single monthly bill to each customer account. The bill separately identifies the charges attributable to each service: natural gas, water, wastewater, and solid waste provided during the preceding period and the total amount due for such service.

Collection Procedures. The City continuously monitors utility accounts for delinquencies. When a customer fails to pay its delinquent account balance, 53 days after the date on which the bill was initially issued, the customer receives a Shutoff Notice assessing the applicable Shutoff Notice Fee and Late Payment Penalty Fee. Services may be disconnected on the sixtieth day, and on day 106 the account is turned over to a collection agency.

A customer that has been delinquent three or more times during a one-year period of time, or has had services terminated for delinquency, may be assessed an additional deposit. The additional deposit will be the highest three-month billing during the lifetime of the account.

After a four-year period, bad debts can be written off upon the recommendation of the Utilities Board and City Council approval. The City Council receives information not only on the amounts to be written off, but on the total billings for the year and the percentage of those billings that are requested to be written off.

Since at least 2000, the City bad debt write-offs for the System have averaged 0.74% of the billings.

Insurance

The City has covenanted in the Master Ordinance to procure and maintain commercial insurance, so long as it is available at reasonable rates, or provide qualified self-insurance in its operation of the System with respect to System facilities and public liability insurance in the form of commercial insurance or qualified self-insurance. Such insurance is required to be in such amounts and protect against such risks as are, in the judgment of the City Council, prudent and reasonable taking into account the amounts and types of insurance or self-insurance provided by municipalities that operate comparable utilities. Qualified self-insurance must be established in accordance with law and provide reserves in amounts adequate to provide coverage which the City determines to be reasonable to protect against risks assumed under the qualified self-insurance plan.

The City maintains qualified self-insurance programs that the City expects will satisfy the insurance covenant contained in the Master Ordinance.

Equipment Reserves

The City's practice is to create reserves for the acquisition and replacement of equipment as needed or services require. As of June 30, 2016, the System equipment reserves were approximately \$3.3 million. The System equipment reserves are recognized separately in the Joint Utilities Funds rather than the general government equipment reserves.

Water Utility

The City began providing water service to its citizens in the early 1900s. The service area of the water utility consists of approximately 90% of the land area within the City limits, or approximately 41 square miles. The water utility had 32,653 connections as of June 30, 2016 with an average daily consumption in 2016 of 14.98 million gallons. See “Water Consumption” below. The balance of the land area of the City is largely undeveloped. Two small private water companies operate within the water utility’s service area.

Water Supply. Water is extremely important, particularly in the arid climate of southern New Mexico where the City is located. Reliable supply of good quality water in sufficient quantities is essential to the long-term viability, growth and development of the City.

Due to its location on the Rio Grande River, the City has physical access to this surface water as a source of supply. However, the Rio Grande supply is fully appropriated to others, and the City relies entirely upon ground water obtained from 29 wells for its water supply. The City’s wells tap the Mesilla and Jornada del Muerto Bolsons, which are regional “basin-fill” aquifers that contain large quantities of fresh water. Existing wells have maintained a high rate of production without significant long-term draw-downs, due principally to the hydrological interconnection between the aquifer and the Rio Grande stream system. The quality of the City’s ground water supply is reported as generally good, although some wells produce water with elevated levels of salinity or temperature and others require treatment for iron and manganese. Most of the City’s wells produce water directly to the distribution piping network.

To meet increasing water demands caused by growth, the City either increases ground water pumping or drills new wells. At present, the City has licensed water rights of 21,869 acre-feet per year, permitted appropriations of 10,200 acre feet per year in the Jornada del Muerto (East Mesa), and 8,000 acre-feet per year of ground water production on the West Mesa. See “Required Permits” below. The City currently has sufficient water rights to meet projected demands in the next 40 years. However, the City will continue efforts to find additional sustainable groundwater supply to insure long-term reliability of the Water System. The City has acquired over 4,000 acre-feet of surface water rights with additional acquisitions pending.

The City’s ability to acquire water rights is affected by several factors, including the validity, price and marketplace availability of water rights. New appropriations of ground water by the City will also require that there be no net effect on Rio Grande stream flows. See “Required Permits” below. On October 16, 2000, the City Council adopted Ordinance 1834 providing for the conveyance of water rights or Rio Grande Project water rights or authorized alternative upon development. This ordinance repealed a previous water rights acquisition ordinance and provided for a calculation for conveyance of water rights based on consumptive water use.

Water Storage and Distribution Facilities. Associated with the water wells are 11 ground storage tanks and 10 pump stations. The reservoir capacity totals 25.4 million gallons and includes the 11 ground storage tanks and 1 elevated tank. All reservoir storage tanks are of steel construction and are in good condition. There are 10 pressure zones with numerous flow-regulating valves are located throughout the City to isolate and maintain static pressure of

between 40 and 100 pounds per square inch. The City has 10 pump stations to transfer production between reservoirs and to charge the distribution system.

The water distribution system contained approximately 600 miles of transmission and distribution lines as of June 30, 2016. The City considers the water transmission and distribution systems to be in good condition and of adequate size to serve system demand including fire flows. Subdivision developers are required to furnish and install all water and sewer lines within their subdivisions.

Water and Wastewater Systems Plan. On October 26, 1993, the City engaged Montgomery Watson Americas, Inc. to develop a water and wastewater systems master plan update to guide the City's planning for a 40-year period through the year 2035. The water and wastewater system master plan was completed in 1995, and provided recommendations for improvements to the City's water and wastewater systems to correct deficiencies and meet anticipated growth demands in four five-year increments for the 1995-2015 planning period. Specifically, the master plan recommended (among other things) that the City continue to use ground water as its source of supply for the short-term future, seek to complete its acquisition of new water rights appropriations which are projected to extend the adequacy of the ground water supply until about the year 2020 and actively protect and assert its interests with other governmental entities in firm water supply from ground water and surface water, to the extent it may become available.

The City's updated water and wastewater system master plan was adopted in December 2008. The update provided a comprehensive plan for identifying, budgeting and scheduling the construction of improvements to the existing water and wastewater conveyance system, water supply, and water and wastewater treatment infrastructure to meet projected needs to the year 2025.

In January 2005, a contract was issued to John Shomaker & Associates, Inc. to update the 40-year water development plan for the City. This update addresses water-supply and demand issues for the City, and the conjunctive use of surface and ground-water resources. The update also evaluates existing water and wastewater system capacities and deficiencies and future infrastructure needs. On May 21, 2009, the New Mexico Office of the State Engineer informed the City that review of the plan had been completed and the plan was found to be acceptable.

Major Water Utility Customers. The following is a list of the five largest users of the water utility (based on percentage of total water utility revenues) for the City's fiscal year ended June 30, 2016, according to the City's utility records. Total unaudited water utility sales revenues for the City's fiscal year ended June 30, 2016 were approximately \$12,105,676. The five largest users of the water utility accounted for approximately 4.14% of such total water utility revenues.

TABLE 3
City of Las Cruces, New Mexico
Water Utility
Five Largest Users of Water Utility
Fiscal Year Ended June 30, 2016⁽¹⁾

Name	Type of Business	Annual Water Revenues
Mayfield High School	Las Cruces Public Schools	\$123,140
Southern NM Correctional Center	Prison	107,573
F&A Dairy Products, Inc.	Cheese Processing Plant	99,432
Las Cruces Country Club ⁽²⁾	Golf Course	94,937
Memorial Medical Center (PHC)	Hospital	76,524
Total		\$501,606

⁽¹⁾ Unaudited.

⁽²⁾ Las Cruces Country Club is using reclaimed water.

Source: The City of Las Cruces – Utilities Department

Required Permits. The New Mexico Office of the State Engineer (“NMOSE”) took jurisdiction over ground water in the City in 1980. Since that time, all new wells in the City have required a permit from the NMOSE. Subject to final determination by the courts, the City established and the NMOSE recognized that as of 1980 the City had already established water rights totaling 21,869.7 acre-feet per year. Most of the City’s new wells have been drilled as part of this water right. Although getting NMOSE approval for a new well may be time-consuming, the City has not been subject to any permit conditions or other limitations that restrict the use of its established water rights.

The City has received NMOSE approval for 4,250 acre-feet per year of expanded pumping in areas near the Rio Grande; development of this pumping is allowed with the appropriate offsets.

In February 2002, the NMOSE approved City applications to appropriate ground-water on the East Mesa area of the City in the Jornada del Muerto Basin. These applications provide for the total diversion and consumptive use of 10,200 acre-feet per year. Additionally, on March 9, 2010, the NMOSE approved an appropriation of 8,000 acre-feet per year diversions on the West Mesa area of the City.

The City reports that it is in compliance with all permits that it holds relating to the operations of the water utility.

Water Consumption. The following table indicates historical and projected future water system connections, fiscal year sales and peak and average daily water consumption.

TABLE 4
City of Las Cruces, New Mexico
Water Utility
Water Consumption

Year Ended June 30 ⁽¹⁾	Total Water Consumption ⁽²⁾	% Change	Peak Month Consumption ⁽³⁾	Average Daily Consumption ⁽³⁾	Average Number of Customers Served
2010	5,397	4.07%	22.2	14.79	31,286
2011	5,553	2.89%	20.3	15.21	31,723
2012	5,629	1.37%	21.7	15.42	31,924
2013	5,681	0.92%	21.1	15.56	31,934
2014	5,598	(1.46%)	20.6	15.34	32,209
2015	5,300	(5.32%)	21.0	14.52	32,380
2016 ⁽⁴⁾	5,468	3.16%	20.2	14.98	32,653

⁽¹⁾ Unaudited (includes reclaimed consumption and customer count).

⁽²⁾ Million gallons.

⁽³⁾ Million gallons per day in highest consumption month.

⁽⁴⁾ Unaudited.

Source: The City of Las Cruces

Peak day consumption usually occurs in June or July and, in recent years, usually has been approximately one and a half times the average daily consumption.

Wastewater Utility

The City's wastewater utility provides service to approximately 93% of the households in Las Cruces, the balance being served by septic tanks. The wastewater utility had 33,518 connections as of June 30, 2016. The City also treats the wastewater from the collection systems of New Mexico State University, the Town of Mesilla, the Village of Doña Ana, the Village of San Pablo, the Village of Tortugas, Holy Cross Retreat Center, Southern New Mexico Correctional Facility, Watson Lane Mobile Home Park and Winterhaven Mobile Home Park.

The collection system consists of approximately 533 miles of collection lines of primarily clay, iron pipe and PVC construction and some concrete. The wastewater collection system includes 19 lift stations and 8 permanent odor control stations.

Wastewater Treatment Facilities. The City currently has three operational wastewater treatment facilities ("WWTF"), the East Mesa Water Reclamation Facility, the Jacob A. Hands WWTF and the West Mesa Industrial Park WWTF.

The East Mesa Water Reclamation Facility was completed and began operation in December 2009. The East Mesa Water Reclamation Facility is designed to collect and treat approximately 1.0 million gallons per day ("MGD") of wastewater to produce high quality irrigation water for use on golf courses, parks and other landscaped areas. At this time, the facility reclaims more than 700,000 gallons per day.

The Jacob A. Hands WWTF is the primary WWTF utilized by the City. It was originally constructed in 1984, and underwent a major expansion in 1999. Design and partial implementation of more recent upgrades, required by flow volume growth and regulatory requirements, were completed in 2010. The Jacob A. Hands WWTF is designed to produce an effluent containing less than 30 milligrams per liter of biochemical oxygen demand (“BOD”) and 30 milligrams per liter of total suspended solids (“TSS”) at a capacity of 13.5 MGD. The plant expansion is expected to provide sufficient capacity through 2025 and beyond.

The West Mesa WWTF was completed in November 2000. This plant enables the City to treat waste from the West Mesa Industrial Park without bringing it seven miles to the Jacob A. Hands WWTF in the City. The West Mesa WWTF is currently operating below its design capacity of 0.40 MGD.

Required Permits. In order to operate the Jacob A. Hands WWTF, the City is required to have a National Pollutant Discharge Elimination System (“NPDES”) Permit, which is issued by the United States Environmental Protection Agency, Region 6, in Dallas, Texas, for facilities in New Mexico. Such permits are designed to implement and assure compliance with federal and State effluent limitations and water quality standards. NPDES permits are issued for a term of no more than five years, and renewals are conditioned upon compliance with the requirements of the existing permit and the then currently applicable limitations and water quality standards. Violation of the water quality standards set forth in an NPDES permit may be grounds for injunctive sanctions, criminal and civil penalties and revocation of the permit. The West Mesa WWTF operates under the ground water discharge permit issued by the New Mexico Environment Department (“NMED”) and the East Mesa Reclamation Facility operate under both a ground water discharge permit issued by NMED and a Federal NPDES Permit.

User Connections. The following table indicates the number of sewer customers, billing units and average daily discharge.

TABLE 5
City of Las Cruces, New Mexico
Wastewater Utility
Sewer Customers and Billing Units⁽¹⁾

Fiscal Year Ended June 30	Total Billing Units ⁽¹⁾	% Change	Monthly Peak Flow ⁽²⁾	Average Daily Discharge ⁽²⁾	Average Number of Customers Served
2010	3,565	5.57%	10.36	9.77	30,860
2011	3,743	5.00%	10.88	10.25	31,734
2012	3,616	(3.40%)	10.40	9.91	32,094
2013	3,509	(2.96%)	10.14	9.61	32,394
2014	3,596	2.47%	9.98	9.85	32,767
2015	3,640	1.24%	10.13	9.97	33,098
2016 ⁽³⁾	3,575	(1.80%)	9.86	9.79	33,518

⁽¹⁾ Million gallons.

⁽²⁾ Million gallons per day.

⁽³⁾ Unaudited.

Source: The City of Las Cruces

Environmental Matters. The wastewater utility is subject to the rules and regulations promulgated by the NMED as to its treatment of liquid waste and to standards of the New Mexico Water Quality Control Act. The wastewater utility is also subject to numerous federal laws concerning pollution and effluent control as well as environmental regulations promulgated by the United States Environmental Protection Agency, including Industrial Pretreatment under National Pollutant Discharge Elimination System Regulations (40 CFR) regulations under the Clean Water Act. The City believes it is currently in compliance with all applicable rules and regulations.

Water Resources Management Plan. The Water Resources Management Plan evaluated four possible wastewater treatment and disposal options for the City and concluded that continued discharge to the Rio Grande is the City's best choice for wastewater treatment and disposal through the year 2035. The most likely regulatory change that could affect continued discharge to the Rio Grande is stricter stream or effluent standards, including changes that could require facilities for biological nutrient removal (BNR). To address these concerns, the Water Resources Management Plan recommended expanding the existing WWTF to 13.5 MGD, and developing additional facilities to improve winter ammonia removal and design to facilitate the addition of BNR facilities.

Major Wastewater Utility Customers. The following is a list of the five largest customers of the wastewater utility (based on percentage of total wastewater utility revenues) for the City's fiscal year ended June 30, 2016, according to the City's utility records. Total unaudited wastewater utility sales revenues for the City's fiscal year ended June 30, 2016 were \$9,653,033. The five largest customers of the wastewater utility accounted for approximately 8.92% of such total wastewater utility revenues.

TABLE 6
City of Las Cruces, New Mexico
Wastewater Utility
Five Largest Users of Wastewater Utility
Fiscal Year Ended June 30, 2016⁽¹⁾

Name	Business	Annual Wastewater Revenues
New Mexico State University	University	\$354,805
Olam West Coast Inc.	Processor of Agricultural Products	172,271
Mountain View	Hospital	135,873
Southern NM Correctional	Prison	102,916
Memorial Med. Center (PHC)	Hospital	95,336
Total		\$861,201

⁽¹⁾ Unaudited.

Source: The City of Las Cruces

Natural Gas Utility

The City's gas utility served approximately 39,846 customers as of June 30, 2016 and has approximately 1000 miles of gas lines. The City's gas utility is configured in three parts, each of which operates at a different pressure level. The City's transmission lines transport gas from El Paso Natural Gas Company ("EPNGC") to the City limits. Within the City limits, the high

pressure system operates at 350 psig and moves gas around the perimeter of the City. The high intermediate pressure (“HIP”) system receives gas from the high pressure system and transfers the gas inside the City’s service area to the low pressure system. The low pressure system, which is intended to operate at approximately 15 psig, distributes the gas to residential and commercial gas customers.

Each residence or commercial establishment is supplied with gas from the low pressure system via a gas service. The gas service consists of small diameter pipe, a meter and a service regulator. The small diameter pipe is usually ¾” but may be larger for commercial users.

Natural Gas Consumption. Historical and projected natural gas utility consumption and customer statistics for the City are as follows:

TABLE 7
City of Las Cruces, New Mexico
Natural Gas Utility
Natural Gas Consumption

Fiscal Year Ended June 30	Total Sales at 14.73 PSI ⁽¹⁾	% Change	Average Daily Use ⁽¹⁾	Average Number of Customers Served
2010	2,937,320	16.9%	8,047	31,706
2011	3,169,723	7.9%	8,684	36,882
2012	3,474,926	9.6%	9,520	39,466
2013	3,383,442	(2.6%)	9,270	38,844
2014	3,152,162	(6.8%)	8,636	39,008
2015	3,085,969	(2.1%)	8,455	39,299
2016 ⁽²⁾	3,206,196	3.9%	8,784	39,846

⁽¹⁾ Million cubic feet.

⁽²⁾ Unaudited.

Source: The City of Las Cruces.

Compliance with Regulations. The gas utility is required to meet the requirements of the latest revision of the Code of Federal Regulations, Parts 191 and 192, Title 49. The Code is administered by the New Mexico Public Regulation Commission. The City believes it is currently in compliance with all applicable rules and regulations.

Natural Gas Supply. The City purchases gas from Shell Energy North America (US), L.P. (formerly known as Coral Energy Resources, L.P., an affiliate of Shell Oil Company) (“SENA”) under a daily swing natural gas purchase contract. Additionally, the City purchases gas under a prepaid natural gas purchase contract with the New Mexico Municipal Energy Acquisition Authority (“NMMEAA”), a joint powers entity of which the City is a member.

In October 2009, the City of Las Cruces Utilities entered into a 30-year natural gas supply contract with NMMEAA under a prepaid structured transaction that generates a discount from market prices. The gas purchased pursuant to the NMMEAA contract provides approximately 10% of the City’s annual demand, and advances the City’s strategy of layering supply contracts to diversify its natural gas supply portfolio. Due to regulatory changes in the banking industry, in 2014, NMMEAA negotiated a restructured, shorter-term agreement with the

financial institution acting as counterparty in the transaction which resulted in a shorter term supply agreement and a lower discount than previously generated.

Gas Transmission. The City receives all of its natural gas from the El Paso Natural Gas Company transmission lines located 18 miles south of Las Cruces. A 12-inch supply line, known as the Afton Line, was constructed in 1995-96 and replaced the Chamberino Line that had served the City for 25 years. An 8-inch supply line, the Tillman Line, is connected to the supply system 12 miles to the west and has been in operation for over 30 years.

Major Gas Utility Customers. The following is a list of the five largest customers of the natural gas utility (based on percentage of total natural gas utility revenues) for the City's fiscal year ended June 30, 2016, according to the City's utility records. Total unaudited natural gas utility sales revenues and costs of gas for the City's fiscal year ended June 30, 2016 were approximately \$19,207,418. The five largest customers of the natural gas utility accounted for approximately 18.33% of such total natural gas utility revenues.

TABLE 8
City of Las Cruces, New Mexico
Natural Gas Utility
Five Largest Users of Natural Gas Utility
Fiscal Year Ended June 30, 2016⁽¹⁾

Name	Business Type	Annual Gas Revenues
NMSU Co-Gen /Boilers	University	\$2,038,475
F&A Dairy Products	Cheese Processing Plant	778,853
Memorial Medical Center	Hospital	295,006
Olam West Coast	Chile Processing Plant	285,056
New Mexico State University	University	122,939
	Total	<u>\$3,520,329</u>

⁽¹⁾ Unaudited.

Source: The City of Las Cruces

The percentage of total natural gas utility revenues paid by the five largest customers varies significantly from year-to-year primarily as a result of different winter weather conditions. When winter weather conditions are relatively mild, the percentage of total natural gas utility revenues paid by the five largest customers (whose demand for natural gas remains relatively constant regardless of weather conditions) increases relative to the percentages of total natural gas utility revenues paid by residential users.

The percentage of annual gas revenues represented by New Mexico State University increased significantly as a result of a cogeneration facility that commenced operation in October 1996. The cogeneration facility uses natural gas powered generators to produce electricity to serve the needs of New Mexico State University.

Five-Year Summary of Financial Information on the System

The following tables set forth summaries of financial information for the past five fiscal years regarding the System. The information set forth on the following tables is unaudited, but has been extracted from the City's audited financial statements for the years shown:

TABLE 9
City Of Las Cruces, New Mexico
Joint Utilities Fund (Excluding Solid Waste)
Statement of Net Position*

	Fiscal Year Ended June 30					
	2011	2012	2013	2014	2015	2016 ⁽¹⁾
Assets						
Current assets						
Cash and investments	\$ 29,078,926	\$ 35,386,159	\$ 32,367,426	\$ 37,309,618	\$ 36,364,828	\$ 33,706,596
Accounts receivable	5,114,730	3,494,854	3,906,695	3,553,643	3,045,318	3,092,831
Due from other governments	106,306	9,756	155,363	155,363	9,756	419,010
Inventories	1,598,058	1,293,110	1,257,714	1,646,865	1,793,997	2,377,496
Total current assets	35,898,020	40,183,879	37,687,198	42,665,489	41,213,899	39,595,933
Non-current assets						
Restricted cash and investments	19,458,505	18,441,178	15,538,839	12,804,578	24,072,964	46,248,098
Notes receivable	1,103,804	704,450	205,798	35,297	526,936	457,019
Advance to other funds	1,046,561	2,949,561	3,405,340	3,070,260	2,781,022	4,141,917
Other	739,183	645,374	551,567	-	87,019	2,478,811
Capital assets	307,957,950	313,186,837	323,126,339	327,566,326	331,188,293	330,234,233
Less accumulated depreciation	(99,501,655)	(107,308,744)	(114,982,003)	(122,742,697)	(129,990,479)	(137,881,551)
Net capital assets	208,456,295	205,878,093	208,144,336	204,823,629	201,197,814	192,352,682
Total non-current assets	230,804,348	228,618,656	227,845,880	220,733,764	228,665,755	245,678,527
Total assets	266,702,368	268,802,535	265,533,078	263,522,634	269,792,635	286,725,619
Deferred outflows of resources	-	-	-	123,381	1,561,870	1,451,159
Liabilities						
Current Liabilities						
Accounts and contracts payable	1,644,128	1,744,996	1,219,866	1,408,782	1,864,945	1,894,454
Accrued liabilities	764,960	812,376	962,374	863,339	845,454	1,689,543
Unearned/deferred revenue	1,010,946	888,351	502,025	820,123	-	-
Current portion of noncurrent liabilities	4,035,455	4,169,307	4,324,745	4,431,043	4,982,381	5,433,079
Total current liabilities	7,455,489	7,615,030	7,009,010	7,523,287	7,692,780	9,017,075
Non-current Liabilities:						
Customer Deposits	1,555,628	1,492,376	1,034,259	945,662	984,799	1,035,291
Revenue bonds payable	58,737,187	54,654,529	50,429,217	46,125,917	50,869,609	54,855,380
Notes payable	-	-	-	-	-	-
Compensated absences	461,822	497,226	548,356	414,190	572,335	572,336
Advance from other funds	883,278	2,838,014	3,348,175	3,070,260	2,781,022	4,141,917
Net pension liability	-	-	-	-	5,181,391	5,181,392
Total non-current liabilities	61,637,915	59,482,145	55,360,007	50,556,029	60,389,156	65,786,316
Total liabilities	69,093,404	67,097,175	62,369,017	58,079,316	68,081,936	74,803,391
Deferred inflows of resources	-	-	-	-	2,199,947	2,199,947
Net Position						
Net investment in capital assets	145,799,108	147,178,564	147,243,741	148,599,254	154,111,574	132,064,222
Restricted for customer deposits	1,555,628	1,492,376	1,034,258	945,662	984,799	1,035,291
Restricted for capital projects	-	-	6,231,381	5,718,361	9,519,314	12,678,174
Restricted for debt service	17,902,877	16,948,802	8,273,200	6,140,554	13,568,852	32,534,633
Unrestricted	32,351,351	36,085,618	40,381,481	44,039,487	22,888,083	31,409,960
Total net position	\$197,608,964	\$201,705,360	\$203,164,061	\$205,443,318	\$201,072,622	\$209,722,280

* The figures contained in the Table 9 for the fiscal years ending June 30, 2011 and 2012 appear in tables entitled Statement of Net Assets- *Proprietary Funds*.

⁽¹⁾ Projected.

TABLE 10
City of Las Cruces, New Mexico
Joint Utilities Fund (Excluding Solid Waste)
Statement of Revenues, Expenses and Changes in Net Position*

	Fiscal Year Ended June 30					
	2011	2012	2013	2014	2015	2016⁽¹⁾
Operating Revenues						
Sales/charges	\$ 50,523,389	\$ 51,197,698	\$ 51,103,854	\$ 51,855,551	\$ 49,504,589	\$ 47,668,078
Provision for uncollectable accounts	(2,087,887)	(609,148)	(213,065)	(69,000)	(107,817)	(373,173)
Net sales/charges	48,435,502	50,588,550	50,890,789	51,786,551	49,396,772	47,294,905
Utility extension/service fee	311,053	328,949	379,814	396,998	347,650	421,822
Rentals	12,495	12,795	625	-	1,369	769
Other	1,137,236	198,149	363,968	226,108	265,733	248,624
Total operating revenues	49,896,286	51,128,443	51,635,196	52,409,657	50,011,524	47,966,120
Cost of gas, water, and services respectively	-	-	-	-	(12,533,292)	-
Gross Margin	-	-	-	-	37,478,234	-
Operating Expenses						
Personnel services	8,184,189	8,242,789	8,251,178	8,341,881	8,182,325	8,479,730
Cost of gas purchased	14,397,188	13,151,390	13,111,258	14,697,387	-	10,122,557
Supplies	1,299,099	1,390,901	1,486,709	1,425,987	1,632,229	2,054,501
Utilities	2,663,892	2,609,966	2,474,735	2,699,557	2,477,527	2,785,551
Professional services	2,652,175	2,308,623	2,465,199	2,303,909	2,813,515	3,180,590
Repairs and maintenance	2,734,246	3,148,332	3,488,321	3,143,423	3,261,740	3,713,287
Rent	48,550	38,081	33,161	37,010	24,460	43,878
Depreciation and amortization	7,408,349	7,681,507	7,712,271	7,757,732	7,883,399	8,012,506
Payment in lieu of taxes	1,572,061	1,628,811	1,640,181	1,717,464	1,771,254	1,734,962
Administrative charges from other funds	1,616,729	1,644,680	1,649,941	1,684,693	1,900,492	8,067,488
Customer service	5,040,915	5,524,394	4,831,885	5,376,074	6,012,837	-
Insurance	364,021	364,021	713,036	713,036	633,465	216,700
Cost of water	-	-	185,383	121,978	-	173,265
Other	65,011	75,850	1,073,005	222,810	30,579	788,163
Total Operating Expenses	48,046,425	47,809,345	49,116,263	50,242,941	36,623,823	49,373,179
Operating income (loss)	1,849,861	3,319,098	2,518,933	2,166,716	854,412	(1,407,059)
Non-operating revenue (expenses)						
Gain (loss) on sale of capital assets	2,023	18,804	(22,953)	40,781	35,044	72,320
Investment income (loss)	286,188	1,998,103	(1,606,172)	1,311,239	2,519,165	1,090,966
Grants – federal/state	96,550	1,437	241,116	-	-	2,118,461
Interest expense	(2,535,655)	(2,261,186)	(1,955,370)	(2,403,464)	(2,407,306)	(2,343,381)
Total non-operating revenues (expenses)	6,904,221	3,319,098	(3,343,379)	(1,051,444)	146,902	938,366
Income (loss) before capital contributions and transfers	(301,033)	3,076,256	(824,446)	1,115,272	1,001,314	(468,693)
Capital contributions	9,055,115	46,342	1,289,455	230,868	293,633	-
Transfers						
Transfers in	2,969,359	2,926,373	993,692	933,117	1,000,060	6,631,638
Transfers out	(1,531,993)	(1,952,575)	-	-	-	(5,509,738)
Change in net position	10,191,448	4,096,396	1,458,701	2,279,257	2,295,007	653,207
Net position, beginning of year	187,417,516	197,608,964	201,705,360	203,164,061	205,443,318	201,072,624
Net position, end of year	\$197,608,964	\$201,705,360	\$203,164,061	\$205,443,318	\$201,072,622	\$201,725,831

Source: The City of Las Cruces

* The figures contained in the Table 10 for the fiscal years ending June 30, 2011 and 2012 appear in tables entitled Statement of Revenues, Expenses and Changes in Net Assets- *Proprietary Funds*.

⁽¹⁾ Projected.

Management Discussion and Analysis of Operating Results

The following table shows selected operating information of the City of Las Cruces Joint Utility Operations (Excluding Solid Waste) for each of the last five fiscal years:

TABLE 11
City of Las Cruces, New Mexico
Joint Utility Operating Results
(Fiscal Year Ended June 30)

	2012	2013	2014	2015	2016 ⁽¹⁾	2017 ⁽²⁾
Total Operating Revenue	\$51,128,443	\$51,635,196	\$52,409,657	\$50,011,524	\$47,966,120	\$49,625,309
Less: Total Operating Expenses	47,809,345	49,116,263	50,242,941	49,157,113	49,373,179	50,019,659
Plus: Depreciation/Amortization	7,681,507	7,712,271	7,757,732	7,883,399	8,012,506	8,086,523
Plus: Payment in Lieu of Taxes	1,628,811	1,640,181	1,717,464	1,771,254	1,734,962	1,797,006
Plus: Investment Income (Loss)	1,998,103	(1,606,172)	1,311,239	2,519,164	1,090,966	1,094,249
Total Pledged Revenues	\$14,627,519	\$10,265,213	\$12,953,151	\$13,028,228	\$ 9,431,375	\$10,583,429
Annual Debt Service	\$ 6,125,491	\$ 6,120,941	\$ 5,929,312	\$ 6,429,042	\$ 6,780,614	\$ 7,343,944
Historical Debt Service Coverage	2.39	1.68	2.18	2.03	1.39	1.44

Source: The City of Las Cruces

⁽¹⁾ Unaudited.

⁽²⁾ Projected (after Series 2016 with Jornada Revenues and Expenditures).

The City's water and wastewater revenues have experienced consistent steady growth from Fiscal Year 2009 through Fiscal Year 2015. Fiscal Year 2016 unaudited water revenues were \$12,105,676 and unaudited wastewater revenues were \$6,796,076. The City's gas sales fluctuate with the weather and cost of gas, but steady growth in the number of customers tends to increase sales of gas in the long term. An added commodity gas cost rate provides for the recovery of the cost of natural gas.

The City has adopted a fiscally conservative approach to the expenditure of public funds. While the economic environment and public expenditure policies of the City are subject to change and re-evaluation, the City anticipates that it will experience manageable growth. Management believes that future demands for services will at least equal past trends.

The Joint Utilities Department is committed to setting rates to be approved by the Utility Board in accordance with regulatory requirements established in connection with the City's joint utility bond ordinances as well as other ordinances. The water utility and the wastewater utility implemented increased rates for water and wastewater service following Utility Board approval on August 12, 2010 meeting. See "SYSTEM RATES" herein. Additionally, the rates for natural gas were completed and approved by the Utilities Board in August, 2013. A five-year capital improvement plan is reviewed as part of the budget process each year. The City has a diversified customer base for each utility. In fiscal year 2016, the five largest water, wastewater and gas customers represented 4.14%, 8.92% and 18.33%, respectively, of total sales.

SYSTEM RATES

General

On September 11, 2008, the Utility Board adopted Resolution No. 08-09-024, to establish its Rate Making Procedures for the System. Generally, the basic principal is to set rates so that each of the System's utilities separately achieves the amount of revenue that must be recovered through billing to meet the projected cost of the utilities. In the event that revenues generated by existing rates are not sufficient to cover costs necessary to provide efficient, safe and reliable service, the Joint Utilities Department will file an application for a rate change. Within nine (9) months from the date of the application for a rate increase, the Utility Board will review the information and data pertinent to the rate increase request, hold a hearing, and provide a written decision regarding the outcome of the requested rate increase. The City Council acts as the appeals board for appeals related to action taken by the Utility Board related to rate-making. Copies of the Utility Board's Rate Making Procedures may be requested from the City's Joint Utilities Department, 680 North Motel Blvd., Las Cruces, New Mexico 88007.

On August 21, 2009, the Joint Utilities Department filed an application to increase water and wastewater rates with the Utility Board. Pursuant to Resolution No. 09-170, adopted by the City Council on January 20, 2009 and the rate making procedures adopted by the Utility Board, the City Council established an "ad hoc" City board known as the Ratepayer Advisory Committee (the "RAC") to intervene in the 2009-2010 Utility Board rate hearings and present evidence on behalf of residential and small commercial utility customers.

On April 22, 2010, the Joint Utilities Department and the RAC filed comprehensive rate stipulations for the proposed increased water and wastewater rates. On April 30, 2010, the Utility Board conducted a public hearing to take evidence and legal argument in support of the stipulated increased rates for water and wastewater service. Following the introduction of all evidence relating to the stipulated rate increases, the Utility Board deliberated and issued an oral decision to approve the stipulated rate increases for water and wastewater service upon determining that the stipulated rate increases would result in reasonable rates for water and wastewater services based on the costs of service methodology.

Water Utility

Water Rates. Resolution No. 10-11-005, adopted by the Las Cruces Utilities Board on August 12, 2010, which became effective with bills rendered on or after October 1, 2010, established the following structure for water rates:

TABLE 12
City of Las Cruces, New Mexico
Water Utility
Water Rates
(As of June 30, 2015)

Type of Customer	Rate	Type of Customer	Rate
<u>Residential Service</u>		<u>Bulk Water - Hydrant Metered</u>	
Monthly access charge	\$6.82	Monthly access charge	\$23.50
First 3,000 gallons	\$0.70	Volume charge per 1,000 gallons *	\$3.12 / \$3.74
Over 3,000 gallons/volume charge per 1,000 gallons *	\$1.89 / \$2.08	Bulk hydrant meter relocation	\$150.00
		Backflow device	\$50.00
<u>Small Commercial Service</u>		Stolen or lost hydrant meter	\$600.00
Monthly access charge	\$15.75	Stolen or lost backflow device	\$150.00
Volume charge per 1,000 gallons *	\$1.05 / \$1.26		
<u>Large Commercial Service</u> ⁽¹⁾		<u>Parks</u>	
Monthly access charge	\$37.00	Monthly access charge	\$82.00
Volume charge per 1,000 gallons *	\$1.71 / \$2.05	Volume charge per 1,000 gallons *	\$1.61 / \$1.93
<u>Large Multi-Unit Service</u>		<u>Golf Course</u>	
Monthly access charge	\$37.00	Monthly access charge	\$1,000.00
Volume charge per 1,000 gallons *	\$1.71 / \$2.05	Volume charge per 1,000 gallons	\$1.54
<u>Industrial</u>		<u>Parks and Golf Course Interruptible Time of Use</u>	
Monthly access charge	\$1,000.00	<u>Golf Course</u>	
Volume charge per 1,000 gallons *	\$1.28 / \$1.54	Monthly access charge	\$850.00
<u>Paz Well Municipal Parks Irrigation - Non-Potable</u>		On-peak rate volume charge per 1,000 gallons ⁽²⁾	\$3.09
Monthly access charge	\$0.00	Off-peak rate volume charge per 1,000 gallons ⁽²⁾	\$1.03
Volume charge per 1,000 gallons	\$1.32	Non-compliance penalty	35% of total bill for billing cycle
<u>Reclaimed Water Service</u>		<u>Parks</u>	
Monthly access charge	\$20.00	Monthly access charge	\$82.00
Volume charge per 1,000 gallons	50% of applicable potable water rate schedule	On-peak rate volume charge per 1,000 gallons ⁽²⁾	\$3.09
Stolen or lost equipment charge	\$600.00	Off-peak rate volume charge per 1,000 gallons ⁽²⁾	\$1.03
		Non-compliance penalty	35% of total bill for billing cycle
		<u>Landscape Meter</u>	
		Monthly access charge	50% of applicable access charge
		Volume charge per 1,000 gallons	applicable summer rate

* Rate varies based on season; higher rate applies during the months of June, July, August and September.

⁽¹⁾ Rates approved on February 10, 2011; effective February 11, 2011.

⁽²⁾ "On-peak" means 6:00 a.m. to 6:00 p.m.; "Off-peak" means 6:00 p.m. to 6:00 a.m.

Source: The City of Las Cruces

Water Connection Fees. In conjunction with the new water rate charges for water service, the Joint Utilities Department will be increasing water connection fees that reflect current material and labor costs for customer driven connection requests. The current increased water connection fees are as follows:

Line Size	Service Line (up to 25')	Meter Charge	Service Line Additional Feet.	Manifold	Pavement Cut	Pavement Cut (Over 25')	Main Line Extension	Size	Mainline Water Tap Fee
¾"	\$1,020	\$187	\$20	\$100	\$750	\$30	\$40	-	-
1"	\$1,020	\$246	\$20	\$100	\$750	\$30	\$40	-	-
1 ½"	\$1,160	\$408	\$20	\$100	\$750	\$30	\$40	-	-
2"	\$1,360	\$627	\$20	\$100	\$750	\$30	\$40	-	-
3"	\$1,340	\$1,644	\$20	\$100	\$750	\$30	\$40	-	-
4"	\$1,340	\$2,317	\$25	\$100	\$750	\$30	\$50	4"	\$1,245
6"	\$1,590	\$2,614	\$25	\$100	\$750	\$30	\$50	6"	\$1,245
8"	Based on cost								

Rate History. The following table shows the residential water rates for the City for the current and the past five fiscal years:

TABLE 13
City of Las Cruces, New Mexico
Water Utility
Residential Water Rates (Inside City Limits)
(Effective in each Fiscal Year)

Gallons	2010	2011	2012	2013	2014	2015	2016
Minimum Charge	\$6.8200	\$6.8200	\$6.8200	\$6.8200	\$6.8200	\$6.8200	\$6.8200
0-3,000	\$0.7700	\$0.7000	\$0.7000	\$0.7000	\$0.7000	\$0.7000	\$0.7000
3,000+	\$1.6300	\$1.6300	\$2.0800	\$2.0800	\$2.0800	\$2.0800	\$2.0800
Water Rights Fee (per 1,000)	\$0.11	\$0.11	\$0.11	\$0.11	\$0.11	\$0.11	\$0.11

Source: City of Las Cruces Utilities

Residential Water Bill Comparison. The following table shows a typical residential customer's bill comparison at 10,000 gallons of water consumed. Bill amounts are determined by using each city's most current rate schedule and applying only summer rates of the most common meter used. For simplification purposes, taxes are not included. The typical water bill for a customer in Las Cruces is 64% of the average of all cities.

TABLE 14
City of Las Cruces, New Mexico
Comparison of Residential Water Rates
(as of June 30, 2016)

City	Bill Amount
Alamogordo, NM	\$32.32
Albuquerque, NM	\$35.00
El Paso, TX	\$32.44
Farmington, NM	\$57.33
Gallup, NM	\$60.64
Las Cruces, NM ⁽¹⁾	\$23.48
Average	\$40.20

⁽¹⁾ In-city customers.

Source: The City of Las Cruces

Wastewater Utility

Wastewater Rates. The Utility Board, in its August 12, 2010 meeting, issued its final order adopting new stipulated rates for wastewater service to all customers. The new rates were implemented during the October 2010 billing period and were based on September 2010 consumption.

Residential. Each month, residential customers are charged an access fee of \$5.38 plus \$1.30 per 1,000 gallons for the first 2,000 gallons of wastewater discharged plus \$2.34 per 1,000 gallons for all discharge over 2,000 gallons. The volume is calculated annually and billed monthly as of the month of February of each year.

For customers with City water, the wastewater discharge volume is based on 90% of the average of water consumed in December, January, and February billing cycles. For customers without City water, the wastewater discharge volume will be set at a monthly fixed amount equal to 90% of the City-wide residential average of the December, January and February water billing and reflected in the March billing.

The rate schedule offers customers another option for the purpose of measuring use and is available only to customers with City water. Measurement under this option is based on 90% of the average water consumed for each month during a period of twelve consecutive months. Customers selecting this option for measurement must remain under this option for a minimum of twelve months.

Large Multi-Unit. Customers who operate multiple dwelling, master metered, residential units for domestic purposes, such as apartment complexes, townhomes and mobile home parks, whose monthly billed water volume is equal to or greater than 50,000 gallons of non-landscape metered consumption for at least two months of the twelve-month rate class review period qualify as large multi-unit customers. The rate class review period is a period of twelve consecutive months that Joint Utilities Department reviews to determine the customer's appropriate rate classification. Each month, large multi-unit customers are charged an access fee of \$43.50 plus \$1.71 per 1,000 gallons of wastewater.

Small Commercial. Customers engaged in the operation of a business or institution, whether or not for profit, and whose monthly billed water volume is less than 50,000 gallons of non-landscape metered consumption for at least eleven of the twelve months of the twelve-month rate class review period, qualify as small commercial customers. The rate class review period is a period of twelve consecutive months that the Joint Utilities Department reviews to determine the customer's appropriate rate classification. Each month, small commercial customers are charged an access fee of \$16.82 plus \$1.16 per 1,000 gallons of wastewater discharged. The volume is calculated annually and billed monthly as of the month of February of each year.

For customers with City water, the wastewater discharge volume is based on 90% of the average of water consumed in December, January, and February billing cycles. For customers without city water, the wastewater discharge volume is set at a monthly fixed amount equal to 90% of the City-wide Small Commercial average water billed in December, January and February and reflected in the March billing.

The rate schedule offers customers another option for the purpose of measuring use and is only available to customers with City water. Measurement under this option is based on 90% of the average water consumed for each month. Customers selecting this option for measurement must remain under this option for a minimum of twelve months.

Large Commercial. Customers engaged in the operation of a business or institution, whether or not for profit, and whose monthly billed water volume is equal to or greater than 50,000 gallons of non-landscape metered consumption for two or more of the twelve month rate class review period qualify as large commercial customers. The rate class review period is a period of twelve consecutive months that Joint Utilities Department reviews to determine the customer's appropriate rate classification. Each month, large commercial customers are charged an access fee of \$43.50 plus \$1.71 per 1,000 gallons of wastewater discharged.

The wastewater discharge volume is based on 100% of non-landscape water consumed in each month's billing cycles. Customers without City water must provide a copy of their monthly water bill or volume will be based on a comparable customer selected by the City.

Monitored Group Classifications. These classifications consist of those customers whose wastewater discharge characteristics require that they be included in the Industrial Pretreatment Program and include Industrial Pretreatment Service. The rate tariff consolidates Industrial Pretreatment Low Flow and High Flow schedules and creates a new category referred to as Industrial Pretreatment High Strength. Industrial High Strength enterprises include certain public institutions and industries regulated under 40 CFR 403 (federal regulations) and the City's Industrial Liquid Waste Ordinance No. 1679.

The monthly fees for these classes are as follows:

	Access Charge	Volume Charge ⁽¹⁾ (per 1,000 gallons)
Industrial Pretreatment	\$545.00	\$2.23
Industrial Pretreatment-High Strength ⁽²⁾ (wastewater strength exceeds normal BOD and TSS levels, 250 mg/L and 200 mg/L respectively)	\$545.00	\$5.44

⁽¹⁾ Volume is based on 100% of water consumed each month or as determined by the Industrial Pretreatment Program.

⁽²⁾ Industrial Pretreatment-High Strength customers are also charged a monthly surcharge rate based upon biochemical oxygen demand ("BOD") and total suspended solids ("TSS") load and volume discharged.

Source: The City of Las Cruces

Other Customers. The City also has various contracts to provide wastewater service to customers not included in the general categories discussed above. These various contracts constitute less than 5% of Gross Revenues.

Effective with the new wastewater rate charges for wastewater service, the Joint Utilities Department will be increasing wastewater connection fees that reflect current material and labor costs for customer driven connection requests. Such connection fees are as follows:

Line Size	Service Line (Up to 25')	Service Line Additional Ft.	Pavement Cut	Pavement Cut (Over 25')	Main Line Extension	WW Tap Fee
4"	\$1,560	\$35	\$750	\$30	\$70	\$0
6"	\$1,585	\$35	\$750	\$30	\$70	\$1,245

Rate History. Wastewater rates are set with consideration given to cost driving factors found in the wastewater industry. Factors include activities such as system inspection programs, sludge processing, treatment methods, odor control systems, level of rehabilitation, etc. The following table shows the residential wastewater rates for the City for the current and the past five fiscal years:

Residential Wastewater Bill Comparison. The wastewater bill comparison is presented on a general level and also from the residential customer viewpoint.

Data for the residential wastewater bill comparison was derived from rate schedules obtained from the utility serving each city. The following table shows each city's residential bill for discharge of 5,000 gallons of wastewater. No taxes are included in the dollar amounts. The typical wastewater bill for a customer in Las Cruces is 77% of the average of all cities.

TABLE 15
City of Las Cruces, New Mexico
Wastewater Utility
Comparison of Residential Sewer Rates
Based on 5,000 Gallons
(As of June 30, 2016)

City	Bill Amount
Alamogordo, NM	\$21.29
Albuquerque, NM	\$17.32
El Paso, TX	\$17.53
Farmington, NM	\$32.88
Gallup, NM	\$23.02
Las Cruces, NM ⁽¹⁾	\$15.00
Average	\$21.17

⁽¹⁾ In-city customers.

Source: The City of Las Cruces

Natural Gas Utility

Natural Gas Rates. Resolution No. 13-14-009, adopted by the Las Cruces Utilities Board on August 8, 2013 and which became effective on August 9, 2013, established the following rates for natural gas service:

TABLE 16
City of Las Cruces, New Mexico
Natural Gas Utility
Natural Gas Rates

	Residential	Small Commercial Service ⁽¹⁾	Irrigation Pumping Service	Large Commercial Service ⁽²⁾	Industrial Service ⁽³⁾	High Volume Service ⁽⁴⁾
Monthly Access Charge	\$13.75	\$16.41	\$16.56	\$214.86	\$859.44	\$1,043.41
Volume Charge per dekatherm	\$1.34	\$1.07	\$0.76	\$1.02	\$1.02	\$0.29

⁽¹⁾ Total annual use up to 4,000 dekatherms.

⁽²⁾ Total annual use in excess of 4,000 dekatherms, but no greater than 16,000 dekatherms.

⁽³⁾ Total annual use in excess of 16,000 dekatherms, but no greater than 125,000 dekatherms.

⁽⁴⁾ Total annual use greater than 125,000 dekatherms.

Source: The City of Las Cruces

In addition to the volume charge above, the City adds a pass-through charge for the recovery of cost of gas purchases (commodity cost). This charge is adjusted on a monthly basis to ensure full cost recovery of gas supply and transportation costs.

The average residential winter month usage is 6 dekatherms and the average summer monthly usage is 2 dekatherms.

Rate History. The following table shows the residential natural gas rates for the City over the past five fiscal years:

TABLE 17
City of Las Cruces, New Mexico
Natural Gas Utility
Residential Natural Gas Rates⁽¹⁾
(Effective in each Fiscal Year)

	2010	2011	2012	2013	2014	2015	2016
Monthly Access Charge	\$13.75	\$13.75	\$13.75	\$13.75	\$13.75	\$13.75	\$13.75
Volume Charge per dekatherm ⁽¹⁾	\$1.33	\$1.33	\$1.33	\$1.34	\$1.34	\$1.34	\$1.34

⁽¹⁾ Excludes cost of gas recovery rate.

Source: The City of Las Cruces

Residential Gas Bill Comparison. For the gas bill comparison, the following assumptions have been applied: (a) no pressure adjustments are made, (b) no cost of gas is included and (c) each cubic foot contains 1,000 BTU. No pressure adjustments are made due to the wide diversity of pressure factors that are involved. Cost of gas is excluded due to differing prices that occur across all utilities. The resulting bill then consists of only the cost per unit of service. The only factor applied to a unit of service is that which is required to equal one unit of service of the City (i.e., cubic feet to therm). The foregoing assumptions may oversimplify the study, but the following gas bill comparison is designed to gain a perspective of how much a unit of service costs at different utilities without regard to heat content or atmospheric conditions or gas price indices. Also, the bill computation is the average of a summer and winter bill using 1 and 10 dekatherms, respectively. The typical gas bill for a customer in Las Cruces is 97.8% of the average of the cities included in the following rate comparison.

TABLE 18
City of Las Cruces, New Mexico
Natural Gas Utility
Comparison of Average Residential Natural Gas Rates for Summer and Winter
Based on 4 Dekatherms*
(As of June 30, 2016)

City	Bill Amount ⁽¹⁾
Alamogordo, NM	\$20.68
Albuquerque, NM	\$20.68
El Paso, TX	\$16.73
Farmington, NM	\$20.68
Gallup, NM	\$20.68
Las Cruces, NM	\$19.11
Roswell, NM	\$20.68
Santa Fe, NM	\$20.68
Average	\$19.99

* Please Note: this differs from the table in EMMA because that table used 3 dekatherms and the City's fixed charge is \$5.15 more than the Albuquerque fixed charge.

⁽¹⁾ Excludes cost of gas.

Source: The City of Las Cruces

Development Charges

The New Mexico Legislature enacted the Development Fees Act, which became effective on July 1, 1993 and provided (among other things) that an impact fee in effect on the effective date of the Development Fees Act had to be replaced with an impact fee that satisfied the requirements of that Act. In addition, any municipality having an impact fee that was not replaced by July 1, 1995 could not impose an impact fee without risking the imposition of a financial penalty, and a municipality was prohibited from imposing a moratorium on new development while it completed the procedural requirements imposed by the Development Fees Act on the enactment of an impact fee. The City Council enacted new development fees on June 30, 1995.

The Development Fees Act authorizes the imposition of development fees for water and wastewater services but not gas services. The City and the New Mexico Municipal League supported legislation to expand State law to include natural gas development fees, but the bill was vetoed by the Governor after passage in the New Mexico Legislature. As a result of the limitations currently contained in the Development Fees Act, ratepayers contribute 100% of the funding needed to develop the gas utility.

In September 2013 the Las Cruces Utilities Board approved new water and wastewater developmental impact fees based on the study “Water and Wastewater Impact Fees Land Use Assumptions and Capital Improvement Plan 2011 – 2016” prepared by Duncan Associates. The Utilities Board adopted a phased plan to increase impact fees starting January 1, 2014 and again in January 1, 2016.

Development fees are Revenues of the System and are set aside in a Development Fund and used to pay the costs of extending and enlarging the System as the need arises. The amount collected in fiscal years 2009 through 2014 is as follows:

TABLE 19
City of Las Cruces, New Mexico
Development Fees of the System
(Fiscal Year Ended June 30)

Fiscal Year Ended June 30	Water		Wastewater	
	Incl. Rate Base	Revenues From Developers & Customers	Incl. Rate Base	Revenues From Developers & Customers
2009	\$280,245	\$1,054,908	\$339,312	\$810,464
2010	262,147	693,785	344,330	632,804
2011	305,188	866,157	250,000	677,111
2012	178,079	579,810	232,168	568,123
2013	235,069	841,006	287,840	678,404
2014	149,599	504,333	225,001	479,895
2015	147,235	602,785	226,562	638,266
2016	160,017	566,494	319,523	740,329

Source: The City of Las Cruces

THE CITY

The City of Las Cruces was incorporated in 1907 and operates under a home rule charter with a Council-Manager form of government. For further information regarding the City, see “APPENDIX A - Certain General Information Regarding the City of Las Cruces.”

FORWARD-LOOKING STATEMENTS

This Official Statement, and particularly the information contained under the headings entitled “SERIES 2016 BONDS-SUMMARY OF INFORMATION,” “INTRODUCTION,” “THE PROJECT,” “SOURCES AND USES OF FUNDS,” “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2016 BONDS,” “PRO FORMA SCHEDULE OF NET REVENUES, DEBT SERVICE AND COVERAGE,” “JOINT UTILITY SYSTEM” “SYSTEM RATES,” Appendix A, and Appendix C, contain 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. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

CONTINUING DISCLOSURE

The City will enter into an undertaking (the “Undertaking”), in the form attached as Appendix D, for the benefit of the holders of the Bonds to provide (i) certain financial information by no later than March 31st of each year, beginning March 31, 2017 until the Bonds are no longer outstanding, and (ii) operating data, and to provide notice of certain events, pursuant to the requirements of section (b)(5)(i) of Rule 15c2-12 of the Securities and Exchange Commission (17 C.F.R. § 240.15c2-12). A failure by the City to provide any information required thereunder shall not constitute an Event of Default under the Bond Ordinance. The City has previously entered into continuing disclosure undertakings (each a “Prior Undertaking” and collectively, the “Prior Undertakings”) with respect to certain other obligations of the City in accordance with Section Rule 15c2-12 and except as described below, during the last five years, the City has complied in all material respects with those Prior Undertakings.

Audited Financial Statements

By December 31, 2011, the City filed Annual Financial Information for Fiscal Year 2011 with the MSRB’s Electronic Municipal Market Access database (“EMMA”) which, because the City’s audited financial statements for that Fiscal Year (the “FY 2011 Audit”) were not yet available, consisted of unaudited financial statements. The City did not file the FY 2011 Audit at the time that the FY 2011 Audit became available, as required by the continuing disclosure undertakings delivered in connection with the City’s Joint Utility Revenue Bonds, Series 2006, Joint Utility System Refunding Revenue Bonds, Series 2009, Joint Utility System Refunding Revenue Bonds, Series 2010, Municipal Gross Receipts Tax Refunding and Improvement Revenue Bonds, Series 2010A and Municipal Gross Receipts Tax Refunding Revenue Bonds, Series 2010B. The City filed the FY 2011 Audit with EMMA on June 11, 2014.

Event Notices

On August 1, 2014, the City posted a Notice of Failure to Provide Annual Financial Information in connection with certain operating data for Fiscal Year ending June 30, 2013 (the "Noncompliance Notice"). However, the City failed to disclose the Noncompliance Notice in its Official Statements relating to the City's Joint Utility System Refunding Revenue Bonds, Series 2014A, the City's Joint Utility System Improvement Revenue Bonds, Series 2014B, the City's Joint Utility System Refunding and Improvement Revenue Bonds, Series 2015, the City's State Shared Gross Receipts Tax Refunding Revenue Bonds, Series 2015, the City's Hold Harmless Gross Receipts Tax Improvement Revenue Bonds, Series 2015A, and the City's Taxable Hold Harmless Gross Receipts Tax Revenue Bonds, Series 2015B. On February 2, 2016 the City posted a Notice of Failure to Provide Annual Financial Information in connection with the Joint Utility Revenue Bonds. The City filed the Fiscal Year ending June 30, 2014 Annual Financial Information and Audited Financial Statements on March 26, 2015, which are required to be filed by March 31, 2015. However, certain of the CUSIPs related to the outstanding Joint Utility Revenue Bonds were inadvertently omitted in the filing. The City refiled the Annual Financial Information and Audited Financial Statements and referenced the appropriate CUSIPs on February 2, 2016.

Compliance with Continuing Disclosure Undertakings in Future Years

The City intends to maintain compliance with its continuing disclosure undertakings in future years through the collective oversight and effort of current City finance staff and private consultants, all of whom have experience and knowledge related to the City's continuing disclosure obligations. Additionally, the City has Continuing Disclosure Procedures on file with the current City finance staff and the City's private consultants, which were adopted by the City Council on July 7, 2014.

LITIGATION

The City Attorney reports that lawsuits involving tort and civil rights matters are pending against the City, but that such matters will not materially adversely affect the financial condition of the City.

There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, which is pending or threatened, challenging the creation, organization or existence of the City or the titles of its officers to their respective offices, or seeking to restrain or enjoin the issuance, sale or delivery of the Series 2016 Bonds, or for the purpose of restraining or enjoining the collection of the revenues of the System or the pledge or application of the revenues of the System as provided in the Master Ordinance, or directly or indirectly contesting or affecting the proceedings or the authority by which the Series 2016 Bonds are issued, the legality of the purpose for which the Series 2016 Bonds are issued or the validity of the Series 2016 Bonds or the issuance thereof or the security therefor.

INDEPENDENT ACCOUNTANTS

The general purpose financial statements of the City as of June 30, 2015 and for the year then ended, contained in Appendix A to this Official Statement, have been audited by Moss

Adams LLP, Certified Public Accountants, Albuquerque, New Mexico, as set forth in their report thereon included in Appendix C hereto. Moss Adams LLP has not been engaged to perform, and has not performed any procedures on those financial statements shown in the excerpt. Further, Moss Adams LLP has not been engaged to perform and has not performed any procedures relating to financial information or any other information contained in this Official Statement. Copies of the City's comprehensive annual financial report may be requested from the City's Finance Department, 700 North Main Street, Box 20000, Las Cruces, New Mexico 88004.

MUNICIPAL ADVISOR

RBC Capital Markets, LLC ("RBC CM") is employed as Municipal Advisor to the City of Las Cruces in connection with the issuance of the Series 2016 Bonds. The Municipal Advisor's fee for services rendered with respect to the sale of the Series 2016 Bonds is contingent upon the issuance and delivery of the Series 2016 Bonds.

The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

TAX EXEMPTION

General

In the opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A., Bond Counsel, to be delivered at the time of original issuance of the Series 2016 Bonds, under existing laws, regulations rulings and judicial decisions, and assuming compliance with covenants described herein, interest on Series 2016 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 Series 2016 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 Series 2016 Bonds. The City 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 Series 2016 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 Series 2016 Bonds being included in gross income from the date of issue of the Series 2016 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 Series 2016 Bonds is not a specific preference item for purposes of the alternative minimum tax provisions contained in the Code, interest on the Series 2016 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 Series 2016 Bonds is excludable from gross income for federal income tax purposes, the accrual or receipt of interest on the Series 2016 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 Series 2016 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 Series 2016 Bonds.

The opinions expressed by Bond Counsel are based upon existing law as of the date of issuance and delivery of the Series 2016 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 Series 2016 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted, it would apply to Series 2016 Bonds issued prior to enactment. Each purchaser of the Series 2016 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 Series 2016 Bonds. If an audit is commenced, under current procedures the Service will treat the City as the taxpayer and the Bond owners may have no right to participate in such procedure. Neither the Municipal Advisor, the initial purchasers of the Series 2016 Bonds nor Bond Counsel is obligated to defend the tax-exempt status of the Series 2016 Bonds. The City has covenanted in the Bond Ordinance not to take any action that would cause the interest on the Series 2016 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 City, the Municipal Advisor, the Purchasers of the Series 2016 Bonds nor Bond Counsel is responsible to pay or reimburse the costs of any Bond owner with respect to any audit or litigation relating to the Series 2016 Bonds.

Original Issue Discount

Certain Series 2016 Bonds were sold at a discount ("original issue discount") equal generally to the difference between public offering price and principal amount. For federal income tax purposes, original issue discount on a bond accrues periodically over the term of the

bond as interest with the same tax exemption and alternative minimum tax status as regular interest. The accrual of original issue discount increases the holder's tax basis in the bond for determining taxable gain or loss from sale or from redemption prior to maturity. Holders of Series 2016 Bonds sold at an original issue discount should consult their tax advisors for an explanation of the accrual rules.

Original Issue Premium

Certain Series 2016 Bonds were sold at a premium ("original issue premium") over their principal amount. For federal income tax purposes, original issue premium is amortizable periodically over the term of a bond through reductions in the holders' tax basis in the bond for determining taxable gain or loss from sale or from redemption prior to maturity. Amortizable premium is accounted for as reducing the tax-exempt interest on the bond rather than creating a deductible expense or loss. Holders of Series 2016 Bonds sold at an original issue premium should consult their tax advisors for an explanation of the amortization rules.

LEGAL MATTERS

Modrall, Sperling, Roehl, Harris & Sisk, P.A., Albuquerque, New Mexico, as Bond Counsel, will render an opinion with respect to the validity of the Series 2016 Bonds and will render the opinions described above under "TAX EXEMPTION." The proposed form of such opinion is attached hereto as Appendix B. Modrall, Sperling, Roehl, Harris & Sisk, P.A., has also acted as Special Counsel to the City in connection with the preparation of the Official Statement. The fees of Bond Counsel and Special Counsel are contingent upon the issuance and delivery of the Series 2016 Bonds.

RATING

The Series 2016 Bonds have been assigned a rating of "Aa2" from Moody's Investors Services ("Moody's"). An explanation of the significance of such rating may be obtained from Moody's.

Such rating reflects only the view of Moody's. The rating is not a recommendation to buy, sell or hold the Series 2016 Bonds and there is no assurance that the rating will not be revised downward or withdrawn entirely by the rating agency, if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of such rating may have an effect on the market price of the Series 2016 Bonds.

ADDITIONAL INFORMATION

The foregoing and subsequent summaries or descriptions of provisions of the Series 2016 Bonds and the Master Ordinance and all references to other materials not purporting to be quoted in full are only brief outlines of some of the provisions thereof and do not purport to summarize or describe all of the provisions thereof, and reference is made to such documents for full and complete statements of their respective provisions. The Appendices attached hereto are a part of this Official Statement which, together with the Master Ordinance, may be obtained from the City.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the City or the purchasers or owners of any of the Series 2016 Bonds.

The execution and delivery of this Official Statement by its Mayor have been duly authorized by the City.

CITY OF LAS CRUCES, NEW MEXICO

By: _____
Mayor

APPENDIX A

CERTAIN GENERAL INFORMATION REGARDING THE CITY OF LAS CRUCES

General

The Las Cruces/Doña Ana County area borders Texas and Mexico and has a rich and colorful history, ranging from 16th century Spanish explorations to the landing of the space shuttle. Las Cruces is the second largest city in the State and is the commercial service and cultural center of southern New Mexico. The U.S. Census Bureau ranked the City in the top 30 fastest growing population areas in the country for the last decade.

The economy of the Las Cruces MSA (Metropolitan Statistical Area) is diversified with the major employers being government, primarily White Sands Missile Range, NASA, New Mexico State University, City/County government and School District, which accounted for an average of 18,325 jobs in the fourth quarter of 2015. The remaining non-agricultural jobs are in manufacturing (2,350), wholesale/retail trade (8,935), natural resources, mining and construction (3,800), transportation/warehousing/utilities (2,699), information (837), finance/insurance (1,766) and all other services (32,813).

Growth in the economy is demonstrated in the growth of gross receipts from retail trade, assessed valuation, building permits, housing prices, and median household income.

Government

The City was incorporated in 1907 and operates under a home rule charter with a Council-Manager form of government. Nonpartisan elections are held for members of the City Council of the City (the "Council") for the election of councillors from six single-member districts and for a Mayor to be nominated and elected at large by the resident and qualified voters of the City.

Councillors and the Mayor are elected for staggered four year terms. The Mayor and the Council and the date of expiration of their current terms are as follows:

<u>Name</u>	<u>Office</u>	<u>Current Term Expires</u>
Ken Miyagishima	Mayor	November, 2019
Kasandra Gandara	Councillor	November, 2019
Gregory Z. Smith	Councillor	November, 2019
Olga Pedroza	Councillor	November, 2017
Jack Eakman	Councillor	November, 2019
Gill Sorg	Councillor	November, 2017
Cecilia Levatino	Councillor	November, 2017

Administrative Officers

The City Manager is appointed by the Council as the chief executive officer of the City and is responsible for the proper and efficient administration of the City. The manager appoints and discharges, if necessary, all persons engaged in the administrative service of the City. He is charged with the responsibility of enforcing all ordinances, rules and regulations enacted by the Council; fully advising the Council on the City's financial condition and need; preparing and submitting an annual budget; and making recommendations to the Council on all matters concerning the welfare of the City. The City Manager, City Clerk, City Finance Director, City Treasurer and City Attorney are:

Interim City Manager:	David Dollahon (since August 29, 2016) Daniel Avila (through August 28, 2016)
City Clerk:	Linda Lewis
City Finance Director:	Victoria Fredrick
Interim City Treasurer:	Karin Byrum
City Attorney:	William R. Babington, Jr.

Other Employees

As of June 30, 2016, the City had approximately 1,420 full time, part time and seasonal employees, 620 of which are represented by labor unions. The City believes that relations with its employees are good.

Retirement Plan

The City participates in a pension plan organized on a statewide basis and operated by the State of New Mexico. The Public Employees' Retirement Association of New Mexico (the Plan"), established by Chapter 167, Laws of 1947, New Mexico Statutes Annotated, 1978 Compilation, as amended, requires contributions, computed as a percentage of salary, from both employee and employer for all full time employees. The majority of State and municipal employees in New Mexico participate in the Plan. The Plan requires the following contribution percentages:

	City	Employees
Police	18.50%	17.80%
Fire	21.25%	17.70%
Non-Represented	9.15%	14.65%
Blue Collar	9.15%	14.65%

In addition to retirement benefits, the Plan provides disability benefits, surviving spouse and children's benefits, deferred benefits option and cost of living adjustments for all eligible participants. Employer contributions to the pension plan amounted to \$9,403,845 for the fiscal year ended June 30, 2015. The City's liability under the Plan is limited to the periodic employer contributions, as described above, that it is required to make for its participating employees. Future deficits of the Plan, are expected to be financed by the State.

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 City, 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.

City Budgets

The City adheres to the following procedure in establishing its annual budget: the City Staff prepares a budget which is forwarded to the City Council prior to May 1 for the fiscal year commencing the following July 1; public input is sought by the City Council during the month of May through public hearings; the budget is approved by the City Council and forwarded for approval to the State of New Mexico, Local Government Division of the Department of Finance and Administration; the final budget is returned to the City with recommended changes and modifications; and the final budget is acknowledged by the City Council.

The operating budget includes proposed expenditures and the means of financing them.

The City Manager is authorized to transfer budgeted amounts between departments within any fund, but he must obtain approval of the City Council and the State prior to making revisions that alter the total expenditures of any fund. As a management control device, the City employs formal budgetary integration at the line item level.

Deficit financing is not permitted under New Mexico law. The level of classification detail at which expenditure may not legally exceed appropriation for each budget item is the fund level (i.e., General, Water, Sewer, etc.).

City Strategic Plan

The City has developed a strategic planning process to set long term, broad, policy-level goals to guide actions, initiatives and projects. This planning process has evolved through several stages, most recently with the completion of the 2012 plan, and now to the development of the proposed 2014-2019 plan.

The 2014 plan is organized into four central themes that define the main focus for the City:

- Fiscal Responsibility

- Service Delivery Excellence
- Infrastructure Development
- Quality of Life/Community Identity

Within those 4 central focal points, the Strategic Plan identifies the following objectives:

Fiscal Responsibility

(1) Foster regional collaboration and partnership to maximize mutually beneficial outcomes; (2) Develop a diverse/perpetual funding strategy for capital and operating needs; (3) Provide cost-effective municipal services.

Service Delivery Excellence

(4) Utilize multiple forums to receive and respond to customer needs; (5) Provide services and programs that are an asset to the City at large; (6) Develop employee skills to exceed customer expectations; (7) Provide reliable, consistent, clear, timely information to maximize decision-making and transparency; (8) Improve efficiencies and effectiveness through use of best practices; (9) Foster creativity and innovation; (10) Cultivate ethical conduct.

Infrastructure Development

(11) Define the City's infrastructure policy; (12) Further define "complete streets" principles; (13) Provide and maintain reliable infrastructure to support community needs; (14) Implement capital projects with respect to community impact, departmental and agency coordination; (15) Support cost-effective energy initiatives.

Quality of Life/Community Identity

(16) Increase city focus on strategic job creation; (17) Promote responsible, stable, and sustainable economic development; (18) Adopt comprehensive plan for development and re-development of the community; (19) Reduce crime and threat of crime in the community; (20) Promote Las Cruces' unique identity; (21) Provide municipal leadership across the state and region; (22) Maintain and preserve the City's natural resources; (23) Support neighborhood vitality and downtown revitalization; (24) Improve fire protection, prevention, and emergency services for the community; (25) Increase educational, recreational and cultural opportunities and amenities.

Implementation of these goals will be accomplished over a five-year period through the development of an Administrative Strategic Plan to support this concerted effort. During this time, progress will be monitored to ensure that the City stays on track to meet the needs of the community and the spirit of the Strategic Plan. The 2014 Strategic Plan includes the City's evaluation of its 2012-2013 plan accomplishments.

Community Survey

In Fiscal Year 2013-2014, the City conducted a survey of residents which included three questions to get a sense of City services that the residents would value enough to support increasing taxes to improve those services and what services should the City consider reducing if were necessary to reduce spending. As reflected in the first and second questions and corresponding responses shown in the table below, a majority of respondents would support tax increases dedicated to funding quality of life improvements and transportation needs in the City, while a majority of respondents would oppose reduced spending in streets (maintenance and traffic systems), public safety (police and fire services), parks and recreation (parks, playgrounds, pools, ball fields) and senior services (community centers, meal programs).

To what extent would you support or oppose a tax revenue increase dedicated to funding quality of life issues in Las Cruces (possibly including parks, ball fields, gymnasiums, museums, libraries, community centers, median landscaping or swimming pools)?				Percent of respondents
<i>Strongly support</i>				30%
<i>Somewhat support</i>				41%
<i>Somewhat oppose</i>				15%
<i>Strongly oppose</i>				14%

To what extent would you support or oppose a tax revenue increase to support transportation needs, including improved roads, traffic management, transit/public transportation, bicycle and pedestrian trails?				Percent of respondents
<i>Strongly support</i>				35%
<i>Somewhat support</i>				40%
<i>Somewhat oppose</i>				14%
<i>Strongly oppose</i>				11%

If the City had to reduce spending due to reduced revenues, how much you would support or oppose service reductions in each of the following areas?	Strongly support	Somewhat support	Somewhat oppose	Strongly oppose
<i>Streets (maintenance and traffic systems)</i>	13%	22%	43%	22%
<i>Public safety (police and fire services)</i>	18%	12%	22%	48%
<i>Parks and recreation (parks, playgrounds, pools, ball fields)</i>	13%	33%	40%	15%
<i>Senior services (community centers, meal programs)</i>	19%	24%	36%	20%
<i>Transit systems (Roadrunner bus routes, dial-a-ride)</i>	17%	39%	28%	15%
<i>Museums/libraries</i>	16%	40%	26%	17%
<i>Other</i>	17%	43%	31%	9%

Industry

A combination of a well-educated labor force, favorable tax rates and a high quality of living has attracted industry to Las Cruces. The blend of industries contributing to the diversification of the City's economy include: TMC Design (DOD contractor); Pony Carburetor (manufacturer); White Sands Missile Range (U.S. Army, private industry testing facility), Mountain View Medical Center (hospital), NASA LBJ Test Facility (rocket testing), Sapphire Energy (alternative energy production); Wal-Mart (retail); Tresco, Inc. (sheltered employment);

VMC (technical support/communication); F&A Dairy Products (cheese manufacturer); and NMSU Physical Science Laboratory.

Education

The Las Cruces School District No. 2 (the “District”) is the second largest in the State, with an enrollment of approximately 24,965 students for school year 2015-2016. The district has 42 schools: 25 elementary schools (grades pre-K-5), 8 middle schools (grades 6-8), 5 high schools (grades 9-12), 2 alternative schools, including the San Andres Learning Center, which offers vocational and career technical programs for at-risk middle and high school students, and 2 charter schools.

New Mexico State University

New Mexico State University (the “University”), was originally founded in 1888, and in 1889 was established as a land grant college. The University consists of its main campus in the City, with branch campuses located in Alamogordo, Carlsbad, Grants, Doña Ana and a satellite learning center in Albuquerque. The University had a Fall 2015 enrollment of 25,951 students (including four branch campuses). The Fall 2014 enrollment for the Las Cruces campus was 15,490. Five doctoral programs, 46 master’s degree programs, and 78 undergraduate degree programs are available in the University’s 8 colleges (Agriculture, Consumer and Environmental Sciences, Arts and Sciences, Business, Education, Engineering, Extended Learning, Health and Social Services and Honors) and the Graduate School.

The University’s main campus encompasses approximately 3,500 acres and consists of more than 211 academic, research, and auxiliary buildings, and over 400 housing buildings. The University employs over 1,700 faculty members and almost 4,000 staff of which approximately 4,500 are located on campus in Las Cruces. The University’s largest single research operation is the Physical Science Laboratory. Research for engineering, space technology, and farm production and related industries are also conducted by various University departments. The University is classified as a Doctoral/Research institution as rated by the Carnegie Foundation. The University anchors the southern end of New Mexico’s Rio Grande Research Corridor. The statewide Water Resources Research Institute is situated at the University and studies the State’s water supply and demands, conservation and use, as well as ecological and other aspects thereof.

The Doña Ana Community College, affiliated with the University and the area’s occupational training school, offers more than 8,000 students a variety of programs designed to train students for meaningful employment. The program is designed to be flexible and can be programmed to meet the specific training needs of employers.

Agriculture

Many private and commercial farms are located in Doña Ana County. Principal crops include cotton, pecans, alfalfa, onions, lettuce, chile, barley, nursery stock, and feed grains. Water for the various agricultural operations is provided by surface water diverted from the Rio Grande River and approximately 900 irrigation wells. The area’s growing season averages about 200 days each year. The livestock, dairy cattle, Stahmann Farms (2,000 irrigated acres), and the

poultry industry also provide a significant portion of agricultural income. Several chile processing plants are located in the area with seasonal employment growing to nearly 1,000.

Transportation

Historically a crossroads of the Southwest, Las Cruces is serviced by Interstate Highways I-10 (east-west) and I-25 (north-south). In addition, the City is served by five major U.S. highways and seven State highways. More than 20 interstate, regional, and local motor carriers serve Las Cruces; four of them operate terminals in the area.

Commuter air service and corporate and general aviation service is available at the City's international airport. Major scheduled airline service is provided by El Paso International Airport, approximately 50 miles from Las Cruces.

Daily rail service, with piggyback and container service, is provided by the Santa Fe and Southern Pacific railroads.

Labor Force and Percent Unemployed

The following table, derived from information supplied by the New Mexico Department of Workforce Solutions, presents information on employment within the Las Cruces MSA (Doña Ana County), the State and the United States, for the periods indicated. Unless otherwise noted, the annual unemployment figures indicate average rates for the entire year and do not reflect monthly or seasonal trends.

Employment Information

Year	Las Cruces MSA (Doña Ana County)		State of New Mexico		United States
	Labor Force	Percent Unemployed	Labor Force	Percent Unemployed	Percent Unemployed
2016*	93,064	7.0%	916,362	6.1%	5.0%
2015	93,179	7.4%	919,889	6.6%	5.3%
2014	93,499	7.4%	921,380	6.7%	6.2%
2013	93,800	7.5%	923,685	7.0%	7.4%
2012	93,925	7.3%	928,739	7.1%	8.1%
2011	93,459	7.5%	930,356	7.5%	8.9%
2010	93,661	7.7%	936,088	8.1%	9.6%
2009	90,210	7.3%	940,352	7.5%	9.3%
2008	88,893	4.7%	944,548	4.5%	5.8%
2007	86,938	4.2%	934,027	3.8%	4.6%

Source: New Mexico Department of Workforce Solutions.

* Average through May 2016.

Covered Wage and Salary Employment by NAICS Code Classification

The following is a history of non-agricultural wage and salary employment for the Las Cruces MSA. The New Mexico Department of Workforce Solutions publishes quarterly reports

of covered employment and wages. Beginning with 2001 data, employment was classified according to the new North American Industry Classification System (NAICS).

**Average Annual Covered Wage and Salary Employment, By Major Industrial Sector
Non-Agricultural Employment – Las Cruces MSA Annual Average**

Sector	2010	2011	2012	2013	2014	2015*
Grand Total	69,187	69,100	69,246	70,377	70,732	71,525
Total Private	50,193	50,661	51,208	52,390	52,866	53,200
Agriculture, Forestry, Fishing and Hunting	3,474	3,203	3,389	3,313	3,521	3,113
Mining	40	45	24	20	16	13
Utilities	659	668	707	719	725	752
Construction	3,774	3,763	3,611	3,681	3,644	3,787
Manufacturing	2,830	3,094	2,864	2,706	2,488	2,350
Wholesale Trade	1,271	1,099	1,072	1,217	1,170	1,235
Retail Trade	6,988	7,304	7,536	7,646	7,708	7,700
Transportation and Warehousing	1,588	1,721	1,906	1,780	1,762	1,947
Information	874	859	922	933	915	834
Finance and Insurance	1,524	1,570	1,663	1,743	1,772	1,766
Real Estate and Rental and Leasing	723	708	683	703	762	791
Professional and Technical Services	3,806	3,394	3,488	4,010	3,791	3,792
Management of Companies and Enterprises	94	85	51	35	39	42
Administrative and Waste Services	4,068	3,964	3,176	3,309	3,571	3,138
Educational Services	11,089	10,802	10,683	10,810	10,862	11,070
Health Care and Social Assistance	11,195	11,832	12,662	12,707	13,147	14,125
Arts, Entertainment, and Recreation	1,236	1,219	1,307	1,263	1,144	1,178
Accommodation and Food Services	5,960	6,081	6,291	6,756	6,794	7,101
Other Services, ex. Public Administration	1,417	1,338	1,317	1,296	1,321	1,204
Public Administration	6,577	6,352	5,893	5,731	5,583	5,586
Federal Government	3,751	3,549	3,408	3,303	3,186	3,041
State Government	852	795	783	765	764	859
Local Government	1,973	2,008	1,702	1,663	1,633	1,686

* Average, Fourth Quarter 2015.

Source: New Mexico Department of Workforce Solutions.

Major Employers

The following are the principal employers located in or near the City.

City of Las Cruces Principal Employers

<u>Employer Name</u>	<u>Number of Employees</u>
New Mexico State University	6,500+
Las Cruces Public Schools	3,000+
City of Las Cruces	1,500+
Memorial Medical Center	1,000+
Wal-Mart	1,000+
Mountain View Regional Medical Center	750+
Doña Ana Community College	750+
Doña Ana County	750+
Addus Healthcare	500+
National Aeronautics & Space Agency	500+

Source: Mesilla Valley Economic Development Authority and New Mexico Department of Workforce Solutions.

Per Capita Income

The following table sets forth annual per capita personal income levels for the Las Cruces Metropolitan Statistical Area (“MSA”), the State of New Mexico, and the United States. The Las Cruces MSA and the State’s per capita income level over this period have been lower than the national average.

<u>Year</u>	<u>Las Cruces MSA</u>	<u>New Mexico</u>	<u>United States</u>
2014	\$30,593	\$37,091	\$46,049
2013	29,143	35,254	44,438
2012	29,935	35,585	44,266
2011	29,063	34,556	42,453
2010	28,376	33,019	40,277

Source: New Mexico Department of Workforce Solutions.

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Gross Receipts

The following table shows the retail gross receipts and total reported gross receipts generated in the City of Las Cruces and the State of New Mexico for the past five fiscal years. For the purposes of these tables, gross receipts means the total amount of money received from selling goods and services, leasing property and performing services. Gross receipts includes, among other things, food sales and services such as legal and medical.

Fiscal Year	City of Las Cruces		State of New Mexico	
	Retail Trade	Total	Retail Trade	Total
2016*	\$1,110,926,299	\$3,976,803,822	\$18,353,368,551	\$ 82,485,508,205
2015	1,666,269,610	5,848,494,815	27,481,308,742	119,726,977,705
2014	1,434,463,630	5,123,830,072	24,395,913,091	107,584,699,939
2013	1,409,255,432	5,227,868,452	23,873,876,704	106,300,014,071
2012	1,430,446,622	5,324,304,225	24,009,569,591	104,221,140,556

Source: New Mexico Taxation and Revenue Department.

*Through First Quarter 2016.

Effective Buying Income

The following table reflects the percentage of households by Effective Buying Income (“EBI”) and a three-year comparison of the estimated median household income as reported by Claritas Inc. EBI is personal income less personal tax and non-tax payments. Personal income includes wages and salaries, other labor income, proprietors’ income, rental income, dividends, personal interest income, and transfer payments. Deductions are made for federal, state, and local taxes, non-tax payments such as fines and penalties, and personal contributions for social security insurance. The following chart depicts the median household EBI level for the Las Cruces MSA, the State of New Mexico and the United States.

Effective Buying Income Group	Las Cruces MSA	New Mexico	United States
Under \$25,000	36.3%	29.6%	23.7%
\$25,000 – 34,999	11.1%	12.7%	11.1%
\$35,000 – 49,999	13.5%	16.6%	15.5%
\$50,000 and over	15.0%	18.3%	19.5%
\$75,000 and over	24.1%	22.8%	30.2%
2014 Est. Median Household Income	\$37,915	\$44,292	\$51,579
2013 Est. Median Household Income	\$35,981	\$43,273	\$49,297
2012 Est. Median Household Income	\$34,983	\$41,958	\$49,581
2011 Est. Median Household Income	\$35,048	\$42,030	\$49,726

Source: Claritas Inc.

Age Distribution

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

Age Group	Las Cruces	New Mexico	United States
0-17	24.0%	24.5%	23.5%
18-24	15.7%	10.1%	10.0%
25-34	14.8%	13.2%	13.4%
35-44	10.8%	11.8%	13.0%
45-54	11.0%	13.3%	14.1%
55 and Older	23.7%	27.1%	26.0%

Source: United States Census Bureau – 2014 American Community Survey.

Population

Based on information gained from the United States Census Bureau, the following table shows the historical population data for the City of Las Cruces, Doña Ana County and the State of New Mexico.

Population

Year	City of Las Cruces	Doña Ana County	State of New Mexico
2010	97,618	218,523	2,112,957
2000	74,267	175,524	1,821,078
1990	62,648	136,523	1,519,933
1980	45,086	96,340	1,303,933
1970	37,857	69,773	1,017,055
1960	29,367	59,948	951,023

Source: United States Census Bureau.

Assessed Valuations

The following table sets forth the Historic Assessed Valuation for the City and Doña Ana County for the past fifteen years.

History of Assessed Values

Tax Year	City of Las Cruces	Doña Ana County
2015	\$2,165,733,246	\$4,106,398,168
2014	2,102,950,157	3,975,407,290
2013	2,076,068,745	3,888,811,543
2012	2,046,371,786	3,845,596,953
2011	2,003,490,667	3,743,500,833
2010	2,031,926,985	3,773,206,269
2009	1,967,709,487	3,652,222,577
2008	1,870,174,486	3,457,180,390
2007	1,695,414,748	3,150,260,440
2006	1,432,914,621	2,739,945,874

Source: City of Las Cruces Planning Department and Doña Ana County
Assessor's Office, as of November 6, 2015.

APPENDIX B
FORM OF BOND COUNSEL OPINION

October 19, 2016

City of Las Cruces
Las Cruces, New Mexico

\$16,375,000
City of Las Cruces, New Mexico
Joint Utility System Improvement Revenue Bonds
Series 2016

Ladies and Gentlemen:

We have acted as bond counsel to the City of Las Cruces, New Mexico (the “City”) in connection with the issuance and sale by the City of its \$16,375,000 Joint Utility System Improvement Revenue Bonds, Series 2016 (the “Series 2016 Bonds,” or the “Bonds”). The Bonds are issued pursuant to the Constitution and laws of the State of New Mexico (the “State”), Ordinance No. 1593 adopted on December 18, 1996, as amended by Ordinance No. 2750, adopted by the City Council on April 8, 2015 (the “Master Ordinance”) and, Ordinance No. 2789 adopted on September 15, 2016 (the “2016 Ordinance” and, together with the Master Ordinance, the “Bond Ordinance”). Except as expressly defined herein, capitalized terms used herein have the same meanings as such terms have in the Bond Ordinance.

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

Based upon the foregoing, and subject to the assumptions and qualifications set forth below, we are of the opinion that, under existing law on the date of this opinion:

1. The Bonds are valid and binding special, limited obligations of the City under and in accordance with the Bond Ordinance.
2. The Bond Ordinance has been duly authorized, executed and delivered by the City and the provisions of the Bond Ordinance are valid and binding on the City.
3. The Bonds are payable as to principal and interest, solely from, and are secured by a pledge (but not an exclusive pledge) of Net Revenues of the City, as more fully described in the Bond Ordinance. The owners of the Bonds have no right to have taxes levied by the City for the payment of principal and interest on the Bonds and the Bonds do not represent or constitute a debt or pledge of, or a charge against, the general credit of the City.

4. The Bond Ordinance creates the lien on the Net Revenues that it purports to create.

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

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

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

The opinions expressed herein are based upon existing 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 has concluded with their issuance. We disclaim any obligation to update this opinion.

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

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,

APPENDIX C

EXCERPTS FROM AUDITED FINANCIAL STATEMENTS OF THE CITY OF LAS CRUCES, NEW MEXICO FOR FISCAL YEAR ENDING JUNE 30, 2015

The City has not requested the consent of Moss Adams LLP, which performed the audit of the City's financial Statements, to the inclusion of the audit report and excerpts thereof in this Official Statement, and the auditor has not conducted a post-audit review of those financial statements.



City of Las Cruces

Financial Statements
and
Report of Independent Auditors

June 30, 2015

MOSS-ADAMS_{LLP}

Certified Public Accountants | Business Consultants

CITY OF LAS CRUCES
COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2015

Prepared by
Finance Department
Victoria Fredrick,
Financial Services Director

Cover photo courtesy of City of Las Cruces
Mitchell Carleton, Public Information Office, and
Enhanced by Leesa Mandlman

City of Las Cruces

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City of Las Cruces

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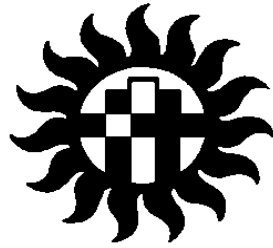
City of Las Cruces

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City of Las Cruces

November 30, 2015

Honorable Mayor and City Council,
City of Las Cruces, New Mexico

We are pleased to submit the Comprehensive Annual Financial Report for the City of Las Cruces (City), New Mexico, for the fiscal year ended June 30, 2015, in accordance with Article V, Section 5.09, of the City Charter. Responsibility for the accuracy of the presented data and the completeness and fairness of presentation, including all disclosures, rests with the City. We believe the data, as presented, are accurate in all material respects and are presented in a manner that fairly sets forth the financial position and results of operations of the City. Furthermore, we believe that all disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

In the Financial Section of this report, the independent auditor's report is immediately followed by Management's Discussion & Analysis (MD&A). The MD&A provides a narrative introduction, overview, and analysis of the basic financial statements. The MD&A complements this letter of transmittal and should be read in conjunction with it.

Profile of the City

The City of Las Cruces, incorporated in 1946 and chartered in 1985, is a home-rule municipality with a Council/Manager form of government consisting of a mayor and six council members. The mayor is elected at large for a four-year term. Council members are elected from six member districts for a four-year term. Elections are held on a bi-annual basis. The city manager, appointed by the City Council, is responsible for the management of all City employees and the administration of all City affairs.

This report includes financial statements of the funds required for those activities, organizations, and functions related to the City and that are controlled by or dependent upon the City's governing body, the City Council. The financial reporting entity consists of the City, a discretely presented component unit: South Central Solid Waste Authority, and one blended component unit: the Downtown Tax Increment Development District. These component units are included in the City's reporting entity because of the significance of their operational relationship or financial relationship with the City. Considering the above criteria, this report includes all funds of the City.

The City provides a full range of services. These services include public safety (police and fire); community services (culture and recreation); facilities; streets, public improvements; planning, zoning, engineering; public utilities (gas, water, wastewater, and solid waste) and general administration of services.

Economic Condition and Outlook

The local economy is expected to follow the U.S. economy in a slow and uneven recovery. Health Care, Service, and Leisure/Hospitality are two sectors that are expected to do well over the near term. The local job picture, in total, will still underperform the nation in part due to our dependence on Public Sector jobs. Private sector job growth should offset public sector job losses leading to a 0.5 percent growth in FY15.

Honorable Mayor and City Council,
City of Las Cruces, New Mexico
11/30/2015

Population growth which slowed along with the national economy is expected to show a very modest gain in FY15. While the City is expected to add approximately 1,000 net new residents in FY15, the rate of growth will be under 2 percent for the fifth year in a row. The slowly expanding population base is directly linked to local jobs opportunities and to the national housing market. As retirees planning to relocate begin to see some progress on selling houses in other areas of the U.S., Las Cruces should see a pick-up in people moving into the area.

The City's revenue growth has been influenced by the slow economic conditions. Gross Receipts Tax, which is by far the City's largest revenue source, is largely dependent on construction activity and personal income gains that come from wage and salary jobs.

A key to achieving the rate of employment growth forecast for the Las Cruces area is the relationship between the private and government sectors. Las Cruces is highly dependent on public sector employment because of the presence of the Federal Government and New Mexico State University. The recovery to date has been concentrated in private jobs with public jobs actually declining in recent years. The outlook anticipates all new jobs being created in the private sector while the public sector slowly returns to a level close to zero growth.

The City has navigated the recession and managed its finances by taking a prudent, conservative approach. The balances in the City's general fund reflect this philosophy and have been consistently maintained at twice the amount required by the State.

While the General Fund balances are anticipated to ebb slightly over the time horizon, the City can continue to provide its citizens services. This ability is a dividend of the City's prudent fiscal management practice for the past several years, and is allowing the City to navigate the recession while maintaining services.

Long-Term Plans and Major Initiatives

During FY15, the MPO Transportation Plan, which guides multi-modal transportation planning, construction, operation, and maintenance of an integrated transportation network for the Las Cruces Urbanized Area, was approved and will be implemented through the City's development standards. Parks and Recreation worked with local developers to provide additional neighborhood parks in newly developed areas; four developer agreements were completed and two new parks were fully constructed.

The City reduced its kilowatt hour consumption in City buildings by 1 percent from the 2013 baseline, saving \$40,000 annually from renewable and energy efficient projects. In other sustainability efforts, the City continued LED street light upgrade projects on major corridors in order to reduce transportation operating costs. The Transportation department continues to build the required infrastructure of the City's Intelligent Transportation Systems to improve traffic flow in the City, including adaptive signal timing software, Bluetooth technology implementation and fiber optic installation projects.

Long range plans continue to include fleet replacement and facility maintenance as well as the need to provide utility services, public safety, and recreational facilities in newly developed areas.

During FY14 the City Council formalized a five-year strategic plan, which serves as a guide to plan the use of City resources and direct the future of City programs. The guiding four themes under which all of the goals will align are Fiscal Responsibility, Service Delivery Excellence, Infrastructure Development, and Quality of Life/Community Identity. Each year the City's financial and operational performance is measured against the plan and outcomes are reported to the City Council and the community at large.

There were 25 goals identified by City Council, with the top ten listed below:

1. Increase city focus on strategic job creation;
2. Promote responsible, stable, and sustainable economic development;
3. Develop a diverse/perpetual funding strategy for capital and operating needs;
4. Support neighborhood vitality and downtown revitalization;
5. Increase educational, recreational, and cultural opportunities and amenities;
6. Foster regional collaboration and partnerships to maximize mutually beneficial outcomes;
7. Foster creativity and innovation;
8. Define the City's infrastructure policy;
9. Provide and maintain reliable infrastructure to support community needs; and
10. Support cost-effective energy initiatives.

The strategic plan, with progress updates, is available on the City's website for public review.

Internal Control Framework

Integrated within the business systems of the City are the policies and procedures over accounting and financial reporting that make up the internal control framework. The internal control framework provides assurance that the accounting systems and underlying data are reliable; however, there are certain limitations inherent in the internal control framework. Management may choose to accept certain risks because the cost to prevent all risks is not reasonable. Management is responsible for establishing and maintaining effective internal controls. Although some level of risk within the internal control framework is unavoidable, the City's management maintains an attitude of supporting strong and effective internal controls.

Financial Information, Management and Control

The financial position and operating results of the City are provided in the financial statements. Management's discussion and analysis includes financial highlights, describes the financial statements, and provides financial analysis of the City's financial position and results of operations. Following is a brief description of financial information, management of financial resources, and financial obligations.

Budgetary Control

In New Mexico, state statutes mandate that municipalities operate within the confines of a balanced budget. Annual budgets are adopted for all funds. If a fund is not overspent, it is in compliance with state law. All unexpended budget appropriations lapse at the end of the fiscal year.

Honorable Mayor and City Council,
City of Las Cruces, New Mexico
11/30/2015

The City Manager is responsible for presenting an annual budget to the City Council. The Council sets hearings for annual budget review and approves the final budget. The final budget is then submitted to the New Mexico Department of Finance and Administration, Local Government Division. The Local Government Division must then approve and certify the City's operating budget, budget increases, and budget transfers between funds.

The adopted budget becomes a document that details a clear and precise picture of the cost of public services that will be provided. The budget is controlled through an integrated accounting system to assure effective fiscal management and accountability. Budget adjustments requested throughout the fiscal year that increase fund expenditures must be approved by the City Council.

Taxes

The allocation of the property tax for FY15 and the two preceding years is based on the mill levy below:

<u>Purpose</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Operational mill levy:			
Residential	6.806	6.801	6.757
Non-residential	7.120	7.120	7.120

The City has no outstanding general obligation bonds. Therefore, the debt service levy for all three years is zero.

The gross receipts tax rate on receipts within the City was 7.9375 percent at June 30, 2015. The breakdown and sources of the gross receipts tax rate include:

	<u>Tax Rate</u>	<u>Percent of Total Rate</u>
State shared	5.1250%	65.0%
Municipal GRT- general purpose	1.2500%	16.0%
Municipal GRT-infrastructure	0.2500%	3.0%
Municipal Environmental GRT	0.0625%	1.0 %
Municipal Hold Harmless GRT	0.3750%	5.0%
Dona Ana County-local option taxes	<u>0.8750%</u>	<u>10.0%</u>
	7.9375%	100.0%

Debt Administration

The City has significant capacity for future capital and infrastructure acquisitions, should the need arise. The City's current unused general obligation (G.O.) bond capacity is in excess of \$70 million. The City currently has no outstanding G.O. bonds.

The City had 14 bond issues outstanding at June 30, 2015. Gross receipts tax revenues finance nine bond issues outstanding. Five issues are Joint Utilities Revenue Bonds secured by the net operating revenues of the utility system. The amount of bonds outstanding at June 30, 2015 was \$72.0 million in governmental bonds and \$53.1 million in utility revenue bonds. Principal payments on bonds totaled \$6.9 million during the fiscal year excluding refinancing activities. In addition, the City had 15 loans outstanding from New Mexico Finance Authority and other entities totaling \$15.4 million with principal payments during the fiscal year of \$3.6 million.

Independent Audit

New Mexico State law requires that an annual audit of a governmental unit's financial statements be performed by independent public accountants. Federal law requires that a single audit be performed for federal grant funds as required by the Single Audit Act Amendments of 1996, Office of Management and Budget Circular A-133, and ARRA requirements. Additionally, the City Charter requires an annual audit of all accounts of the City by an independent certified public accountant.

The independent auditor's reports on the financial statements, required supplementary information, and other supplementary information are included in the financial section of this report. The auditor's reports related specifically to the single audit are included in the single audit section of this report.

The independent firm of certified public accountants, Moss Adams, LLP, has audited the financial statements and related notes. The financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) for local governments as prescribed by the Governmental Accounting Standards Board (GASB).

GFOA Award

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Las Cruces for the comprehensive annual financial report for the fiscal year ended June 30, 2014. This was the ninth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must demonstrate proficiencies in both generally accepted accounting principles and applicable legal requirements.

We believe that this current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine eligibility for the certificate. This award represents the highest form of recognition in governmental accounting and financial reporting. This is an outstanding accomplishment that demonstrates the professionalism residing in the City's Financial Services Department.

The preparation of the annual CAFR is primarily the responsibility of the Accounting Department. I would like to recognize Victoria Fredrick, Financial Services Director, Melissa Nelson and Maria Villa, Accounting Managers, and the Accounting staff including Natalia Dominguez, Gilbert Rodriguez, James Williams, Josie Medina, Karin DeVogel, Maria Sanchez, Maricela Ortiz, and Victoria Delgado for their efforts in this accomplishment.

Acknowledgments

The annual audit cannot be completed without the efforts and dedication of the Financial Services Department staff. I would like to express my appreciation to staff for their many hours of hard work devoted to this year's audit.

Honorable Mayor and City Council,
City of Las Cruces, New Mexico
11/30/2015

I would also like to thank the Mayor, City Council, and City Management for their interest and support in planning and conducting the financial affairs of the City in a responsible and progressive manner.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "R. Garza", with a long horizontal flourish extending to the right.

Robert L. Garza, PE
City Manager

City of Las Cruces
June 30, 2015

LIST OF PRINCIPAL OFFICIALS

City Council

Ken Miyagishima	Mayor
Gregory Z. Smith	Mayor Pro-Tem
Miguel G. Silva	Councilor
Olga Pedroza	Councilor
Nathan P. Small	Councilor
Gill M. Sorg	Councilor
Cecelia H. Levatino	Councilor

Other officials

Robert Garza, P.E.	City Manager
Brian Denmark	Chief Operating Officer/ACM
Mark Winson	Chief Administrative Officer/ACM

CITY GOVERNMENT ORGANIZATION CHART





Government Finance Officers Association

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

Presented to

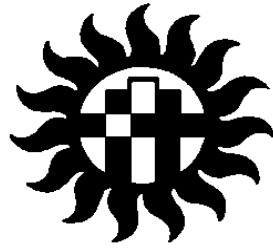
**City of Las Cruces
New Mexico**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

A handwritten signature in black ink, reading "Jeffrey R. Egan". The signature is written in a cursive, flowing style.

Executive Director/CEO



City of Las Cruces

Report of Independent Auditors

Mr. Timothy Keller, New Mexico State Auditor
and the Honorable Mayor and City Council Members
of the City of Las Cruces

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the City of Las Cruces, New Mexico (the City), as of and for the year ended June 30, 2015, which collectively comprise the City's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the nonmajor governmental, nonmajor enterprise, internal service funds, agency funds and the budgetary comparisons for the debt service fund, special revenue funds, capital project funds, proprietary funds, and all nonmajor funds presented as supplementary information, as defined by the Government Accounting Standards Board (GASB), in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2015, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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



Mr. Timothy Keller, New Mexico State Auditor
and the Honorable Mayor and City Council Members
of the City of Las Cruces

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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Las Cruces, New Mexico as of June 30, 2015, 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 and schedules referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental, nonmajor enterprise, internal service funds, and agency funds of the City of Las Cruces, New Mexico as of June 30, 2015, the respective changes in financial position, cash flows, where applicable thereof, and the respective budgetary comparisons of the debt service fund, special revenue funds, capital project funds, proprietary funds and all nonmajor funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

In the year ended June 30, 2015, the City adopted new accounting guidance, GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which modified the presentation of the financial statements by establishing standards for measuring and recognizing net pension liabilities, deferred outflows of resources, deferred inflows of resources, and expenses related to pension benefits provided through defined benefit pension plans. In addition, Statement 68 requires disclosure of information related to pension benefits. As discussed in Note 22 to the basic financial statements, the adoption of GASB statements 68 and 71 resulted in the restatement of beginning net position. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of the City's proportionate share of the net pension liability and the schedule of the City's contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB 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.

MOSS ADAMS LLP

Mr. Timothy Keller, New Mexico State Auditor
and the Honorable Mayor and City Council Members
of the City of Las Cruces

Other Information

Our audit was conducted for the purpose of forming opinions on the City's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The accompanying schedule of expenditures of federal awards, as required by the Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, the introductory and statistical section, and the other schedules required by 2.2.2 NMAC included as Other Supplementary Information as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

The introductory, statistical and other information sections as noted in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2015 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



November 30, 2015
Albuquerque, New Mexico

City of Las Cruces
Management's Discussion and Analysis
June 30, 2015

Management's Discussion and Analysis

The Management Discussion and Analysis presents an overview of the City's financial activities for the fiscal year ended June 30, 2015. It is intended to be read in conjunction with the Letter of Transmittal and the City's financial statements. In accordance with Governmental Accounting Standards Board (GASB) standards, comparisons to prior-year balances and activity are presented.

Financial Highlights

- The assets and deferred outflows of resources of the City of Las Cruces exceeded its liabilities at the close of the most recent fiscal year by \$571,277,001 (net position). Of this amount, \$106,688,636 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position decreased \$93,454,377 due to the implementation of GASB 68, which requires the recognition of liabilities, deferred outflows of resources, and deferred inflows of resources related to pension plans.
- At the close of the current fiscal year, the City of Las Cruces' governmental funds reported combined fund balances of \$142,955,557, an increase of \$29,405,204 in comparison with the prior year. Approximately 22 percent of this amount (\$31,379,100) is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) for the general fund was \$40,380,639 or approximately 45.5 percent of total general fund expenditures.
- The pooled cash and investments for governmental and business-type activities increased \$6,815,226 and \$645,258, respectively.
- The total bond and certificate of obligation debt for governmental and business-type activities increased \$10,252,935 and \$5,364,726 respectively. During the fiscal year, total debt outstanding increased to \$140,454,454 due to the issuance of new debt to fund public parks, recreational facilities, street improvements, as well as to acquire public buildings and fund the environmental remediation of public property.

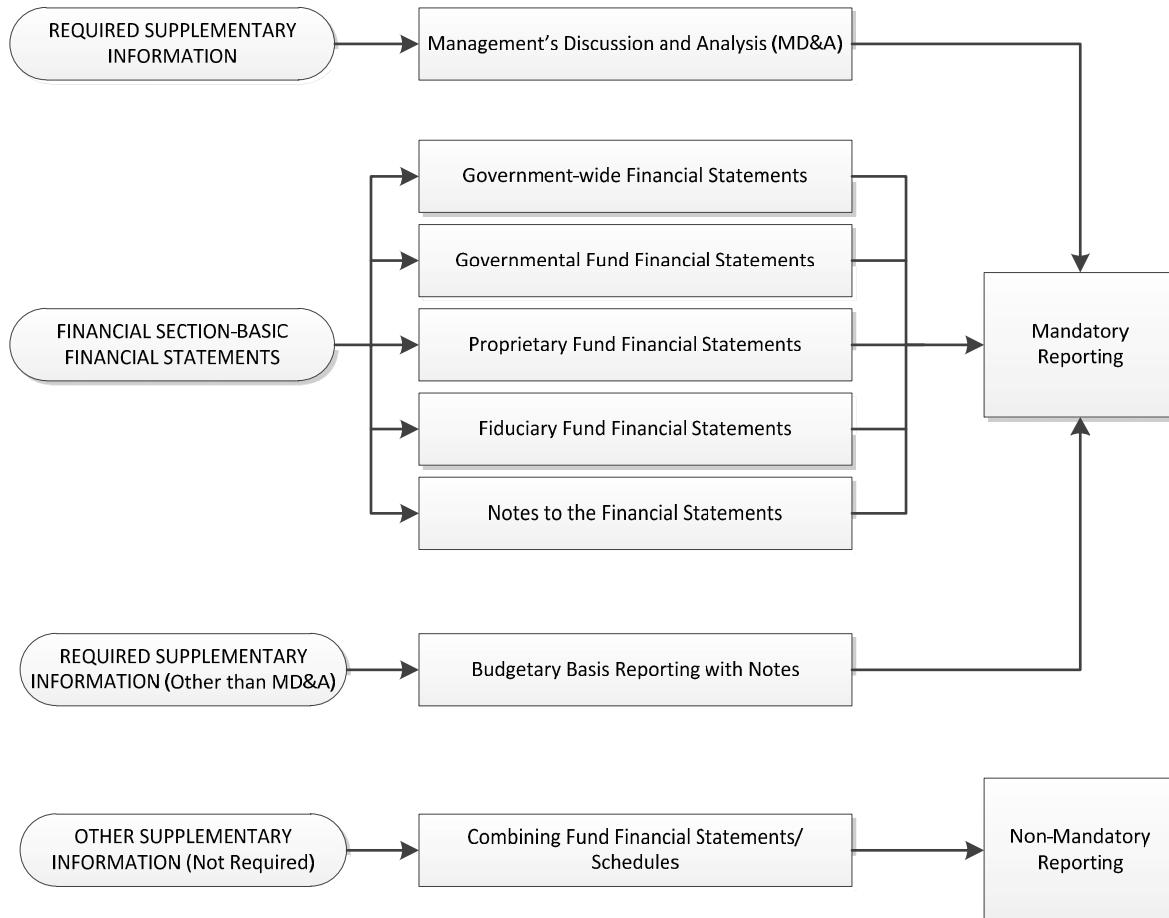
Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City'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.

City of Las Cruces
Management's Discussion and Analysis
June 30, 2015

The financial statements presented herein include all of the activities of the City of Las Cruces using the integrated approach as prescribed by GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and all amendments thereafter.

The following illustration summarizes the sections and reporting requirements of this financial report.



Government-wide Financial Statements

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

The *Statement of Net Position* is a presentation of the City's assets and liabilities, including capital and infrastructure assets, and long-term liabilities. This statement reports the difference between the two as net position. Over time, increases or decreases in net position may help indicate whether the financial position of the City is improving or deteriorating.

City of Las Cruces
Management's Discussion and Analysis
June 30, 2015

The *Statement of Activities* presents information showing how the government's net position changed during FY15. 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 these financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include General Government, Police, Fire, Community Development, Public Works, Information Technology, Transportation, and Community and Cultural Services. The business-type activities of the City include Gas, Water, Waste Water, Solid Waste, Transit, and Alternative Fuels.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also the following legally separate component units: South Central Solid Waste Authority (SCSWA), and the Las Cruces Downtown Tax Increment Development District (TIDD). SCSWA is a discretely presented component unit and the financial information for this component unit is reported separately from the primary government in the government-wide financial statements.

The TIDD is a blended component unit of the City, whose board is comprised of the members of the City Council. The purpose of the TIDD is to finance public infrastructure serving the downtown area. The TIDD is presented as a special revenue fund in the financial statements. The funds to acquire or construct public infrastructure within the TIDD District is presented as a capital project fund in the financial statements.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the fund financial statements is on the City's major funds, although nonmajor funds are also presented in aggregate and further detailed in the supplementary statements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. Fund financial statements allow the City to present information regarding fiduciary funds, since they are not reported in the government-wide financial statements.

Governmental Funds

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

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The focus of governmental funds is narrower than that of the government-wide financial statements; therefore, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. Because governmental fund financial statements do not encompass the additional long-term focus of the government-wide financial statements, additional information is provided that explains the relationship (or differences) between them.

The City maintains five governmental fund types for financial reporting purposes. The governmental fund types are General Fund, Special Revenue Funds, Capital Projects Funds, Debt Service Funds, and Fiduciary Funds. The City maintains 150 governmental funds, nine of which combine into the General Fund. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the funds that comprise the General Fund, which is considered to be a major fund. Three other governmental funds, Sonoma Ranch, Telshor Facility, and Debt Service are also reported as major funds. The remaining 138 governmental funds are combined into a single, aggregated presentation as Other Governmental Funds. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* in the Combining Financial Statements section of this report.

Proprietary Funds

The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for the fiscal activities relating to Gas, Water, and Wastewater utilities, as well as Solid Waste disposal. The City also uses enterprise funds to account for Transit and Alternative Fuels, which are reported as non-major enterprise funds. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its vehicle maintenance and self-insurance. These services have been allocated to *governmental activities* in the government-wide financial statements as they predominantly serve governmental functions.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Gas, Water, and Wastewater Utilities, as well as Solid Waste funds, which are considered to be major funds of the City. Data from the non-major enterprise funds, as well as all the internal service funds, are combined into single, aggregated presentations in the proprietary fund financial statements. Individual fund data for the non-major enterprise funds and the internal service funds is provided in the form of *combining statements* in the Combining Financial Statements section of this report.

City of Las Cruces
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Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside of the primary government. Fiduciary funds are *not* reflected in the government-wide financial statement as the resources of those funds are *not* available to support the City's programs and operations. The Statement of Fiduciary Assets and Liabilities for the agency funds is presented in the basic financial statements section of this report.

Notes to the Financial Statements

The Notes are an integral part of the financial statements and provide additional information that is essential to a full understanding and fair presentation of the data provided in both the government-wide and fund financial statements.

Other Information

In addition to the basic financial statements and the accompanying notes, this report also presents the required supplementary information of the City's governmental and proprietary funds: general, debt service, special revenue, capital project, enterprise, and internal service funds. Budgetary comparison schedules have been provided which demonstrates budgetary compliance.

Statistics

The statistical section provides statistical data on financial trends, revenue and debt capacity, demographic and economic data, and operating information.

Government-Wide Overall Financial Analysis

Net position over time, may serve as a useful indicator of a government's financial position. In the case of the City of Las Cruces, assets and deferred outflows of resources exceeded liabilities by \$571,277,819, at the close of the most recent fiscal year.

Net Position (in 000's)									
	Governmental Activities			Business - type Activities			Total		
	2015	2014	2013	2015	2014	2013	2015	2014	2013
Current and Other Assets	\$ 187,667	\$ 154,687	\$ 158,101	\$ 76,785	\$ 63,384	\$ 62,274	\$ 264,452	\$ 218,071	\$ 220,375
Capital Assets	362,515	365,533	367,401	214,557	216,152	218,756	577,072	581,685	586,157
Total Assets	<u>\$ 550,182</u>	<u>\$ 520,220</u>	<u>\$ 525,502</u>	<u>\$ 291,342</u>	<u>\$ 279,536</u>	<u>\$ 281,030</u>	<u>\$ 841,524</u>	<u>\$ 799,756</u>	<u>\$ 806,532</u>
Deferred Outflows of Resources	9,143	-	-	1,978	123	-	11,121	-	-
Current and Other Liabilities	\$ 22,074	\$ 18,661	\$ 31,900	\$ 11,366	\$ 7,579	\$ 9,540	\$ 33,440	\$ 26,240	\$ 41,440
Long-term Liabilities	159,298	79,218	86,586	63,722	49,994	53,601	223,020	129,212	140,187
Total Liabilities	<u>181,372</u>	<u>97,879</u>	<u>118,486</u>	<u>75,088</u>	<u>57,573</u>	<u>63,141</u>	<u>256,460</u>	<u>155,452</u>	<u>181,627</u>
Deferred Inflow of Resources	21,645	-	-	3,253	820	-	24,899	-	-
Net Position:									
Net investment in capital assets	190,995	289,785	277,394	166,565	173,829	155,584	357,560	463,614	432,978
Restricted Net Position	80,631	61,253	58,994	26,407	13,718	22,077	107,038	74,971	81,071
Unrestricted Net Position	84,682	71,303	70,628	22,007	33,719	40,228	106,689	105,022	110,856
Total Net Position	<u>356,308</u>	<u>422,341</u>	<u>407,016</u>	<u>214,979</u>	<u>221,266</u>	<u>217,889</u>	<u>571,287</u>	<u>643,607</u>	<u>624,905</u>
Total Liabilities and Net Position	<u>\$ 559,325</u>	<u>\$ 520,220</u>	<u>\$ 525,502</u>	<u>\$ 293,320</u>	<u>\$ 279,659</u>	<u>\$ 281,030</u>	<u>\$ 852,646</u>	<u>\$ 799,059</u>	<u>\$ 806,532</u>

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63 percent of the City's net position is investment in capital assets (i.e., land, land improvements, buildings, equipment, utility infrastructure), net of any related outstanding debt used to acquire those assets. This compares with 67 percent in FY14. The City uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Nineteen percent of the City's net position is resources that are subject to external restrictions on how they may be used. This amount increased by 6 percent from 2014. The remaining balance of *unrestricted net position* (\$107 million) may be used to meet the government's ongoing obligations to citizens and creditors.

Changes in net position during 2015 and comparative amounts for 2014 and 2013 were:

Summary of Changes in Position (in 000's)

	Governmental Activities			Business - type Activities			Total		
	2015	2014	2013	2015	2014	2013	2015	2014	2013
Revenues:									
Program Revenues:									
Charges for services	\$ 12,347	\$ 15,761	\$ 19,245	\$ 49,952	\$ 49,930	\$ 64,008	\$ 62,299	\$ 65,691	\$ 83,253
Operating grants and contributions	4,398	5,729	5,626	2,253	2,459	3,426	6,651	8,188	9,052
Capital grants and contributions	6,044	8,423	10,888	294	-	1,289	6,338	8,423	12,177
General Revenue:									
Taxes-GRT and property	108,145	96,148	97,284	-	-	-	108,145	96,148	97,284
Franchise fees/lodgers tax	2,438	2,701	2,691	-	-	-	2,438	2,701	2,691
Investment income (loss)	5,515	5,892	(545)	2,797	1,465	(1,827)	8,312	7,357	(2,372)
Telshor Facility income	-	-	-	-	-	-	-	-	-
Miscellaneous	-	10	-	-	-	(62)	-	10	-
Capital asset contribution	-	-	-	-	231	-	-	231	-
Total Revenue	<u>138,887</u>	<u>134,664</u>	<u>135,189</u>	<u>55,296</u>	<u>54,085</u>	<u>66,834</u>	<u>194,183</u>	<u>188,749</u>	<u>202,085</u>
Expenses:									
General Government	17,465	16,476	13,125	-	-	-	17,465	16,476	13,125
Police	26,926	28,115	27,744	-	-	-	26,926	28,115	27,744
Fire	13,828	12,734	12,408	-	-	-	13,828	12,734	12,408
Community Development	4,859	4,592	4,394	-	-	-	4,859	4,592	4,394
Community and Cultural Services	9,273	9,315	9,011	-	-	-	9,273	9,315	9,011
Public Works	21,885	21,168	20,184	-	-	-	21,885	21,168	20,184
Information Technology	3,416	3,341	3,638	-	-	-	3,416	3,341	3,638
Transportation	8,161	8,159	10,448	-	-	-	8,161	8,159	10,448
Parks and Recreation	9,798	9,120	8,482	-	-	-	9,798	9,120	8,482
Gas	-	-	-	10,776	10,957	24,105	10,776	10,957	24,105
Water	-	-	-	15,009	14,306	14,610	15,009	14,306	14,610
Waste water	-	-	-	13,246	12,536	12,383	13,246	12,536	12,383
Solid waste	-	-	-	10,942	11,438	11,387	10,942	11,438	11,387
Other	-	-	-	4,393	4,632	4,396	4,393	4,632	4,396
Interest on long-term debt	3,071	3,158	3,469	-	-	-	3,071	3,158	3,469
Total Expenses	<u>118,682</u>	<u>116,178</u>	<u>112,903</u>	<u>54,366</u>	<u>53,869</u>	<u>66,881</u>	<u>173,048</u>	<u>170,047</u>	<u>179,784</u>
Increase (decrease) in net position before transfers	20,205	18,486	22,286	930	216	(47)	21,135	18,702	22,301
Transfers	(2,943)	(3,161)	(2,945)	2,943	3,161	2,945	-	-	-
Change in net position	17,262	15,325	19,341	3,873	3,377	2,898	21,135	18,702	22,301
Net Position - beginning	422,341	407,016	387,310	221,266	217,890	214,992	643,607	624,906	602,302
Prior period adjustment (Note 22)	(83,295)	-	-	(10,160)	-	-	(93,455)	-	-
Net Position - ending	<u>\$ 356,308</u>	<u>\$ 422,341</u>	<u>\$ 406,651</u>	<u>\$ 214,979</u>	<u>\$ 221,267</u>	<u>\$ 217,890</u>	<u>\$ 571,287</u>	<u>\$ 643,608</u>	<u>\$ 624,603</u>

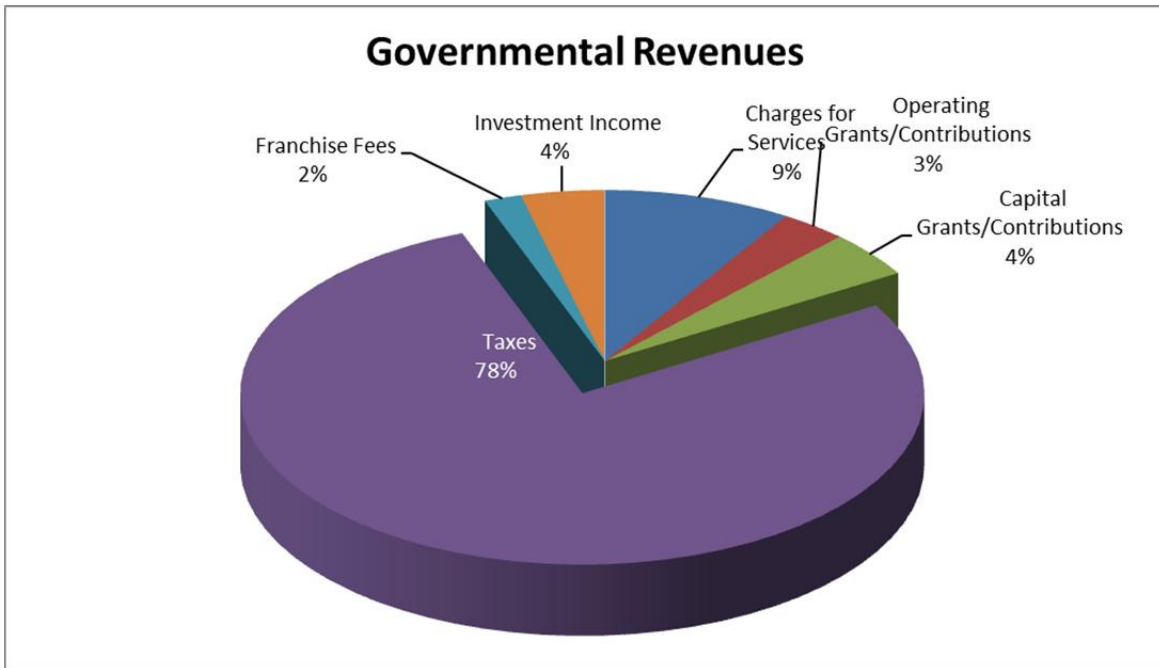
City of Las Cruces

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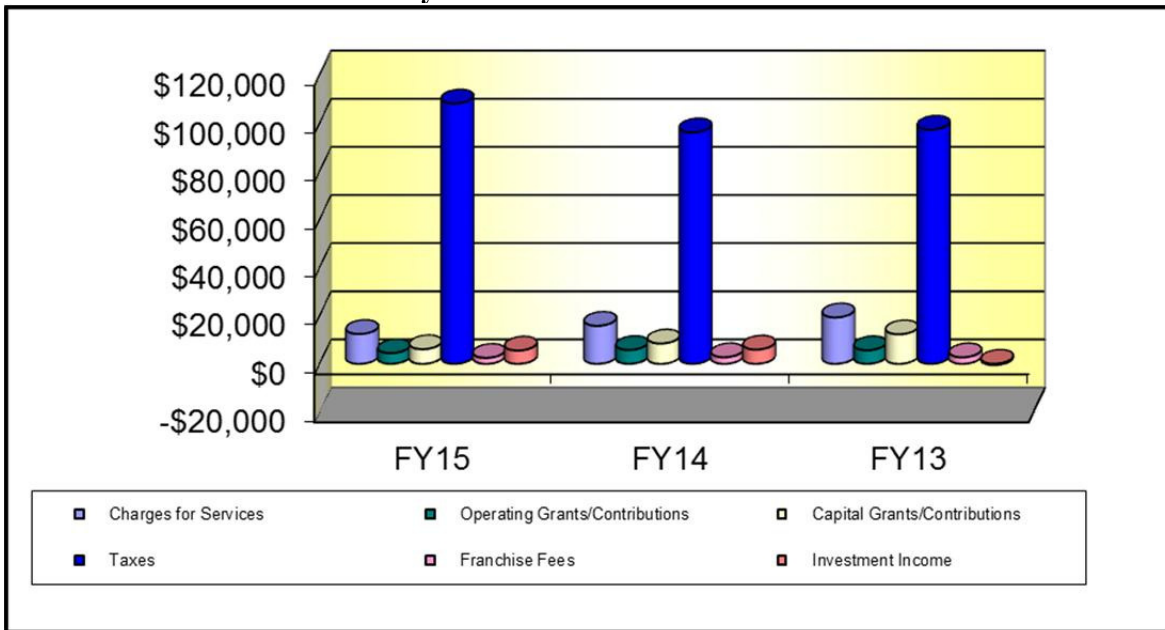
June 30, 2015

Governmental Activities

During the current fiscal year, net position for governmental activities increased \$17,262,401 from the prior fiscal year before the implementation of GASB 68, which required a prior period adjustment of (\$83,294,777), for an ending balance of \$356,308,665. Gross receipts tax, property tax, and franchise fees increased from \$98.8 million in FY14 to \$110.6 million in FY15.



Revenue by Source – Governmental Activities



City of Las Cruces

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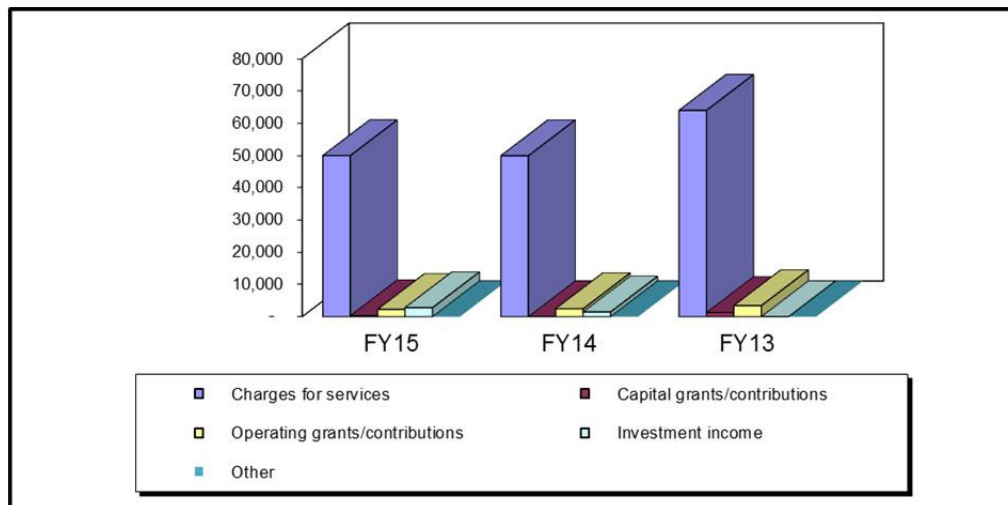
June 30, 2015

Expenses of the City's governmental activities increased from \$116.2 million in FY14 to \$118.7 million in 2015 due to increased Police protection.

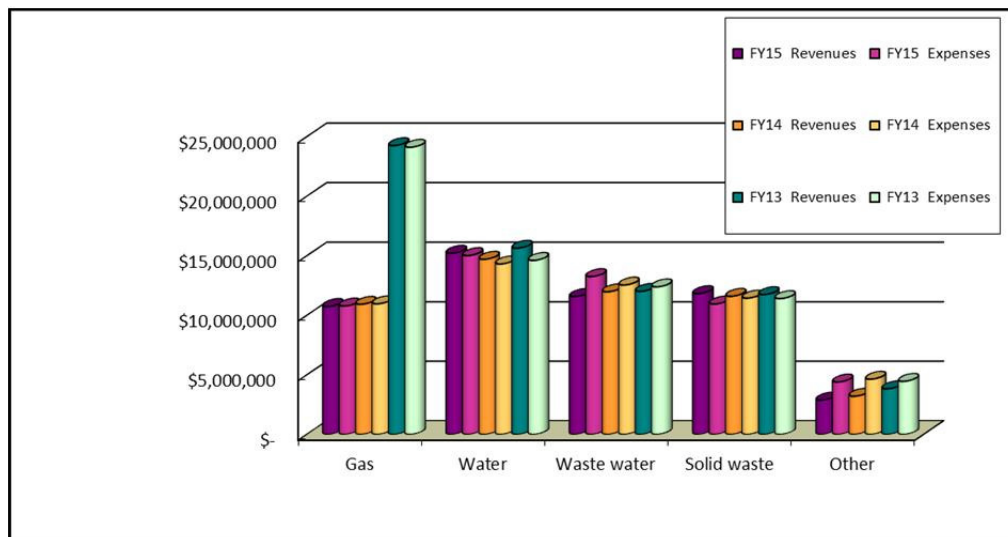
Business-type Activities

For the City's business-type activities, the net position decreased by \$6,287,936 to reach an ending balance of \$214,978,336. Charges from services increased slightly from \$49.93 million in FY14 to \$49.95 million in FY15. Expenses increased from \$53.8 million in 2014 to \$54.4 million in 2015. Prior to FY14, the cost of gas in the Gas fund was reported as an operating expense. Beginning in FY14, the cost of gas was reduced from operating expenses and is currently being reflected in the gross margin.

Revenues by Source – Business-type Activities



Expenses and Program Revenues – Business-type Activities



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Financial Analysis of the City's Funds

Gross receipts tax, the largest revenue source in the general fund, increased by \$11.8 million from 2014 due to the increase in gross receipts tax authorized by the Legislature to make up for the state funding reductions. Charges for services decreased by \$3.4 million due to a decrease in fees and fines as well as licenses and permits.

Governmental Funds

The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable resources*. Unlike the government-wide financial statements, governmental fund financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information is useful in assessing the City's financing requirements. Non-financial assets such as governmental buildings, roads, drainage ways as well as long-term liabilities, such as payables or long-term liabilities that will not be paid with current assets, are excluded. Such information is useful in assessing the City's financing requirements. In particular, the *Unassigned Fund Balance* may serve as a useful measure of the government's net resources available for spending at the end of the fiscal year.

The General Fund, Sonoma Ranch, Debt Service, and Telshor Facility funds are reported as major governmental funds. As of the end of FY15, the City's governmental funds reported combined ending fund balances of \$142.9 million, an increase of \$29.4 million from the prior year due to the issuance of refunding debt.

The fund balance of the General Fund is reported in the five categories defined by GASB 54: (1) The nonspendable fund balance of \$1.4 million is for inventories; (2) The restricted fund balance of \$87k is for grants for public safety programs, community development and community, public works, and cultural services; (3) The committed fund balance of \$5.9 million is for health-related programs; (4) The assigned fund balance in the General Fund is \$3.1 million and is associated with public works, community development, information technology, office of emergency management reserve, economic development, transportation and vehicle acquisition activities; (5) The allocation to each function is presented in the governmental funds balance sheet. The unassigned fund balance in the General Fund is \$31.4 million. The total fund balance in the General Fund is \$41.9 million.

Fund balances of other major governmental funds are committed and restricted. The fund balance in Sonoma Ranch of \$1.5 million is committed for public works. The Telshor Facility fund has \$36.3 million restricted for health related programs. All other governmental funds are combined and reported as non-major governmental funds. Non-major governmental funds have a restricted fund balance of \$38.5 million public safety, housing and community development, debt service, public works, community and cultural services, parks and recreation, and transportation. The committed fund balance of \$19 million is for debt service, health-related programs, public works, public safety programs, and parks and recreation.

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General Fund

The General Fund is the chief operating fund of the City. At the end of FY15, unassigned fund balance of the general fund was \$31.4 million, while total fund balance was \$41.9 million. Of the \$31.4 million in unassigned fund balance, \$7.9 million represents the amount required by state and local policy to be held in reserve in the General Fund.

The fund balance of the City's General Fund increased \$5.9 million during the current fiscal year, attributed primarily to an increase in tax revenue combined with prudent budgetary controls and fiscal monitoring of expenditures throughout the year.

Revenues – The difference between the original budget and the final amended budget for revenues is an increase of approximately \$178k for the year as there were no unexpected changes throughout the year.

Actual revenues for the fiscal year were approximately \$4.6 million more than the final budget. Actual revenues from other revenues exceeded the final budget by approximately \$2 million. Charges for services actual revenues fell under the final budget by approximately \$996k than the final budget mainly due to an unexpected reduction in police security services.

Expenditures – Differences between the original expenditures budget and the final amended expenditures budget totaled approximately \$1.0 million and are briefly summarized as follows:

- The budget for general government decreased by \$1.3 million due to a revision in the City Manager contingency.
- The budget for police increased by \$316k due to an increase in software and minor equipment.
- The budget for fire increased \$354k due to an increase in salary and benefits resulting in additional staffing.
- The budget for community development increased by \$212k due to an increase for purchased services and salaries for additional staffing.
- The budget for capital outlay increased by \$1.24 million for the purchase of vehicles and major equipment.

Actual expenditures were approximately \$6.6 million less than the final expenditures budget. These variances can be briefly summarized as follows:

- The general government actual expenditures were approximately \$2 million less than the final budget primarily due to salary savings.
- Actual expenditures for police were \$2 million less than budget due to salary savings.
- Actual expenditures for public works were \$1.2 million less than budget due to a later than expected project completion date.

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Long-Term Debt

At the end of FY15, the City had total long-term debt outstanding of \$140,454,454 in bonds, notes and leases, with a net increase of \$15,617,661 over the prior year due to the issuance of new debt.

Outstanding Bonds and Liabilities to Financial Institutions 2015

	Governmental			Business-type			Total		
	2015	2014	Change	2015	2014	Change	2015	2014	Change
Revenue Bonds: Outstanding	\$ 72,015,000	\$ 59,350,000	\$ (12,665,000)	\$ 53,050,000	\$ 49,865,000	\$ (3,185,000)	\$ 125,065,000	\$ 109,215,000	\$ (15,850,000)
Notes Payable: Outstanding	11,576,819	13,988,884	2,412,065	3,812,635	1,632,909	(2,179,726)	15,389,454	15,621,793	232,339
Total Outstanding	\$ 83,591,819	\$ 73,338,884	\$ (10,252,935)	\$ 56,862,635	\$ 51,497,909	\$ (5,364,726)	\$ 140,454,454	\$ 124,836,793	\$ (15,617,661)

Additional information on the City's debt can be found in Note 7.

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2015 amounts to \$577,072,017 million, net of accumulated depreciation. This investment in capital assets includes land, buildings, land, and building improvements, leasehold improvements, equipment, infrastructure, and construction in progress. The total decrease in the City's investment in capital assets for the current fiscal year, net of accumulated depreciation, was 0.8 percent.

Additional information on the City's capital assets can be found in Note 4.

Economic Outlook

The local economy is expected to follow the U.S. economy in a slow and uneven recovery. Health Care, Service and Leisure/Hospitality are two sectors that are expected to do well over the near term. The local job picture, in total, will still underperform the nation in part due to our dependence on Public Sector jobs. Private sector job growth should offset public sector job losses leading to a 0.5 percent growth in FY15.

Population growth which slowed along with the national economy is expected to show a very modest gain in FY15. While the City is expected to add approximately 1,000 new residents in FY15, the rate of growth will be under 2 percent for the fifth year in a row. The slowly expanding population base is directly linked to local jobs opportunities and to the national housing market. As retirees planning to relocate begin to see some progress on selling houses in other areas of the U.S., Las Cruces should see a pick-up in people moving into the area.

The City's revenue growth has been influenced by the slow economic conditions. Gross Receipts Tax, which is by far the City's largest revenue source, is largely dependent on construction activity and personal income gains that come from wage and salary jobs.

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A key to achieving the rate of employment growth forecast for the Las Cruces area is the relationship between the private and government sectors. Las Cruces is highly dependent on public sector employment because of the presence of the Federal Government and New Mexico State University. The recovery to date has been concentrated in private jobs with public jobs actually declining in recent years. The outlook anticipates all new jobs being created in the private sector while the public sector slowly returns to a level close to zero growth.

The City has navigated the recession and managed its finances by taking a prudent, conservative approach. The balances in the City's general fund reflect this philosophy and have been consistently maintained at twice the amount required by the state.

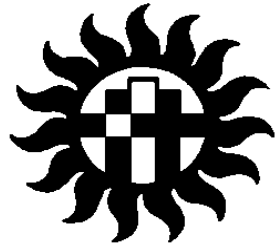
While the General Fund balances are anticipated to ebb slightly over the time horizon, the City can continue to provide its citizens services. This ability is a dividend of the City's prudent fiscal management practice for the past several years, and is allowing the City to navigate the recession while maintaining services.

Requests for Information

This financial report is designed to present users with an overview of the City's finances and to demonstrate the City's accountability. If you have questions concerning any of the information provided in this report or need additional financial information, contact:

Financial Services Director
City of Las Cruces
P.O. Box 20000
Las Cruces, NM 88004

Government-Wide Financial Statements



City of Las Cruces

City of Las Cruces
Statement of Net Position
June 30, 2015

	Primary Government			South Central
	Governmental	Business-type	Total	Solid Waste
	Activities	Activities		Authority
Assets				
Cash and investments	\$ 68,175,262	\$ 42,963,346	\$ 111,138,608	\$ 2,572,618
Receivables, net	14,184,724	4,005,566	18,190,290	493,008
Other assets	1,791,372	2,326,062	4,117,434	-
Due from other governmental units	16,908,903	556,445	17,465,348	-
Due from South Central Solid Waste	1,989,170	-	1,989,170	-
Notes receivable	-	526,936	526,936	-
Restricted cash and investments	84,618,183	26,406,539	111,024,722	3,731,743
Capital assets:				
Land and construction in progress	36,348,953	8,003,513	44,352,466	1,693,315
Other capital assets, net of depreciation	326,166,418	206,553,133	532,719,551	6,590,705
Total capital assets	362,515,371	214,556,646	577,072,017	8,284,020
Total assets	550,182,985	291,341,540	841,524,525	15,081,389
Deferred Outflows of Resources				
Deferred amount from refundings	414,788	796,501	1,211,289	-
Deferred charges related to pensions	8,728,295	1,181,835	9,910,130	322,322
Total deferred outflows of resources	9,143,083	1,978,336	11,121,419	322,322
Liabilities				
Accounts payable and accrued liabilities	7,847,145	4,419,478	12,266,623	740,378
Unearned revenue	2,004,778	-	2,004,778	-
Customer deposits	-	1,159,024	1,159,024	-
Long-term liabilities:				
Due within one year	12,222,061	5,787,253	18,009,314	539,661
Due in more than one year	159,298,136	63,722,372	223,020,508	4,650,685
Total liabilities	181,372,120	75,088,127	256,460,247	5,930,724
Deferred Inflows of Resources				
Deferred gain of revenue for cost of gas	-	263,916	263,916	-
Deferred inflows related to pensions	21,645,283	2,989,497	24,634,780	815,326
Total deferred inflows of resources	21,645,283	3,253,413	24,898,696	815,326
Net Position				
Net investment in capital assets	190,995,174	166,565,164	357,560,338	4,242,549
Restricted for:				
Public safety programs	2,888,735	-	2,888,735	-
Housing and community development	444,514	-	444,514	-
Debt service	6,186,609	14,260,400	20,447,009	-
Public works	29,994,060	10,987,116	40,981,176	-
Health-related programs	2,876,476	-	2,876,476	-
Community and cultural services	36,303,430	-	36,303,430	-
Parks and recreation	1,833,429	-	1,833,429	-
Transportation	104,234	-	104,234	-
Customer deposits	-	1,159,024	1,159,024	-
Curbside recycling program	-	-	-	300,341
Unrestricted	84,682,004	22,006,632	106,688,636	4,114,771
Total net position	\$ 356,308,665	\$ 214,978,336	\$ 571,287,001	\$ 8,657,661

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

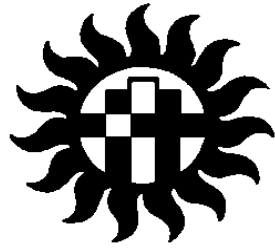
City of Las Cruces

Statement of Activities

For the Year Ended June 30, 2015

Functions/Programs	Program Revenues				Net Revenue (Expense) and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			South Central Solid Waste Authority
					Governmental Activities	Business-type Activities	Total	
Primary government								
General government	\$ 17,465,471	\$ 1,462,528	\$ 701,993	\$ 5,672,225	\$ (9,628,725)	\$ -	\$ (9,628,725)	\$ -
Police	26,926,395	3,471,574	1,211,023	-	(22,243,798)	-	(22,243,798)	-
Fire	13,827,987	1,540,592	537,420	-	(11,749,975)	-	(11,749,975)	-
Community development	4,858,907	869,081	201,917	371,983	(3,415,926)	-	(3,415,926)	-
Community and cultural services	9,273,298	1,077,384	375,834	-	(7,820,080)	-	(7,820,080)	-
Public works	21,884,939	1,147,462	400,280	-	(20,337,197)	-	(20,337,197)	-
Information technology	3,416,231	472,050	164,670	-	(2,779,511)	-	(2,779,511)	-
Transportation	8,160,526	1,264,031	440,944	-	(6,455,551)	-	(6,455,551)	-
Parks and recreation	9,798,347	1,042,500	363,665	-	(8,392,182)	-	(8,392,182)	-
Interest on long-term debt	3,070,765	-	-	-	(3,070,765)	-	(3,070,765)	-
Total governmental activities	118,682,866	12,347,202	4,397,746	6,044,208	(95,893,710)	-	(95,893,710)	-
Business-type activities								
Gas	10,776,119	10,736,125	-	32,748	-	(7,246)	(7,246)	-
Water	15,008,831	15,206,778	-	139,312	-	337,259	337,259	-
Wastewater	13,246,178	11,570,375	-	121,573	-	(1,554,230)	(1,554,230)	-
Solid waste	10,942,132	11,817,951	-	-	-	875,819	875,819	-
Transit/other	4,392,946	620,498	2,252,591	-	-	(1,519,857)	(1,519,857)	-
Total business-type activities	54,366,206	49,951,727	2,252,591	293,633	-	(1,868,255)	(1,868,255)	-
Total primary government	\$ 173,049,072	\$ 62,298,929	\$ 6,650,337	\$ 6,337,841	(95,893,710)	(1,868,255)	(97,761,965)	-
Component units								
Solid waste	9,413,929	8,633,857	201,000	-	-	-	-	(579,072)
Total component units	\$ 9,413,929	\$ 8,633,857	\$ 201,000	\$ -	-	-	-	(579,072)
General revenues								
Taxes:								
Gross receipts					93,683,541	-	93,683,541	-
Property					14,461,370	-	14,461,370	-
Franchise fees and lodgers taxes					2,438,470	-	2,438,470	-
Investment income					5,515,427	2,797,222	8,312,649	131,457
Other					-	-	-	(38,509)
Transfers					(2,942,697)	2,942,697	-	-
Total general revenues and transfers					113,156,111	5,739,919	118,896,030	92,948
Change in net position					17,262,401	3,871,664	21,134,065	(486,124)
Net position, beginning of year					422,341,041	221,266,272	643,607,313	10,992,240
Prior period adjustment (Note 22)					(83,294,777)	(10,159,600)	(93,454,377)	(1,848,455)
Net position, end of year					\$ 356,308,665	\$ 214,978,336	\$ 571,287,001	\$ 8,657,661

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



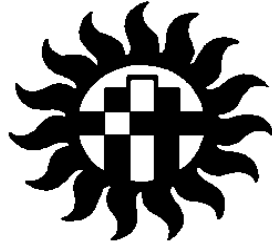
City of Las Cruces

Fund Financial Statements

City of Las Cruces
Balance Sheet—Governmental Funds
June 30, 2015

	General Fund	Sonoma Ranch	Telshor Facility	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets						
Pooled cash and investments	\$ 30,057,266	\$ 1,503,102	\$ -	\$ -	\$ 15,286,432	\$ 46,846,800
Restricted cash and investments	-	-	36,352,942	5,827,576	42,437,665	84,618,183
Receivables, net	723,834	7,900,390	56,682	1,369	5,493,450	14,175,725
Due from other funds	1,303,517	-	-	-	-	1,303,517
Due from other governmental units	13,454,045	-	-	-	3,454,858	16,908,903
Inventories	1,431,060	-	-	-	-	1,431,060
Total assets	<u>\$ 46,969,722</u>	<u>\$ 9,403,492</u>	<u>\$ 36,409,624</u>	<u>\$ 5,828,945</u>	<u>\$ 66,672,405</u>	<u>\$ 165,284,188</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances						
Liabilities						
Accounts and contracts payable	\$ 2,353,894	\$ -	\$ 106,194	\$ 3,929	\$ 2,189,794	\$ 4,653,811
Due to other governments	-	-	-	-	-	-
Due to other funds	-	-	-	68,603	1,234,914	1,303,517
Accrued liabilities	2,613,666	-	-	-	116,241	2,729,907
Unearned revenue	3,450	-	-	-	4,586,544	4,589,994
Total liabilities	<u>4,971,010</u>	<u>-</u>	<u>106,194</u>	<u>72,532</u>	<u>8,127,493</u>	<u>13,277,229</u>
Deferred Inflows of Resources						
Unavailable revenue	99,976	7,900,390	-	-	1,051,036	9,051,402
Total Deferred Inflows of Resources	<u>99,976</u>	<u>7,900,390</u>	<u>-</u>	<u>-</u>	<u>1,051,036</u>	<u>9,051,402</u>
Total Liabilities and Deferred Inflows of Resources	<u>5,070,986</u>	<u>7,900,390</u>	<u>106,194</u>	<u>72,532</u>	<u>9,178,529</u>	<u>22,328,631</u>
Fund Balances						
Non-spendable:						
Inventories	\$ 1,431,060	\$ -	\$ -	\$ -	\$ -	\$ 1,431,060
Restricted for:						
Public safety programs	2,960	-	-	-	2,885,775	2,888,735
Housing and community development	20,135	-	-	-	424,379	444,514
Debt service funds	-	-	-	5,756,413	430,196	6,186,609
Public works	26,999	-	-	-	29,967,061	29,994,060
Community and cultural services	36,943	-	-	-	2,839,533	2,876,476
Health-related programs	-	-	36,303,430	-	-	36,303,430
Parks and recreation	-	-	-	-	1,833,429	1,833,429
Transportation	-	-	-	-	104,234	104,234
Committed for:						
Debt service	-	-	-	-	2,330,552	2,330,552
Health-related programs	5,937,791	-	-	-	33,486	5,971,277
Public safety programs	-	-	-	-	1,562,871	1,562,871
Public works	-	1,503,102	-	-	11,745,557	13,248,659
Parks and recreation	-	-	-	-	3,336,803	3,336,803
Assigned to:						
Public works	477,974	-	-	-	-	477,974
Community development	378	-	-	-	-	378
Information technology	29,228	-	-	-	-	29,228
Office of emergency management reserve	50,000	-	-	-	-	50,000
Economic development	11,347	-	-	-	-	11,347
Transportation	78,492	-	-	-	-	78,492
Vehicle acquisition fund	2,416,329	-	-	-	-	2,416,329
Unassigned:						
Unassigned	31,379,100	-	-	-	-	31,379,100
Total fund balances	<u>41,898,736</u>	<u>1,503,102</u>	<u>36,303,430</u>	<u>5,756,413</u>	<u>57,493,876</u>	<u>142,955,557</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 46,969,722</u>	<u>\$ 9,403,492</u>	<u>\$ 36,409,624</u>	<u>\$ 5,828,945</u>	<u>\$ 66,672,405</u>	<u>\$ 165,284,188</u>

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



City of Las Cruces

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

City of Las Cruces
Reconciliation of the Governmental Funds
Balance Sheet to the Statement of Net Position
June 30, 2015

Total fund balances for governmental funds	\$ 142,955,557
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds (excludes \$85,534 of capital assets of internal service funds reported below)	362,429,837
Other assets are not available to pay for current-period expenditures and, therefore, are reported as unearned revenue in the funds	12,918,210
The contribution of certain capital assets is deferred in the statement of net position	(1,281,592)
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported in the funds (netted with the deferred outflows of the bond refunding of \$414,788 and excludes \$6,232,736 of long term liabilities of internal service funds reported below)	(96,044,695)
The amount due from South Central Solid Waste Authority is not available to pay current-period expenditures and is, therefore, not reported in the funds	1,989,170
Deferred outflows of pensions (excludes \$123,836 of deferred outflows from pensions of internal service funds reported below)	8,605,459
Net pension liability (net of pension contribution payable of \$1,528,147)	(68,129,407)
Deferred inflows of pensions (excludes \$310,717 of deferred inflows from pensions of internal service funds reported below)	(21,334,566)
Assets and liabilities of internal service funds are included in net position of governmental activities	<u>14,200,692</u>
Net position of governmental activities	<u>\$ 356,308,665</u>

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

City of Las Cruces
Statement of Revenues, Expenditures, and Changes in
Fund Balance—Governmental Funds
For the Year Ended June 30, 2015

	General Fund	Sonoma Ranch	Tekshor Facility	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 89,728,390	\$ -	\$ -	\$ -	\$ 18,416,521	\$ 108,144,911
Charges for services	\$2,750,235	-	-	-	121,705	2,871,940
Fees and fines	\$654,159	-	-	-	2,305,944	2,960,103
Investment income (loss)	\$972,412	66,822	1,852,290	308,585	1,432,557	4,632,666
Franchise fees	\$2,438,470	-	-	-	-	2,438,470
Licenses and permits	\$1,072,697	-	-	-	-	1,072,697
Intergovernmental:						
Federal	-	-	-	-	2,919,185	2,919,185
State	-	-	-	-	4,309,526	4,309,526
Local	7,440	-	-	-	29,653	37,093
Other	6,157,893	-	-	513,962	2,126,501	8,798,356
Total revenues	<u>103,781,696</u>	<u>66,822</u>	<u>1,852,290</u>	<u>822,547</u>	<u>31,661,592</u>	<u>138,184,947</u>
Expenditures						
Current						
General government	14,600,868	-	-	5,854	933,581	15,540,303
Police	22,790,188	-	-	-	3,174,250	25,964,438
Fire	12,150,566	-	-	-	1,080,788	13,231,354
Community development	3,093,414	-	-	-	1,762,493	4,855,907
Community and cultural services	5,206,661	-	-	-	3,201,630	8,408,291
Public works	8,426,615	-	-	-	1,686,450	10,113,065
Information technology	3,307,482	-	-	-	-	3,307,482
Transportation	5,006,488	-	-	-	2,043,748	7,050,236
Parks and recreation	9,083,711	-	-	-	12,430	9,096,141
Capital outlay	5,148,122	-	-	-	11,259,316	16,407,438
Debt service:						
Principal	-	-	-	9,418,765	-	9,418,765
Interest and other charges	-	-	-	3,485,553	-	3,485,553
Debt issuance costs	-	-	-	370,268	-	370,268
Total expenditures	<u>88,814,115</u>	<u>-</u>	<u>-</u>	<u>13,280,440</u>	<u>25,154,686</u>	<u>127,249,241</u>
Revenues over (under) expenditures	<u>14,967,581</u>	<u>66,822</u>	<u>1,852,290</u>	<u>(12,457,893)</u>	<u>6,506,906</u>	<u>10,935,706</u>
Other Financing Sources (Uses)						
Issuance of refunding debt	104,500	-	-	19,195,000	24,743,325	44,042,825
Premiums on issuance of debt	-	-	-	1,157,983	676,894	1,834,877
Debt issuance costs	-	-	-	-	(241,825)	(241,825)
Refunded bonds redeemed	-	-	-	(19,545,000)	-	(19,545,000)
Proceeds from sale of capital assets	87,238	-	-	-	35,657	122,895
Payment to agency	-	-	-	-	-	-
Transfers in	2,332,789	-	-	12,691,042	6,909,620	21,933,451
Transfers out	(11,587,058)	-	(300,000)	(59,623)	(17,731,044)	(29,677,725)
Total other financing sources (uses)	<u>(9,062,531)</u>	<u>-</u>	<u>(300,000)</u>	<u>13,439,402</u>	<u>14,392,627</u>	<u>18,469,498</u>
Net change in fund balances	5,905,050	66,822	1,552,290	981,509	20,899,533	29,405,204
Fund balances, beginning of year	35,993,686	1,436,280	34,751,140	4,774,904	36,594,343	113,550,353
Fund balances, end of year	<u>\$ 41,898,736</u>	<u>\$ 1,503,102</u>	<u>\$ 36,303,430</u>	<u>\$ 5,756,413</u>	<u>\$ 57,493,876</u>	<u>\$ 142,955,557</u>

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

City of Las Cruces

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities For the Year Ended June 30, 2015

Net change in fund balances—governmental funds

Total revenues and other financing sources in the governmental funds differ from total revenues for governmental activities in the statement of activities. The difference results primarily from the long-term economic focus of the statement of activities versus the current financial sources focus of the governmental funds. The main components of the difference are describe below:

\$ 29,405,204

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of certain capital outlays is allocated over the estimated useful lives of the assets acquired and reported as depreciation expense. As a result, fund balance decreased by the amount of financial resources expended, whereas net position decreased by the amount of depreciation expense charged for the year:

Capital outlay	\$ 16,407,438	
Depreciation	(18,583,189)	
Difference in proceeds and net capital assets sold	(122,895)	
Disposal of capital assets not recorded in governmental funds	(720,069)	
Total		(3,018,715)

Proceeds from the issuance of long-term obligations provide current financial resources to governmental funds and increase long-term liabilities in the statement of net position.

Repayment of debt principal is an expenditure in the governmental funds, but the current year principal repayment reduces long-term liabilities in the statement of net position.

Repayments of bonds and notes payable	9,418,765	
Repayments of mortgage	4,800,000	
Refunded bonds redeemed	19,545,000	
Premiums on issuance of debt	(1,834,877)	
Proceeds from bonds and notes payable	(44,042,825)	
Interest expense related to bond refunding	414,788	
Amortization of premium/discount of bond and notes payable	203,464	
Total		(11,495,685)

The change in the liability for compensated absences affects expenses reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in governmental funds.

(615,591)

Revenues in the statement of activities that do not meet the "availability" criteria for revenue recognition and, therefore, are not reported as revenues in the funds.

290,256

Principal payments by South Central Solid Waste to the City's debt service fund are reported as revenue in the debt service fund but reduce assets on the statement of net position.

(470,000)

Change in PERA liability affects expenses reported in the statement of activities but does not require the use of current financial resources and, therefore, is not reported as expenditures in governmental funds.

1,499,472

Internal service funds are used by management to charge the costs of certain activities such as insurance and telecommunications to individual funds. The change in net position of internal service funds is reported within governmental activities.

1,667,460

Change in net position of governmental activities

\$ 17,262,401

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

City of Las Cruces
Statement of Revenues, Expenditures, and
Changes in Fund Balance—Budget and Actual
General Fund
For the Year Ended June 30, 2015
(With Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015			2014	
	Budgeted Amounts			Variance with Final Budget - Positive	
	Original	Final	Actual	(Negative)	Actual
Revenues					
Local taxes					
Gross receipts	\$ 73,518,280	\$ 73,518,280	\$ 76,932,663	\$ 3,414,383	\$ 62,231,616
Property	10,959,401	10,959,401	11,060,833	101,432	10,878,783
Utility franchise	1,253,304	1,253,304	1,259,748	6,444	1,205,265
Total local taxes	85,730,985	85,730,985	89,253,244	3,522,259	74,315,664
State-shared taxes	472,671	472,671	475,146	2,475	474,354
Charges for services	3,746,079	3,746,079	2,750,235	(995,844)	2,853,924
Fees and fines	790,583	790,583	654,159	(136,424)	950,956
Investment income (loss)	432,593	432,593	972,412	539,819	456,734
Franchise fees	2,892,619	2,892,619	2,438,470	(454,149)	2,700,727
Licenses and permits	1,137,936	1,137,936	1,072,697	(65,239)	1,090,909
Operating grants and contributions	25,625	25,625	7,440	(18,185)	24,102
Other	3,796,963	3,975,212	6,157,893	2,182,681	5,706,425
	13,295,069	13,473,318	14,528,452	1,055,134	14,258,131
Total revenues	99,026,054	99,204,303	103,781,696	4,577,393	88,573,795
Expenditures					
Current					
General government	17,866,988	16,599,224	14,600,868	1,998,356	13,589,958
Police	24,446,159	24,762,629	22,790,188	1,972,441	20,904,786
Fire	11,852,522	12,206,804	12,150,566	56,238	9,874,369
Community development	3,294,135	3,506,260	3,093,414	412,846	3,139,753
Community and cultural services	5,524,301	5,541,708	5,206,661	335,047	5,202,617
Public works	9,410,585	9,585,707	8,426,615	1,159,092	8,187,894
Information technology	3,790,546	3,721,335	3,307,482	413,853	3,261,809
Transportation	5,389,389	5,379,352	5,006,488	372,864	5,091,356
Parks and recreation	9,801,504	9,739,689	9,083,711	655,978	8,395,006
Capital outlay	2,976,988	4,325,228	5,148,122	(822,894)	4,163,268
Debt service					
Interest	-	-	-	-	-
Principal	-	-	-	-	-
Total expenditures	94,353,117	95,367,936	88,814,115	6,553,821	81,810,816
Revenues over (under) expenditures	4,672,937	3,836,367	14,967,581	11,131,214	6,762,979
Other Financing Sources (Uses)					
Issuance of debt	-	104,500	104,500	-	1,600,000
Proceeds from sale of capital assets	10,000	10,000	87,238	77,238	159,840
Payment to agency	-	-	-	-	(1,600,000)
Transfers in	2,301,519	4,301,519	2,332,789	(1,968,730)	3,052,511
Transfers out	(11,761,127)	(12,017,796)	(11,587,058)	430,738	(9,243,481)
Total other financing sources (uses)	(9,449,608)	(7,601,777)	(9,062,531)	(1,460,754)	(6,031,130)
Net change in fund balance	(4,776,671)	(3,765,410)	5,905,050	9,670,460	731,849
Fund balance, beginning of year	35,993,686	35,993,686	35,993,686	-	35,261,837
Fund balance, end of year	\$ 31,217,015	\$ 32,228,276	\$ 41,898,736	\$ 9,670,460	\$ 35,993,686

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

City of Las Cruces
Statement of Revenues, Expenditures, and
Changes in Fund Balance—Budget and Actual
Sonoma Ranch
For the Year Ended June 30, 2015
(With Comparative Actual Amounts for the Year Ended June 30, 2014)

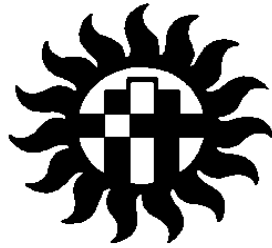
	2015			2014	
	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)	Actual
	Original	Final			
Revenues					
Investment income	\$ -	\$ -	\$ 66,822	\$ 66,822	\$ 29,893
Other	-	-	-	-	-
Total revenues	-	-	66,822	66,822	29,893
Net change in fund balance	-	-	66,822	66,822	29,893
Fund balance, beginning of year	1,436,280	1,436,280	1,436,280	31,055	1,406,387
Fund balance, end of year	\$ 1,436,280	\$ 1,436,280	\$ 1,503,102	\$ 97,877	\$ 1,436,280

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

City of Las Cruces
Statement of Revenues, Expenditures, and
Changes in Fund Balance—Budget and Actual
Telshor Facility
For the Year Ended June 30, 2015
(With Comparative Actual Amounts for the Year Ended June 30, 2014)

	2015			2014	
	Budgeted Amounts			Variance with Final Budget - Positive (Negative)	Actual
	Original	Final	Actual		
Revenues					
Investment income	\$ 1,100,000	\$ 1,100,000	\$ 1,852,290	\$ 752,290	\$ 4,002,608
Other	-	-	-	-	12,782
Total revenues	1,100,000	1,100,000	1,852,290	752,290	4,015,390
Other Financing Sources (Uses)					
Transfers out	(300,000)	(300,000)	(300,000)	-	(300,000)
Total other financing sources (uses)	(300,000)	(300,000)	(300,000)	-	(300,000)
Net change in fund balance	800,000	800,000	1,552,290	752,290	3,715,390
Fund balance, beginning of year	34,751,140	34,751,140	34,751,140	2,011,532	31,035,750
Fund balance, end of year	\$ 35,551,140	\$ 35,551,140	\$ 36,303,430	\$ 2,763,822	\$ 34,751,140

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



City of Las Cruces

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

City of Las Cruces
Statement of Net Position—Proprietary Funds
June 30, 2015

	Enterprise Funds						Internal Service Funds
	Gas	Water	Waste Water	Solid Waste	Other Enterprise Funds	Totals	
Assets							
Current assets							
Cash and investments	\$ 16,529,554	\$ 6,680,276	\$ 13,154,998	\$ 6,598,518	\$ -	\$ 42,963,346	\$ 21,328,462
Accounts receivable, net of allowance for uncollectible accounts	981,751	1,310,975	752,592	932,136	28,112	4,005,566	8,999
Due from other governments	-	9,756	-	-	546,689	556,445	-
Inventories	881,858	485,432	426,707	532,065	-	2,326,062	360,312
Total current assets	18,393,163	8,486,439	14,334,297	8,062,719	574,801	49,851,419	21,697,773
Non-current assets							
Restricted cash and investments	639,075	12,723,835	10,710,054	2,333,575	-	26,406,539	-
Notes receivable	-	336,070	190,866	-	-	526,936	-
Advance to other funds	-	-	2,781,022	-	-	2,781,022	-
Other	-	-	-	-	-	-	-
Capital assets	65,509,279	132,917,132	132,761,882	14,527,713	12,774,076	358,490,082	2,376,317
Less accumulated depreciation	(38,975,963)	(41,427,724)	(49,586,792)	(7,995,989)	(5,946,968)	(143,933,436)	(2,290,783)
Net capital assets	26,533,316	91,489,408	83,175,090	6,531,724	6,827,108	214,556,646	85,534
Total non-current assets	27,172,391	104,549,313	96,857,032	8,865,299	6,827,108	244,271,143	85,534
Total assets	45,565,554	113,035,752	111,191,329	16,928,018	7,401,909	294,122,562	21,783,307
Deferred outflows of resources							
Deferred amount from refundings	-	384,740	411,761	-	-	796,501	-
Deferred charges related to pensions	306,268	223,125	235,976	194,075	222,391	1,181,835	122,836
Total deferred outflows of resources	306,268	607,865	647,737	194,075	222,391	1,978,336	122,836
Liabilities							
Current liabilities							
Accounts and contracts payable	787,805	687,827	389,313	1,230,903	222,100	3,317,948	404,738
Accrued liabilities	262,014	321,270	262,170	154,664	101,412	1,101,530	58,689
Current portion of non-current liabilities	57,926	2,758,328	2,166,127	779,458	25,414	5,787,253	1,854,444
Total current liabilities	1,107,745	3,767,425	2,817,610	2,165,025	348,926	10,206,731	2,317,871
Non-current liabilities							
Customer deposits	639,075	202,206	143,518	174,225	-	1,159,024	-
Revenue bonds payable	-	25,588,674	25,280,935	-	-	50,869,609	-
Notes payable	-	-	-	3,116,172	-	3,116,172	-
Compensated absences	231,702	201,843	138,790	127,980	101,657	801,972	42,698
Claims	-	-	-	-	-	-	4,335,594
Accrued landfill closure cost	-	-	-	1,067,000	-	1,067,000	-
Advance from other funds	-	2,781,022	-	-	-	2,781,022	-
Net pension liability	2,122,178	1,463,376	1,595,837	1,280,490	1,405,738	7,867,619	698,571
Total non-current liabilities	2,992,955	30,237,121	27,159,080	5,765,867	1,507,395	67,662,418	5,076,863
Total liabilities	4,100,700	34,004,546	29,976,690	7,930,892	1,856,321	77,869,149	7,394,734
Deferred inflows of resources							
Deferred gain of revenue for cost of gas	263,916	-	-	-	-	263,916	-
Deferred inflows related to pensions	774,717	564,403	596,911	490,920	562,546	2,989,497	310,717
Total deferred inflows of resources	1,038,633	564,403	596,911	490,920	562,546	3,253,413	310,717
Net Position							
Net investment in capital assets	26,533,316	70,157,246	57,421,012	5,626,482	6,827,108	166,565,164	85,534
Restricted for customer deposits	639,075	202,206	143,518	174,225	-	1,159,024	-
Restricted for capital projects	-	7,820,022	1,699,292	1,467,802	-	10,987,116	-
Restricted for debt service	-	4,701,607	8,867,245	691,548	-	14,260,400	-
Unrestricted	13,560,098	(3,806,413)	13,134,398	740,224	(1,621,675)	22,006,632	14,115,158
Total net position	\$ 40,732,489	\$ 79,074,668	\$ 81,265,465	\$ 8,700,281	\$ 5,205,433	\$ 214,978,336	\$ 14,200,692

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

City of Las Cruces
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2015

	Enterprise Funds						Internal Service Funds
	Gas	Water	Waste Water	Solid Waste	Other Enterprise Funds	Totals	Funds
Operating Revenues							
Sales/charges	\$22,939,107	\$15,079,195	\$ 11,486,287	\$11,756,914	\$617,210	\$ 61,878,713	\$4,892,878
Provision for uncollectible accounts	(121,918)	37,153	(23,052)	(37,485)	-	(145,302)	-
Net sales/charges	<u>22,817,189</u>	<u>15,116,348</u>	<u>11,463,235</u>	<u>11,719,429</u>	<u>617,210</u>	<u>61,733,411</u>	<u>4,892,878</u>
Utility extension/service fee	232,599	105,811	9,240	-	-	347,650	-
Rentals	-	1,369	-	-	-	1,369	1,117,000
Other	<u>38,915</u>	<u>142,066</u>	<u>84,754</u>	<u>20,961</u>	<u>3,288</u>	<u>289,984</u>	<u>6,965,311</u>
Total operating revenues	23,088,703	15,365,594	11,557,229	11,740,390	620,498	62,372,414	12,975,189
Cost of gas, water and services, respectively	<u>(12,354,195)</u>	<u>(179,097)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,533,292)</u>	<u>(2,946,237)</u>
Gross Margin	<u>10,734,508</u>	<u>15,186,497</u>	<u>11,557,229</u>	<u>11,740,390</u>	<u>620,498</u>	<u>49,839,122</u>	<u>10,028,952</u>
Operating Expenses							
Personnel services	3,144,874	2,580,341	2,457,110	2,238,085	2,487,796	12,908,206	1,295,235
Supplies	196,326	522,054	913,849	363,090	85,358	2,080,677	84,691
Utilities	14,859	1,565,473	897,195	38,478	33,968	2,549,973	67,294
Professional services	360,084	1,800,646	652,785	4,633,958	95,578	7,543,051	1,064,201
Motor pool charges	-	-	-	-	474,360	474,360	7,915
Motor fuel	-	-	-	-	389,334	389,334	-
Repairs and maintenance	938,261	1,588,838	734,641	969,295	125,646	4,356,681	100,888
Rent	277	21,796	2,387	644	-	25,104	-
Depreciation and amortization	2,221,998	2,348,500	3,312,901	842,887	612,156	9,338,442	22,666
Payment in lieu of taxes	659,206	579,544	532,504	276,126	-	2,047,380	-
Administrative charges from other funds	641,405	651,149	607,938	279,965	-	2,180,457	-
Customer service	2,242,722	1,940,164	1,829,951	1,767,413	-	7,780,250	-
Closure/post-closure costs	-	-	-	(795,335)	-	(795,335)	-
Claims and judgments	-	-	-	-	-	-	6,521,498
Insurance	323,029	191,148	119,288	205,442	39,942	878,849	55,000
Other	<u>33,078</u>	<u>9,725</u>	<u>(12,224)</u>	<u>-</u>	<u>48,808</u>	<u>79,387</u>	<u>12,723</u>
Total operating expenses	<u>10,776,119</u>	<u>13,799,378</u>	<u>12,048,325</u>	<u>10,820,048</u>	<u>4,392,946</u>	<u>51,836,816</u>	<u>9,232,111</u>
Operating income (loss)	(41,611)	1,387,119	(491,096)	920,342	(3,772,448)	(1,997,694)	796,841
Non-operating Revenues (Expenses)							
Gain (loss) on sale of capital assets	1,617	20,281	13,146	77,561	-	112,605	(13,719)
Investment (loss) income	709,870	848,056	961,238	285,296	(7,238)	2,797,222	882,761
Grants - federal	-	-	-	-	2,252,591	2,252,591	-
Interest expense	<u>-</u>	<u>(1,209,453)</u>	<u>(1,197,853)</u>	<u>(122,084)</u>	<u>-</u>	<u>(2,529,390)</u>	<u>-</u>
Total non-operating revenues (expenses)	<u>711,487</u>	<u>(341,116)</u>	<u>(223,469)</u>	<u>240,773</u>	<u>2,245,353</u>	<u>2,633,028</u>	<u>869,042</u>
Income (loss) before capital	<u>669,876</u>	<u>1,046,003</u>	<u>(714,565)</u>	<u>1,161,115</u>	<u>(1,527,095)</u>	<u>635,334</u>	<u>1,665,883</u>
Capital contributions	<u>32,748</u>	<u>139,312</u>	<u>121,573</u>	<u>-</u>	<u>-</u>	<u>293,633</u>	<u>-</u>
Transfers							
Transfers in	-	314,535	685,525	224,207	1,718,430	2,942,697	1,577
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	702,624	1,499,850	92,533	1,385,322	191,335	3,871,664	1,667,460
Net position, beginning of year	<u>42,746,001</u>	<u>79,470,910</u>	<u>83,226,407</u>	<u>8,971,826</u>	<u>6,851,128</u>	<u>221,266,272</u>	<u>13,470,023</u>
Prior period adjustment (Note 22)	<u>(2,716,136)</u>	<u>(1,896,092)</u>	<u>(2,053,475)</u>	<u>(1,656,867)</u>	<u>(1,837,030)</u>	<u>(10,159,600)</u>	<u>(936,791)</u>
Net position, end of year	<u>\$ 40,732,489</u>	<u>\$ 79,074,668</u>	<u>\$ 81,265,465</u>	<u>\$ 8,700,281</u>	<u>\$ 5,205,433</u>	<u>\$ 214,978,336</u>	<u>\$ 14,200,692</u>

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

City of Las Cruces
Statement of Cash Flows—*Proprietary Funds*
For the Year Ended June 30, 2015

	Enterprise Funds						Internal
	Gas	Water	Waste Water	Solid Waste	Other Enterprise Funds	Totals	Service Funds
Cash flows from operating activities							
Cash received from customers (including other funds)	\$22,953,497	\$15,349,620	\$11,555,847	\$11,631,556	\$707,454	\$ 62,197,974	\$12,981,348
Cash paid to suppliers	(17,751,099)	(8,617,041)	(6,076,881)	(6,473,457)	(1,084,221)	(40,002,699)	(4,444,487)
Cash paid to employees	(3,333,513)	(2,793,067)	(2,296,020)	(2,374,513)	(2,537,048)	(13,334,161)	(1,177,484)
Claims paid	-	-	-	-	-	-	(6,141,617)
Other receipts	38,915	142,066	84,754	20,961	3,288	289,984	-
Net cash provided (used) by operating activities	1,907,800	4,081,578	3,267,700	2,804,547	(2,910,527)	9,151,098	1,217,760
Cash flows from non-capital financing activities							
Grants and contributions	-	-	-	-	2,252,591	2,252,591	-
Transfers in	-	314,535	685,525	224,207	1,718,430	2,942,697	1,577
Transfers out	-	-	-	-	-	-	-
Investment income	-	-	-	-	-	-	-
Loans for development impact fees	-	(353,678)	(137,961)	-	-	(491,639)	-
Advance to/from other funds	-	(289,238)	289,238	-	-	-	-
Net cash provided (used) by non-capital financing activities	-	(328,381)	836,802	224,207	3,971,021	4,703,649	1,577
Cash flows from capital and related financing activities							
Purchase of capital assets	(463,565)	(1,264,104)	(2,201,237)	(2,346,282)	(1,068,863)	(7,344,051)	(37,092)
Acquisition of other assets	-	-	-	-	-	-	-
Proceeds from revenue bonds and notes payable	-	-	-	2,838,681	-	2,838,681	-
Principal paid: revenue bonds/lease purchase/advances	-	(133,998)	4,877,690	(658,955)	-	4,084,737	-
Interest paid: revenue bonds/lease purchase/advances	-	(1,209,453)	(1,566,400)	(122,084)	-	(2,897,937)	-
Net cash provided (used) by capital and related financing activities	(463,565)	(2,607,555)	1,110,053	(288,640)	(1,068,863)	(3,318,570)	(37,092)
Cash flows from investing activities							
Cash interest received	709,870	848,056	961,238	285,296	(7,239)	2,797,221	882,761
Net cash provided (used) by investing activities	709,870	848,056	961,238	285,296	(7,239)	2,797,221	882,761
Net increase (decrease) in pooled cash and investments	2,154,105	1,993,698	6,175,793	3,025,410	(15,608)	13,333,398	2,065,006
Cash and investments, beginning of year	15,014,524	17,410,413	17,689,259	5,906,683	15,608	56,036,487	19,263,456
Cash and investments, end of year	\$ 17,168,629	\$ 19,404,111	\$ 23,865,052	\$ 8,932,093	\$ -	\$ 69,369,885	\$ 21,328,462
Cash and investments at June 30 consisted of:							
Current assets							
Cash and investments	\$ 16,529,554	\$ 6,680,276	\$ 13,154,998	\$ 6,598,518	\$ -	\$ 42,963,346	\$ 21,328,462
Non-current assets							
Restricted cash and investments	639,075	12,723,835	10,710,054	2,333,575	-	26,406,539	-
Total cash and investments, June 30	\$ 17,168,629	\$ 19,404,111	\$ 23,865,052	\$ 8,932,093	\$ -	\$ 69,369,885	\$ 21,328,462

(Continued)

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

City of Las Cruces
Statement of Cash Flows—*Proprietary Funds* – continued
For the Year Ended June 30, 2015

	Enterprise Funds						Internal Service Funds
	Gas	Water	Waste Water	Solid Waste	Other Enterprise Funds	Totals	
Reconciliation of operating income to net cash provided (used) by operating activities							
Operating income (loss)	\$ (41,611)	\$ 1,387,119	\$ (491,096)	\$ 920,342	\$ (3,772,448)	\$ (1,997,694)	\$ 796,841
Adjustments to reconcile operating income to net cash provided by operating activities:							
Depreciation and amortization	2,221,998	2,348,500	3,312,901	842,887	612,156	9,338,442	22,666
Provision for uncollectible accounts	121,918	(37,154)	23,052	37,485	-	145,301	-
Increase in liability for landfill closure costs	-	-	-	65,000	-	65,000	-
Change in assets, deferred outflows, liabilities, and deferred inflows:							
Accounts receivable	206,901	148,144	45,465	(139,934)	90,244	350,820	6,158
Inventories	(27,162)	(63,967)	(56,003)	(63,022)	-	(210,154)	46,568
Due from other governmental agencies	-	145,607	-	-	-	145,607	-
Accounts and contracts payable	35,914	259,514	160,732	1,182,584	208,774	1,847,518	(6,287)
Estimated liability for insurance claims	-	-	-	-	-	-	379,881
Wages payable and accrued liabilities	62,379	274,723	354,496	24,161	41,884	757,643	22,272
Deferred gain of revenue for cost of gas	(556,207)	-	-	-	-	(556,207)	-
Deferred charges related to pensions	(3,561)	(316,383)	(7,121)	(9,421)	(17,658)	(354,144)	28,717
Net pension liability	(896,665)	(644,030)	(686,493)	(561,031)	(636,025)	(3,424,244)	(342,623)
Deferred inflows related to pensions	774,717	564,403	596,911	490,920	562,546	2,989,497	263,567
Customer deposits	9,179	15,102	14,856	14,576	-	53,713	-
Total adjustments	<u>1,949,411</u>	<u>2,694,459</u>	<u>3,758,796</u>	<u>1,884,205</u>	<u>861,921</u>	<u>11,148,792</u>	<u>420,919</u>
Net cash provided (used) by operating activities	<u>\$ 1,907,800</u>	<u>\$ 4,081,578</u>	<u>\$ 3,267,700</u>	<u>\$ 2,804,547</u>	<u>\$ (2,910,527)</u>	<u>\$ 9,151,098</u>	<u>\$ 1,217,760</u>
Non-cash investing/financing activities							
Capital contributions of capital assets	\$ -	\$ 139,312	\$ 121,573	-	\$ -	\$ 260,885	\$ -
Total non-cash investing/financing activities	<u>\$ -</u>	<u>\$ 139,312</u>	<u>\$ 121,573</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 260,885</u>	<u>\$ -</u>

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

City of Las Cruces
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2015

Assets

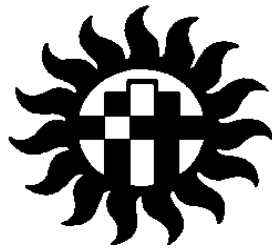
Pooled cash and investments	\$ 5,411,542
Accounts receivable	83,557
Due from other governments	<u>619,892</u>
Total assets	<u><u>\$ 6,114,991</u></u>

Liabilities

Accounts and contracts payable	\$ 175,832
Accrued wages payable	309,213
Due to fiscal agent	40,609
Deferred Revenue	2,350
Funds held for others	<u>5,586,987</u>
Total liabilities	<u><u>\$ 6,114,991</u></u>

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

City of Las Cruces
Notes to Financial Statements
June 30, 2015



City of Las Cruces

City of Las Cruces

Notes to Financial Statements

June 30, 2015

1) Description and Reporting Entity

The City of Las Cruces (the City) is a municipal corporation established under the laws of the state of New Mexico and operates under a Home Rule Charter. The City was incorporated in 1946 and operates under a council/manager form of government consisting of a Mayor and six council members. The Mayor is elected at large for a four-year term. Council members are elected from six single-member districts to four-year terms. Elections are held bi-annually. The City Manager, appointed by the City Council, is responsible for the management of all City employees and the administration of all City affairs.

The accompanying financial statements present the activities of the City of Las Cruces and its two component units; legally separate organizations for which the City is financially accountable. The component units are:

Component Unit	Included in the Reporting Entity Because:	Separate Financial Statements
South Central Solid Waste Authority (SCSWA)	In accordance with the joint powers agreement (JPA), SCSWA revenues are the primary source of debt service for City bonds issued to construct a regional landfill and transfer station. According to GASB No. 61, the SCSWA qualifies as a discretely presented component unit, due to the following reasons. There is a joint powers agreement (JPA) between the City of Las Cruces and SCSWA and the City of Las Cruces is still considered one of the largest customers for SCSWA. If SCSWA ever defaults, then the City of Las Cruces will take over the organization and pledged EGRT to cover the outstanding debt/loan/leases. The criteria of equity interest also exists and the City of Las Cruces will receive any assets if the component unit ever decides to dissolve.	Separate financial statements are available for SCSWA at 700 N. Church St., Las Cruces, New Mexico 88001.
Downtown Tax Increment Development District (TIDD)	The Board members for the TIDD are also the City Councilors, which allow the City to impose its will.	Presented as a blended component unit of the City.

City of Las Cruces
Notes to Financial Statements
June 30, 2015

1) Description and Reporting Entity (continued)

SCSWA is reported as a discretely presented component unit in the accompanying financial statements, while the TIDD is reported as a blended component unit.

2) Basis of Presentation, Basis of Accounting

Basis of Presentation

Government-Wide Statements – The statement of net position and the statement of activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions. Under GASB 33, the City defines “available” to be 60 days after the fiscal year end. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

Program revenues include: (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs; and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities. Proprietary fund operating expenses include the cost of services, administrative and general expenses, and depreciation on capital assets.

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

City of Las Cruces
Notes to Financial Statements
June 30, 2015

2) Basis of Presentation, Basis of Accounting (continued)

The City reports the following as major governmental funds:

General Fund:

The general fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Special Revenue Funds:

The Sonoma Ranch fund accounts for the reimbursements to the City from local developers for debt service on special roadway/utility projects.

The Telshor Facility fund accounts for the net proceeds of the facility lease with LifePoint Hospitals, doing business as Memorial Medical Center. Lease proceeds are used for health-related programs and projects.

Debt Service Fund:

The Debt Service Fund accounts for the accumulation of financial resources for the payment of interest and principal on the general long-term debt of the City, other than debt service payments made by enterprise funds.

The City reports the following major enterprise funds:

The Gas fund accounts for the activities of the City's natural gas utility, which provides service to the residents of the City and some residents within the County.

The Water fund accounts for the activities of the City's natural water utility, which provides service to the residents of the City and some residents within the County.

The Wastewater fund accounts for the activities of the City's wastewater utility, which provides service to the residents of the City and some residents within the County.

The Solid Waste fund accounts for the activities of the City's solid waste utility, which provides service to the residents of the City and some residents within the County.

City of Las Cruces
Notes to Financial Statements
June 30, 2015

2) Basis of Presentation, Basis of Accounting (continued)

The City also reports the following fund types:

Internal Service Funds – used to report activities that provide goods or services to other funds, departments or agencies of the City and its component units on a cost-reimbursement basis. These activities include fleet services, document services, general liability, and workers' compensation.

Agency Funds – used to account for monies held by the City in a custodial capacity. These funds do not report operations or have a measurement focus. The funds held by the City in a fiduciary capacity include: Mesilla Valley Regional Dispatch Authority; Metro Narcotics Agency; Animal Service Center of the Mesilla Valley; Mesilla Valley Safety Council; Branigan Estate (proceeds of sales of assets are used to purchase books for the library); Employee Benefits Committee; Veteran's Memorial Wall; Veteran's Museum; and Gifts and Memorials.

Measurement Focus, Basis of Accounting

Government-Wide, Proprietary, and Fiduciary Fund Financial Statements – The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include gross receipts and property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from gross receipts taxes are recognized when the underlying transaction takes place. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements – Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year end. Property taxes, sales taxes, franchise taxes, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

City of Las Cruces
Notes to Financial Statements
June 30, 2015

2) Basis of Presentation, Basis of Accounting (continued)

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

Use of 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 the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements. Actual results could differ from those estimates.

Fair Value of Financial Instruments

The City's financial instruments consist of investments in securities, bonds and notes payable. The City estimates that the fair value of all its financial instruments does not differ materially from their aggregate carrying values in the accompanying statement of net position. The estimated fair value amounts have been determined by the City using available market information and appropriate valuation methodologies. Considerable judgment is necessarily required in interpreting market data to develop the estimates of fair value, and, accordingly, the estimates are not necessarily indicative of the amounts that the City could realize in a current market exchange. None of the financial instruments are held for trading purposes.

Assets, Liabilities, and Equity

Cash Equivalents and Investments – The City pools idle cash from all funds for the purpose of increasing income through investment activities. A "Pooled Cash" concept is used in maintaining the cash and investment accounts in the accounting records. Under this method, all cash is pooled for investment purposes and each fund has equity in the pooled amount. All amounts included in pooled cash and investments with an original maturity of 90 days or less are considered to be cash equivalents for the purposes of the statement of cash flows.

Investments are stated at fair value.

Restricted Cash and Investments – The amount of cash held representing utility deposits is classified as restricted on the *Statement of Net Position–Proprietary Funds*. Also, certain proceeds of joint utility revenue bonds, as well as resources set aside for their repayment, and resources set aside to fund capital asset replacements and landfill closure obligations, are classified as restricted as their use is limited.

City of Las Cruces
Notes to Financial Statements
June 30, 2015

2) Basis of Presentation, Basis of Accounting (continued)

Receivables – Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied each year on July 1 on the taxable valuation of property location in the City as of the preceding January 1. The taxable valuations for the various classes of property are determined by the County Assessor and the State of New Mexico Department of Taxation and Revenue at one-third of assessed valuation. Taxes are payable in two equal installments on November 10 and April 10 and become delinquent after 30 days. Property taxes receivable are deemed to be substantially collectible.

All trade receivables are shown net of an allowance for uncollectible amounts. The allowance for doubtful accounts is based on management's assessment of the collectability of specific customer accounts, the aging of the accounts receivable, historical experience, and other currently available evidence. Notes receivable in the statement of net position consist of rehabilitation and redevelopment loans that are generally not expected or scheduled to be collected in the subsequent year.

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.

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

Capital Assets – Capital assets are defined as assets with an initial individual cost or fair value of more than \$5,000 and an estimated useful life in excess of one year. Purchased and constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. The City has retroactively reported all major general infrastructures in these financial statements.

In accordance with provisions of GASB No. 34, the City regards library materials (e.g., books, tapes, etc.), and public exhibits as individual assets versus collections and, therefore, they are not capitalized. Also, the initial purchase of software meeting the City's capital asset definition is capitalized; however, periodic costs for software upgrades are not capitalized due to the rapid change in technology.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	30–50
Land improvements	30
Buildings and improvements	30
Vehicles	4–12
Office equipment	3–10
Computer equipment	3–10

City of Las Cruces
Notes to Financial Statements
June 30, 2015

2) Basis of Presentation, Basis of Accounting (continued)

Compensated Absences – The liability for compensated absences reported in the government-wide and proprietary fund statements consists of unpaid, accumulated annual, and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

Pollution Remediation – The City has implemented the provisions of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation*, obligations. Accordingly, liabilities are accrued in government-wide and proprietary fund financial statements when certain obligating events occur.

Accrued pollution remediation costs are expensed unless they meet the criteria for capitalization in GASB Statement No. 49.

Fund Balance – The City reports the governmental fund balances in five categories, which include:

- 1) Non-spendable fund balance – includes amounts that are not in a spendable form or are required to be maintained intact. Examples are inventory or long-term receivables.
- 2) Restricted fund balance – includes amounts that can be spent only for the specific purposes imposed by creditors, grantors, contributors, or laws and regulations of other governments. An example is federal grants.
- 3) Committed fund balance – includes self-imposed limitations on amounts that can be used only for a specific purpose, set in place prior to the end of the period by a formal action of the City's highest level of decision-making authority. Commitments established by the City Council may be changed or lifted only by an action of the City Council through resolution, taking the same formal action that imposed the original constraint.
- 4) Assigned fund balance – includes intended uses established by policies of the Governing Body by resolution, which delegates the authority to constrain monies for the intended purpose to the City Manager. The purposes of these resolutions include miscellaneous capital projects, debt service, and general government.
- 5) Unassigned fund balance – is the residual classification of the General Fund and includes all amounts not contained in other classifications. Unassigned amounts are technically available for any purpose. Unassigned Fund Balance is only reported in the General Fund.

City of Las Cruces
Notes to Financial Statements
June 30, 2015

2) Basis of Presentation, Basis of Accounting (continued)

It is essential that the City maintain adequate levels of fund balance in the General Fund to mitigate revenue fluctuations and unanticipated expenditures. Therefore, the City has adopted a formal fund balance policy. The fund balance policy establishes a minimum amount to be held in the fund balance of the General Fund of 8.33 percent, or 1/12, of the annual budgeted expenditures. This policy applies only to the chief operating fund of the City – the General Fund. In addition to the GASB requirement, the State of New Mexico requires that a 1/12 reserve be maintained in the General Fund. The 1/12 reserve is reported in the financial statements as Unassigned Fund Balance.

When multiple categories of fund balance are available for expenditure (for example, a construction project is being funded partly by a grant, funds set aside by the City Council, and unassigned fund balance), the City will start with the most restricted category and spend those funds first before moving down to the next category of available funds.

Pensions – The City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* during the current year. 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.

Budgets

The City budget is prepared on a basis consistent with accounting principles generally accepted in the United States of America (GAAP), using an estimate of the anticipated revenues and expenditures. Annual appropriated budgets are adopted for all funds. All unexpended appropriations will lapse at the end of the fiscal year. The State of New Mexico Department of Finance and Administration (DFA) allows GAAP budgeting to the extent cash and investments required for operations are available. Budgets of the City's component units (TIDD and SCSWA) are also prepared on a GAAP basis.

New Mexico State law prohibits a municipality from making expenditures in excess of approved appropriations. If a fund is not overspent, it is in compliance with state law. The budget may be amended by the City Council; however, DFA approval must be obtained on budget increases and budget transfers between funds. The 2014/2015 budget has been legally amended.

Deficit fund balance

The 2003 Sales Tax Street Lights fund had a deficit balance of \$256 and the Internal Services fund had a deficit balance of \$548,711 at June 30, 2015.

City of Las Cruces
Notes to Financial Statements
June 30, 2015

2) Basis of Presentation, Basis of Accounting (continued)

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources until then. The City has deferred charges on refunding reported in the government-wide statement of net position and the statement of net position for proprietary funds. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources until that time. At this time, the City has gains on the sale of gas that meet the definition of deferred inflows of resources.

3) Cash and Investments

The City follows the practice of pooling cash and investments of all funds with the City Treasurer except for restricted funds generally held by outside custodians and certain special revenue, debt service reserve, and capital projects funds. The cash and investment pool is not reported as a trust and agency fund. Each fund's equity in the pool is included in "Cash and Investments" on its balance sheet or statement of net position.

Cash and investments

Governmental activities	\$ 68,175,262
Business-type activities	42,963,346
Total primary government	111,138,608
South Central Solid Waste Authority	2,572,618
	<u>113,711,226</u>

Restricted cash and investments

Governmental activities	84,618,183
Business-type activities	26,406,539
Total primary government	111,024,722
Fiduciary funds (includes \$189,301 due from fiscal agent)	5,222,241
South Central Solid Waste Authority	3,731,743
Total Cash and Investments	<u>\$ 233,689,932</u>

City of Las Cruces
Notes to Financial Statements
June 30, 2015

3) Cash and Investments (continued)

Total cash and investments at fair value are as follows:

	Pooled Cash & Investments	Other Cash & Investments	Total
Carrying amount of bank deposits	\$ 21,081,988	\$ 22,703,221	\$ 43,785,209
Investments	139,210,670	40,751,202	179,961,872
Cash with fiscal agent	-	9,265,564	9,265,564
Cash on hand	-	12,636	12,636
Accrued interest	664,651	-	664,651
Total Cash and Investments	<u>\$ 160,957,309</u>	<u>\$ 72,732,623</u>	<u>\$ 233,689,932</u>

Bank Balance of Deposits

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The City’s investment ordinance requires collateralization of 100 percent of the uninsured portion of the City’s deposits with financial institutions. Securities pledged by financial institutions are accepted at market value, except obligations of the state of New Mexico and its subdivisions, which are accepted at par value. As of June 30, 2015, the City’s deposits, totaling \$45,383,583 was insured by FDIC or collateralized by securities held in trust by a third-party bank for the depository bank in the City’s name and thus was not exposed to custodial credit risk.

Investments

The City’s investment policy allows investment in: a) U.S. Treasury obligations; b) U.S. government agency and instrumentality obligations; c) repurchase agreements whose underlying securities and/or collateral consist of allowed investments described in (a) or (b) above; d) commercial paper rated not less than A-1, P-1, F-1, or equivalent by a nationally recognized rating agency; e) pooled funds maintained by the State Treasurer; and f) mutual funds whose portfolios consist solely of allowed investments.

The City may also invest money identified as long-term in the pools of the New Mexico State Council (“SIC”) subject to annual review and approval by the City Council. The SIC is a component unit of the primary government of the State of New Mexico. The fair value of the City’s position in the SIC pools is the same as the value of the pool shares.

City of Las Cruces
Notes to Financial Statements
June 30, 2015

3) Cash and Investments (continued)

As of June 30, 2015, the City had the following investments:

Investment Type	Fair Value	Weighted-Avg Maturity (Yrs)
Pooled Investments:		
Overnight repurchase agreement	\$ 15,234,123	0.00
U.S. agency coupon bonds	123,976,547	10.67
	<u>139,210,670</u>	
Telshor Facility Fund:		
U.S. agency coupon bonds	14,007,760	12.81
External investment equity pools	20,914,360	N/A
Total Telshor Facility Fund	<u>34,922,120</u>	
Debt Service Reserve Funds:		
U.S. agency coupon bonds	1,584,336	2.39
Total Debt Service Reserve Funds	<u>1,584,336</u>	
Project Funds:		
Money market funds	420	0.09
	<u>420</u>	
Water and Wastewater Funds:		
U.S. agency coupon bonds	4,244,326	2.61
Total Investments	<u><u>\$ 179,961,872</u></u>	

Interest Rate Risk – The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The investment pool includes step-up coupon securities that total \$123,963,893 issued by U.S. government agencies that are callable by the issuer under certain circumstances. For purposes of calculating weighted average maturity, the City uses duration.

Credit Risk – The City’s investment policy lists the criteria for selecting investments and the order of priority as follows: 1) safety; 2) liquidity; and 3) yield. As of June 30, 2015, the City’s investments in coupon bonds of U.S. agencies were rated AA+ by Standard & Poor’s and Aaa by Moody’s Investors Service. The City’s money market fund investments were rated AAAm by Standard & Poor’s and/or Aaa by Moody’s. The external investment pools of the NM State Investment Council are not rated.

City of Las Cruces
Notes to Financial Statements
June 30, 2015

3) Cash and Investments (continued)

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policy requires that securities held in street name with a broker or dealer be insured, and that all other securities be held by the City or a third-party safekeeping financial institution acting as trustee for the City. As of June 30, 2015, all of the City's securities are held in either the street name or by a third-party financial institution in the City's name.

Concentration of Credit Risk – The City's formal investment policy places no limit on the amount the City may invest in any one issuer. As of June 30, 2015 58 percent of the City's investment pool was in Fannie Mae (FNMA), 11 percent was in Federal Home Loan Mortgage Corporation (FHLMC) and 31 percent in Federal Home Loan Bank (FHLB). Of the Telshor Fund, 7 percent was in the Federal Farm Credit Bank (FFCB) and 93 percent was in FNMA. Of the Debt Service Funds portfolio, 100 percent was in FNMA. Of the Water and Wastewater Funds portfolio, 100 percent was in FNMA.

City of Las Cruces
Notes to Financial Statements
June 30, 2015

4) Capital Assets

Primary Government

Capital asset activity for the City for the year ended June 30, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities					
<i>Capital assets not being depreciated</i>					
Land and land rights	\$ 14,638,486	\$ 104,500	\$ (41,701)	\$ -	\$ 14,701,285
Land improvements	19,072,599	-	-	-	19,072,599
Construction in progress	2,596,966	1,737,548	-	(1,759,445)	2,575,069
Total capital assets not being depreciated	36,308,051	1,842,048	(41,701)	(1,759,445)	36,348,953
<i>Other capital assets</i>					
Buildings and building improvements	134,308,558	1,677,506	(1,018,130)	1,759,445	136,727,379
Leasehold improvements	3,124,131	-	-	-	3,124,131
Airport runways	27,742,013	-	-	-	27,742,013
Park improvements	20,838,917	781,181	-	-	21,620,098
Land improvement remediation	1,633,551	-	-	-	1,633,551
Machinery and equipment	50,030,851	3,012,237	(5,255,599)	(34,038)	47,753,451
Roads network	305,664,680	6,309,085	(173,781)	34,038	311,834,022
Flood control network	32,631,571	2,434,769	(2,723)	-	35,063,617
Total other capital assets at cost	575,974,272	14,214,778	(6,450,233)	1,759,445	585,498,262
<i>Less accumulated depreciation for</i>					
Buildings and building improvements	(31,586,681)	(4,104,582)	1,018,130	-	(34,673,133)
Leasehold improvements	(1,531,587)	(90,018)	-	-	(1,621,605)
Airport runway	(8,569,037)	(855,657)	-	-	(9,424,694)
Park improvements	(4,151,059)	(714,242)	-	-	(4,865,301)
Land improvement remediation	(54,452)	-	-	-	(54,452)
Machinery and equipment	(39,699,317)	(3,093,266)	4,805,655	-	(37,986,928)
Roads network	(151,850,137)	(8,826,008)	173,781	-	(160,502,364)
Flood control network	(9,306,674)	(899,416)	2,723	-	(10,203,367)
Total accumulated depreciation	(246,748,944)	(18,583,189)	6,000,289	-	(259,331,844)
Total other capital assets at historic cost, net	329,225,328	(4,368,411)	(449,944)	1,759,445	326,166,418
Governmental activities capital assets, net	\$ 365,533,379	\$ (2,526,363)	\$ (491,645)	\$ -	\$ 362,515,371

Land and land rights was increased by \$104,500 with the purchase of land for Fire Station #3 and decreased by \$41,701 with the sale of land from the City's Public Works Department to the City's Joint Utilities Department.

Construction in progress (CIP) was increased by \$1.7 million related to ongoing projects: the Airport Fuel Farm, East Mesa Public Safety Complex, Castaneda Building, and Mesilla Valley Regional Dispatch Emergency Building.

City of Las Cruces
Notes to Financial Statements
June 30, 2015

4) Capital Assets (continued)

Building complex increased by \$1.678 million, which included Branigan Library, Community of Hope, Meerscheidt Center, Munson Center, Police Dept., Fire Station #4, Fire Station #3, Young Park Stage, Museum of Nature, etc. The Old City Hall located on 575 S Alameda Street and valued at \$1.018 million has been exchanged with La Clinica de Familia, who will then provide health and dental services in Las Cruces and Doña Ana County, New Mexico.

In addition, transfers from CIP to Buildings and Improvements included the Airport Fuel Farm and Castaneda Building which was valued at \$1.760 million. A building valued at \$208,532 was donated to the animal shelter center as well.

Roads and Floods increased by approximately 8.7 million. Pavement and sidewalks improvements included: Bruins, El Paseo, Phillips, Wyatt drive, and El Molino Phase VII. Also, it consisted of traffic signals and lighting. Increases to capital assets of governmental activities include donated subdivisions from developers in the amount of \$1.014 million to the City's roads and flood network.

The City spent \$3 million for equipment purchases of vehicles for Las Cruces Police Department and Parks and Recreation. Decreases in machinery and equipment were due to the retirement of items sent to auction and donations made to outside agencies.

City of Las Cruces
Notes to Financial Statements
June 30, 2015

4) Capital Assets (continued)

Business-type Activities

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business-type activities					
<i>Capital assets not being depreciated</i>					
Land and land rights	\$ 7,743,482	\$ -	\$ -	\$ -	\$ 7,743,482
Construction in progress	1,543,642	260,033	-	(1,543,644)	260,031
Total capital assets not being depreciated	9,287,124	260,033	-	(1,543,644)	8,003,513
<i>Other capital assets</i>					
Buildings and building improvements	9,205,100	119,117	-	1,543,646	10,867,863
Land improvements	150,500	27,916	-	156,756	335,172
Distribution and collection system	79,990,292	285,998	-	-	80,276,290
Utilities transmission	227,958,171	2,930,037	(21,338)	-	230,866,870
Machinery and equipment	27,338,859	4,130,751	(3,259,154)	(328,489)	27,881,967
Total other capital assets at historic cost	344,642,922	7,493,819	(3,280,492)	1,371,913	350,228,162
<i>Less accumulated depreciation for</i>					
Buildings and building improvements	(3,173,680)	(365,719)	-	-	(3,539,399)
Land improvements	(73,184)	(8,740)	-	(108,859)	(190,783)
Distribution and collection system	(36,543,527)	(1,696,085)	-	-	(38,239,612)
Utilities transmission	(77,071,721)	(5,622,096)	21,338	-	(82,672,479)
Machinery and equipment	(20,915,516)	(1,645,802)	3,247,972	280,590	(19,032,756)
Total accumulated depreciation	(137,777,628)	(9,338,442)	3,269,310	171,731	(143,675,029)
Total other capital assets at historic cost, net	206,865,294	(1,844,623)	(11,182)	1,543,644	206,553,133
Business-type activities capital assets, net	\$ 216,152,418	\$ (1,584,590)	\$ (11,182)	\$ -	\$ 214,556,646

Business-type Activities

There were no decreases in land or land rights during the year.

CIP was increased primarily by \$260,033 related to Transit Center. The total amount that was transferred out of CIP to buildings was approximately \$1.5 million for Solid Waste.

Buildings and buildings improvements increased \$119,117 primarily due to adjustment costs for Transit Center and Solid Waste buildings.

The Utilities transmission increased by \$3.2 million primarily due to Gas infrastructure additions and donated Subdivisions as well as adjustment costs for interest.

Machinery and equipment increased \$4.2 million due to various purchases such as the several 2015 Peterbuilts (3-Front Loaders, 1-Roll Off, 6-Side Loaders), a 2014 International-Vactor truck, a 2015 International 7600-Dump Truck, Caterpillar, and several utility trucks.

City of Las Cruces
Notes to Financial Statements
June 30, 2015

4) Capital Assets (continued)

Depreciation expense was charged to functions as follows:

	Governmental Activities	Business- type Activities
General government	\$ 1,685,371	\$ -
Police	1,440,538	-
Fire	896,154	-
Community development	3,000	-
Public services	865,007	-
Public works	11,771,874	-
Information technology	108,749	-
Transportation	1,110,290	-
Parks and recreation	702,206	-
Gas	-	2,221,998
Water	-	2,348,500
Wastewater	-	3,312,901
Solid waste	-	842,887
Other	-	612,156
In addition, depreciation on capital assets held by the City's internal service funds is charged to the various functions based on their usage of the assets	-	-
Total depreciation expense	<u>\$ 18,583,189</u>	<u>\$ 9,338,442</u>

City of Las Cruces
Notes to Financial Statements
June 30, 2015

4) Capital Assets (continued)

Capital asset activity for SCSWA for the year ended June 30, 2015 was as follows:

	Balances June 30, 2014	Increases	Decreases	Transfers	Balances June 30, 2015
<i>Capital assets not being depreciated</i>					
Land	\$ 807,276	\$ -	\$ -	\$ -	\$ 807,276
Landfill cell/site	708,875	-	-	-	708,875
Construction in progress	-	177,164	-	-	177,164
Total capital assets not being depreciated	1,516,151	177,164	-	-	1,693,315
<i>Capital assets being depreciated</i>					
Buildings	4,540,840	-	-	-	4,540,840
Equipment	9,230,228	729,027	(162,078)	171,733	9,968,910
Infrastructure	1,056,988	-	-	-	1,056,988
Landfill cell/site	7,413,352	-	-	-	7,413,352
Total	22,241,408	729,027	(162,078)	171,733	22,980,090
<i>Less accumulated depreciation</i>					
Buildings	(2,418,627)	(93,899)	-	-	(2,512,526)
Equipment	(6,477,286)	(659,841)	123,569	(171,733)	(7,185,290)
Infrastructure	(449,220)	(385,801)	-	-	(835,021)
Landfill cell/site	(5,670,519)	(186,029)	-	-	(5,856,548)
Total accumulated depreciation	(15,015,652)	(1,325,570)	123,569	(171,733)	(16,389,385)
Total capital assets, net	\$ 8,741,907	\$ (419,379)	\$ (38,509)	\$ -	\$ 8,284,020

5) Receivables and Payables

Governmental activities receivables were as follows at June 30, 2015:

	General Fund	Debt Service	Sonoma Ranch	Telshor Facility	Other Governmental Funds	Internal Service Funds	Total Governmental Activities
Accounts	\$ 684,121	\$ -	\$ -	\$ -	\$ 3,575,723	\$ 8,999	\$ 4,268,843
Dockets	5,120,713	-	-	-	-	-	5,120,713
Interest	-	1,369	2,247,598	56,682	493,423	-	2,799,072
Contracts	-	-	-	-	3,888,878	-	3,888,878
Special assessments	-	-	5,652,792	-	557,613	-	6,210,405
Less: allowance for doubtful accounts	(5,081,000)	-	-	-	(3,022,187)	-	(8,103,187)
Total governmental receivables	\$ 723,834	\$ 1,369	\$ 7,900,390	\$ 56,682	\$ 5,493,450	\$ 8,999	\$ 14,184,724

Governmental Activities

Special assessments receivables of \$5,652,792 and related interest receivable of \$2,247,598 represent amounts due from local developers to reimburse the City for the construction of subdivisions or other improvements for residential development. Though a majority of special assessments are not scheduled for collection within the next fiscal year, amounts are expected to be fully collected. The receivables are deferred and reported in the Sonoma Ranch Fund.

City of Las Cruces
Notes to Financial Statements
June 30, 2015

5) Receivables and Payables (continued)

Business-type activities receivables were as follows at June 30, 2015:

	Accounts Receivable	Allowance for Doubtful Accounts	Accounts Receivable, Net
Gas	\$ 2,276,720	\$ (1,294,969)	\$ 981,751
Water	1,915,094	(604,119)	1,310,975
Wastewater	1,299,364	(546,772)	752,592
Solid waste	1,551,275	(619,139)	932,136
Other enterprise funds	28,112	-	28,112
Total business-type activities	<u>\$ 7,070,565</u>	<u>\$ (3,064,999)</u>	<u>\$ 4,005,566</u>

Business-type Activities

The accounts receivable for business-type activities are related to the provision of utility services to City customers. Receivables are shown net of an allowance for doubtful accounts. The allowance for doubtful accounts is based on management's assessment of the collectability of specific customer accounts, the aging of the accounts receivable, historical experience, and other currently available evidence.

Governmental activities accounts payable and accrued liabilities at June 30, 2015 were as follows:

	Vendors	Salaries and Benefits	Total Accounts Payable and Accrued Liabilities
<i>Governmental activities</i>			
General Fund	\$ 2,353,894	\$ 2,613,666	\$ 4,967,560
Sonoma Ranch	-	-	-
Debt service	3,929	-	3,929
Telshor Facility	106,194	-	106,194
Other governmental	2,189,794	116,241	2,306,035
Internal service funds	404,738	58,689	463,427
Total governmental activities	<u>\$ 5,058,549</u>	<u>\$ 2,788,596</u>	<u>\$ 7,847,145</u>

City of Las Cruces
Notes to Financial Statements
June 30, 2015

5) Receivables and Payables (continued)

Business-type activities accounts payable and accrued liabilities at June 30, 2015 were as follows:

	Vendors	Salaries and Benefits	Accrued Interest	Taxes Payable	Total Accounts Payable and Accrued Liabilities
<i>Business-type activities</i>					
Gas	\$ 787,805	\$ 185,814	\$ -	\$ 76,200	\$ 1,049,819
Water	687,827	177,717	75,588	67,965	1,009,097
Wastewater	389,313	148,413	74,344	39,413	651,483
Solid waste	1,230,903	88,849	11,129	54,686	1,385,567
Other enterprise funds	222,100	101,412	-	-	323,512
Total business-type activities	<u>\$ 3,317,948</u>	<u>\$ 702,205</u>	<u>\$ 161,061</u>	<u>\$ 238,264</u>	<u>\$ 4,419,478</u>

6) Interfund Assets, Liabilities, and Transfers

Primary Government

Governmental interfund receivables and interfund payables as of June 30, 2015 were as follows:

	Interfund Receivables	Interfund Payables	Total
Governmental activities			
<i>General fund</i>			
Nonmajor governmental funds	\$ 1,234,914	\$ -	\$ 1,234,914
Debt service fund	68,603	-	68,603
<i>Nonmajor governmental funds</i>			
General fund	-	(1,234,914)	(1,234,914)
<i>Debt service fund</i>			
General fund	-	(68,603)	(68,603)
Total governmental activities	<u>\$ 1,303,517</u>	<u>\$ (1,303,517)</u>	<u>\$ -</u>

The governmental fund balances reflect short-term advances from the General Fund to funds with a credit cash balance. Credit cash balances are related to grant activity where grant expenditures are followed by grant reimbursements. Grant funding is generally used for senior programs, certain police activities, and capital grants for equipment, roadways, flood control, and airport improvements.

City of Las Cruces
Notes to Financial Statements
June 30, 2015

6) Interfund Assets, Liabilities, and Transfers (continued)

Business-type Activities

Business-type activities receivables and payables as of June 30, 2015 were as follows:

	Interfund Receivables	Interfund Payables	Total
Business-type activities			
<i>Major enterprise funds</i>			
Water Development Fund	\$ -	\$ (2,781,022)	\$ (2,781,022)
Waste Water Development Fund	2,781,022	-	2,781,022
Total business-type activities	<u>\$ 2,781,022</u>	<u>\$ (2,781,022)</u>	<u>\$ -</u>

Business-type Activities

The business-type activities interfund balances reflect long-term advances of pooled cash between utilities. The water development fund borrowed cash from the wastewater development fund in fiscal year 2012, with a ten-year repayment schedule including interest. The water development fund advance will be repaid in 2023.

Interfund Transfers

Interfund transfers for the fiscal year ended June 30, 2015 consisted of the following:

		Amount		
Transfers From	Transfers To	2015	2014	Purpose
BETWEEN GOVERNMENTAL AND BUSINESS-TYPE COLUMNS:				
Operating or Debt Subsidy:				
General Fund	Transit Funds	\$ 1,141,809	\$ 1,489,062	Operating subsidy for transit fund
Gasoline Tax Fund	Transit Funds	576,621	530,000	Operating subsidy for transit fund
Revenue Allocation:				
Environmental gross receipts tax fund	Wastewater fund	685,525	639,809	Transfer share of tax revenue
Environmental gross receipts tax fund	Water fund	314,535	293,308	Transfer share of tax revenue
Environmental gross receipts tax fund	Solid waste fund	224,207	208,369	Transfer share of tax revenue
BETWEEN FUNDS WITHIN GOVERNMENTAL OR BUSINESS-TYPE COLUMNS				
Operating or Debt Subsidy:				
General fund	Debt service funds	7,023,672	6,093,885	Debt service for subsidy from pledged revenues
General fund	Nonmajor governmental funds	1,420,000	1,370,000	Transfer to prisoner care and affordable housing
General Fund	Internal service funds	1,577	1,577	Funding for City fleet and insurance funds
Debt service funds	Debt service funds	59,623	989,069	Transfer excess reserves to debt service funds
Debt service funds	General fund	-	354,171	Transfer excess debt service funds to general fund
Nonmajor governmental funds	Debt service funds	5,607,747	4,739,898	Debt service subsidy from pledged revenues
Nonmajor governmental funds	General fund	2,332,789	1,910,042	Transfers for administrative and engineering costs
Internal service funds	General fund	-	788,298	Move services to general fund, administrative fees
Clean Communities fund	Gas fund	-	-	Transfer operation of natural gas fuel pumps
Water fund	Wastewater fund	-	406,784	Water borrowed cash in 2012 with a 10-year repayment
Nonmajor governmental funds	Nonmajor governmental funds	115,444	-	Transfer from court award
Capital Contributions:				
Nonmajor governmental funds	Nonmajor governmental funds	2,800,887	3,785,692	Transfer to capital projects
General fund	Nonmajor governmental funds	2,000,000	288,957	Transfer to capital improvement reserves
Revenue Allocation:				
Telshor Facility fund	Nonmajor governmental funds	300,000	300,000	Recurring allocation of special revenue
Environment gross receipts tax fund	Nonmajor governmental funds	388,733	362,448	Transfer share of tax revenue

City of Las Cruces
Notes to Financial Statements
June 30, 2015

6) Interfund Assets, Liabilities, and Transfers (continued)

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

7) Long-term Liabilities

Primary Government

Changes in long-term liabilities were as follows:

	Primary Government				
	Beginning Balance (as restated)	Increases	Decreases	Ending Balance	Amount Due Within One Year
Governmental Activities					
Tax revenue bonds	\$ 59,350,000	\$ 38,695,000	\$ 26,030,000	\$ 72,015,000	\$ 6,460,000
Unamortized premium/discount on sales tax revenue bonds	2,409,916	1,834,877	203,464	4,041,329	254,492
Notes payable	13,988,884	547,825	2,959,890	11,576,819	2,971,589
Net pension liability	91,147,613	-	22,319,635	68,827,978	-
Pollution remediation	5,411,307	-	-	5,411,307	-
Claims and judgments	5,800,145	6,911,389	6,521,498	6,190,036	1,844,434
Compensated absences	2,811,903	4,874,587	4,228,762	3,457,728	691,546
	<u>180,919,768</u>	<u>52,863,678</u>	<u>62,263,249</u>	<u>171,520,197</u>	<u>12,222,061</u>
Business-type Activities					
Utility revenue bonds	49,865,000	27,445,000	24,260,000	53,050,000	4,670,000
Unamortized discount/premium on utility revenue bonds	563,895	2,179,920	84,910	2,658,905	169,297
Notes payable	1,632,909	2,775,819	596,093	3,812,635	696,463
Net pension liability	11,291,863	-	3,424,244	7,867,619	-
Landfill closure and post-closure costs (Note 8)	1,053,000	65,000	-	1,118,000	51,000
Compensated absences	779,239	1,348,594	1,125,367	1,002,466	200,493
	<u>65,185,906</u>	<u>33,814,333</u>	<u>29,490,614</u>	<u>69,509,625</u>	<u>5,787,253</u>
Total long-term liabilities	<u>\$ 246,105,674</u>	<u>\$ 86,678,011</u>	<u>\$ 91,753,863</u>	<u>\$ 241,029,822</u>	<u>\$ 18,009,314</u>

Compensated absences typically have been liquidated in the fund to which the employees are assigned. For governmental activities, most compensated absences liquidate in the General Fund. For business-type activities, each major fund and transit have a significant share of the liquidations. Claims and judgment liabilities have typically been liquidated in the General Fund and the self-insurance fund (an internal service fund). The balances for compensated absences and claims and judgments are adjusted to include all internal service fund balances in governmental activities.

City of Las Cruces
Notes to Financial Statements
June 30, 2015

7) Long-term Liabilities (continued)

Description of Bonds

Gross Receipts Tax Revenue Bonds, Series 2005, were issued to fund public parks and recreational facilities, improve streets, acquire public buildings, construct and furnish public buildings, and fund the environmental remediation of public property. These bonds were secured by state-shared gross receipts tax revenues through maturity. Such revenues were \$33.2 million in 2015. For the current year, principal and interest paid on the bonds was \$3,165,000 and \$1,001,568, respectively.

On March 11, 2015, the City issued \$19,195,000 bond par amount in Gross Receipts Tax Refunding Bonds, Series 2015 to defease and refund the Series 2005 State-shared Gross Receipts tax bonds and pay the costs of issuance. The proceeds for the advance refunding were deposited in an irrevocable trust and the associated debt was defeased and subsequently called on June 1, 2015. The true interest cost on the new bond series is 2.73 percent with a final maturity of June 1, 2035. The net present value savings resulting from this refunding is \$2,724,805. The difference in cash flow requirements to service the old debt of \$29,526,983 and the cash flows to service the debt of \$26,014,758 is \$3,512,225.

In 2010, Municipal Gross Receipts Revenue Refunding Bonds, Series A and B, were issued to refund the 1999 A and B Gross Receipts Tax Bonds and the 2006 Street Improvement and Flood Control NMFA notes. The bonds are secured by a pledge of certain future gross receipts tax through maturity. For the current year, such pledged revenues totaled \$12.9 million. Principal payments on the bonds for the current year for the Series A and Series B bonds were \$680,000 and \$170,000, respectively. Interest payments were \$122,150 and \$38,150, respectively.

State-shared Gross Receipts Tax Revenue Bonds, Series 2010, were issued to refund the 2008 NMFA Convention Center note. The bonds are secured through maturity by state-shared gross receipts tax revenues. Such revenues totaled \$36.3 million in 2015. For the current year, principal and interest paid was \$595,000 and \$991,619, respectively.

In 2012, Municipal Gross Receipts Revenue Bonds, Series 2011A and 2011B were issued to fund street and facilities improvements and improve flood control. Series 2011A bonds are secured by state-shared gross receipts tax revenues through maturity. These pledged revenues were \$33.2 million in 2015. Series 2011B bonds are secured by certain future gross receipts tax through maturity. In FY15, such pledged revenues totaled \$6.5 million. Principal payments on the bonds for the current year for the Series A and Series B bonds were \$205,000 and \$355,000, respectively. Interest payments were \$281,725 and \$29,769, respectively.

City of Las Cruces
Notes to Financial Statements
June 30, 2015

7) Long-term Liabilities (continued)

State-shared Gross Receipts Tax Revenue Bonds, Series 2014, were issued to fund roadway construction and facility construction and equipment. The bonds are secured through maturity by state-shared gross receipts tax revenues. Such revenues totaled \$36.3 million in 2015. For the current year, principal and interest paid was \$0 and \$267,522, respectively.

In 2014, Municipal Gross Receipts Revenue Bonds, Series 2014A and 2014B were issued to fund street improvements and improve flood control. Series 2014A bonds are secured by certain future gross receipts tax through maturity. For the current year, such pledged revenues totaled \$6.5 million. Series 2014B bonds are secured by certain future gross receipts tax through maturity. In FY15, such pledged revenues totaled \$6.5 million. Principal payments on the bonds for the current year for the Series A and Series B bonds were \$1,030,000 and \$50,000 respectively. Interest payments were \$182,558 and \$29,697 respectively.

State-shared Gross Receipts Tax Revenue Bonds, Series 2015, were issued to refund the State-shared Gross Receipts Tax Improvement Bonds, Series 2005. The bonds are secured through maturity by state-shared gross receipts tax revenues. Such revenues totaled \$36.3 million in 2015. For the current year, principal and interest paid was \$235,000 and \$148,508 respectively.

Debt Service Requirements

Tax revenue bonds payable by governmental activities are summarized as follows:

Type	Purpose	Original Date	Due Date	Issue	Balance Outstanding	Interest Rates %
Gross receipts tax refunding	Street projects refunding	9/28/2010	2021	12,255,000	3,505,000	2.5-3.0
Gross receipts tax refunding	Flood control refunding	9/28/2010	2021	4,390,000	1,130,000	2.5-3.0
Gross receipts tax refunding	Convention center refunding	9/28/2010	2037	24,330,000	21,675,000	2.0-5.0
Gross receipts tax revenue	Facilities and improve streets	7/12/2011	2023	9,640,000	7,725,000	3.0-4.0
Gross receipts tax revenue	Flood control	7/12/2011	2021	1,530,000	600,000	2.0-3.625
Gross receipts tax revenue	Facilities and improve streets	7/29/2014	2026	10,000,000	10,000,000	2.0-4.0
Gross receipts tax revenue	Street improvement	7/29/2014	2028	8,000,000	6,970,000	2.0-4.0
Gross receipts tax revenue	Flood control	7/29/2014	2024	1,500,000	1,450,000	2.0-3.0
Gross receipts tax refunding	City Hall refunding	3/11/2015	2035	19,195,000	18,960,000	2.25-4.0
				<u>\$ 90,840,000</u>	<u>\$ 72,015,000</u>	

City of Las Cruces
Notes to Financial Statements
June 30, 2015

7) Long-term Liabilities (continued)

Debt Service Requirements

Future debt service requirements for governmental activities revenue bonds are:

Years ending June 30,	Principal	Interest	Total
2016	\$ 6,460,000	\$ 2,616,719	\$ 9,076,719
2017	6,530,000	2,416,756	8,946,756
2018	4,345,000	2,205,156	6,550,156
2019	4,380,000	2,063,106	6,443,106
2020	4,545,000	1,906,238	6,451,238
2021-2025	18,975,000	7,284,213	26,259,213
2026-2030	11,860,000	4,300,281	16,160,281
2031-2035	11,945,000	2,079,050	14,024,050
2036-2037	2,975,000	203,800	3,178,800
	<u>\$ 72,015,000</u>	<u>\$ 25,075,319</u>	<u>\$ 97,090,319</u>

Defeased Bonds

During prior fiscal years, the City entered into various advance refunding transactions related to certain of its bonded debt. A portion of the proceeds of the refunding issues was placed in trust and used to purchase securities of the U.S. government and related agencies at various interest rates and maturities sufficient to meet all debt service requirements of the refunded debt. The assets are administered by trustees and are restricted for retirement of refunded debt. The liability for the refunded bonds and the related securities and escrow accounts are not included in the accompanying financial statements since the City defeased its obligation for the payment of the refunded debt upon completion of the refunding transactions.

The Joint Utilities Bond Series 2006 issue balance of \$12,230,000 is outstanding but has been defeased and is payable from an escrow account.

Non-recourse (Conduit) Debt

The City has issued Industrial Revenue Bonds to provide financial assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are obligated for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of June 30, 2015, no Industrial Revenue Bonds are outstanding.

City of Las Cruces
Notes to Financial Statements
June 30, 2015

7) Long-term Liabilities (continued)

Arbitrage

Under U.S. Treasury Department regulations, all governmental tax-exempt debt issued after August 31, 1986 is subject to arbitrage rebate requirements. The requirements stipulate, in general, that the earnings from the investment of tax-exempt bond proceeds, which exceed related interest expenditures on the bonds, must be remitted to the federal government on every fifth anniversary of each bond issue. The City periodically engages an independent consultant to determine whether the City has an arbitrage liability. No arbitrage liability is reported in the financial statements as of June 30, 2015.

Governmental Activities Notes Payable

Details of governmental activities notes payable are:

Type	Purpose	Original Date	Due Date	Original Issue	Outstanding	Interest Rates %
2007 NMFA Note	Fire pumper trucks	11/16/2007	2016	\$ 896,598	\$ 127,123	3.644
2008 NMFA Note	Flood control	12/23/2008	2016	4,563,829	675,261	3.246
2009 NMFA Note	Parking deck	1/23/2009	2021	4,999,890	2,250,000	4.650
2010 NMFA Note	Fire apparatus	7/30/2010	2020	938,875	793,361	2.108
2010 NMFA Note	Griggs Walnut	1/18/2008	2012	1,478,799	1,324,060	2.000
2010 HUD Loan	Facilities	7/21/2010	2030	2,000,000	1,738,000	1.700
2011 NMFA Note	Gas tax refunding	10/14/2011	2016	2,045,000	415,000	0.919
2011 NMFA Note	Fire apparatus	11/18/2011	2019	964,250	519,446	0.230
2012 NMFA Note	2003 SSGRT refunding	6/1/2012	2018	2,280,000	930,000	0.400
2014 NMFA Note	SCSWA projects	6/20/2014	2028	2,780,000	2,310,000	0.250
2014 NMFA Note	Fire apparatus	12/12/2014	2022	443,325	416,193	1.975
2015 Estate Loan	Land Purchase	4/16/2015	2020	104,500	78,375	0.000
				<u>\$ 23,495,066</u>	<u>\$ 11,576,819</u>	

2007 NMFA-Fire Pumper Trucks, and 2010 NMFA-Fire Pumper Trucks are secured through maturity by fire protection fund revenues which totaled \$571,798 in 2015. The 2008 NMFA Flood control note is secured by the 1990 Gross Receipt Tax at a percentage of 0.25 percent which totaled \$6.5 million in 2015. The 2010 NMFA Griggs Walnut Plume note is secured by the 1995 environmental gross receipts tax revenues which totaled \$1,616,984 in 2015. The 2010 HUD loan is secured by property. The 2011 Gas Tax Refunding loan is secured by gasoline tax revenues which totaled \$1,502,770 in 2015. The 2014 SCSWA Projects loan is secured by the SCSWA operating revenues and City and County Environmental Gross Receipts taxes.

The remaining notes payable in the table above are secured through maturity by the state-shared gross receipts tax which totaled \$33.2 million in 2015.

Principal and interest paid on the outstanding notes in the current year was \$2,959,890 and \$385,227, respectively.

City of Las Cruces
Notes to Financial Statements
June 30, 2015

7) Long-term Liabilities (continued)

Debt Service Requirements

Future debt service requirements for governmental activities notes payable are:

Years ending June 30,	Principal	Interest	Total
2016	\$ 2,971,589	\$ 332,546	\$ 3,304,135
2017	1,465,265	260,401	1,725,666
2018	1,484,618	221,071	1,705,689
2019	911,842	178,760	1,090,602
2020	781,206	151,483	932,689
2020-2024	2,054,706	470,420	2,525,126
2025-2029	1,621,718	178,195	1,799,913
2030-2032	285,875	7,788	293,663
	<u>\$ 11,576,819</u>	<u>\$ 1,800,664</u>	<u>\$ 13,377,483</u>

Joint Utility Revenue Bonds

In 2005, the City issued \$11.05 million in joint utility revenue bonds (Series 2005) to provide funds for water expansion projects.

On August 26, 2014, the City issued \$7,125,000 of joint utility refunding revenue bonds (Series 2014A) to defease and refund the 2005 joint utility revenue bonds. Proceeds were deposited in an escrow fund that then paid the outstanding balance of the bonds on June 1, 2015. Certain other proceeds were used to fund a debt service reserve account and pay costs of issuance relating to these bonds. The average interest of the Series 2014A bonds is 3.42 percent. The City had a gain of \$266,052 and obtained a net present value savings from this refunding of \$529,520. The cash flows to service the refunding bonds is \$985,728 less than the cash flows required to service the debt on the 2005 bonds.

In 2006, the City issued \$17,575,000 in joint utility revenue bonds (Series 2006). Certain proceeds of this issuance were deposited in the Acquisition Fund and used to finance the acquisition, installation, and construction of water and wastewater capital improvements. Additionally, certain proceeds were used to fund the Reserve Requirement and pay costs of issuance relating to these bonds.

On May 12, 2015, the City issued \$16,895,000 of 2015 joint utility refunding bonds to defease the Series 2006 bonds. The total interest cost on the new bond is 2.4 percent with a final maturity of June 1, 2035. The gain from this refunding is \$429,226 and the present value savings resulting from this refunding is \$1,038,837. The difference in cash flow requirements to service the old debt of \$15,746,075 and the cash flows to service the debt of \$12,914,300 is \$2,831,775.

City of Las Cruces
Notes to Financial Statements
June 30, 2015

7) Long-term Liabilities (continued)

In 2009, the City issued \$17.6 million in joint utility refunding revenue bonds (Series 2009) to defease \$18.2 million of outstanding 1997 Series bonds and refund \$2.0 million of outstanding 2000 Series bonds. These monies contemporaneously funded a reserve account for the Series 2009 bonds and paid all costs and expenses pertaining to their issuance.

In 2010, the City issued \$24.8 million in joint utility refunding revenue bonds (Series 2010) to refund eight 2003 through 2007 NMFA notes with \$24.8 million outstanding. This refunding also established a reserve account and paid all costs of issuance.

In 2014, the City issued \$7.1 million in joint utility refunding revenue bonds (Series 2014A) to advance refund and defease \$7.0 million of outstanding 2005 Series bonds. This refunding also established a reserve account and paid all costs of issuance.

The City issued \$3.4 million in joint utility improvement revenue bonds (Series 2014B). The proceeds of these bonds were used to improve the City's Joint Utility System, fund a reserve account and pay costs of issuance relating to these bonds.

In 2015, the City issued \$16.9 million in joint utility refunding and improvement revenue bonds (Series 2015) to refund and defease \$13.1 million of outstanding 2006 Series bonds. The proceeds were also used to improve the City's Joint Utility System, fund a standalone surety reserve, and pay all costs of issuance.

Joint utility revenue bonds are summarized as follows as of June 30, 2015:

Purpose	Issue Date	Due Date	Original Issued	Outstanding	Interest Rates %
Series 2009 refunding bond	4/14/2009	2016	\$ 17,575,000	\$ 2,740,000	2.5-3.0
Series 2010 refunding bond	9/14/2010	2027	24,840,000	23,585,000	2.0-4.0
Series 2014A refunding bond	8/26/2014	2025	7,125,000	6,505,000	2.0-4.0
Series 2014B system improvement	8/26/2014	2034	3,425,000	3,325,000	3.0-5.0
Series 2015 refunding and rehabilitation	5/12/2015	2035	16,895,000	16,895,000	2.0-5.0
			<u>\$ 69,860,000</u>	<u>\$ 53,050,000</u>	

City of Las Cruces
Notes to Financial Statements
June 30, 2015

7) Long-term Liabilities (continued)

Future debt service requirements for business-type activities joint utility revenue bonds are:

Year ending June 30,	Principal	Interest	Total
2016	\$ 4,670,000	\$ 1,799,179	\$ 6,469,179
2017	3,655,000	1,642,669	5,297,669
2018	3,765,000	1,538,219	5,303,219
2019	3,850,000	1,442,619	5,292,619
2020	3,930,000	1,341,869	5,271,869
2021-2025	21,840,000	4,494,981	26,334,981
2026-2030	8,895,000	951,281	9,846,281
2031-2035	2,445,000	208,344	2,653,344
	<u>\$ 53,050,000</u>	<u>\$ 13,419,161</u>	<u>\$ 66,469,161</u>

The 2009, 2010, 2014A, 2014B, and 2015 joint utility revenue bond ordinances provide that the net revenue of the City's utility systems shall be at least 125 percent of the maximum outstanding debt requirements for the utility system. These bonds are not a general obligation to the City, but are payable and collectible solely out of the net revenues of the systems. Net revenue as defined in the bond ordinances means the revenue after deducting operation and maintenance expenses. Operation and maintenance expenses include all reasonable and necessary current expenses of the City, paid or accrued, for operating, maintaining, and repairing the system; and shall include, without limiting the generality of the foregoing, legal and overhead expenses of the various City departments directly related and reasonably allocable to the administration of the system, insurance premiums, the reasonable charge of depository banks and paying agents, contractual services, professional services required by this ordinance, salaries and administrative expenses, labor, and the cost of materials and supplies used for current operation; but shall not include any allowance for depreciation, payments in lieu of taxes, liabilities incurred by the City as a result of its negligence in the operation of the system, improvements, extension, enlargements or betterment, or any charges for the accumulation of reserves for capital replacements. The net revenue for the fiscal year ended June 30, 2015 exceeded the maximum annual debt service requirement. Bond reserve accounts have been established to accumulate funds.

City of Las Cruces
Notes to Financial Statements
June 30, 2015

7) Long-term Liabilities (continued)

The bond ordinances provide that any monies in any fund or account may be invested in any legal investment permitted by law, with the stipulation that investments of amounts in the escrow account will be made only in federal securities. The obligations so purchased as an investment of monies in a fund or account will be deemed at all times to be part of such fund or account, and the interest accruing thereon and any profit realized therefrom will be credited to the fund or account, and any loss resulting from each investment will be charged to the fund or account. The City Treasurer will present for redemption or sale on the prevailing market any obligations so purchased as an investment of monies in the fund or account whenever it will be necessary to do so in order to provide monies to meet any payment or transfer from such fund or account.

Bond covenants require reporting of the number of utility customers served, which were as follows for the year ended June 30, 2015:

	Water	Wastewater	Gas	Solid Waste
Residential	28,174	29,771	36,284	31,204
Commercial/other	3,016	3,327	3,016	2,668
Total	<u>31,190</u>	<u>33,098</u>	<u>39,300</u>	<u>33,872</u>

Business-type Activities Notes Payable

The notes payable for the business-type activities are paid from the net revenues of the utility system. City ordinance 1593, adopted by the City Council on December 18, 1996, provides authority for the City to issue additional debt with a parity lien on the pledged revenues of the utility system.

A comparison of the pledged revenues recognized during the year with the required debt service for the year is presented in the Pledged-Revenue Bond/Note Coverage Schedule located in the statistical section.

Details of business-type activities notes payables are:

Type	Purpose	Original Date	Due Date	Original Issued	Outstanding	Interest Rates %
2008 NMFA Note	Vehicle Maintenance Shop	9/12/2008	2018	\$ 1,708,755	\$ 590,511	1.9-3.85
2011 NMFA Note	Solid Waste Vehicles	12/16/2011	2019	1,016,561	561,114	0.32-2.11
2015 NMFA Note	Solid Waste Equipment	1/9/2015	2022	2,775,819	2,661,010	0.21-2.01
				<u>\$ 5,501,135</u>	<u>\$ 3,812,635</u>	

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7) Long-term Liabilities (continued)

Future debt service requirements for business-type activities notes payable are:

Year ending December 30	Principal	Interest	Total
2016	\$ 696,463	\$ 66,775	\$ 763,238
2017	707,054	56,185	763,239
2018	719,353	43,886	763,239
2019	521,704	29,669	551,373
2020	382,858	21,761	404,619
2021-2022	785,203	24,034	809,237
	<u>\$ 3,812,635</u>	<u>\$ 242,310</u>	<u>\$ 4,054,945</u>

SCSWA changes in long-term liabilities for the year are as follows:

	Balances June 30, 2014	Increases	Decreases	Balances June 30, 2015	Amount Due Within One Year
Long-term debt due to City of Las Cruces	\$ 2,459,170	\$ -	\$ 470,000	\$ 1,989,170	\$ 455,000
Other non-current liabilities:					
Net Pension Liability	2,054,461	-	831,098	1,223,363	245,833
Estimated landfill closure/ post-closure liability	1,434,945	30,028	-	1,464,973	30,385
Compensated absences	90,795	198,031	111,919	176,907	35,381
Capital lease	234,908	-	47,010	187,898	47,967
	<u>\$ 6,274,279</u>	<u>\$ 228,059</u>	<u>\$ 1,460,027</u>	<u>\$ 5,042,311</u>	<u>\$ 814,566</u>

8) Landfill Closure and Post-closure Care Cost

State and federal laws and regulations require placement of a final cover on landfill sites when waste is no longer accepted and performance of certain maintenance and monitoring functions at the sites for 30 years after closure. Although closure and post-closure care costs will be paid only near or after the date that a landfill stops accepting waste, a portion of the closure and post closure costs are reported as an operating expense in each period based on landfill capacity used as of each balance sheet date.

The City's landfill closure and post-closure care liability is reported as \$1,118,000 as of the year ended June 30, 2015. Actual closure and post-closure care costs may be higher due to inflation, changes in technology, or changes in regulations. The liability reported reflects an increase in the estimate of total closure and post-closure costs of \$65,000 during the fiscal year ended June 30, 2015. The Foothills landfill is at 100 percent capacity and closed.

City of Las Cruces
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8) Landfill Closure and Post-closure Care Cost

In FY15, the SCSWA implemented GASB Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Post-Closure Care Costs*. The \$1,613,007 reported as SCSWA's landfill closure and post-closure liability at June 30, 2015, is based on the Financial Assurance required to be in place for the currently lined area (cells 1-3) is \$2,041,782. Using the 2015 volumetric and landfill life survey data, the active lined area of cells 1-3 is currently at 79 percent capacity. The current financial assurance required to be currently in place would therefore be \$1,613,007 (79 percent of \$2.04 million).

The City enacted a 1/16th cent environmental gross receipts tax that became effective January 1, 1995, to raise funds for environmental costs such as for landfill closure and post-closure care. The landfill closure was not funded from the EGRT fund during the year due to additional revenues from landfill charges and investment income.

9) Pollution Remediation Obligation

Certain property owned by the City has been declared a Superfund Site by the Environmental Protection Agency (EPA). The EPA has determined that the City is a responsible party along with Doña Ana County, which also owns part of the contaminated property. On April 20, 2005, the City and Doña Ana County established a memorandum of understanding for a Joint Superfund Project (JSP) to work collaboratively with the EPA to complete the Remedial Investigation and Feasibility Study (RIFS) within the Superfund process. In December 2004, the JSP submitted a good-faith offer to the EPA for a Funding Agreement to achieve this objective. In April 2005, a negotiated funding agreement in the amount of \$800,000, payable to the EPA to complete the RIFS, was signed. In October 2005, the EPA and its contractor began the remaining fieldwork, which was completed in fiscal year 2007. As a result of this study, the City accrued a liability of \$6,890,106 to pay its share of the pollution remediation cost, as follows:

	Total Obligation	City's Portion
Capital assets	\$ 5,151,978	\$ 2,575,989
Operating costs	1,459,664	729,832
Completion costs	<u>7,168,571</u>	<u>3,584,285</u>
	<u>\$ 13,780,213</u>	<u>\$ 6,890,106</u>

The pollution remediation obligation is reported in long-term liabilities in the statement of net position (see Note 7). The pollution remediation obligation is an estimate and is subject to revision because of the price increases or reductions, changes in technology or changes in applicable laws or regulations.

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9) Pollution Remediation Obligation (continued)

The City and County each received a \$3.5 million construction drawdown loan from the New Mexico Finance Authority (NMFA) to cover some of the costs of the pollution remediation project. City project costs of \$1,478,799 were funded using loan proceeds. The City has begun repayment of the loan using Environmental Gross Receipt Tax funds.

The City and County also received \$243,000 for design and engineering in grant funds from the New Mexico Environment Department. As of June 30, 2015, all \$243,000 was applied to design and engineering costs. Construction on the project completed and remediation operations began August 2012.

The liability could be reduced in subsequent years by the sale of potable water, a by-product of the remediation process, to cover operating and administrative costs. The sale of potable water was \$31,697 less than operating costs. EGRT funds were used to cover the City's share of the operating loss of \$15,849.

10) Deferred Compensation Plan

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Service Code Section 457. The plan, available to all City employees, permits them to defer taxation on a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are solely the property and rights of the plan participants. The City has 533 active participants in the plan as of June 30, 2015.

City of Las Cruces employees who work 20 or more hours a week participate in a defined-benefit, contributory retirement plan through the Public Employees Retirement Act of the State of New Mexico, a cost-sharing multiple employer public employee retirement system administered by the Public Employees Retirement Association (PERA). Benefit provisions are established and may only be amended by state statute. Information pertaining to the actuarially computed present value of vested accumulated plan benefits and non-vested accumulated plan benefits, the plan's net position available for benefits and the assumed rate of return used in computing the present value, and ten year historical trend information presenting PERA's progress in accumulating sufficient assets to pay benefits when due is not available through individual government agencies participating in the plan. Actuarial pension data for the State of New Mexico, as employer, is provided at the state-wide level in a separately issued audit report of PERA. The report may be obtained by writing to PERA, PO Box 2123, 1120 Paseo de Peralta, Santa Fe, NM 88504-2323. Additional contact information is located at www.pera.state.nm.us.

City of Las Cruces
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11) New Mexico Retiree Health Care Plan

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

Eligible employers include institutions of higher education, school districts, or other entities participating in the Public School Insurance Authority, state agencies, state courts, magistrate courts, municipalities, or counties, which are affiliated under or covered by the Educational Retirement Act, Public Employees Retirement Act, Volunteer Firefighters Retirement Act, Judicial Retirement Act, or the Magistrate Retirement Act.

Eligible Retiree – Employees are eligible to participate per the Act if:

- Employees receive a disability or normal retirement benefit from public service in New Mexico with an NMRHCA-participating employer, and
- Employees did one of the following:
 - Retired with a pension before their employer’s effective date with the NMRHCA program, or
 - Employees and/or their employer (on your behalf) made contributions to the NMRHCA fund from their employer’s NMRHCA effective date until their date of retirement, or
 - Employees and/or their employer (on your behalf) made contributions to the NMRHCA fund for at least five years before their date of retirement. *(If employees are awarded a duty-related disability retirement, they are not required to meet the NMRHCA’s five-year contribution rule.)*

Each participating employer makes contributions to the fund in the amount of 2 percent of each participating employee’s annual salary. Each participating employee contributes to the fund an employee contribution equal to 1 percent of the employee’s annual salary. Each participating retiree pays a monthly premium for the medical plus basic life plan and an additional participation fee of five dollars if the eligible participant retired prior to the employer’s NMRHCA effective date or is a former legislator and made no contributions to the plan. After retirement, premiums are paid to the Authority by the retiree.

City of Las Cruces
Notes to Financial Statements
June 30, 2015

11) New Mexico Retiree Health Care Plan (continued)

The City of Las Cruces has paid all of the employers' required contributions, which were as follows:

2015	\$ 847,444
2014	831,594
2013	854,248
2012	711,422
2011	656,434

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

The Authority issues a separate, publicly-available audited financial report that includes post-employment benefit expenditures of premiums and claims paid, participant contributions (employer, employee, and retiree), and net expenditures for the fiscal year. The report also includes the approximate number of retirees participating in the plan. That report may be obtained by writing to the Retiree Health Care Authority, 4308 Carlisle Blvd, NE, Suite 104, Albuquerque, New Mexico 87109.

12) Multiple-Employer Cost Sharing Pension Plans

General Information about the Pension Plan

Plan description – Compliant with the requirements of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the State of New Mexico has implemented the standard for the fiscal year ending June 30, 2015. The City as part of the primary government of the State of New Mexico, is a contributing employer to a cost-sharing multiple employer defined benefit pension plan administered by the PERA. Disclosure requirements for governmental funds apply to the primary government as a whole, and as such, this information will be presented in the Component Appropriation Funds Annual Financial Report (General Fund) and the CAFR of the State of New Mexico. Information concerning the net pension liability, pension expense, and pension related deferred inflows and outflows of resources of the primary government will be contained in the General Fund and the CAFR and will be available, when issued, from the Office of State Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

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

City of Las Cruces
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June 30, 2015

12) Multiple-Employer Cost Sharing Pension Plans (continued)

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.

Contributions – The contribution requirements of defined benefit plan members and the City of Las Cruces 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. The PERA coverage options that apply to City of Las Cruces are: General Municipal, Police and Fire. Statutorily required contributions to the pension plan from the City of Las Cruces were \$6,870,339 and employer paid member benefits that were “picked up” by the employer were \$2,533,506 for the year ended June 30, 2015. These contributions of the City includes its discretely presented component unit and fiduciary funds.

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.

City of Las Cruces
Notes to Financial Statements
June 30, 2015

12) Multiple-Employer Cost Sharing Pension Plans (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 City of Las Cruces proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2014. Only employer contributions for the pay period end dates that fell within the period of July 1, 2013 to June 30, 2014 were included in the total contributions for a specific employer.

Regular and any adjustment contributions that applied to fiscal year ended June 30, 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: General Municipal, at June 30, 2015, the City of Las Cruces reported a liability of \$36,171,147 for its proportionate share of the net pension liability. At June 30, 2014, the Municipal's proportion was 4.64 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 City of Las Cruces recognized PERA Fund Division Municipal's pension expense of \$3,208,065, which excludes the City's fiduciary funds and discretely presented component unit. At June 30, 2015, the City of Las Cruces reported PERA Fund Division Municipal deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions		
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 13,787,270
City of Las Cruces contributions subsequent to the measurement date	6,016,189	-
Total	<u>\$ 6,016,189</u>	<u>\$ 13,787,270</u>

City of Las Cruces
Notes to Financial Statements
June 30, 2015

12) Multiple-Employer Cost Sharing Pension Plans (continued)

\$9,081,004 reported as deferred outflows of resources related to pensions resulting from City of Las Cruces 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:

Year ended June 30:		
2016	\$	3,797,967
2017		3,797,967
2018		3,797,967
2019		3,797,967
2020		-
Thereafter		-

For PERA Fund Division: Police, at June 30, 2015, the City of Las Cruces reported a liability of \$16,640,441 for its proportionate share of the net pension liability. At June 30, 2014, the Police proportion was 5.1046 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 City of Las Cruces recognized PERA Fund Division Police's pension expense of \$1,474,311. At June 30, 2015, the City of Las Cruces reported PERA Fund Division Municipal deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions		
Net Difference between projected and actual earnings on pension plan investments	\$ -	\$ 7,539,422
City of Las Cruces contributions subsequent to the measurement date	1,740,991	-
Total	<u>\$ 1,740,991</u>	<u>\$ 7,539,422</u>

City of Las Cruces
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June 30, 2015

12) Multiple-Employer Cost Sharing Pension Plans (continued)

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

Year ended June 30:		
2016	\$	1,546,912
2017		1,546,912
2018		1,546,912
2019		1,546,912
2020		-
Thereafter		-

For PERA Fund Division: Fire, at June 30, 2015, the City of Las Cruces reported a liability of \$23,884,004 for its proportionate share of the net pension liability. At June 30, 2014, the Fire proportion was 5.7221 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 City of Las Cruces recognized PERA Fund Division Fire's pension expense of \$2,355,683. At June 30, 2015, the City of Las Cruces reported PERA Fund Division Municipal deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ 829,126	\$ 3,308,088
Net difference between projected and actual earnings on pension plan investments	-	-
City of Las Cruces contributions subsequent to the measurement date	1,323,824	-
Total	<u>\$ 2,152,950</u>	<u>\$ 3,308,088</u>

City of Las Cruces
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12) Multiple-Employer Cost Sharing Pension Plans (continued)

\$829,126 reported as deferred outflows of resources related to pensions resulting from City of Las Cruces 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:

Year ended June 30:		
2016	\$	827,022
2017		827,022
2018		827,022
2019		827,022
2020		-
Thereafter		-

For the SCSWA at June 30, 2015, a liability of \$1,223,363 was recorded for its proportionate share of the net pension liability. At June 30, 2014, SCSWA's proportion was 3.67 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, SCSWA recognized pension expense of \$190,234. At June 30, 2015, SCSWA reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 815,326
SCSWA's contributions subsequent to the measurement date	<u>322,322</u>	<u>-</u>
Total	<u><u>\$ 322,322</u></u>	<u><u>\$ 815,326</u></u>

\$322,322 reported as deferred outflows of resources related to pensions resulting from SCSWA's contributions subsequent to the measurement date June 30, 2014 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

City of Las Cruces
Notes to Financial Statements
June 30, 2015

12) Multiple-Employer Cost Sharing Pension Plans (continued)

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:

ALL FUNDS - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
U.S. 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%
Total	<u>100.0%</u>	

City of Las Cruces
Notes to Financial Statements
June 30, 2015

12) Multiple-Employer Cost Sharing Pension Plans (continued)

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 percent 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 City of Las Cruces 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 City of Las Cruces' net pension liability in each PERA Fund Division that City of Las Cruces participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75 percent) or one percentage point higher (8.75 percent) than the single discount rate.

PERA Fund Division - Municipal	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City of Las Cruces' proportionate share of the net pension liability	31,503,902	36,171,147	40,838,392
PERA Fund Division - Police	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City of Las Cruces' proportionate share of the net pension liability	14,493,287	16,640,441	18,787,595
PERA Fund Division - Fire	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City of Las Cruces' proportionate share of the net pension liability	20,802,201	23,884,009	26,965,817

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June 30, 2015

12) Multiple-Employer Cost Sharing Pension Plans (continued)

Sensitivity of the SCSWA's proportionate share of the net pension liability to changes in the discount rate – The following table shows the sensitivity of the net pension liability to changes in the discount rate. In particular, the table presents the SCSWA's net pension liability in each PERA Fund Division that SCSWA participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75 percent) or one percentage point higher (8.75 percent) than the single discount rate.

PERA Fund Division - SCSWA	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
SCSWA's proportionate share of the net pension liability	\$ 1,065,509	\$ 1,223,363	\$ 1,381,216

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>.

City of Las Cruces
Notes to Financial Statements
June 30, 2015

13) Risk Management

The City is exposed to various risks of loss related to torts and civil rights claims (including law enforcement and employment related exposures); theft, damage, and destruction of its real and personal assets; workers' compensation losses; errors, and omissions of City officers and officials; and natural disasters. The City uses the insurance fund (an internal service fund) to account for and finance its uninsured risks of loss. At various periods in past years, certain risk exposures were insured and the City continues to benefit from case coverage on claims that were incurred during those claim years.

The insurance fund tracks claims on a fund-by-fund basis and assesses charges to each fund based on historical claims experience and the need to establish a reserve for unanticipated catastrophic losses. The claims liabilities reported in the insurance fund are based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

The risk of loss associated with actions of employees resulting in damage to persons or property of others is subject to limitations of the New Mexico State Tort Claims Act. The self-insurance fund uses excess workers compensation insurance agreements to reduce its exposure to large losses from employee on-the-job injuries. Excess insurance permits recovery of a portion of losses from the excess insurer, although it does not discharge the primary liability of the fund as direct insurer of the risks.

Self-insurance premiums and program costs (claims, fees, and transfers to other funds, less reimbursed expenses) were:

	2015		2014	
	Program Costs (Benefits)	Premiums	Program Costs (Benefits)	Premiums
Health Program	\$ 4,535,726	\$ (4,624,033)	\$ 1,708,336	\$ -
Workers compensation	1,040,444	(2,438,290)	2,105,665	(2,353,132)
Liability insurance	1,522,816	(593,851)	1,380,798	(585,236)
Unemployment insurance	102,135	(325,831)	135,738	(325,831)
Judgments insurance	-	-	-	-
Total	<u>\$ 7,201,121</u>	<u>\$ (7,982,005)</u>	<u>\$ 5,330,537</u>	<u>\$ (3,264,199)</u>

City of Las Cruces
Notes to Financial Statements
June 30, 2015

13) Risk Management (continued)

In prior years, a reserve was established in the self-insurance fund's claims liability account for four wrongful death claims filed against the City. In 2013 two of these cases were dismissed and resulted in a significant reduction in the fund's claim liability. The City currently has two significant cases, that is, one remaining alleged wrongful death case and an additional case involving a sexual assault. The City believes that the reserve funds will more than cover any potential liability from these two cases. As of June 30, 2015, litigation is still pending on remaining claims.

Changes in the insurance fund's claims liability were:

	<u>2015</u>	<u>2014</u>
Changes in fund's claims liability		
Claims liability, beginning of year	\$ 5,800,147	\$ 5,480,397
Current year claims and changes in estimates	6,911,389	5,330,538
Payment of claims liability	<u>(6,521,498)</u>	<u>(5,010,788)</u>
Claims liability, end of year	<u>\$ 6,190,038</u>	<u>\$ 5,800,147</u>

14) Development Impact Fees

The City collects and expends development impact fees in accordance with Ordinance No. 1456, which requires impact fees to be used for capital improvements or facility expansions identified in a capital improvements plan. In addition to capital improvements, development impact fees may also be used to pay for debt service costs if the proceeds of the debt issued were used in accordance with the capital improvements plan.

The expenditures of collected fees must improve the following facilities:

- 1) Water supply, treatment, and distribution facilities, and wastewater collection and treatment facilities;
- 2) Parks, recreational areas, open space, trails, and related areas and facilities; and
- 3) Major roads, stormwater drainage, and public safety (police and fire) facilities.

City of Las Cruces
Notes to Financial Statements
June 30, 2015

14) Development Impact Fees (continued)

In addition to the construction of capital improvements or facility expansions, Ordinance 1456 §4 states that the development impact fee may also be used to pay for the preparation and updating of the capital improvements plan, the estimated costs of the plan, or up to three percent of administrative costs for City employees who are qualified professionals. Additionally, debt service costs may be paid from impact fees assessed if the proceeds of the debt issued were used in accordance with the capital improvements identified in the capital improvements plan.

The initial land use assumptions and capital improvements plan prepared by Tischler & Associates, Inc. on January 6, 1995 is a 10-to 20-year plan with professional engineering estimates of costs well exceeding the assessed development impact fees. A significant portion of the assessed development impact fees for the water and wastewater system have been used to pay debt service on bonds. The expenditures from the bond proceeds were spent on specific items listed in the initial capital improvements plan and were expended within five years of the completion of the capital improvements plan.

In August 2011, the City Council adopted Resolution No. 12-024, *Impact Fee Capital Improvements Plan for Major Roads, Stormwater Drainage, and Public Safety (fire and police) Facilities*. The public safety fees apply to all new development in the City, while the major roads and drainage fees apply only to new development located in the “growth area” (i.e. outside the City’s designated infill area).

Development impact fee activity for the year ended June 30, 2015 is shown below. Unspent fees collected in previous years are available for expenditure in the current fiscal year.

City of Las Cruces
Notes to Financial Statements
June 30, 2015

14) Development Impact Fees (continued)

Parks Impact Fees

Impact fees collected	\$ 548,640
Investment gain	27,558
Expenditures	(300,881)
Net Parks Impact Fees	<u>\$ 275,317</u>

Public Safety Impact Fees

Impact fees collected	\$ 264,900
Investment gain	20,240
Expenditures	(15,035)
Net Public Safety Impact Fees	<u>\$ 270,105</u>

Water Impact Fees

Impact fees collected	\$ 1,656,917
Investment gain	74,170
Expenditures	(1,186,664)
Net Water Impact Fees	<u>\$ 544,423</u>

Wastewater Impact Fees

Impact fees collected	\$ 1,005,002
Investment gain	176,181
Expenditures	(1,209,966)
Net Wastewater Impact Fees	<u>\$ (28,783)</u>

Total Impact Fees

Collections	\$ 3,475,459
Investment gain	298,149
Expenditures	(2,712,546)
Net Impact Fees	<u>\$ 1,061,062</u>

City of Las Cruces
Notes to Financial Statements
June 30, 2015

15) Telshor Facility Lease

Memorial Medical Center / Province Hospital (Telshor Facility)

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

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

The net lease proceeds, after these deposits and liabilities, are summarized as follows:

	<u>Total</u>	<u>City Portion</u>
Total lease amount	\$ 150,000,000	\$ 75,000,000
Less:		
Hospital liabilities assumed by PHC	9,247,375	4,623,688
Amounts deposited into escrow to cover		
medical malpractice and other contingencies	14,445,892	7,222,946
Payment of outstanding hospital bonds	50,038,987	25,019,493
Payment of hospital pension liabilities	24,100,000	12,050,000
Closing costs	1,000	500
Cash paid by PHC to the City and County	<u>\$ 52,166,746</u>	<u>\$ 26,083,373</u>

As part of the PHC lease, the City and County received amounts needed to cover specific future costs. The maximum amounts of these costs are as follows:

	<u>Total</u>	<u>City Portion</u>
Employee severance agreements	\$ 987,266	\$ 493,633
Construction costs	1,278,414	639,207
Future payments to MMCI for expanded care services	19,200,000	9,600,000
Hospital property taxes	5,000,000	2,500,000
	<u>\$ 26,465,680</u>	<u>\$ 13,232,840</u>

The proceeds of the PHC lease are reported in a special revenue fund (Telshor Facility Fund) because the City Council adopted a resolution restricting the use of the lease proceeds to fund health-related programs and health-related capital projects.

City of Las Cruces
Notes to Financial Statements
June 30, 2015

15) Telshor Facility Lease (continued)

The asset purchase agreement entitles PHC to compensation solely from the escrow account if PHC incurs any losses, including the discharge of malpractice liabilities, in connection with events that occurred on or prior to the closing.

MMCI began distributing its cash and investments equally between the City and the County in July 2004. MMCI retained cash to pay certain liabilities. Any cash remaining at the end of the liquidation process will be distributed equally between the City and the County. In April 2005, PHC merged with LifePoint Hospitals. The lease continues with LifePoint Hospitals.

The City and County did not receive distributions from the escrow accounts in FY15.

16) Las Cruces Convention Center

In 2008, the City began construction of the Las Cruces Convention Center. Construction and furnishing the convention center was completed in December 2010, with the grand opening in January 2011. The City retains ownership of all the furnishings, equipment, and the convention center facility.

During FY15 the City entered into an amended contract through June 30, 2015 with four remaining optional one year extensions with Global Spectrum, henceforth referred to as Spectra, to manage the facility and grounds on behalf of the City. Spectra is responsible for operations and maintenance of all physical and mechanical facilities necessary for the operation, maintenance, and management of the convention center. All facility staff and other personnel are hired by Spectra and are employees or independent contractors of Spectra. Compensation to Spectra during FY15 for management services was a fixed management fee.

The City applied to the state for the governmental liquor license pursuant to 60-6A-101, NMSA 1978. In accordance with the management agreement, the liquor license will be leased to Spectra and will be used exclusively for the operation of the convention center. The operations manager will ensure that all activities associated with the liquor license shall strictly conform to New Mexico law and the regulations of the New Mexico Alcohol and Gaming Division of the New Mexico Regulation and Licensing Department.

Each year the annual operating budget prepared by Spectra will be provided to the City. The operating budget will include a projection of operating revenues and expenses for the fiscal year. The annual budget is subject to the review and approval of the City. The City has agreed to provide a one-time facility operating fee of \$50,000 and restore any deficit in this balance to the operating account on a monthly basis. During FY15, the City provided funding of \$147,547.

City of Las Cruces
Notes to Financial Statements
June 30, 2015

16) Las Cruces Convention Center (continued)

In order to utilize energy incentives relating to the installation of solar panels, the City must and does pay the electric bills directly. This funding totaled \$69,900 in FY15.

Spectra must maintain independent records, in accordance with generally accepted accounting principles, of the operations and maintenance of the convention center. The City has the right to audit the records. Additionally, Spectra must provide monthly financial statements to the City, and must provide the City with a copy of their audited annual financial statements.

17) Major Construction Commitments

The City has the following construction commitments as of June 30, 2015. These projects are evidenced by contractual arrangements with construction contractors:

Commitments of Business-type Activities

Project	Fund	Contract Amount	Spent to Date	Commitment Remaining	Source of Payment
Joint Utilities					
Gas Streets Rehabilitation Projects	Gas Capital Improvements	\$ 1,240,908	\$ 179,756	\$ 1,061,152	Gas Utility Rates
Water Production Projects	Water Capital Improvements	247,155	101,743	145,412	Water Utility Rates
Water Streets Utility Rehabilitation	Water Capital Improvements	1,351,797	147,058	1,204,739	Water Utility Rates
Water Line Relocation - Mesa Grande	Water NMFA Loan Projects	58,885	-	58,885	2010 Joint Utility Bond
Wastewater Septic Systems	Wastewater Capital Improvements	131,432	-	131,432	2010 Joint Utility Bond
Wastewater Street Utility Rehabilitation	Wastewater Capital Improvements	568,018	1,619	566,399	Wastewater Utility Rates
Wastewater Treatment Plant Rehabilitation	Wastewater Capital Improvements	385,453	55,817	329,636	Wastewater Utility Rates
Wastewater Septic Systems-SAP-13-1449 NMED Grant	Wastewater Capital Improvements	321,000	-	321,000	Wastewater Utility Rates
Wastewater Septic Systems Phase II-SAP-14-L-1624 NMED Grant	Wastewater Capital Improvements	241,356	147,689	93,667	Wastewater Utility Rates
Total		\$ 4,546,004	\$ 633,682	\$ 3,912,322	

18) Contingent Liabilities

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

The City is a defendant in various lawsuits. Management estimates that balances available in the self-insurance fund are sufficient to settle such lawsuits. Management is not aware of any other pending or threatened litigation that would adversely affect the City's financial position.

City of Las Cruces
Notes to Financial Statements
June 30, 2015

19) Downtown Tax Increment Development District (TIDD)

In December of 2007, Las Cruces formed the state's first Tax Increment Development District (TIDD) for downtown revitalization. The Downtown TIDD is defined by certain geographic boundaries and receives an incremental portion of the gross receipts tax and property tax collected in this geographic area. The state of New Mexico, Doña Ana County, and the City contribute 75 percent of the incremental gross receipts tax is collected in the district. Additionally, both the City and County contribute 75 percent of the incremental property tax assessed in the district.

The tax revenues that go to the TIDD are used for downtown public improvements and revitalization of the downtown area. Projects to be supported by TIDD funds include a downtown plaza, pedestrian safety improvements, roadways, street lighting, and landscaping.

20) Affiliated Organizations and Joint Powers Agreements

The City is a participant in the following five affiliated organizations, four of which are joint ventures. Other than the City bonds secured by South Central Solid Waste Authority, the City is unaware of any circumstances that would cause a significant benefit or burden to the participating governments.

Mesilla Valley Regional Dispatch Authority

The City is a participant in a combined City–County communications/dispatch center for police, fire, and emergency medical services for the City/County area. The organization is governed by a board of thirteen individuals. The City and County each appoint four members; the Town of Mesilla, the City of Sunland Park, the City of Anthony and the Village of Hatch each appoint one member; and the final member is appointed at large by the other members.

The City contributes 53 percent of the net annual operating cost while the County contributes 47 percent. The joint powers agreement provides that if the agreement is terminated, property and any funds accrued by the organization shall be distributed to the City and County in proportion to the contributions made by the two entities.

The City is the fiscal agent for the organization and accounts for its resources in an agency fund. Separate audited financial statements were prepared for the year ended June 30, 2015. Requests for copies of financial statements can be made to the City of Las Cruces' Chief Administrative Officer.

City of Las Cruces
Notes to Financial Statements
June 30, 2015

20) Affiliated Organizations and Joint Powers Agreements (continued)

Metro Narcotics Agency

The City is a participant in a joint City–County–State–University controlled substances investigation project for the City/County area. The organization is governed by a board of nine individuals. The City and County each appoint three members; the remaining three members are the State Police Chief, the University Police Chief, and the District Attorney.

All persons (agents and support staff) assigned to Metro are paid by their respective agencies. The City and the County make contributions to cover the net operating expenses of the organization in proportion to the number of agents assigned to the organization by the two entities. The joint powers agreement provides that if the agreement is terminated by all parties, assets and monies acquired without federal involvement will be distributed in proportion equal to their investment. Assets received from the federal government pursuant to the federal asset-sharing procedures will be distributed to the parties in proportion to their contribution to operational expenses.

The City is the fiscal agent for the organization and accounts for it in an agency fund. Separate audited financial statements were prepared for the year ended June 30, 2015. Request for copies of financial statements can be made to the City of Las Cruces' Chief Administrative Officer.

Metropolitan Planning Organization

The City is a participant in a joint City/County/Town of Mesilla Metropolitan Planning Organization jurisdictional area. The organization is governed by a board of nine; three each appointed by the City of Las Cruces, Doña Ana County and Town of Mesilla, respectively. The committee was constituted for the purpose of establishing, overseeing and directing transportation related policy within the Las Cruces urban area and to accomplish overall transportation planning for the City, County and Town.

The parties agree that some of the expense of the transportation planning process will be provided for by grant funds available under Section 112 of the Federal Highway Act of 1978 and Section 8 of the Urban Mass Transportation Act of 1964. Expenses not so provided shall be assumed by participating agencies according to the listing of funding sources contained in the annual Unified Work Program approved by the governing board.

The joint venture agreement may be terminated upon the mutual consent of both parties and shall not be terminated so long as any revenue bonds issued under the agreement by the City are outstanding.

City of Las Cruces
Notes to Financial Statements
June 30, 2015

20) Affiliated Organizations and Joint Powers Agreements (continued)

South Central Solid Waste Authority

The City is a participant in South Central Solid Waste Authority (SCSWA), a City-County joint venture that establishes a mechanism for designing, constructing, financing, operating and maintaining regional solid waste landfills and related facilities. SCSWA is reported as a component unit of the City because its revenues are the primary source of debt service for City bonds issued to construct a regional landfill and transfer station.

The repayment of the bonds is secured by a pledge of the Authority's net revenues from operation of the facility. If the net revenues are not enough to satisfy the debt service requirements, the proceeds of the 1/16 percent Municipal Environmental Services Gross Receipts Tax of the City and the 1/8 percent County Environmental Services Gross Receipts Tax of the County are pledged.

SCSWA is governed by a board comprised of six working members and two ex-officio members. Three of the members are appointed from the City Council by the Mayor and three members are appointed from the County Commission by the Chairman. The two ex-officio members are the City Manager and the County Manager or their designees.

The City serves as the fiscal agent for the Authority for the term of the agreement. The fiscal agent is compensated for services rendered to the Authority in the amount of \$70,000 per year base rate. The base rate increases each year by the Consumer Price Index.

The joint venture agreement may be terminated upon the mutual consent of both parties and shall not be terminated so long as any revenue bonds issued under the agreement by the City are outstanding.

In 2015, the City of Las Cruces and Dona Ana County paid approximately \$2.4 million and \$520,490, respectively, to SCSWA for solid waste services provided.

Animal Service Center of the Mesilla Valley

Animal Service Center of the Mesilla Valley was formed through a joint powers agreement (JPA) between the City of Las Cruces and Doña Ana County. The JPA provides for a governing board for the Authority. The ASCMV is governed by a Board that consists of six members and two ex-officio members. Three members are appointed from the City Council by the Mayor with the advice and consent of the City Council. Three members are appointed from the County Commission by the Chair with the advice and consent of the County Commission. The two ex-officio members are the City Manager and the County Manager, or their designees.

City of Las Cruces
Notes to Financial Statements
June 30, 2015

20) Affiliated Organizations and Joint Powers Agreements (continued)

It is the mission of the center to provide safe shelter for all lost, mistreated, and abandoned animals of the Mesilla Valley and surrounding communities. The operations of the Authority began in February 2009. ASCMV receives funding from members of the joint powers agreement. During FY15, ASCMV received \$901,787 from the City of Las Cruces and \$901,787 from Doña Ana County.

The City is the fiscal agent for the organization and accounts for it in an agency fund. Separate audited financial statements were prepared for the year ended June 30, 2015. Request for copies of financial statements can be made to the City of Las Cruces' Chief Administrative Officer.

21) Subsequent Events

On September 24, 2015, the City issued \$23,075,000 of Hold Harmless Gross Receipts Tax Improvement Revenue Bonds Series 2015A with a net effective interest rate of 3.1979 percent and a final maturity of June 1, 2035. These bonds are designated for facilities and street improvement projects.

Additionally, on September 24, 2015, the City issued \$4,020,000 of Hold Harmless Gross Receipts Tax Improvement Revenue Bonds Series 2015B with a net effective interest rate of 3.8486 percent and a final maturity of June 1, 2035. These bonds are designated for economic development projects.

22) Restatement of Prior Period Net Position and Fund Balance

During the year ended June 30, 2015, the City implemented GASB Statement Nos. 68 and 71. As a result of these accounting standard changes, beginning net position/fund balance were restated in the City's financial statements as follows:

	Government-Wide		Component
	Governmental	Business-Type	Unit
	Activities	Activities	SCSWA
Beginning net position/fund balance, as originally reported	\$ 422,341,041	\$ 221,266,272	\$ 10,992,240
GASB 68 & 71- Pensions	(83,294,777)	(10,159,600)	(1,848,455)
Beginning net position/fund balance, as restated	<u>\$ 339,046,264</u>	<u>\$ 211,106,672</u>	<u>\$ 9,143,785</u>

	Proprietary Funds					
	Gas	Water	Waste Water	Solid Waste	Other Enterprise Funds	Internal Service Funds
Beginning net position/fund balance, as originally reported	\$ 42,746,001	\$ 79,470,910	\$ 83,226,407	\$ 8,971,826	\$ 6,851,128	\$ 13,470,023
GASB 68 & 71- Pensions	(2,716,136)	(1,896,092)	(2,053,475)	(1,656,867)	(1,837,030)	(936,791)
Beginning net position/fund balance, as restated	<u>\$ 40,029,865</u>	<u>\$ 77,574,818</u>	<u>\$ 81,172,932</u>	<u>\$ 7,314,959</u>	<u>\$ 5,014,098</u>	<u>\$ 12,533,232</u>

City of Las Cruces
Notes to Financial Statements
June 30, 2015

23) Subsequent Pronouncements

In March 2015, GASB Statement No. 72, *Fair Value Measurement and Application*, would require state and local governments to measure investments at fair value. The standard would enhance comparability of governmental financial statements by enforcing fair value measurement for certain assets and liabilities, by using consistent definition and accepted valuation methods. This standard magnifies fair value disclosures to provide comprehensive information and impact of fair value measurements on the City's financial position. The requirements are effective for financial statements for periods beginning after June 15, 2015.

APPENDIX D

FORM OF CONTINUING DISCLOSURE UNDERTAKING

CONTINUING DISCLOSURE UNDERTAKING

Section 1. Recitals. This Continuing Disclosure Undertaking (the “Undertaking”) is executed and delivered by the City of Las Cruces, New Mexico (the “City”) in connection with the issuance of its \$16,375,000 Joint Utility System Improvement Revenue Bonds, Series 2016 (the “Bonds”). The Bonds are being issued pursuant to the general laws of the State, including Sections 3-31-1 to 3-31-12 of the New Mexico Statutes Annotated, 1978 Compilation, as amended and supplemented, the Charter of the City, other applicable New Mexico laws, Ordinance No. 1593 adopted on December 18, 1996, as amended by Ordinance No. 2750, adopted by the City Council on April 8, 2015 (the “Master Ordinance”) and Ordinance No. 2789 adopted on September 15, 2016 (the “2016 Ordinance” and, together with the Master Ordinance, the “Ordinance”). Pursuant to the Ordinance and to allow the purchaser of the Bonds to comply with the Rule (defined below), the City is required to make certain continuing disclosure undertakings for the benefit of owners (including beneficial owners) of the Bonds (the “Owners”). This Undertaking is intended to satisfy the requirements of the Rule.

Section 2. Definitions.

(a) “Annual Financial Information” means the financial information or operating data with respect to the City, delivered at least annually pursuant to Sections 3(a) and 3(b), consisting of information of the type set forth below as contained in the Official Statement:

(i) Table 1 – City of Las Cruces, New Mexico Debt Service Requirements for the Series 2016 Bonds (but only to the extent the debt service requirements may have changed);

(ii) Table 2 – City of Las Cruces, New Mexico Pro Forma Schedule of Net Revenues, Debt Service and Coverage;

(iii) Table 3 – City of Las Cruces, New Mexico Water Utility Five Largest Users of Water Utility;

(iv) Table 4 – City of Las Cruces, New Mexico Water Utility Consumption;

(v) Table 5 – City of Las Cruces, New Mexico Wastewater Utility Sewer Customers and Billing Units;

(vi) Table 6 – City of Las Cruces, New Mexico Wastewater Utility Five Largest Users of Wastewater Utility;

(vii) Table 7 – City of Las Cruces, New Mexico Natural Gas Utility Natural Gas Consumption;

(viii) Table 11 – City of Las Cruces, New Mexico Operating Results (Fiscal Year Ended June 30);

(ix) Table 12 – City of Las Cruces, New Mexico Water Utility Water Rates;

(x) Under the heading “Wastewater Utility-- *Residential*” – City of Las Cruces, New Mexico Wastewater Utility Residential Wastewater Rates (Fiscal Year); and

(xi) Table 16 – City of Las Cruces, New Mexico Natural Gas Utility Natural Gas Rates.

(b) “Audited Financial Statements” means the City’s annual financial statements prepared in accordance with generally accepted accounting principles, as in effect from time to time (“GAAP”), for governmental units as prescribed by the Governmental Accounting Standards Board (“GASB”), which financial statements have been prepared as may then be required or permitted by the laws of the State.

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

(d) “Event” means the information or circumstances described in Section 3(d).

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

(f) “Official Statement” means the Official Statement dated September 15, 2016, delivered in connection with the original issue and sale of the Bonds.

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

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

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

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

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

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

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

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

(d) This paragraph (d) shall govern the giving of notices of the occurrence of any of the following Events with respect to the Bonds:

1. principal and interest payment delinquencies;
2. non-payment related defaults, if material;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issued (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
7. modifications to the rights of the security holders, if material;
8. bond calls, if material , or tender offers;
9. defeasances;
10. release, substitution or sale of property securing repayment of the securities, if material;
11. rating changes;
12. bankruptcy, insolvency, receivership or a similar event with respect to the City or an obligated person;
13. the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the

obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

14. appointment of a successor or additional trustee, or a change of name of a trustee, if material.

(e) At any time the Bonds are outstanding, the City shall file, in a timely manner not in excess of ten (10) business days after the occurrence of an Event, a notice of such occurrence with EMMA.

(f) At any time the Bonds are outstanding, the City shall provide to EMMA, notice in a timely manner not in excess of ten (10) business days after the occurrence of any failure of the City to timely provide the Annual Financial Information and Audited Financial Statements as specified in Section 3 hereof.

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

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

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

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

(a) is made in connection with a change in circumstances that arises from a change in legal requirements, a change in law, a change in the identity, nature or status of the City or a change in the availability or character of financial information for the City;

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

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

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

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

Section 9. Special Funds. This Undertaking is subject to the availability of necessary funds from annual Pledged Revenues (as such term is defined in the Ordinance).

Section 10. Governing Law. This Undertaking is governed by and is to be construed in accordance with the law of the State.

Date: October 19, 2016.

CITY OF LAS CRUCES, NEW MEXICO

By: _____
Mayor

[CITY SEAL]

Attest:

By: _____
City Clerk