

Official Statement dated May 10, 2017

NEW ISSUE

MOODY'S RATING: Aa3

See "RATINGS" 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 Bonds (including original issue discount treated as interest) (a) is excludable from the gross income of the recipients thereof for federal income tax purposes, (b) is not a specific preference item for purposes of the federal alternative minimum tax for individuals and corporations, but such interest on the Bonds will be included in the adjusted current earnings of certain corporation. 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 2017 Bonds for certain owners of such bonds, see "TAX EXEMPTION" herein.

CITY OF LAS CRUCES, NEW MEXICO

\$10,570,000

**State Shared Gross Receipts Tax Improvement Revenue Bonds
Series 2017**

Book-Entry Only

Dated: Date of Delivery

Due: June 1, as shown on inside cover

The City of Las Cruces, New Mexico State Shared Gross Receipts Tax Improvement Revenue Bonds, Series 2017 (the "Series 2017 Bonds" or the "Bonds") are being issued by the City of Las Cruces, Doña Ana County, New Mexico (the "City") to provide funds to pay the costs of (1) constructing, purchasing, furnishing, equipping, rehabilitating, making additions to or making improvements to public facilities; (2) constructing, reconstructing, resurfacing, maintaining, repairing or otherwise improving streets or roadways; and (3) paying expenses and costs of issuance related to the issuance of the Series 2017 Bonds. See "PURPOSE AND PLAN OF FINANCING" herein. The Series 2017 Bonds are being issued pursuant to the general laws of the State, including Sections 3-31-1 through 3-31-12 NMSA 1978, as amended (the "Act"), and enactments of the City Council relating to the issuance of the Series 2017 Bonds, including the Bond Ordinance (as defined herein).

The Series 2017 Bonds are issuable only as fully registered bonds in denominations of \$5,000 each or any integral multiple thereof. The Series 2017 Bonds will bear interest from the delivery date and interest is payable on June 1 and December 1 of each year commencing December 1, 2017, as more fully described herein. The Paying Agent and Registrar is the City Treasurer, Las Cruces, New Mexico.

SEE MATURITY SCHEDULE SET FORTH ON THE INSIDE COVER OF THIS OFFICIAL STATEMENT.

The Series 2017 Bonds will be issued pursuant to a book-entry-only system and will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC") New York, New York. Purchasers of the Series 2017 Bonds ("Beneficial Owners") will not receive physical delivery of bond certificates representing their beneficial ownership interests. So long as DTC or its nominee is the owner of the Series 2017 Bonds, disbursement of payments of principal and interest to DTC is the responsibility of the Paying Agent, disbursement of such payments to DTC Participants (as defined herein) is the responsibility of DTC and disbursement of such payments to Beneficial Owners is the responsibility of DTC Participants, as more fully described herein. See "DESCRIPTION OF THE BONDS – Book-Entry Only System" herein.

The Series 2017 Bonds maturing on and after June 1, 2027 are subject to optional redemption on and after June 1, 2026, in whole or in part at any time. See "DESCRIPTION OF THE BONDS – REDEMPTION OF BONDS" herein.

The Series 2017 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 Jennifer Vega-Brown 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 2017 Bonds. It is anticipated that the Series 2017 Bonds will be available for delivery on or about June 22, 2017 through the facilities of DTC, New York, New York.

Dated: May 10, 2017

MATURITY SCHEDULE SERIES 2017 BONDS

<u>Maturity (June 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP Number</u>
2018	\$1,085,000	5.000%	103.835	517538DT8
2019	1,735,000	5.000%	107.571	517538DU5
2020	1,945,000	5.000%	110.950	517538DV3
2021	645,000	5.000%	113.840	517538DW1
2022	645,000	5.000%	116.246	517538DX9
2023	645,000	5.000%	118.263	517538DY7
2024	645,000	5.000%	119.926	517538DZ4
2025	645,000	5.000%	120.784	517538EA8
2026	645,000	5.000%	121.708	517538EB6
2027	645,000	3.000%	104.146*	517538EC4
2028	645,000	3.000%	102.528*	517538ED2
2029	645,000	3.000%	100.938*	517538EE0

* Priced to first optional redemption date of June 1, 2026

CITY OF LAS CRUCES, NEW MEXICO

City Hall, 700 North Main Street
P.O. Box 20000
Las Cruces, New Mexico 88001
(575) 541-2000

MAYOR

Ken Miyagishima

CITY COUNCIL

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

CITY ADMINISTRATION

Stuart C. Ed, City Manager
Audrey Evins, Interim Director of Financial Services
Karin Byrum, CGFM, City Treasurer
Linda Lewis, City Clerk
Jennifer Vega-Brown, City Attorney

FINANCIAL ADVISOR

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

BOND COUNSEL & DISCLOSURE COUNSEL

Modrall, Sperling, Roehl, Harris & Sisk, P.A.
500 Fourth Street N.W., Suite 1000
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 88001
(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 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 88001, (575) 541-2000.

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CITY OF LAS CRUCES, NEW MEXICO

\$10,570,000

**State Shared Gross Receipts Tax Improvement Revenue Bonds
Series 2017**

SUMMARY OF INFORMATION

There follows a summary of certain provisions discussed in this Official Statement. 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 should be made by potential investors.

- Issuer:** The City of Las Cruces, New Mexico (the “City”) operates under a home rule charter pursuant to Article X, Section 6 of the New Mexico Constitution (the “Charter”), with a Council-Manager form of government. The City is located near the Texas and Mexico borders. 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.”
- Dated:** Date of Delivery.
- Principal Payment:** The Bonds are registered bonds maturing on June 1 of the years set forth on the inside cover page of this Official Statement.
- Interest Payment:** Interest will be payable semiannually on June 1 and December 1, commencing December 1, 2017.
- Purpose:** The City of Las Cruces, New Mexico State Shared Gross Receipts Tax Improvement Revenue Bonds, Series 2017 (the “Series 2017 Bonds” or the “Bonds”) are being issued by the City of Las Cruces, Doña Ana County, New Mexico (the “City”) to provide funds to pay the costs of (1) constructing, purchasing, furnishing, equipping, rehabilitating, making additions to or making improvements to public facilities; (2) constructing, reconstructing, resurfacing, maintaining, repairing or otherwise improving streets or roadways; and (3) paying expenses and costs of issuance related to the issuance of the Bonds. See “PURPOSE AND PLAN OF FINANCING” herein.
- Authorization:** The Bonds are being issued pursuant to the general laws of the State, including Sections 3-31-1 through 3-31-12 NMSA 1978, as amended (the “Act”), the Charter and enactments of the City Council relating to the issuance of the Bonds, including the Bond Ordinance.
- Security:** The Bonds are special limited obligations. The Bonds are payable solely from and secured by an irrevocable and first lien (but not necessarily an exclusive first lien) upon the revenues of the 1.225% state shared gross receipts tax (the “Pledged SSGRT Revenues”). See “SECURITY FOR THE BONDS” herein.
- Special Obligations:** THE PRINCIPAL OF AND INTEREST ON THE BONDS WILL BE PAYABLE SOLELY FROM PLEDGED REVENUES, AND WILL NOT BE PAYABLE FROM ANY FUNDS OF THE CITY EXCEPT THE

DESIGNATED SPECIAL FUNDS PLEDGED TO THE PAYMENT OF THE BONDS. THE BONDS WILL NOT CONSTITUTE AN INDEBTEDNESS NOR A DEBT OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL 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 NOR THE GENERAL TAXING POWER OF THE CITY IS PLEDGED FOR THE PAYMENT OF THE PRINCIPAL OF AND INTEREST ON THE BONDS, AND 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 BOND ORDINANCE.

Reserve Fund: No deposit to the Reserve Fund will be made from the proceeds of the Series 2017 Bonds. No deposit shall be required in the Reserve Fund so long as the Pledged SSGRT Revenues in each Fiscal Year equal or exceed 200% of the maximum annual principal and interest coming due in any subsequent Fiscal Year on all outstanding Parity SSGRT Bonds. If the Pledged SSGRT Revenues in any Fiscal Year are insufficient to meet the test set forth in the preceding sentence, the City shall begin making substantially equal monthly deposits in the Reserve Fund from the first legally available Pledged SSGRT Revenues so that after 24 months an amount equal to the Minimum Reserve will be held in the Reserve Fund.

Minimum Reserve: The Minimum Reserve, if required, shall be an amount equal to the least of (i) ten percent of the principal amount of the outstanding Series 2017 Bonds, (ii) the maximum annual debt service on the outstanding Series 2017 Bonds, or (iii) 125% of the average annual debt service on the outstanding Series 2017 Bonds. The Minimum Reserve shall be recalculated every year on or about June 1.

Optional Prior Redemption: The Bonds maturing on and after June 1, 2027 are subject to prior redemption at par at the option of the City, in one or more units of principal of \$5,000 on and after June 1, 2026. If the Bonds are optionally redeemed in part, the Bonds to be so redeemed shall be selected by lot by the Registrar in such manner as the Registrar shall consider appropriate and fair. The redemption price will be the principal amount of each \$5,000 unit so redeemed, accrued interest thereon to the redemption date.

Parity Obligations: The City has the following outstanding obligations with a parity lien on the Pledged SSGRT Revenues: (i) the Loan Agreement between the City and the New Mexico Finance Authority executed on January 23, 2009 in the original aggregate principal amount of \$4,999,890, authorized by City Ordinance No. 2494 adopted by the City Council on December 15, 2008 and currently outstanding in the aggregate principal amount of \$1,750,000; (ii) the "City of Las Cruces, New Mexico State Shared Gross Receipts Tax Refunding Revenue Bonds, Series 2010" in the original aggregate principal amount of \$24,330,000, authorized by City Ordinance No. 2588 adopted by the City Council on August 25, 2010 and currently outstanding in the aggregate principal amount of \$21,060,000; (iii) the "City of Las Cruces, New Mexico State Shared Gross

Receipts Tax Improvement Revenue Bonds, Series 2011A” in the original aggregate principal amount of \$9,640,000, authorized by City Ordinance No. 2618 adopted by the City Council on June 8, 2011 and currently outstanding in the aggregate principal amount of \$6,865,000; (iv) the 2011 NMFA Loan for fire equipment in the original aggregate principal amount of \$964,250, authorized by City Ordinance No. 2634 adopted by the City Council on October 3, 2011 and currently outstanding in the aggregate principal amount of \$391,967; (v) the 2012 NMFA Loan for the refunding of the 2003 State Shared Gross Receipts Tax Bonds in the original aggregate principal amount of \$2,280,000, authorized by City Ordinance No. 2652 adopted by the City Council on April 2, 2012 and currently outstanding in the aggregate principal amount of \$625,000; (vi) the “City of Las Cruces, New Mexico State Shared Gross Receipts Tax Improvement Revenue Bonds, Series 2014” in the original aggregate principal amount of \$10,000,000, authorized by City Ordinance No. 2718 adopted by the City Council on June 24, 2014 and currently outstanding in the aggregate principal amount of \$9,435,000; (vii) the 2014 NMFA Loan for fire equipment in the original aggregate principal amount of \$443,325, authorized by City Ordinance No. 2734 adopted by the City Council on November 3, 2014 and currently outstanding in the aggregate principal amount of \$443,325; (viii) the “City of Las Cruces, New Mexico State Shared Gross Receipts Tax Refunding Revenue Bonds, Series 2015” in the original aggregate principal amount of \$19,195,000, authorized by City Ordinance No. 2739 adopted on December 1, 2014, as supplemented and amended by Resolution No. 15-140 adopted on February 3, 2015 and currently outstanding in the aggregate principal amount of \$16,850,000; and (ix) the 2017 NMFA Loan for public safety vehicles and heavy equipment in the original aggregate principal amount of \$3,203,527, authorized by City Ordinance No. 2801 adopted by the City Council on January 17, 2017 and currently outstanding in the aggregate principal amount of \$3,203,527.

Subordinate Obligations: The City has the following outstanding obligation with a subordinate lien on the Pledged SSGRT Revenues: the “City of Las Cruces, New Mexico Taxable Subordinate Lien State Shared Gross Receipts Tax Improvement Revenue Bonds, Series 2016” in the original aggregate principal amount of \$8,585,000, authorized by City Ordinance No. 2774 adopted on February 16, 2016 and Resolution No. 16-18 adopted on March 9, 2016 and currently outstanding in the aggregate principal amount of \$8,585,000.

Additional Bonds: In addition to the Series 2017 Bonds, additional bonds may hereafter be issued and secured by and paid from the Pledged SSGRT Revenues on parity with the Series 2017 Bonds. The City will not issue additional bonds payable from the Pledged SSGRT Revenues with a lien prior and superior to the lien of the Series 2017 Bonds thereon. Nothing contained in the Bond Ordinance will be construed in such a manner as to prevent the issuance by the City of additional bonds payable from the Pledged SSGRT Revenues with a lien thereon subordinate and junior to the lien of the Series 2017 Bonds thereon, nor to prevent the issuance of bonds or other obligations refunding all or part of the Series 2017 Bonds as permitted by the Bond Ordinance. See “ADDITIONAL OBLIGATIONS PAYABLE FROM PLEDGED REVENUES” herein.

Tax Exemption: In the opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A., Bond Counsel, interest on the Series 2017 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 2017 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.

Secondary Market Disclosure: The City has entered into an undertaking (the “Undertaking”) for the benefit of the holders of the Bonds to send certain financial information and operating data to certain information repositories annually and to provide notice to the Municipal Securities Rulemaking Board of certain 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.

Delivery: The delivery of the Bonds is expected on or about June 22, 2017.

Bond Counsel: Modrall, Sperling, Roehl, Harris & Sisk, P.A., Albuquerque, New Mexico

Paying Agent/Registrar: City Treasurer, Las Cruces, New Mexico.

OFFICIAL STATEMENT

CITY OF LAS CRUCES, NEW MEXICO

\$10,570,000

**State Shared Gross Receipts Tax Improvement Revenue Bonds
Series 2017**

INTRODUCTION

This Official Statement, which includes the cover page and the appendices hereto, sets forth certain information in connection with the offering of \$10,570,000 aggregate principal amount of State Shared Gross Receipts Tax Improvement Revenue Bonds, Series 2017 (the “Bonds”), to be issued by the City of Las Cruces, Doña Ana County, New Mexico, pursuant to Ordinance No. 2808, adopted on May 1, 2017, as supplemented and amended from by Resolution No. 17-187, adopted on May 10, 2017 (the “Bond Ordinance”).

The Series 2017 Bonds are payable and collectible solely from the Pledged State Shared Gross Receipts Tax Revenues (“Pledged SSGRT Revenues”).

Pledged SSGRT Revenues means the revenues from the State gross receipts tax derived pursuant to Section 7-9-4 NMSA 1978, imposed on persons engaging in business in the State, which revenues are remitted to the City monthly by the New Mexico Department of Taxation and Revenue pursuant to Section 7-1-6 and 7-1-6.4 NMSA 1978, and which remittances currently equal one and two hundred twenty-five thousandths percent (1.225%) of the taxable gross receipts reported for the City for the month for which such remittances is made; provided that if a greater amount of such gross receipts tax revenues are hereafter provided to be remitted to the City under applicable law, such additional amounts shall be included as revenues pledged pursuant to the Bond Ordinance; and provided further that the amount of revenues pledged pursuant to the Bond Ordinance shall never be less than the greater of: (i) 1.225% of the taxable gross receipts remitted to the City by the State as set forth above, or (ii) the maximum amount at any time provided hereafter to be remitted to the City under applicable law, and includes the distribution to the City made pursuant to Section 7-1-6.46 NMSA 1978, as that distribution relates to the gross receipts tax revenues received pursuant to Section 7-1-6.4 NMSA 1978, which revenues are reduced pursuant to the deductions under Sections 7-9-92 and 7-9-93 NMSA 1978 (the “Hold Harmless Distribution”); and provided further, the City intends that Section 3-31-6(C) NMSA 1978 applies expressly to the amount of revenues pledged pursuant to the Bond Ordinance (the term “Pledged State Shared Gross Receipts Tax Revenues” does not include any local option gross receipts tax income received by the City).

The Series 2017 Bonds will be secured by an irrevocable and first lien (but not necessarily an exclusive first lien) on the Pledged SSGRT Revenues. See “SECURITY FOR THE BONDS” herein.

The Series 2017 Bonds are being issued by the City of Las Cruces, Doña Ana County, New Mexico (the “City”) to provide funds to pay the costs of (1) constructing, purchasing, furnishing, equipping, rehabilitating, making additions to or making improvements to public facilities; (2) constructing, reconstructing, resurfacing, maintaining, repairing or otherwise improving streets or roadways; and (3) paying expenses and costs of issuance related to the issuance of the Series 2017 Bonds. See “THE PROJECT” herein

Pursuant to the Bond Ordinance, the City has covenanted not to repeal or amend any law, ordinance, or resolution in a manner that impairs any of the outstanding Bonds.

Additional bonds may hereafter be issued and secured by the Pledged SSGRT Revenues having a lien on the Pledged SSGRT Revenues on a parity with, or subordinate and junior to, the lien on the Pledged SSGRT Revenues securing the Series 2017 Bonds. Additional Obligations may not be issued with a lien superior to the lien on the Pledged SSGRT Revenues securing the 2017 Bonds. See “ADDITIONAL OBLIGATIONS PAYABLE FROM PLEDGED STATE SHARED GROSS RECEIPTS TAX REVENUES -- Parity Obligations.”

The descriptions and summaries of various documents hereinafter set forth do not purport to be comprehensive or definitive, and reference is made to each document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to each document. All capitalized terms used in this Official Statement and not otherwise defined herein have the same meanings as in the Bond Ordinance.

THE PROJECT

The proceeds of the Series 2017 Bonds will be used to (1) construct, purchase, furnish, equip, rehabilitate, make additions to or make improvements to public facilities; (2) construct, reconstruct, resurface, maintain, repair or otherwise improve streets or roadways; and (3) pay expenses and costs of issuance related to the issuance of the Series 2017 Bonds. See “SOURCES AND USES OF PROCEEDS OF THE BONDS” herein.

SPECIAL FACTORS RELATING TO THE BONDS

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

Gross Receipts Tax Collections are Subject to Fluctuation

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

The Pledged SSGRT Revenues are based on the total gross receipts of the City. Various circumstances and developments, most of which are beyond the control of the City, may have an adverse effect on the future level of Pledged Revenues. Such circumstances may include, among others, adverse changes in national and local economic and financial conditions generally, reductions in the rates of employment and economic growth in the City, the State and the region, a decrease in rates of population growth and rates of residential and commercial development in the City, the County, the State and the region and various other factors. For the Fiscal Year ended June 30, 2016, total Pledged SSGRT Revenues were \$36,212,860, approximately 6.53% higher than for the previous fiscal year. See table under “PLEDGED REVENUES” for historical collections. There can be no assurance that Pledged SSGRT Revenues will continue to increase.

Bankruptcy and Foreclosure

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

Limited Obligations

The Series 2017 Bonds constitute a lien only on the Pledged SSGRT Revenues. Therefore, the security for the punctual payment of the principal of and interest on the Bonds is dependent on the City's receipt of the Pledged Revenues in amounts sufficient to meet the debt service requirements of the Bonds. See "SECURITY FOR THE BONDS" and "PLEDGED REVENUES" herein. The Bonds and the interest thereon do not constitute a debt or indebtedness of the City within the meaning of any provision or limitation of the Constitution or laws of the State and do not give rise to a pecuniary liability of the City or a charge against its general credit or taxing power. Further, the Bonds are not obligations of the State, and the owners of the Bonds may not look to the State for payment of the principal of or interest on the Bonds.

Additional Parity Obligations and Subordinate Lien Obligations

The City may issue additional Parity Obligations without Bondholder consent, upon meeting coverage or other financial tests. See "ADDITIONAL OBLIGATIONS PAYABLE FROM PLEDGED STATE SHARED GROSS RECEIPTS TAX REVENUES -- Parity Obligations" herein. Parity SSGRT Obligations would have a lien on the Pledged SSGRT Revenues on parity with the lien of the Series 2017 Bonds. As a result, if Pledged SSGRT Revenues are insufficient to pay debt service on the Series 2017 Bonds and the Parity SSGRT Obligations in any year, debt service will be paid on a proportionate basis. The City is permitted to issue additional obligations with a lien on the Pledged SSGRT Revenues subordinate to the lien thereon of the Series 2017 Bonds ("Subordinate Lien Obligations"), and issued its Taxable Subordinate Lien State Shared Gross Receipts Tax Improvement Revenue Bonds, Series 2016, which are currently outstanding in an aggregate principal amount of \$8,585,000.

Secondary Market

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

State Legislation

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

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

reimburse local governments for revenues lost as a result of the new deduction (the “Hold Harmless Distributions”). Those distributions are included within Pledged Revenues. In the same year the Legislature created a deduction from gross receipts tax for receipts of licensed medical care providers from Medicare Part C and managed health plans that by contract do not reimburse providers for gross receipts tax. This legislation includes provision for payments from the State general fund to reimburse local governments for revenues lost as a result of this deduction. Those distributions are included within Pledged Revenues but, as described below, will be phased out over a 15-year period beginning July 1, 2015. See “SPECIAL FACTORS RELATING TO THE BONDS-- Gross Receipts Tax Hold Harmless Distributions”, “PLEDGED REVENUES” and “ADDITIONAL OBLIGATIONS PAYABLE FROM PLEDGED REVENUES” herein.

Other amendments to State laws affecting taxed activities and distribution of gross receipts tax revenues have been proposed from time to time, including a significant tax reform package that was proposed in the 2017 regular legislative session. Governor Susana Martinez has stated publicly that she intends to include comprehensive tax reform to the agenda for a special legislative session to be convened to address the state’s budget. However, the extent and likelihood of passage of tax reform cannot be determined at this time. Such changes or amendments could be proposed in the future by the Legislature. There is no assurance that any future amendments will not adversely affect activities now subject to the gross receipts tax or distribution of gross receipts tax revenues to the City. Notwithstanding the foregoing, the provisions of State law authorizing the issuance of revenue bonds (including gross receipts tax bonds such as the Bonds) include a provision stating that any law which authorizes the pledge of revenues to the payment of revenue bonds, or which affects the pledged revenue “shall not be repealed or amended or otherwise directly or indirectly modified in such a manner as to impair adversely any such outstanding revenue bonds.”

Gross Receipts Tax Hold Harmless Distributions

In 2013 the New Mexico Legislature enacted House Bill 641 which amended several provisions of New Mexico’s tax code, including a phased reduction in the Hold Harmless Distributions to certain municipalities and counties over 15 years starting in Fiscal Year beginning July 1, 2015. In order to offset the reduced Hold Harmless Distributions, the law allows municipalities and counties to impose a local option gross receipts tax up to 3/8ths of a percent (the “Hold Harmless Gross Receipts Tax”).

The law as currently enacted will result in annual reductions and ultimately the elimination of the Hold Harmless Distributions to the City beginning on July 1 2015, as follows:

Fiscal year beginning July 1	% of Total Hold Harmless Distribution*
2015	94%
2016	88%
2017	82%
2018	76%
2019	70%
2020	63%
2021	56%
2022	49%
2023	42%
2024	35%
2025	28%
2026	21%
2027	14%
2028	7%
2029	-0-

* Based on percentage of total deductions from gross receipts claimed for sale of food at retail food stores and services provided by health care practitioners.

It is possible that the New Mexico Legislature will further amend the recently enacted law and provide for additional decreases in Hold Harmless Distributions in the event that a municipality or county imposes any increment of the Hold Harmless Gross Receipts Tax. The City enacted a three-eighths of one percent Hold Harmless Gross Receipts Tax in 2013, but has not pledged revenues derived therefrom to the payment of the Series 2017 Bonds. SEE “PLEGGED REVENUES” herein.

City Cannot Increase Distribution of Taxes

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

Bond Ratings

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

DESCRIPTION OF THE BONDS

General

The Series 2017 Bonds are being issued in the aggregate principal amount of \$10,570,000 in order to provide funds for the Project. See “PURPOSE AND PLAN OF FINANCING” herein.

The Bonds will be dated the date of delivery. The Bonds will bear interest from their dated date at the rates, and will mature in the amounts and on the dates set forth on the inside cover page of this Official Statement. Interest on the Bonds will be payable semi-annually on June 1 and December 1 of each year, commencing December 1, 2017. The Bonds will bear interest from the most recent interest payment date to

which interest has been fully paid or duly provided for or, if no interest has been paid, from the date of issuance. The Bonds will be issued as fully registered bonds without coupons in denominations of \$5,000 or any integral multiple thereof.

Payment - Regular Record Date

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

Optional Redemption

The Series 2017 Bonds maturing on or after June 1, 2027 are subject to prior redemption at the City's option in whole or in part at any time on and after June 1, 2026 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 Series 2017 Bonds of such maturity is called, such selection by lot to be made by the Registrar in such manner as considered appropriate and fair) for the principal amount so redeemed plus accrued interest to the redemption date. Redemption shall be made upon prior notice mailed to each registered owner of each Series 2017 Bond selected for redemption as shown on the registration books kept by the Registrar in the manner and upon the conditions provided in the Bond Ordinance.

Redemption Procedures

Notice of redemption shall be given by the Registrar by sending a copy of such notice in the manner required by the Depository or by first-class, postage prepaid mail at least thirty (30) days prior to the redemption date to the registered owner of each Series 2017 Bond, or portion thereof, to be redeemed at the address shown as of the close of business of the Registrar on the fifth day prior to the mailing of notice on the registration books kept by the Registrar. The City shall give notice of optional redemption of the Series 2017 Bonds to the Registrar at least forty-five (45) days prior to the redemption date (unless such deadline is waived by the Registrar). The Registrar's failure to give such notice to the registered owner of any Series 2017 Bond, or any defect therein, shall not affect the validity of the proceedings for the redemption of any Series 2017 Bonds for which proper notice was given. Notices of redemption shall specify the maturity dates and the number or numbers of the Series 2017 Bonds to be redeemed (if less than all are to be redeemed) and if less than the full amount of any Series 2017 Bond is to be redeemed, the amount of such Series 2017 Bond

to be redeemed, the date fixed for redemption, and that on such redemption date there will become and be due and payable upon each Series 2017 Bond to be redeemed at the office of the Paying Agent the principal amount to be redeemed plus accrued interest to the redemption date and that from and after such date interest will cease to accrue on such amount. Notice having been given in the manner hereinbefore provided, the Series 2017 Bond or Bonds so called for redemption shall become due and payable on the redemption date so designated and if an amount of money sufficient to redeem all Series 2017 Bonds called for redemption shall on the redemption date be on deposit with the Paying Agent, the Series 2017 Bonds to be redeemed shall be deemed not outstanding and shall cease to bear interest from and after such redemption date. Upon presentation of the Series 2017 Bonds to be redeemed at the office of the Paying Agent, the Paying Agent will pay the Series 2017 Bond or Bonds so called for redemption with funds deposited with the Paying Agent by the City.

Conditional Redemption

If money or Defeasance Obligations (as defined in the Bond Ordinance) sufficient to pay the optional redemption price of the Series 2017 Bonds to be called for optional redemption are not on deposit with the Paying Agent prior to the giving of notice of optional redemption referred to above, such notice shall state such Series 2017 Bonds will be redeemed in whole or in part on the optional redemption date in a principal amount equal to that part of the optional redemption price received by the Paying Agent on the applicable optional redemption date. If the full amount of the optional redemption price is not received as set forth in the preceding sentence, the notice shall be effective only for those Series 2017 Bonds for which the optional redemption price is on deposit with the Paying Agent. If all Series 2017 Bonds called for optional redemption cannot be redeemed, the Series 2017 Bonds to be redeemed shall be selected in the manner deemed reasonable and fair by the City and the Registrar shall give notice, in the manner in which the original notice of optional redemption was given, that such money was not received. In that event, the Registrar shall promptly return to the Owners thereof the Series 2017 Bonds or certificates which it has received evidencing the part thereof which have not been optionally redeemed.

Registration, Transfer and Exchange of Bonds

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

The Registrar shall not be required to transfer or exchange any Bond (i) during the period of fifteen (15) days next preceding the mailing of notice calling any Series 2017 Bonds for redemption, or (ii) after the mailing to registered owners of notice calling such Series 2017 Bonds or portion thereof for redemption. The Registrar shall close books for change of registered owners' addresses on each Record Date; transfers will be permitted within the period from each Record Date to each Interest Payment Date, but such transfers shall not include a transfer of accrued interest payable.

The person in whose name any Bond is registered shall be deemed and regarded as the absolute owner thereof for all purposes, and payment of either the principal of or interest on any such Bond shall be made only to or upon the order of the registered owner thereof or his legal representative as stated in the Bond Ordinance, but such registration may be changed as provided in the Bond Ordinance. All such payments shall

be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid.

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

Book-Entry Only System

Unless otherwise noted, the information contained under the caption “General” below has been provided by DTC. The City makes no representations as to the accuracy or the completeness of such information. The Beneficial Owners of the Bonds should confirm the following information with DTC, the Direct Participants or the Indirect Participants.

NEITHER THE 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 BONDS UNDER THE BOND ORDINANCE, (C) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE BONDS; (D) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR INTEREST DUE WITH RESPECT TO THE OWNER OF THE BONDS; (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNERS OF BONDS; OR (F) ANY OTHER MATTER REGARDING DTC.

General

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for the 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 Bonds under the DTC system must be made by or through Direct or Indirect Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. 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 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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

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

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

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the 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 City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the 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 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 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 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 neither the City nor the Underwriter takes any responsibility for the accuracy thereof.

Source of Payment

The Series 2017 Bonds are payable and collectible solely from an irrevocable and first lien (but not necessarily an exclusive first lien) on the Pledged SSGRT Revenues. See “PLEDGED REVENUE” herein.

All of the Bonds, together with the interest accruing thereon, shall be payable and collectible solely out of Pledged SSGRT Revenues, which are irrevocably so pledged by the Bond Ordinance. The registered owner or owners of the Bonds may not look to any general or other fund for the payment of the principal or of interest on such obligations, except the designated special funds pledged therefor. The Bonds shall not constitute an indebtedness or a debt within the meaning of any constitutional or statutory provision or limitation; nor shall they be considered or held to be general obligations of the City.

Funds and Accounts

The Bond Ordinance creates or continues the following funds and accounts for the Bonds: (i) a Series 2017 Acquisition Fund, (ii) a Pledged SSGRT Income Fund, (iii) a Series 2017 Debt Service Fund, and (iv) a Series 2017 Reserve Fund.

Disposition of Bond Proceeds

The proceeds from the sale of the Bonds shall be applied by the City simultaneously with the delivery of the Bonds to the Purchaser in the following manner and priority:

Expenses. An amount necessary, together with other legally available funds of the City, shall be used to pay costs of issuance of the Bonds.

Series 2017 Acquisition Fund. Proceeds derived from the sale of the Series 2017 Bonds shall be deposited promptly upon the receipt thereof in the Series 2017 Acquisition Fund. Until the Completion Date, the money in the Series 2017 Acquisition Fund shall be used and paid out solely for the purpose of the Project in compliance with applicable law.

Series 2017 Reserve Fund. No deposit of proceeds of the Bonds or other City moneys into the Series 2017 Reserve Fund shall be required on the date of issuance of the Bonds or at any time thereafter, except in the circumstances and on the conditions described in the Bond Ordinance.

Project Completion. As soon as practicable, after the completion of the Project, and in any event not more than 60 days after the completion of the Project, any balance remaining in the Series 2017 Acquisition Fund (other than any amount retained by the City for any Project costs not then due and payable) shall be transferred from the Series 2017 Acquisition Fund and deposited in the Series 2017 Debt Service Fund and used by the City to pay principal and interest on the Series 2017 Bonds as same become due.

Deposit of Pledged Revenues and Flow of Funds.

Series 2017 Bonds and Pledged SSGRT Revenues.

(1) Pledged SSGRT Income Fund. So long as any of the Series 2017 Bonds are outstanding either as to principal or interest, or both, the City shall credit all Pledged SSGRT Revenues to the Pledged SSGRT Income Fund. The following payments shall be made from the Pledged SSGRT Income Fund.

(2) Series 2017 Debt Service Fund. As a first charge on the Pledged SSGRT Revenue Fund, the following amounts shall be withdrawn from the Pledged SSGRT Revenue Fund (on parity with other outstanding Parity Bonds) and shall be credited to the Series 2017 Debt Service Fund:

(a) Monthly, commencing on the first day of the month immediately succeeding the delivery of the Series 2017 Bonds, an amount in equal monthly installments necessary, together with any other moneys therein and available therefor, to pay the next maturing installment of interest on the Series 2017 Bonds, and monthly thereafter, commencing on each Interest Payment Date, one-sixth (1/6) of the amount necessary to pay the next maturing installment of interest on the Series 2017 Bonds then outstanding.

(b) Monthly, commencing on the first day of the month immediately succeeding the delivery of the Series 2017 Bonds, an amount in equal monthly installments necessary, together with any other moneys therein and available therefor, to pay the next maturing installment of principal of the outstanding Series 2017 Bonds and monthly thereafter, commencing on each principal payment date, one-twelfth (1/12) of the amount necessary to pay the next maturing installment of principal on the Series 2017 Bonds then outstanding.

(3) Credit. In making the deposits required to be made into the Series 2017 Debt Service Fund, if there are any amounts then on deposit in the Series 2017 Debt Service Fund available for the purpose for which such deposit is to be made, the amount of the deposit to be made pursuant to paragraph (2) above shall be reduced by the amount available in such fund for such purpose.

(4) Transfer of Money out of Series 2017 Debt Service Fund. Each payment of principal and interest becoming due on the Series 2017 Bonds shall be transferred from the Series 2017 Debt Service Fund to the Paying Agent on or before two Business Days prior to the due date of such payment.

(5) Series 2017 Reserve Fund. No deposit shall be required in the Series 2017 Reserve Fund so long as the Pledged SSGRT Revenues in each Fiscal Year equal or exceed 200% of the maximum annual principal and interest coming due in any subsequent Fiscal Year on all outstanding Parity SSGRT Bonds. If the Pledged SSGRT Revenues in any Fiscal Year are insufficient to meet the test set forth in the preceding sentence, the City shall begin making substantially equal monthly deposits in the Series 2017

Reserve Fund from the first legally available Pledged SSGRT Revenues so that after 24 months an amount equal to the Series 2017 Minimum Reserve will be held in the Series 2017 Reserve Fund. After funding the Series 2017 Reserve Fund in an amount equal to the Series 2017 Minimum Reserve, no additional payments need be made into the Series 2017 Reserve Fund so long as the moneys therein shall equal not less than the Series 2017 Minimum Reserve. The moneys in the Series 2017 Reserve Fund shall be accumulated and maintained as a continuing reserve to be used, except as hereinafter provided in paragraph (6) below, only to prevent deficiencies in the payment of the principal of and interest on the Series 2017 Bonds resulting from failure to deposit into the Series 2017 Debt Service Fund sufficient funds to pay the principal and interest as the same accrue. In the event that the funding of the Series 2017 Reserve Fund is required, the City may satisfy that requirement by depositing a Reserve Fund Insurance Policy with coverage in the amount of the Minimum Reserve.

(6) Defraying Delinquencies in the Series 2017 Debt Service Fund and Series 2017 Reserve Fund. If, on any Interest Payment Date, the amount on deposit in the Series 2017 Debt Service Fund is insufficient to pay principal of and interest on the Series 2017 Bonds then due, an amount shall be paid into the Series 2017 Debt Service Fund on such date from the Series 2017 Reserve Fund (if moneys are then on deposit in the Series 2017 Reserve Fund) equal to the amount of the insufficiency. The money deposited in the Series 2017 Debt Service Fund from the Series 2017 Reserve Fund, if any, shall be replaced in the Series 2017 Reserve Fund in 24 substantially equal monthly deposits commencing on the first day of the first month immediately succeeding the draw on the Series 2017 Reserve Fund. Such accumulation shall be made from the Pledged SSGRT Revenues second to the payments required by paragraph (2) above. If, in any month, the City shall, for any reason, fail to pay into the Series 2017 Reserve Fund the full amount required, the difference between the amount paid and the amount so stipulated shall be paid therein from the first Pledged SSGRT Revenues thereafter received and not required to be otherwise applied. The moneys in the Series 2017 Reserve Fund shall be used solely and only for the purpose of paying any deficiencies in the payment of the principal of and the interest on the Series 2017 Bonds; provided, however, that any moneys at any time in excess of the Series 2017 Minimum Reserve in the Series 2017 Reserve Fund may be withdrawn therefrom and applied to any other lawful purpose. Cash accumulated in the Series 2017 Reserve Fund shall not be invested in a manner which could cause the Series 2017 Bonds to become arbitrage bonds within the meaning of the Code. Any investments held in the Series 2017 Reserve Fund shall be valued annually, on or about June 1, at their current fair market value and, if the amount then on deposit in the Series 2017 Reserve Fund exceeds the Series 2017 Minimum Reserve, all amounts in excess of the Series 2017 Minimum Reserve shall be transferred to the Series 2017 Debt Service Fund and used to pay principal of and interest on the Series 2017 Bonds.

(7) Payment of Parity SSGRT Obligations. Concurrently with the payment of the Pledged SSGRT Revenues required by paragraphs (2), (5) and (6) above, any amounts on deposit in the Pledged SSGRT Revenue Fund shall be used by the City for the payment of principal of, interest on and debt service reserve fund deposits relating to outstanding Parity SSGRT Bonds payable from the Pledged SSGRT Revenues as the same become due. If funds on deposit in the Pledged SSGRT Revenue Fund are not sufficient to pay when due the required payments of principal of, interest on and debt service reserve fund deposits relating to the Series 2017 Bonds and any other outstanding Parity SSGRT Bonds, then the available funds in the Pledged SSGRT Revenue Fund will be used, first, on a pro rata basis, based on the amount of principal and interest then due with respect to each series of outstanding Parity SSGRT Bonds, for the payment of principal of and interest on all series of outstanding Parity SSGRT Bonds and, second, to the extent of remaining available funds in the Pledged SSGRT Revenue Fund, on a pro rata basis, based on the amount of debt service reserve fund deposits then required with respect to each series of outstanding Parity SSGRT Bonds, for the required debt service reserve fund deposits for all series of outstanding Parity SSGRT Bonds.

(8) Termination Upon Deposits to Maturity. No payment shall be made into the Series 2017 Debt Service Fund or the Series 2017 Reserve Fund if the amounts in such funds total a sum at least equal to the entire aggregate amount due as to principal, premium, if any, and interest, on the Series 2017 Bonds to their respective maturities or applicable redemption dates, in which case moneys in the Series 2017 Debt Service Fund and the Series 2017 Reserve Fund in an amount at least equal to such principal and interest requirements shall be used solely to pay such obligations as the same become due, and any moneys in excess thereof in the Series 2017 Debt Service Fund and the Series 2017 Reserve Fund may be used as provided below.

(9) Payment of Subordinate Lien Obligations. Subsequent to the payments required in paragraphs (2), (5), (6) and (7) of this section, any balance remaining in the Pledged SSGRT Revenue Fund shall be used by the City for the payment of interest on and the principal of Subordinate Bonds or other obligations, if any, having a lien on any of the Pledged SSGRT Revenues subordinate to the lien thereon of the Series 2017 Bonds hereafter authorized, issued and payable from the Pledged SSGRT Revenues, as the same become due. Payments with respect to principal, interest and reserve funds for any such subordinate lien obligations may be made at any intervals as may be provided in the ordinance or resolution authorizing such Subordinate Bonds.

(10) Surplus Revenues. After making all the payments described above required to be made, the remaining Pledged SSGRT Revenues, if any, may be applied to any other lawful purpose, as the City may from time to time determine.

General Administration of Funds

The funds designated above shall be administered and invested as follows:

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

B. Investment of Moneys. Moneys in the Series 2017 Reserve Fund shall be invested in accordance with the Bond Ordinance, and moneys in any other fund or account not immediately needed may be invested in any investment permitted by the laws of the State or the Charter. The obligations so purchased as an investment of moneys in any fund or account shall be deemed to be part of such fund or account, and the interest accruing thereon and any profit realized therefrom shall be credited to such fund or account, and any loss resulting from such investment shall be charged to such fund or account. The City Treasurer shall present for redemption or sale on the prevailing market any obligations so purchased as an investment of moneys in the fund or account whenever it shall be necessary to do so in order to provide moneys to meet any payment or transfer from such fund.

C. Series 2017 Reserve Fund. Moneys, if any, in the Series 2017 Reserve Fund may be invested only in Permitted Investments with an average aggregate weighted term to maturity not greater than five years.

(1) The City shall annually on or about June 1 of each year, commencing on the first June 1 succeeding funding of the Series 2017 Reserve Fund, value the Series 2017 Reserve Fund on the basis of the current fair market value of deposits and investments credited to the Series 2017 Reserve Fund.

(2) If, upon any valuation, the value of the Series 2017 Reserve Fund exceeds the Series 2017 Minimum Reserve, the excess amount shall be withdrawn and deposited into the Series 2017 Debt Service Fund; if the value is less than the applicable requirement, the City shall replenish such amounts from the first Pledged SSGRT Revenues thereafter received not required to be otherwise applied or other monies legally available therefor.

(3) At such time as the Series 2017 Bonds are paid in full or are deemed to be paid in full, the amount on deposit in the Series 2017 Reserve Fund may be used to pay the final installments of principal and interest on the Series 2017 Bonds and otherwise may be withdrawn and transferred to the City to be used for any lawful purpose.

(4) If the amounts described in subparagraph (3) above are used for a purpose other than payment of the Series 2017 Bonds, there shall be delivered an opinion of nationally recognized bond counsel that the purpose for which such funds are to be used is a lawful purpose for which such proceeds may be used under the laws of the State and that such use shall not result in the inclusion of interest on any Bonds in gross income of the recipient thereof for federal income tax purposes.

(5) If moneys have been withdrawn from the Series 2017 Reserve Fund and deposited into the Series 2017 Debt Service Fund to prevent a default on the Series 2017 Bonds, then the City will pay, from Pledged SSGRT Revenues, or other monies legally available therefor, the full amount so withdrawn or so much as shall be required to restore the Series 2017 Reserve Fund, to the Series 2017 Minimum Reserve. Such repayment shall be made as required by the Bond Ordinance.

Default, Remedies and City Duties

Each of the following events is declared in the Bond Ordinance to be an “event of default”:

(a) failure to pay the principal of any of the Bonds when the same becomes due and payable, either at maturity, or by proceedings for redemption, or otherwise; or

(b) failure to pay any installment of interest when the same becomes due and payable; or

(c) if the City shall for any reason be rendered incapable of fulfilling its obligations under the Bond Ordinance; or

(d) default by the City in the due and punctual performance of its covenants or conditions, agreements and provisions contained in the Bonds or in the Bond Ordinance on its part to be performed (other than a default set forth in subparagraphs (a) and (b) above), and the continuance of such default for thirty (30) days after written notice specifying such default and requiring the same to be remedied has been given to the City by the holders of twenty-five percent (25%) in aggregate principal amount of the Series 2017 Bonds then outstanding; or

(e) the City (i) files a petition or application seeking reorganization or arrangement of debt under Federal Bankruptcy law, or other debtor relief under the laws of any jurisdiction, or (ii) is the subject of such petition or application which the City does not contest or is not dismissed or discharged within sixty (60) days.

Upon the happening and continuance of any of the events of default described above, then and in every case, the holder or holders of not less than twenty-five percent (25%) in aggregate principal amount of the Series 2017 Bonds then outstanding, including, but not limited to, a trustee or trustees therefor, may proceed against the City, the City Council and its agents, officers and employees, but only in their official capacities, to protect and enforce the rights of any holder of Bonds under the Bond Ordinance by mandamus or other suit, action or special proceedings in equity or at law, in any court of competent jurisdiction, either for the appointment of a receiver or for the specific performance of any covenant or agreement contained herein or in an award relating to the execution of any power herein granted for the enforcement of any legal or equitable remedy as such holder or holders may deem most effectual to protect and enforce the rights provided above, or to enjoin any act or thing which may be unlawful or in violation of any right of any Bondholder, or to require the City Council to act as if it were the trustee of an express trust, or any combination of such remedies. All such proceedings at law or in equity shall be instituted, had and maintained for the equal benefit of all holders of the Series 2017 Bonds then outstanding. The failure of any Bondholder so to proceed shall not relieve the City or any of its officers, agents or employees of any responsibility for failure to perform, in their official capacities, any duty. Each right or privilege of such holder (or trustee thereof) is in addition and cumulative to any other right or privilege, and the exercise of any right or privilege by or on behalf of any holder shall not be deemed a waiver of any other right or privilege.

Defeasance

When all principal, interest and prior redemption premium, if any, in connection with the Series 2017 Bonds have been duly paid, the pledge and lien for the payment of the Series 2017 Bonds shall be discharged and the Series 2017 Bonds shall no longer be deemed to be outstanding within the meaning of the Bond Ordinance. Payment shall be deemed made with respect to any Bond or Bonds when the City has placed in escrow with a commercial bank exercising trust powers, an amount sufficient (including the known minimum yield from Defeasance Obligations) to meet all requirements of principal, interest and prior redemption premium, if any, as the same become due to their final maturities or upon designated redemption dates. Any Defeasance Obligations shall become due when needed in accordance with a schedule agreed upon between the City and such bank at the time of the creation of the escrow. Defeasance Obligations within the meaning of this Section shall include only (1) cash, (2) U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series – “SLGs”), and (3) obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

Amendment

The Bond Ordinance may be amended without the consent of the holder of any Bond to cure any ambiguity or to cure, correct or supplement any defect or inconsistent provision contained in the Bond Ordinance. Prior to the date of the initial delivery of the Bonds, the provisions of the Bond Ordinance may be amended with the written consent of the Purchaser with respect to any changes which are not inconsistent with the substantive provisions of the Bond Ordinance. In addition, the Bond Ordinance may be amended without receipt by the City of any additional consideration, but with the written consent of the holders of seventy-five percent (75%) of the Series 2017 Bonds then outstanding (not including Bonds which may be held for the account of the City); but no ordinance adopted without the written consent of the holders of all outstanding Series 2017 Bonds shall have the effect of permitting:

- (a) An extension of the maturity of any Bond; or
- (b) A reduction of the principal amount or interest rate of any Bond; or

(c) The creation of a lien upon the Pledged SSGRT Revenues ranking prior to the lien or pledge created by the Bond Ordinance; or

(d) A reduction of the principal amount of Bonds required for consent to such amendatory ordinance; or

(e) The establishment of priorities as between Bonds issued and outstanding under the provisions of the Bond Ordinance; or

(f) The modification of or otherwise affecting the rights of the holders of less than all the outstanding Bonds.

SECURITY FOR THE BONDS

Pledge and Security

Subject to the uses permitted by, and the priorities set forth in the Bond Ordinance, the City will pledge and grant a security interest in the Pledged SSGRT Revenues and the amounts and securities on deposit in the Series 2017 Debt Service Fund and the Series 2017 Reserve Fund and the proceeds thereof, for the payment of principal of and interest on the Series 2017 Bonds. The Series 2017 Bonds constitute an irrevocable and first lien, but not necessarily an exclusive first lien, on the Pledged SSGRT Revenues, as set forth in the Bond Ordinance.

Special Limited Obligations

All of the Bonds and all payments of principal, premium, if any, and interest thereon whether at maturity or on a redemption date, together with any interest accruing thereon, shall be special limited obligations of the City and shall be payable and collectible solely from the Pledged SSGRT Revenues. The owner or owners of the Bonds may not look to any general or other fund for the payment of the principal of or interest on such obligations, except the designated special funds pledged therefor. The Bonds shall not constitute an indebtedness or a debt of the City within the meaning of any constitutional, charter or statutory provision or limitation, nor shall they be considered or held to be general obligations of the City. Each of the Series 2017 Bonds shall recite that it is payable and collectible solely out of the Pledged SSGRT Revenues, as set forth in the Bond Ordinance, and that the holders thereof may not look to any general or other municipal fund for the payment of the principal of and interest on the Bonds. Nothing in the Bond Ordinance shall prevent the City from applying other funds of the City legally available therefor to the payment of the Bonds, in its sole discretion.

PURPOSE AND PLAN OF FINANCING

Purpose

The net proceeds received by the City from the sale of the Series 2017 Bonds, together with other available funds of the City, will be used to provide funds for the construction of Road/Facility Improvements. See "THE PROJECT" herein.

Sources and Uses of Funds

The sources and uses for the Series 2017 Bonds are as follows:

<u>SOURCES OF FUNDS</u>	
Par Amount of Series 2017 Bonds	\$10,570,000.00
Original Issue Premium	<u>1,149,488.65</u>
TOTAL SOURCES	<u><u>\$11,719,488.65</u></u>

<u>USES OF FUNDS</u>	
Deposit to Series 2017 Acquisition Fund	\$11,552,352.01
Costs of Issuance for Series 2017 Bonds ⁽¹⁾	136,750.00
Underwriter's Discount	<u>30,386.64</u>
TOTAL USES	<u><u>\$11,719,488.65</u></u>

⁽¹⁾ Includes financial advisor fees, legal fees and other miscellaneous costs and contingencies.

ANNUAL DEBT SERVICE SUMMARY

The following table sets forth for each fiscal year from 2017 through 2037 the amounts required in each such fiscal year to pay scheduled annual debt service on the Series 2017 Bonds outstanding Parity SSGRT Obligations, outstanding Subordinate Bonds, as well as the debt service coverage ratio, based on fiscal year 2013 Pledged SSGRT Revenues.

Fiscal Year Ending June 30	Series 2017 Bonds <u>Debt Service/Coverage</u>					Debt Service Coverage ⁽¹⁾	Combined Senior and Subordinate Bonds Coverage	% of Estimated FY 2017 Hold Harmless Distribution
	Debt Service on Outstanding Parity Obligations	Debt Service on Outstanding Subordinate Lien Obligations	Debt Service on 2017 Bonds	Total Debt Service	Estimated Pledged SSGRT Revenues ⁽¹⁾			
2017	\$7,655,407	\$298,503	\$ -	\$7,655,407	\$35,035,596	4.58	4.40	88
2018	6,507,227	798,503	1,546,228	8,053,455	34,792,981	4.32	3.93	82
2019	5,887,029	792,253	2,170,550	8,057,579	34,550,365	4.28	3.90	76
2020	5,760,595	785,678	2,293,800	8,054,395	34,307,750	4.25	3.88	70
2021	5,720,047	783,778	896,550	6,616,597	34,024,698	5.14	4.59	63
2022	5,424,196	780,053	864,300	6,288,496	33,741,646	5.36	4.77	56
2023	5,463,133	780,803	832,050	6,295,183	33,458,595	5.31	4.72	49
2024	3,755,894	780,853	799,800	4,555,694	33,175,543	7.28	6.21	42
2025	3,733,794	778,728	767,550	4,501,294	32,892,492	7.30	6.22	35
2026	3,455,338	780,853	735,300	4,190,638	32,609,440	7.78	6.55	28
2027	2,790,088	781,168	703,050	3,493,138	32,326,389	9.25	7.56	21
2028	2,786,500	789,880	683,700	3,470,200	32,043,337	9.23	7.52	14
2029	2,788,850	790,905	664,350	3,453,200	31,760,286	9.19	7.48	7
2030	2,796,850	796,055	-	2,796,850	31,477,234	11.25	8.76	0
2031	2,801,050	803,675	-	2,801,050	31,477,234	11.24	8.73	0
2032	2,801,850	-	-	2,801,850	31,477,234	11.23	11.23	0
2033	2,804,350	-	-	2,804,350	31,477,234	11.22	11.22	0
2034	2,808,300	-	-	2,808,300	31,477,234	11.21	11.21	0
2035	2,808,500	-	-	2,808,500	31,477,234	11.21	11.21	0
2036	1,589,900	-	-	1,589,900	31,477,234	19.80	19.80	0
2037	1,588,900	-	-	1,588,900	31,477,234	19.81	19.81	0

⁽¹⁾ Estimated Pledged SSGRT Revenues are based on actual Pledged SSGRT Revenues received by the City for Fiscal Year ending June 30, 2016, excluding the estimated reduction of Hold Harmless Distributions attributable to the State Shared Gross Receipts Tax for Fiscal Year ending June 30, 2017. The decline in Estimated Pledged SSGRT Revenues shown for Fiscal Years 2018 through 2030 reflects the statutory phase-out of Hold Harmless Distributions that began in fiscal year 2016 and culminates in Fiscal Year 2030, when the Hold Harmless Distributions are eliminated. There is no assurance that Pledged SSGRT Revenues received in the future will equal the Pledged SSGRT Revenues used in coverage computations. See "Gross Receipts Tax Hold Harmless Distributions" and "PLEDGED REVENUES-- State Shared Gross Receipts Tax Report" herein.

PLEGGED REVENUES

Pledged SSGRT Revenues consist of the revenues from the State gross receipts tax derived pursuant to Section 7-9-4 NMSA 1978, imposed on persons engaging in business in the State, which revenues are remitted to the City monthly by the New Mexico Department of Taxation and Revenue pursuant to Section 7-1-6 and 7-1-6.4 NMSA 1978, and which remittances currently equal one and two hundred twenty-five thousandths percent (1.225%) of the taxable gross receipts reported for the City for the month for which such remittances is made; provided that if a greater amount of such gross receipts tax revenues are hereafter provided to be remitted to the City under applicable law, such additional amounts shall be included as revenues pledged pursuant to the Bond Ordinance; and provided further that the amount of revenues pledged pursuant to the Bond Ordinance shall never be less than the greater of: (i) 1.225% of the taxable gross receipts remitted to the City by the State as set forth above, or (ii) the maximum amount at any time provided hereafter to be remitted to the City under applicable law, and includes the Hold Harmless Distribution; and provided further, the City intends that Section 3-31-6(C) NMSA 1978 applies expressly to the amount of revenues pledged pursuant to the Bond Ordinance (the term “Pledged State Shared Gross Receipts Tax Revenues” does not include any local option gross receipts tax income received by the City).

In the Bond Ordinance, “Hold Harmless Distribution” is defined as the distribution to the City made pursuant to Section 7-1-6.46 NMSA 1978, as that distribution relates to the gross receipts tax revenues received pursuant to Section 7-1-6.4 NMSA 1978, which revenues are reduced pursuant to the deductions under Sections 7-9-92 and 7-9-93 NMSA 1978; provided that the percentage of such distribution decreases annually as provided in Section 7-1-6.46 NMSA 1978 each year beginning on July 1, 2015 until the distribution is eliminated after July 1, 2029. See “Gross Receipts Tax Hold Harmless Distributions” herein.

Taxed Activities. For the privilege of engaging in business in the State of New Mexico, the Gross Receipts Tax is imposed upon any person engaging in business in the State. “Gross Receipts” is defined in the Gross Receipts and Compensating Tax Act as the total amount of money or value or other consideration received from selling property in the State of New Mexico (including tangible personal property handled on consignment in the State), from leasing property employed in the State of New Mexico, from performing services in the State of New Mexico and from selling services outside New Mexico, the product of which is initially used in New Mexico. The definition excludes cash discounts allowed and taken, the Gross Receipts Tax payable on transactions for the reporting period and any county sales tax, county fire protection excise tax, county and municipal gross receipts taxes, any time or time-price differential and certain gross receipts or sales taxes imposed by an Indian tribe or pueblo. Unlike most other states, the State taxes sales of services, including legal services and certain medical services.

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

Exemptions. Some activities and industries are exempt from the Gross Receipts Tax, many by virtue of their taxation under other laws. Exemptions include, but are not limited to, certain receipts of governmental agencies and certain organizations, receipts from the sale of vehicles, occasional sales of property or services, wages, certain agricultural products, dividends, and interest and receipts from the sale of or leasing of natural gas, oil or mineral interests. Various deductions are allowed including but not limited to receipts from various types of sales and leases of tangible personal property or services, receipts from sales to governmental agencies or certain organizations, receipts from processing certain agricultural products, receipts from certain publication sales, certain receipts from interstate commerce transactions, receipts from retail sales of food (not including restaurant sales and certain sales of prepared foods), and receipts of licensed medical care providers from Medicare Part C. There are over one hundred specified exemptions and

deductions from gross receipts taxation, nevertheless, the general presumption is that all receipts of a person engaging in business in the State of New Mexico are subject to the Gross Receipts Tax.

Manner of Collection and Distribution of Gross Receipts Tax. Businesses must make their payments of Gross Receipts Tax on or before the twenty-fifth of each month for taxable events in the prior month. Collection of the State Gross Receipts Tax is administered by the Revenue Division of the Taxation and Revenue Department of the State (the “Revenue Division”), pursuant to Section 7-1-6, NMSA. Collections are first deposited into a suspense fund for the purpose of making disbursements for refunds, among other items. On the last day of each month, the balance of the suspense fund is transferred to the State general fund, less disbursements to the municipalities in the State.

Remedies for Delinquent Taxes. The Revenue Division may assess gross receipts taxes to a taxpayer who has not paid the taxes due to the State. If any taxpayer to whom gross receipts taxes have been assessed or upon whom demand for payment has been made does not make payment thereof (or protest the assessment or demand for payment) within 30 days after the date of assessment or demand for payment, the taxpayer becomes a delinquent taxpayer. Such taxpayer remains delinquent until payment of all the taxes due, including interest and penalties, or until security is furnished for the payment thereof. The Revenue Division may, under certain circumstances, enter into an agreement with a delinquent taxpayer to permit monthly installment payments for a period of not more than 36 months. Interest is due on any delinquent tax from the first day following the day on which it is due at the rate of 1.25% per month until paid, without regard to any installment agreement. However, if the Gross Receipts Tax is paid within 10 days after demand is made, no interest shall be imposed for the period after the date of demand.

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

State Shared Gross Receipts Tax Report. Set forth below is a 5-year history of the State Shared Gross Receipts Tax Revenues received by the City:

Fiscal Year Ended 6/30	State Gross Receipts Tax Rate	Percentage Distributed to City	State Shared Gross Receipts Tax Revenues ⁽¹⁾	Percent Increase (Decrease)
2016	5.125%	1.225%	\$36,212,860	6.53%
2015	5.125%	1.225%	33,922,018	5.55%
2014	5.125%	1.225%	32,135,625	(1.71%)
2013	5.125%	1.225%	32,697,399	3.52
2012	5.125%	1.225%	31,583,198	0.00%

⁽¹⁾ Figures are net of administrative fee imposed by the New Mexico Taxation and Revenue Department. Figures do not include other gross receipts taxes imposed by the City, but do include the share of Hold Harmless Distributions attributable to the State Shared Gross Receipts Tax. While the share of Hold Harmless Distributions attributable to the State Shared Gross Receipts tax is included in Pledged Revenues, the Hold Harmless Distributions will be phased out over a 15-year period, which began July 1, 2015. See “Gross Receipts Tax Hold Harmless Distributions” herein.

Source: Office of Management and Budget, City of Las Cruces

Other Gross Receipts Taxes (not pledged)

Pledged Revenues consist of the 1.225% State Shared Gross Receipts Tax Revenues. The City also imposes certain other gross receipts taxes which are not pledged to the repayment of the Bonds. These include five 0.25% increments of Municipal Gross Receipts Tax (1.25% total), a 0.25% Municipal Infrastructure Gross Receipts Tax, a 0.0625% Municipal Environmental Services Gross Receipts Tax and a 0.375% Municipal Hold Harmless Gross Receipts Tax. The total gross receipts tax rate within the City is

8.3125% (reflecting the combined State (5.125%), County (1.25%) and City (1.9375%) gross receipts tax rates).

Gross Receipts Reported by Standard Industrial Classification

The following represents total taxable gross receipts reported in the City by Standard Industrial Classification: Total Taxable Gross Receipts

Classification	Calendar Year				
	2012	2013	2014	2015	2016
Agriculture, Forestry, Fishing & Hunting	\$ 2,762,796	\$ 2,794,553	\$ 2,762,540	\$ 3,379,858	\$ 3,392,161
Mining/Oil & Gas Extraction	*	*	*	*	*
Utilities	80,617,575	83,826,882	75,433,981	74,458,975	66,468,048
Construction	251,816,303	199,199,434	180,848,967	221,954,759	278,789,341
Manufacturing	33,134,181	31,634,637	25,323,764	33,987,416	31,331,279
Wholesale Trade	47,344,343	46,001,767	41,433,646	46,838,421	46,894,826
Retail Trade	762,033,247	775,353,214	718,576,646	780,981,717	769,647,903.16
Transportation & Warehousing	25,466,381	22,134,750	13,158,336	10,929,290	10,539,981
Information & Cultural Industries	132,219,400	135,253,673	130,375,639	140,531,644	128,790,384
Finance and Insurance	14,261,939	17,450,028	16,076,852	19,715,138	19,475,947
Real Estate, Rental & Leasing	34,040,298	34,565,027	32,302,366	35,283,225	37,221,675
Professional, Scientific & Technical Services	135,528,159	137,576,250	119,251,573	163,677,481	133,183,231
Management of Companies & Enterprises	1,352,595	4,607,878	2,618,470	3,409,341	3,433,281
Admin & Support, Waste Mgt & Remed	18,988,921	20,600,762	18,118,972	23,273,172	28,124,933
Educational Services	15,128,636	5,077,035	3,746,691	4,504,376	5,662,719
Health Care and Social Assistance	314,496,273	306,961,306	329,651,231	392,057,577	116,394,492**
Arts, Entertainment & Recreation	8,539,525	8,209,447	7,945,732	10,320,109	10,799,187
Accommodation & Food Services	219,586,680	227,440,776	223,027,532	253,584,435	240,748,808
Other Services (except Public Admin)	192,963,775	189,381,042	165,992,205	202,821,367	162,498,414
Public Administration	*	*	*	*	*
Unclassified Establishments	1,440,845	5,503,985	9,437,033	8,045,130	19,812,661
TOTAL TAXABLE	\$2,308,576,453	\$2,271,952,792	\$2,134,057,629	\$2,446,029,113	\$2,128,890,915

Source: New Mexico Taxation and Revenue Department.

* Not disclosed.

**Health Care and Social Assistance had large negative adjustments in quarters 2 and 3 for taxable gross receipts.

Historical Total Gross Receipts Reported For City, County and State

The following represents the total gross receipts and total retail gross receipts reported in the City and the State. Total gross receipts and total taxable gross receipts reported in the tables below include amounts representing the sale of items which may not be subject to Gross Receipts Tax. See “PLEGGED REVENUES – Taxed Activities” and “PLEGGED REVENUES – Exemptions” herein for an explanation of activities which are subject to, or exempt from, Gross Receipts Tax.

Calendar Year	City of Las Cruces		State of New Mexico	
	Retail Trade	Total	Retail Trade	Total
2016	\$1,434,160,212	\$4,466,244,222	\$21,845,811,980	\$ 96,088,776,997
2015	1,403,948,772	5,169,975,547	24,112,463,895	107,453,457,101
2014	1,368,488,040	4,828,462,142	23,152,213,533	102,544,534,041
2013	1,409,255,431	5,227,868,451	23,873,876,703	106,300,014,072
2012	1,430,446,622	5,324,304,225	23,914,774,137	104,221,140,366

Source: City of Las Cruces and New Mexico Taxation and Revenue Department.

Historical Taxable Gross Receipts Reported For City and State

Calendar Year	Taxable Gross Receipts Reported in City of Las Cruces	Taxable Gross Receipts Reported in State of New Mexico
2016	\$2,128,893,915	\$46,439,296,984
2015	2,446,029,113	54,012,030,021
2014	2,134,057,629	50,759,338,984
2013	2,271,952,792	51,508,309,131
2012	2,308,576,453	50,416,413,731

Source: City of Las Cruces and New Mexico Taxation and Revenue Department.

ADDITIONAL OBLIGATIONS PAYABLE FROM PLEDGED REVENUES

State Shared Gross Receipts Tax Parity Obligations

State Shared Gross Receipts Tax Parity Bonds Test. The Bond Ordinance does not prevent the issuance of additional State Shared Gross Receipts Tax Parity Bonds payable from and constituting a lien upon the Pledged SSGRT Revenues on parity with the lien of the Series 2017 Bonds. Before any additional State Shared Gross Receipts Tax Parity Bonds are actually issued, it must be determined that:

(1) The City is current in the accumulation of all amounts which are then required to be on deposit in the Series 2017 Debt Service Fund and the Series 2017 Reserve Fund (if any accumulation is then required in the Series 2017 Reserve Fund) in accordance with the Bond Ordinance; and

(2) The Pledged SSGRT Revenues (not including the Hold Harmless Distribution) received by the City in the Fiscal Year immediately preceding the date of issuance of the proposed additional State Shared Gross Receipts Tax Parity Bonds shall have been sufficient to pay an amount representing at least 200% of the combined maximum annual principal and interest coming due in any subsequent Fiscal Year on (1) the outstanding Series 2017 Bonds, (2) other outstanding State Shared Gross Receipts Tax Parity Bonds payable from and constituting a lien upon the Pledged SSGRT Revenues, and (3) the State Shared Gross Receipts Tax Parity Bonds proposed to be issued.

For purposes of the test set forth in clause (2) above, if on the date of issuance of the additional State Shared Gross Receipts Tax Parity Bonds, (a) any amount of the reserve fund requirement for the additional State Shared Gross Receipts Tax Parity Bonds is immediately deposited in or credited to the reserve fund for the additional State Shared Gross Receipts Tax Parity Bonds or, (b) any amount of the reserve fund requirement for any issue of outstanding State Shared Gross Receipts Tax Parity Bonds is then on deposit in or credited to the reserve fund for any issue of outstanding State Shared Gross Receipts Tax Parity Bonds, then the amounts on deposit in or credited to the respective reserve funds shall be deducted from the principal and interest coming due in the final Fiscal Year for the additional State Shared Gross Receipts Tax Parity Bonds or any issue of outstanding State Shared Gross Receipts Tax Parity Bonds for which such reserve fund was created.

So long as the Build America Mutual Assurance Company (“BAM”) municipal bond insurance policy for the 2016 Subordinate Bonds shall be in force and effect or any amounts are owed to BAM related to the 2016 Subordinate Bonds, and in addition to requirements set forth above, before any additional State Shared Gross Receipts Tax Parity Bonds are issued, it must be determined that the Pledged State Shared Gross Receipts Tax Revenues (not including the Hold Harmless Distribution) received by the City in the Fiscal Year immediately preceding the date of issuance of the proposed additional State Shared Gross Receipts Tax Parity Bonds shall have been sufficient to pay an amount representing at least 150% of the combined maximum annual principal and interest coming due in any subsequent Fiscal Year on (1) the outstanding State Shared Gross Receipts Tax Parity Bonds, (2) the outstanding 2016 Subordinate Bonds, (3) other outstanding Subordinate Bonds, and (4) the State Shared Gross Receipts Tax Parity Bonds proposed to be issued. Compliance with the foregoing requirement shall be evidenced by a certificate delivered in accordance with the Ordinance.

Certification or Opinion Regarding Pledged State Shared Gross Receipts Tax Revenues. A written certificate or opinion by an Independent Accountant or the City Treasurer or Finance Director, that the Pledged SSGRT Revenues are sufficient to pay the required amounts under the test set forth above, shall conclusively determine the right of the City to issue additional State Shared Gross Receipts Tax Parity Bonds. The Independent Accountant, City Treasurer or Finance Director may utilize the results of any annual audit to the extent it covers the applicable period.

Subordinated and Superior Obligations. The City will not issue additional bonds payable from the Pledged SSGRT Revenues with a lien on the Pledged SSGRT Revenues prior and superior to the lien of the Series 2017 Bonds thereon. Except as described above, nothing contained in the Bond Ordinance will be construed in such a manner as to prevent the issuance by the City of additional bonds payable from the Pledged SSGRT Revenues with a lien thereon subordinate and junior to the lien of the Series 2017 Bonds thereon in accordance with the ordinances authorizing the issuance of the outstanding Subordinate Bonds, nor to prevent the issuance of bonds or other obligations refunding all or part of the Series 2017 Bonds as permitted by the Bond Ordinance.

Refunding Bonds

The provisions of the Bond Ordinance described above are subject to the following exceptions:

Privilege of Issuing Refunding Obligations. If at any time the City shall find it desirable to refund any outstanding obligations constituting a lien upon the Pledged SSGRT Revenues, including the 2017 Bonds or other obligations, or any part thereof, such obligations may be refunded, but only with the consent of the holders, unless the obligations shall then mature or be callable for redemption, or the plan of refunding calls for payment of the obligations at maturity or at a redemption date, regardless of whether the lien priority is changed by the refunding except that superior obligations are prohibited as provided in the Bond Ordinance and except as provided below.

Limitation Upon Issuance of Parity Refunding Obligations. No refunding obligations shall be issued with a lien on the Pledged SSGRT Revenues on parity with the lien of the Series 2017 Bonds, unless:

(1) The lien on the Pledged SSGRT Revenues of the outstanding obligations so refunded is on parity with the lien on the Pledged SSGRT Revenues of the Series 2017 Bonds; or

(2) The refunding obligations are issued in compliance with the requirements described above under “State Shared Gross Receipts Tax Parity Obligations.”

Refunding Part of an Issue. The refunding bonds or other refunding obligations issued shall enjoy complete equality of lien with the portion of any bonds or other obligations of the same issue which is not refunded, if any; and the holder or holders of such refunding bonds or other refunding obligations shall be subrogated to all of the rights and privileges enjoyed by the owner or owners of the same issue refunded thereby. If only a part of any issue or issues is refunded, then there may be no refunding without the consent of the holders of the unrefunded portion of such obligations, unless:

(1) The refunding obligations do not increase the aggregate principal and interest requirements for any Fiscal Year commencing prior to the last maturity date of such unrefunded obligations; or

(2) The lien of the refunding obligations is subordinate to the lien of any obligations not refunded; or

(3) The refunding bonds or other refunding obligations are issued in compliance with the requirements described above under “State Shared Gross Receipts Tax Parity Obligations.”

Limitation Upon Issuance of Any Refunding Obligations. Any refunding obligations payable from the Pledged SSGRT Revenues shall be issued with such details as the City Council may provide, subject to the inclusion of any such rights and privileges designated above, but without impairing any contractual obligation imposed by any proceedings authorizing any unrefunded portion of any issue or issues, including the Series 2017 Bonds.

CITY COVENANTS IN THE BOND ORDINANCE

The City has covenanted in the Bond Ordinance, among other things:

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

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

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

Extension of Interest Payments. In order to prevent any accumulation of claims for interest after maturity, the City will not directly or indirectly extend or assent to the extension of time for the payment of any claim for interest on any of the Bonds, and the City will not directly or indirectly be a party to or approve any arrangements for any such extension.

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

Audits and Budgets. The City will, within two hundred seventy (270) days following the close of each Fiscal Year, cause an audit of its books and accounts relating to the Pledged Revenues to be commenced by an Independent Accountant showing the receipts and disbursements in connection with such revenues.

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

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

Debt Service Funds and Reserve Funds. The Debt Service Fund and Reserve Fund shall be used solely and only, and those funds are hereby pledged, for the purposes set forth in the Bond Ordinance.

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

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

Tax Covenants. The City covenants that it will restrict the use of the proceeds of the Bonds in such manner and to such extent, if any, as may be necessary so that the Bonds will not constitute arbitrage bonds under Section 148 of the Code. The City covenants that it (a) will take or cause to be taken such actions which may be required of it for the interest on the Bonds to be and remain excluded from gross income for federal income tax purposes, and (b) will not take or permit to be taken any actions which would adversely affect that exclusion, and that it or persons acting for it, will, among other acts of compliance, (i) apply the proceeds of the Bonds to the governmental purpose of the borrowing, (ii) restrict the yield on investment property acquired with those proceeds, (iii) make timely and adequate rebate payments, yield reduction payments or payments of alternative amounts in lieu of rebate to the federal government, if required, (iv) maintain books and records and make calculations and reports, and (v) refrain from certain uses of proceeds, all in such manner and to the extent necessary to assure such exclusion of that interest under the Code. In furtherance of the covenants set forth above, the City established a fund separate from any other funds established and maintained under the Bond Ordinance designated as the Rebate Fund (the "Rebate Fund"). Money and investments in the Rebate Fund shall not be used for the payment of the Bonds, and amounts credited to the Rebate fund shall be free and clear under any pledge under the Bond Ordinance.

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

THE CITY

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 the Las Cruces Public School District which accounted for an average of 16,390 jobs in the third quarter of 2016. The remaining non-agricultural jobs are in manufacturing (2,349), wholesale/ retail trade (8,795), natural resources, mining and construction (3,814), transportation/ warehousing/ utilities (1,930), information (695), finance (1,750) and all other services (35,571).

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 councilors 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.

Councilors 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	Councilor	November, 2019
Greg Smith	Councilor	November, 2019
Olga Pedroza	Councilor	November, 2017
Jack Eakman	Councilor	November, 2019
Gill Sorg	Councilor	November, 2017
Ceil Levatino	Councilor	November, 2017

Administrative Officers

City Manager Stuart C. Ed. Stuart Ed is the sole employee of the City Council and his responsibilities include the \$373.5 million annual budget and 1,366 full time employees.

Prior to being named City Manager, Mr. Ed held a position as the President and Chief Executive Officer of Goodwill Industries of El Paso. He began his city government career in 1995 in our neighboring city of El Paso as a Grant Technician. In the next few years, he had advanced to hold positions as a Grants Planner and Senior Grants Planner. In October of 2002, Ed became the Assistant Director of El Paso's Sun Metro public transportation system. As time passed, Ed changed departments to include positions with the Police Department as Director of Administrative Services and ending his time with El Paso as General Services Director. In this position, he would spend the most time with the El Paso city government, at more than five and a half years.

Prior to public service within El Paso city government, Ed served in the United States Army as an Officer. His military career spanned nearly nine years. There he was a graduate of Airborne, Ranger, and Air Assault Schools. Ed graduated from New Mexico State University with a Master of Public Administration degree in 2002 and he had previously received a Bachelor of Arts in political science from the University of Arizona in 1986.

Interim Director of Financial Services Audrey Evins. Audrey Evins is a Certified Public Accountant and Certified Fraud Examiner. Ms. Evins graduated from New Mexico State University with a Bachelors of Accountancy and has 30 years of financial reporting and auditing experience. Ms. Evins has worked for the City of Las Cruces for the past 14 years in the Internal Audit Office serving as the City Auditor for the past 11 years. Prior to her tenure with the City of Las Cruces, Ms. Evins has financial reporting and auditing experience in various areas such as financial institutions, CPA firms, school districts, and private businesses.

City Treasurer Karin Byrum, CGFM. Karin Byrum as the Treasurer for the City of Las Cruces and has responsibility for the management and direction of treasury operations including short-term investment portfolio management, long and short term debt issuance, operational budgeting, bank relationship management and credit card processing. She started with the City in November 2007 and has held various positions in finance including accounting, reporting and management of debt issuance and debt service for the City. She also has over 5 years' experience in private sector finance. She obtained her Certified Government Financial Manager certification in 2012. She holds a Bachelor's Degree in Accounting from the University of Washington and a Master's in Business Administration from New Mexico State University.

Other Employees

As of February 28, 2017 the City had approximately 1,491 full time, part time and seasonal employees, 654 of which are represented by labor unions. The City believes that relations with its employees are good.

Public Employee Retirement Association

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 ("PERA"), 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:

Employee Group	Employee Contribution	City Contribution	Additional Portion of Employee Share Contributed by City	Employee Net Contribution	City Gross Contribution
City Unrepresented	14.65%	9.15%	6.00%	8.65%	15.15%
City Blue Collar	14.65%	9.15%	2.50%	12.15%	11.65%
Police Dept. Evidence Technician	14.65%	9.15%	-0-	14.65%	9.15%
Police Dept.- Unrepresented	17.80%	18.50%	6.00%	11.80%	24.50%
Police Dept.- Union-represented	17.80%	18.50%	-0-	17.80%	18.50%
Fire Dept.- Unrepresented	17.70%	21.25%	4.00%	13.70%	25.25%
Fire Dept.- Union-represented	17.70%	21.25%	2.80%	14.90%	24.05%
Mesilla Valley Regional Dispatch Authority	8.50%	7.00%	-0-	8.50%	7.00%
South Central Solid Waste Authority	10.65%	9.15%	6.00%	4.65%	5.15%
Mesilla Valley Animal Services	14.65%	9.15%	6.575%	8.075%	15.725%

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. City contributions to the Plan amounted to \$9,869,525 for the fiscal year ended June 30, 2016. 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.

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 became effective beginning June 15, 2014.

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

Actuarial information, as of June 30, 2016 is shown below:

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

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

Source: PERA Annual Actuarial Valuation

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

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

As of June 30, 2016, PERA has an amortization or funding period designated as infinite, based on the employer and member contribution rates in effect as of July 1, 2016. Member and employer rates are established pursuant to Sections 10-11-1 through 10-11-141 NMSA 1978. The funded ratio (ratio of the actuarial value of assets to accrued actuarial liability) was 75.3% as of June 30, 2016 and the unfunded accrued actuarial liability of the PERA Fund has been calculated to be \$4,819,427,011. The PERA Board has reviewed the results of its June 30, 2016 actuarial valuation, which indicates that either additional contributions or benefit reductions will be required in order to properly fund the PERA retirement plans. In the 2013 Legislative session of the New Mexico Legislature, as part of pension reform to reduce the unfunded liability, both chambers passed Senate Bill 27, subsequently signed by the Governor, which includes various changes to both retiree benefits and employer and employee contributions. The Bill reduces the Cost of Living (COLA) percentages, it delays eligibility, increases employer and employee contributions, and adds a new tier of benefits, among other reforms aimed at extending the plan solvency. The Legislative Finance Committee estimates that the bill will increase the funded ratio to 90% by 2042.

Post-Employment Benefits

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

Eligible employers are institutions of higher education, school districts, or other entities participating in the Public School Insurance Authority, state agencies, state courts, magistrate courts, municipalities or counties, which are affiliated under or covered by the Education Retirement Act (ERA), Public Employees Retirement Association (PERA), Volunteer Firefighters Retirement Act, Judicial Retirement Act or the Magistrate Retirement Act. Eligible retirees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the Retiree Health Care Act on the person’s behalf unless that person retires before the employer’s NMRHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer’s effective date and the date of retirement; (2) retirees defined by the Act who retired prior to July 1, 1990; (3) former legislators who served at least two years; and (4) former governing authority members who served at least four years. During the fiscal year ended June 30, 2013, the each participating employer within the City was required to contribute 2.0% of each participating employee’s annual salary, and each participating employee was required to contribute 1.05% of the employee’s annual salary. The City remitted \$907,011 in Fiscal Year 2016, \$847,444

in Fiscal Year 2015, and \$831,594 in Fiscal Year 2014, which equaled the required contributions for each year.

Contributions from participating employers and participating employees become the property of the Retiree Health Care Fund and are not refundable under any circumstances, including termination of employment or termination of the participating employer's operation or participation in the Retiree Health Care Act. The employer, employee, and retiree contributions are required to be remitted to the Retiree Health Care Authority on a monthly basis. The Retiree Health Care Authority issued 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 N.E., Suite 104, Albuquerque, NM 87107.

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, Wastewater, etc.). The Fiscal Year 2017 budget continues the City's conservative practices. The City has proposed increased expenditures in Fiscal Year 2017 of \$53.9 million, or an increase of 16.8% to fund various capital projects and to invest in the City's workforce. Sources of funding for the increased expenditures include bond proceeds and state appropriations.

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 2012-2013, 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 the City. 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 school district in the State, with an enrollment of approximately 25,174 students for school year 2016-2017. The district has 41 schools: 26 elementary schools (grades pre-K-5), 9 middle schools (grades 6-8), 6 high schools (grades 9-12), and the San Andres Learning Center, which offers vocational and career technical programs for at-risk middle and high school students.

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 2016 enrollment of 27,520 students (including four branch campuses). The Fall

2016 enrollment for the Las Cruces campus was 14,852. 5 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 Burlington Northern Santa Fe and the 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. The annual unemployment figures indicate average rates for the entire year and do not reflect monthly or seasonal trends.

Year	Las Cruces MSA (Doña Ana County)		State of New Mexico		United States
	Labor Force	Percent Unemployed	Labor Force	Percent Unemployed	Percent Unemployed
2017 ⁽¹⁾	96,528	7.6%	933,676	6.9%	4.9%
2016	95,630	6.7%	927,355	6.7%	4.9%
2015	93,179	7.4%	924,114	6.6%	5.3%
2014	93,499	7.4%	922,388	6.7%	6.2%
2013	93,800	7.5%	923,571	7.0%	7.4%
2012	93,925	7.3%	927,795	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.

⁽¹⁾ February 2017.

Non-Agricultural Wage and Salary

The following is a history of nonagricultural wage and salary employment by major sector for Las Cruces MSA as reported by the New Mexico Department of Workforce Solutions.

Sector	2012	2013	2014	2015	2016*
Grand Total	69,246	70,377	71,647	70,746	71,294
Total Private	51,208	52,390	53,253	53,050	54,904
Agriculture, Forestry, Fishing and Hunting	3,389	3,313	3,418	3,384	3,929
Mining	24	20	21	17	25
Utilities	707	719	737	740	742
Construction	3,611	3,681	3,597	3,730	4,038
Manufacturing	2,864	2,706	2,510	2,266	2,349
Wholesale Trade	1,072	1,217	1,167	1,220	1,259
Retail Trade	7,536	7,646	7,842	7,626	7,583
Transportation and Warehousing	1,906	1,780	1,860	1,858	1,929
Information	922	933	930	868	719
Finance and Insurance	1,663	1,743	1,784	1,782	1,758
Real Estate and Rental and Leasing	683	703	786	789	764
Professional and Technical Services	3,488	4,010	3,638	3,870	3,803
Management of Companies and Enterprises	51	35	39	41	50
Administrative and Waste Services	3,176	3,309	3,632	3,164	3,122
Educational Services	10,683	10,810	11,373	10,733	8,694
Health Care and Social Assistance	12,662	12,707	13,457	13,864	14,608
Arts, Entertainment, and Recreation	1,307	1,263	1,090	1,188	1,217
Accommodation and Food Services	6,291	6,756	6,813	6,918	7,286
Other Services, ex. Public Administration	1,317	1,296	1,337	1,204	1,239
Public Administration	18,038	17,988	18,393	17,696	16,390
Federal Government	3,870	3,742	3,632	3,481	3,440
State Government	5,586	5,604	5,584	5,541	5,710
Local Government	8,581	8,641	9,178	8,674	7,240

* Average, Third Quarter 2016.

Source: New Mexico Department of Workforce Solutions.

Major Employers

The following are the principal employers located in 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+
Memorial Medical Center	1,000+
Wal-Mart	1,000+
Peak Behavioral Health Services	750+
Mountainview Regional Medical Center	750+
Doña Ana County	750+
Doña Ana Community College	750+

Source: Mesilla Valley Economic Development Authority and City of Las Cruces Comprehensive Annual Financial Report for Fiscal Year Ending June 30, 2016.

Large Employers in the Las Cruces MSA

<u>Employer</u>	<u>Employee Size Range</u>
City of Las Cruces	1,000+
Gadsden School District	1,000+
Las Cruces Public Schools	1,000+
Memorial Medical Center	1,000+
Wal-Mart Supercenter	1,000+
New Mexico State University	1,000+
White Sands Missile Range	1,000+
Coordinated Care Corp.	500-999
Doña Ana Branch Community College	500-999
Doña Ana County Administration	500-999
Mountainview Regional Medical Center	500-999
Newtec LLC	500-999
Trax International	500-999
Peak Behavioral Health Services	500-999
Physical Science Laboratory	500-999
Sunland Park Racetrack and Casino	500-999

Source: Mesilla Valley Economic Development Authority, 2016

Per Capita Income

The following table sets forth annual per capita personal income levels for the Las Cruces 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.

Year	Las Cruces MSA	New Mexico	United States
2015	N/A	\$38,457	\$47,669
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	42,669

Source: New Mexico Department of Workforce Solutions.

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	33.0%	27.94%	21.90%
\$25,000 – 34,999	11.46%	10.75%	9.68%
\$35,000 – 49,999	15.24%	14.09%	13.22%
\$50,000 and over	15.50%	16.63%	17.38%
\$75,000 and over	24.80%	30.60%	37.80%
2017 Est. Median Household Income	\$40,477	\$47,043	\$57,462
2016 Est. Median Household Income	\$37,471	\$45,455	\$55,551
2015 Est. Median Household Income	\$40,884	\$45,633	\$53,706
2014 Est. Median Household Income	\$39,347	\$44,292	\$51,579
2013 Est. Median Household Income	\$35,981	\$43,273	\$49,297

Source: *The Nielson Company, February 2017.*

Age Distribution

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

<u>Age Group</u>	<u>Las Cruces MSA</u>	<u>New Mexico</u>	<u>United States</u>
0-17	25.6%	23.9%	22.8%
18-24	13.9%	9.8%	9.8%
25-34	13.2%	13.3%	13.4%
35-44	10.9%	11.9%	12.6%
45-54	10.6%	11.9%	13.1%
55 and Older	25.7%	29.2%	28.3%

Source: The Nielson Company, February 2017..

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.

<u>Year</u>	<u>City of Las Cruces</u>	<u>Doña Ana County</u>	<u>State of New Mexico</u>
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.

Building Permits and Assessed Valuations

The 1980s saw a relatively stable level of building activity within the City. Construction activity reached a low in 1991 and increased at a steady pace throughout the 1990s. Growth continued during the 2000s until the onset of economic and construction slow-downs in 2007.

City of Las Cruces, New Mexico Building Permits

Year	Valuation	Number of Permits
2016	\$219,652,972	6,151
2015	136,270,075	3,570
2013	141,830,679	2,463
2012	162,624,265	2,459
2011	144,071,482	2,420
2010	149,413,272	2,903
2009	181,846,245	2,645
2008	179,621,128	2,885
2007	225,961,099	3,451
2006	355,704,442	4,073
2005	331,320,672	4,060

Source: City of Las Cruces Community Development Department

History of Assessed Values⁽¹⁾

Tax Year	City of Las Cruces	Doña Ana County
2016	\$2,215,682,442	\$4,193,488,596
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
2005	1,310,337,803	2,531,605,987

⁽¹⁾ As of June 30, 2016.

Source: City of Las Cruces Planning Department and Doña Ana County Assessor's Office.

*Figure is approximate.

Historical General Fund Balance Sheet

	Fiscal Year Ending June 30			
	2013	2014	2015	2016
Assets				
Pooled cash and investments	\$25,034,017	\$23,680,533	\$30,057,266	\$32,447,860
Receivables, net	824,178	883,934	723,834	946,694
Due from other funds	2,415,837	2,566,180	1,303,517	2,000,802
Due from other governmental units	10,735,555	10,701,624	13,454,045	16,976,363
Inventories	1,732,121	1,607,029	1,431,060	1,820,976
Total assets	<u>40,741,708</u>	<u>39,439,300</u>	<u>46,969,722</u>	<u>54,192,695</u>
Deferred Outflows of Resources				
Deferred amount from investment earnings	-	-	-	5,392
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,392</u>
Total Assets and Deferred Outflows of Resources	<u>\$40,741,708</u>	<u>\$39,439,300</u>	<u>\$46,969,722</u>	<u>\$54,198,087</u>
Liabilities				
Accounts and contracts payable	\$2,833,714	\$1,393,413	\$2,353,894	\$1,674,871
Accrued liabilities	2,538,095	1,957,719	2,613,666	1,953,981
Unearned/Deferred revenue	108,062	3,900	3,450	5,956
Total liabilities	<u>5,479,871</u>	<u>3,445,614</u>	<u>4,971,010</u>	<u>3,634,808</u>
Deferred Inflows of Resources				
Deferred special assessment receipts	-	-	-	99,085
Unavailable revenue	-	90,582	99,976	-
Total Deferred Inflows of Resources	<u>-</u>	<u>90,582</u>	<u>99,976</u>	<u>99,085</u>
Total Liabilities and Deferred Outflows of Resources	<u>\$5,479,871</u>	<u>\$3,536,196</u>	<u>\$5,070,986</u>	<u>\$3,733,893</u>
Fund balances				
Non-spendable:				
Inventories	\$1,732,121	\$1,607,029	\$1,431,060	\$1,820,976
Restricted for:				
Public safety programs	-	-	2,960	5,360
Housing and community development	-	15,867	52,468	15,722
Public works	-	-	26,999	-
Community and cultural services	-	10,787	36,943	17,922
Transportation	-	-	-	10,691
Committed for:				
Debt service	-	7,464,550	5,937,791	8,034,176
Assigned to:				
Public works	-	-	477,974	635,718
Community development	-	22,448	378	-
Information technology	-	28,347	29,228	-
Office of Emergency Management Reserve	-	50,000	50,000	-
Economic development	-	-	11,347	1,847,905
Transportation	-	333,472	78,492	1,122
Vehicle acquisition fund	-	4,217,706	2,416,329	3,346,971
Unassigned:	<u>20,665,163</u>	<u>22,243,480</u>	<u>31,379,100</u>	<u>34,727,631</u>
Total fund balances	<u>35,261,837</u>	<u>35,993,686</u>	<u>41,898,736</u>	<u>50,464,194</u>
Total liabilities, deferred inflows and fund balances	<u>\$40,741,708</u>	<u>\$39,439,300</u>	<u>\$46,969,722</u>	<u>\$54,198,087</u>

Source: The amounts shown for each fiscal year were derived from the City's audited financial statements. Reference is made to such financial statements and related audit reports which are available upon request.

Historical General Fund Revenues, Expenditures and Changes in Fund Balances

	Fiscal Year Ending June 30			
	2013	2014	2015	2016
Revenues				
Taxes	\$74,959,013	\$74,790,018	\$89,728,390	\$95,313,685
Charges for services	2,431,979	2,853,924	2,750,235	2,842,674
Fees and fines	1,036,984	950,956	654,159	665,022
Investment income (loss)	(992,702)	456,734	972,412	1,512,627
Franchise fees	2,691,014	2,700,727	2,438,470	2,873,464
Licenses and permits	1,266,098	1,090,909	1,072,697	1,577,456
Intergovernmental	2,241	24,102	7,440	4,670
Other	3,272,261	5,706,425	6,157,893	3,972,073
Total revenues	<u>84,666,888</u>	<u>88,573,795</u>	<u>103,781,696</u>	<u>108,761,671</u>
Expenditures				
Current				
General government	13,751,225	13,589,958	14,600,868	19,804,279
Police	19,682,675	20,904,786	22,790,188	22,487,668
Fire	9,708,710	9,874,369	12,150,566	12,576,218
Community development	2,770,678	3,139,753	3,093,414	3,295,856
Community and cultural services	5,249,293	5,202,617	5,206,661	5,314,072
Public works	8,067,854	8,187,894	8,426,615	5,241,293
Information technology	3,575,895	3,261,809	3,307,482	-
Transportation	5,027,066	5,091,356	5,006,488	4,768,996
Parks and Recreation	7,889,794	8,395,006	9,083,711	9,142,296
Capital outlay	2,870,694	4,163,268	5,148,122	5,852,903
Total expenditures	<u>78,593,884</u>	<u>81,810,816</u>	<u>88,814,115</u>	<u>88,483,581</u>
Revenues over (under) expenditures	<u>6,073,004</u>	<u>6,762,979</u>	<u>14,967,581</u>	<u>20,278,090</u>
Other Financing Sources (Uses)				
Issuance of debt	-	1,600,000	104,500	-
Proceeds from sale of capital assets	941,856	159,840	87,238	1,167,038
Payment to agency	-	(1,600,000)	-	-
Transfers in	2,412,095	3,052,511	2,332,789	6,577,912
Transfers out	(11,598,797)	(9,243,481)	(11,587,058)	(22,861,277)
Total other financing sources (uses)	<u>(8,244,846)</u>	<u>(6,031,130)</u>	<u>(9,062,531)</u>	<u>(15,116,327)</u>
Net change in fund balances	(2,171,842)	731,849	5,905,050	5,161,763
Fund balance, beginning of year	37,433,679	35,261,837	35,993,868	45,302,431
Fund balances, end of year	<u>\$35,261,837</u>	<u>\$35,993,686</u>	<u>\$41,898,736</u>	<u>\$50,464,194</u>

Source: The amounts shown for each fiscal year are derived from the City's audited financial statements. Reference is made to such financial statements and related audit reports which are available upon request.

Other City Obligations

The table below summarizes all outstanding revenue bond obligations of the City as of June 1, 2016:

<u>Category of Indebtedness</u>	<u>Issue Date</u>	<u>Original Principal Amount</u>	<u>Interest Rate</u>	<u>Date of Final Maturity</u>	<u>Amount Outstanding as of 6/30/16</u>
Joint Utility Refunding Revenue Bonds, Series 2010	9/14/2010	\$ 24,840,000	2.000 - 4.000%	2027	\$ 23,400,000
Gross Receipts Tax Refunding Revenue Bonds, Series 2010	9/28/2010	24,330,000	2.000 – 5.000%	2037	21,060,000
Municipal Gross Receipts Tax Refunding & Improvement Revenue Bonds (Street Projects), Series 2010A	9/28/2010	12,255,000	2.500 – 3.000%	2021	2,815,000
Municipal Gross Receipts Tax Refunding Revenue Bonds (Flood Control Projects), Series 2010B	9/28/2010	4,390,000	2.500 – 3.000%	2021	955,000
State Shared Gross Receipts Tax Improvement Revenue Bonds, Series 2011A	7/12/2011	9,640,000	3.000 – 4.000%	2023	6,865,000
Municipal Gross Receipts Tax Revenue Bonds (Flood Control Projects), Series 2011B	7/12/2011	1,530,000	2.000 – 3.625%	2021	495,000
State Shared Gross Receipts Tax Improvement Revenue Bonds, Series 2014	7/29/2014	10,000,000	2.000 – 4.000%	2026	9,435,000
Municipal Gross Receipts Tax Improvement Revenue Bonds (Street Improvement Projects), Series 2014A	7/29/2014	8,000,000	2.000 – 4.000%	2028	5,940,000
Municipal Gross Receipts Tax Improvement Revenue Bonds (Flood Control Infrastructure Projects), Series 2014B	7/29/2014	1,500,000	2.000 – 3.000%	2024	1,140,000
Joint Utility Refunding Revenue Bonds, Series 2014A	8/26/2014	7,125,000	2.000 – 4.000%	2025	5,940,000
Joint Utility Improvement Revenue Bonds, Series 2014B	8/26/2014	3,425,000	3.000 – 5.000%	2034	3,190,000
State Shared Gross Receipts Tax Refunding Revenue Bonds, Series 2015	3/11/2015	19,195,000	2.250 – 4.000%	2035	16,850,000
Joint Utility Refunding and Improvement Bonds, Series 2015	5/12/2015	16,895,000	2.000 – 5.000%	2035	15,850,000
Hold Harmless Gross Receipts Tax Improvement Revenue Bonds, Series 2015A	10/27/2015	23,075,000	3.000 – 5.000%	2035	21,860,000
Taxable Hold Harmless Gross Receipts Tax Improvement Revenue Bonds, Series 2015B	10/27/2015	4,020,000	3.000 – 4.125%	2035	3,935,000
Joint Utility System Improvement Revenue Bonds, Series 2015A	12/16/2015	17,065,000	2.375 – 5.000%	2035	17,065,000
Taxable Subordinate Lien State Shared Gross Receipts Tax Improvement Revenue Bonds, Series 2016	4/5/2016	8,585,000	3.100% - 3.750%	2031	8,585,000
Total Revenue Bond Obligations		<u>\$195,870,000</u>			<u>\$165,380,000</u>

Source: The City's Fiscal Year 2016 audited financial statements, and EMMA-Municipal Securities Rulemaking Board.

The table below summarizes all outstanding New Mexico Finance Authority (NMFA) and Department of Housing and Urban Development (HUD) Loan obligations of the City as of June 30, 2016:

Category of Indebtedness	Project	Issue Date	Original Principal Amount	Interest Rate	Date of Final Maturity	Amount Outstanding as of 6/30/2016
2008 NMFA Note	Vehicle Maintenance Shop	9/12/2008	\$ 1,708,755	1.9-3.85%	2018	\$ 400,688
2009 NMFA Note	Parking deck	1/23/2009	4,999,890	4.650%	2021	1,750,000
2010 NMFA Note	Fire apparatus	7/30/2010	938,875	2.108%	2020	378,361
2010 NMFA Note	Griggs Walnut	1/18/2008	1,478,799	2.000%	2031	1,257,897
2010 HUD Loan	Facilities	7/21/2010	2,000,000	1.700%	2030	1,663,000
2011 NMFA Note	Gas tax refunding	10/14/2011	2,045,000	0.919%	2016	273,441
2011 NMFA Note	Fire apparatus	11/18/2011	964,250	0.230%	2019	391,967
2011 NMFA Note	Solid Waste Vehicles	12/16/2011	1,016,561	0.32-2.11%	2019	423,859
2012 NMFA Note	2003 SSGRT refunding	6/1/2012	2,280,000	0.400%	2018	625,000
2014 NMFA Note	SCSWA projects	6/20/2014	2,780,000	0.250%	2028	1,855,000
2014 NMFA Note	Fire apparatus	12/12/2014	443,325	1.975%	2022	358,314
2015 NMFA Note	Solid Waste Equipment	1/9/2015	2,775,819	0.21-2.01%	2022	2,291,625
2015 Estate Loan	Land Purchase	4/16/2015	104,500	0.000%	2020	52,250
2017 NMFA Loan	Fire/Police Equipment	2/24/2017	3,203,527	1.784	2023	3,203,527
Total NMFA/HUD Note/Loan Obligations			<u>\$26,739,301</u>			<u>\$14,924,929</u>

Source: City's Fiscal Year 2016 audited financial statements.

LITIGATION AND INSURANCE

At the time of the original delivery of the Bonds, the City will deliver a certificate to the effect that no litigation or administrative action or proceedings is pending or, to the knowledge of the appropriate officials, threatened, restraining or enjoining, or seeking to restrain or enjoin, the issuance and delivery of the Bonds, the effectiveness of the Bond Ordinance, the levying or collecting of taxes to pay the principal of and interest on the Bonds or contesting or questioning the proceedings and authority under which the Bonds have been authorized and are to be issued, sold, executed or delivered, or the validity of the Bonds.

The risks of loss through damage to buildings, contents, and heavy equipment, and losses from employee defalcation are covered by commercial insurance purchased from third parties. Settled claims from these risks have not exceeded commercial insurance coverage for the past three years. The City has established a self-insurance fund to manage risks related to physical damage to City vehicles, loss associated with actions of employees resulting in damage to the persons or property of others, and for employee injury losses. 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 insurance agreements to reduce its exposure to large losses from employee on-the-job injuries.

FINANCIAL ADVISOR

RBC Capital Markets, LLC ("RBC CM") is employed as Financial Advisor to the City of Las Cruces in connection with the issuance of the Bonds. The Financial Advisor's fee for services rendered with respect to the sale of the Bonds is contingent upon the issuance and delivery of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness, or fairness of the information in this Official Statement.

TRANSCRIPT AND CLOSING STATEMENTS

A complete transcript of proceedings and a no-litigation certificate (described above under “LITIGATION AND INSURANCE”) will be delivered by the City when the Bonds are delivered. The City will at that time also provide a certificate of the City relating to the accuracy and completeness of 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 Bonds, under existing laws, regulations rulings and judicial decisions, and assuming compliance with covenants described herein, interest on Bonds is excludable from gross income for federal income tax purposes and is not a specific preference item for purposes of the federal alternative minimum tax for individual corporations. Bond Counsel is also of the opinion, based on existing laws of the State of New Mexico as enacted and construed, that interest on the Bonds is excludable from net income for present State of New Mexico income tax purposes.

The Internal Revenue Code of 1986, as amended (the “Code”), imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal tax purposes of interest on obligations such as the Bonds. The 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 Bonds will not become includible in gross income. Failure to comply with these covenants or the inaccuracy of these representations and warranties may result in interest on the Bonds being included in gross income from the date of issue of the Bonds. The opinion of Bond Counsel assumes compliance with the covenants and the accuracy of such representations and warranties.

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

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

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

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

Internal Revenue Service Audit Program

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

Original Issue Discount

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

Original Issue Premium

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

FINANCIAL STATEMENTS

The general purpose financial statements of the City as of June 30, 2016, 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 A hereto. Moss Adams LLP has not been engaged to perform, and has not performed since June 30, 2016, any procedures on the 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. The financial statements are included for informational purposes only.

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 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 Bonds.

RATINGS

The Series 2017 Bonds have been assigned a rating of “Aa3” from Moody’s Investors Services (“Moody’s”). An explanation of the significance of such ratings 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 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 Bonds.

CONTINUING DISCLOSURE

The City will enter into an undertaking (the “Undertaking”) 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, 2018 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

As of 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 by March 31, 2012, as required by the City’s Prior Undertaking delivered in connection with its Gross Receipts Tax Revenue Bonds, Series 2005, or 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 Refunding Revenue Bonds, Series 2009, Joint Utility 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. The City’s annual disclosure filing for FY 2013 inadvertently omitted several tables which were required to be updated, which were subsequently filed with EMMA on July 28, 2014, with a Notice of Failure to Provide Annual Information dated August 1, 2014. Additionally, when the City filed its audit for 2014 on March 26, 2015, it failed to associate the CUSIPs related to the Joint Utility Refunding Revenue Bonds, Series 2010, Joint Utility Refunding Revenue Bonds, Series 2014A, and Joint Utility Improvement Revenue Bonds, Series

2014B to the filing. The City made a remedial filing on February 2, 2016 to associate all of the proper CUSIPs with its 2014 audit and filed a Notice of Failure to Provide Annual Financial Information.

Event Notices

In Fiscal Year 2009, the City did not file an event notice with EMMA concerning rating upgrades resulting from rating agency recalibration for the following bond issues: Gross Receipts Tax Revenue Bonds, Series 2005, the City's Joint Utility Revenue Bonds, Series 2006 and Joint Utility Refunding Revenue Bonds, Series 2009. The City filed notice of the recalibration on June 12, 2014. To the extent that the rating recalibration and resulting rating change is material, the City incorrectly represented that it has been in material compliance with prior continuing disclosure undertakings for the past 5 years in the official statements for the City's Joint Utility Refunding Revenue Bonds, Series 2009, Joint Utility 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 did not file the annual operating data for the joint utility timely for FY 2014. A remedial filing on February 2, 2016 was made. The City incorrectly represented in its official statements for the Joint Utility Refunding and Improvement Revenue Bonds, Series 2015, Joint Utility System Improvement Revenue Bonds, Series 2015A, and Hold Harmless Gross Receipts Tax Improvement Revenue Bonds, Series 2015A and Series 2015B that it was in material compliance with its undertakings when it had not properly associated all of the CUSIPs for the Joint Utility Bonds as outlined in the preceding paragraph and the annual operating data for FY 2013 and FY 2014.

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. The City has retained an independent disclosure consultant to provide dissemination agent services to assist the City with meeting its future undertakings. Additionally, the City has Continuing Disclosure Procedures on file with the current City finance staff and the City's private consultants.

ADDITIONAL INFORMATION

All of the summaries of the statutes, ordinances, resolutions, opinions, contracts, agreements, financial and statistical data, and other related reports described in this Official Statement are subject to the actual provisions of such documents. The summaries do not purport to be complete statements of such provisions and reference is made to such documents, copies of which are either publicly available or available for inspection during normal business hours at the offices of the City Clerk of the City of Las Cruces, City Hall, 700 North Main Street, P.O. Box 20000, Las Cruces, New Mexico 88004, or at the offices of RBC Capital Markets, LLC, 6301 Uptown Blvd. NE, Suite 110, Albuquerque, New Mexico 87110.

OFFICIAL STATEMENT CERTIFICATION

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

The preparation of this Official Statement and its distribution have been authorized by the Las Cruces City Council.

CITY OF LAS CRUCES, NEW MEXICO

By: /s/ Ken Miyagishima
Ken Miyagishima, Mayor

APPENDIX A

**EXCERPTS FROM AUDITED FINANCIAL STATEMENTS OF
THE CITY OF LAS CRUCES, NEW MEXICO
FOR FISCAL YEAR ENDING JUNE 30, 2016**

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.



Financial Statements
and
Report of Independent Auditors

June 30, 2016

CITY OF LAS CRUCES
COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016

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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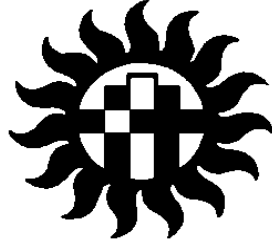
City of Las Cruces

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City of Las Cruces

November 30, 2016

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, 2016, 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.

Honorable Mayor and City Council,
City of Las Cruces, New Mexico
11/30/2016

Economic Condition and Outlook

The local economy is expected to follow the US 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% growth in FY16.

Population growth which slowed along with the national economy is expected to show a very modest gain in FY16. While the City is expected to add approximately 1,000 net new residents in FY16, the rate of growth will be under 2% 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 US, 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

The downtown plaza, named Plaza de Las Cruces, was completed in September 2016 and dedicated on the September 17th. The plaza is the premier gathering place for Las Cruces. It has already hosted five major events, including the annual Zombie Walk. It is also the new home of the Wednesday Farmers and Crafts Market. The plaza will continue to be well used as a venue for events as well as an informal meeting place and an attraction for children to play in the splash fountain.

Honorable Mayor and City Council,
City of Las Cruces, New Mexico
11/30/2016

During fiscal year 2016 a major portion of the East Mesa Safety Complex was completed. Completion of this project is expected to occur late into fiscal year 2017. This complex will allow the Las Cruces Police Department and the Las Cruces Fire Department to provide faster response time to emergency situations that may occur in the East Mesa area of Las Cruces.

Through the City's renewable and energy efficiency efforts, solar panels were installed at Munson Center, Sage Café, East Mesa Public Safety Complex, Las Cruces Regional Aquatic Center, and the Las Cruces Convention Center, resulting in a savings of 1,151,631 kilowatt hours and \$146,745 during fiscal year 2016. In other sustainability efforts, the City continued LED retrofits at Fire Stations 2, 3, 5, and 6 as well as the Police Academy, Fielder Memorial Safe Haven, Juvenile Citation building, Railroad Depot, and six other facilities resulting in a savings of 234,792 kilowatt hours and \$28,837 during fiscal year 2016. The LED retrofit on Solano alone saved 158,965 kilowatt hours and \$22,891 during fiscal year 2016.

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 fiscal year 2014 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
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 and 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.

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 fiscal year 2016 and the two preceding years is based on the mill levy below (per thousand):

Purpose	2016	2015	2014
Operational mill levy:			
Residential	6.699	6.806	6.801
Non-residential	7.12	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 8.3125% at June 30, 2016. The breakdown and sources of the gross receipts tax rate include:

	Tax Rate	Percent of Total Rate
State shared	5.125%	61.65%
Municipal GRT- general purpose	1.25%	15.04%
Municipal GRT-infrastructure	0.25%	3.01%
Municipal Environmental GRT	0.0625%	0.75%
Municipal Hold Harmless GRT	0.375%	4.51%
Dona Ana County-local option taxes	<u>1.25%</u>	<u>15.04%</u>
	8.3125%	100.0%

Honorable Mayor and City Council,
City of Las Cruces, New Mexico
11/30/2016

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 seventeen bond issues outstanding at June 30, 2016. Gross receipts tax revenues finance twelve 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, 2016 was \$99.9 million in governmental bonds and \$42.1 million in utility revenue bonds. Principal payments on bonds totaled \$12.5 million during the fiscal year. In addition, the City had thirteen loans outstanding from New Mexico Finance Authority and other entities totaling \$11.7 million with principal payments during the fiscal year of \$3.7 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, Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, 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, 2015. This was the twelfth 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

Honorable Mayor and City Council,
City of Las Cruces, New Mexico
11/30/2016

financial reporting. This is an outstanding accomplishment that demonstrates the professionalism residing in the City's Financial Services Department.

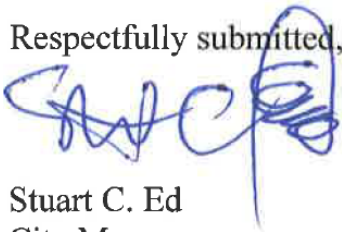
The preparation of the annual CAFR is primarily the responsibility of the Accounting Department. I would like to recognize Victoria Fredrick, Financial Services Director, Melissa Meyer and Maria Villa, Accounting Managers, and the Accounting staff including Natalia Dominguez, Josie Medina, Maria Sanchez, Maricela Ortiz, Vicky Delgado, Gilbert Rodriguez, Josh Saffell and James Williams 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.

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 'Stuart C. Ed', written over the text 'Respectfully submitted,'.

Stuart C. Ed
City Manager

City of Las Cruces
June 30, 2016

LIST OF PRINCIPAL OFFICIALS

City Council

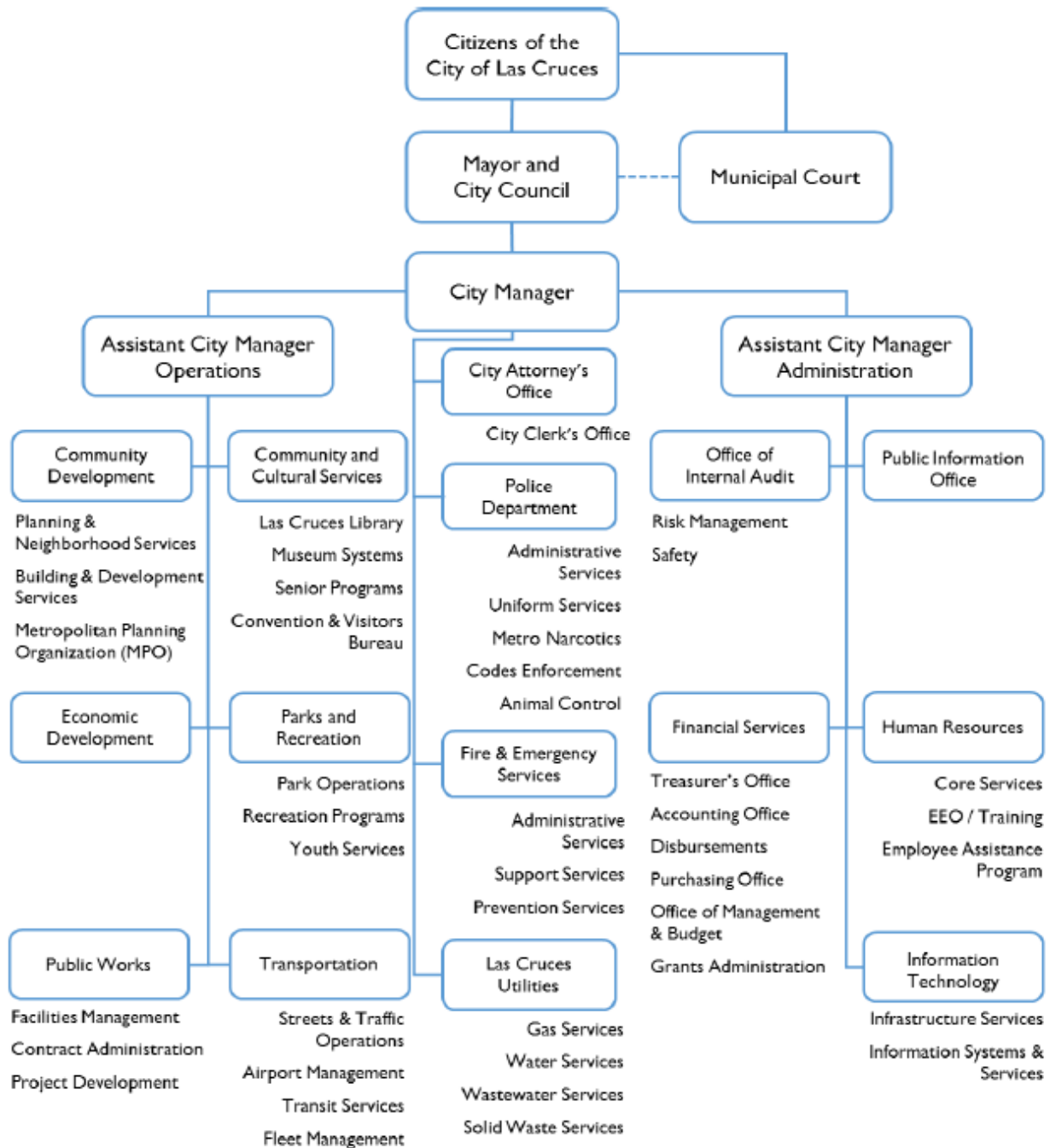
Ken Miyagishima	Mayor
Kasandra Gandara	Councilor
Gregory Z. Smith	Councilor
Olga Pedroza	Councilor
Jack Eakman	Councilor
Gill M. Sorg	Councilor
Cecelia H. Levatino	Councilor

Other officials

Robert Garza, P.E.	City Manager
Daniel Avila, P.E.	Assistant City Manager/COO
David Dollahon, AICP	Assistant City Manager/CAO

City of Las Cruces

CITY GOVERNMENT ORGANIZATION CHART





Government Finance Officers Association

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

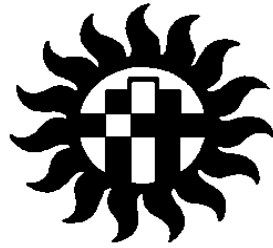
Presented to

**City of Las Cruces
New Mexico**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

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, 2016, 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, 2016, 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, 2016, 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, 2016, 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.

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.

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 *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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, 2016 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, 2016
Albuquerque, New Mexico

City of Las Cruces
Management's Discussion and Analysis
June 30, 2016

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, 2016. 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 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 \$597.4 million (net position). Of this amount, \$(53.9) million represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- At the close of the current fiscal year, the City of Las Cruces' governmental funds reported combined fund balances of \$178 million an increase of \$35 million in comparison with the prior year. Approximately 19.5% of this amount (\$34.5 million) is available for spending at the government's discretion (unassigned fund balance).
- The pooled cash and investments for the governmental and business-type activities increased \$39 million and \$12 million, respectively.
- The total bond and certificate of obligation debt for the governmental and business-type activities increased \$25 million and \$12 million respectively. During the fiscal year increased total debt outstanding to \$177 million due to the issuance of new debt to fund public parks, recreational facilities, street improvements, as well as to acquire public buildings.

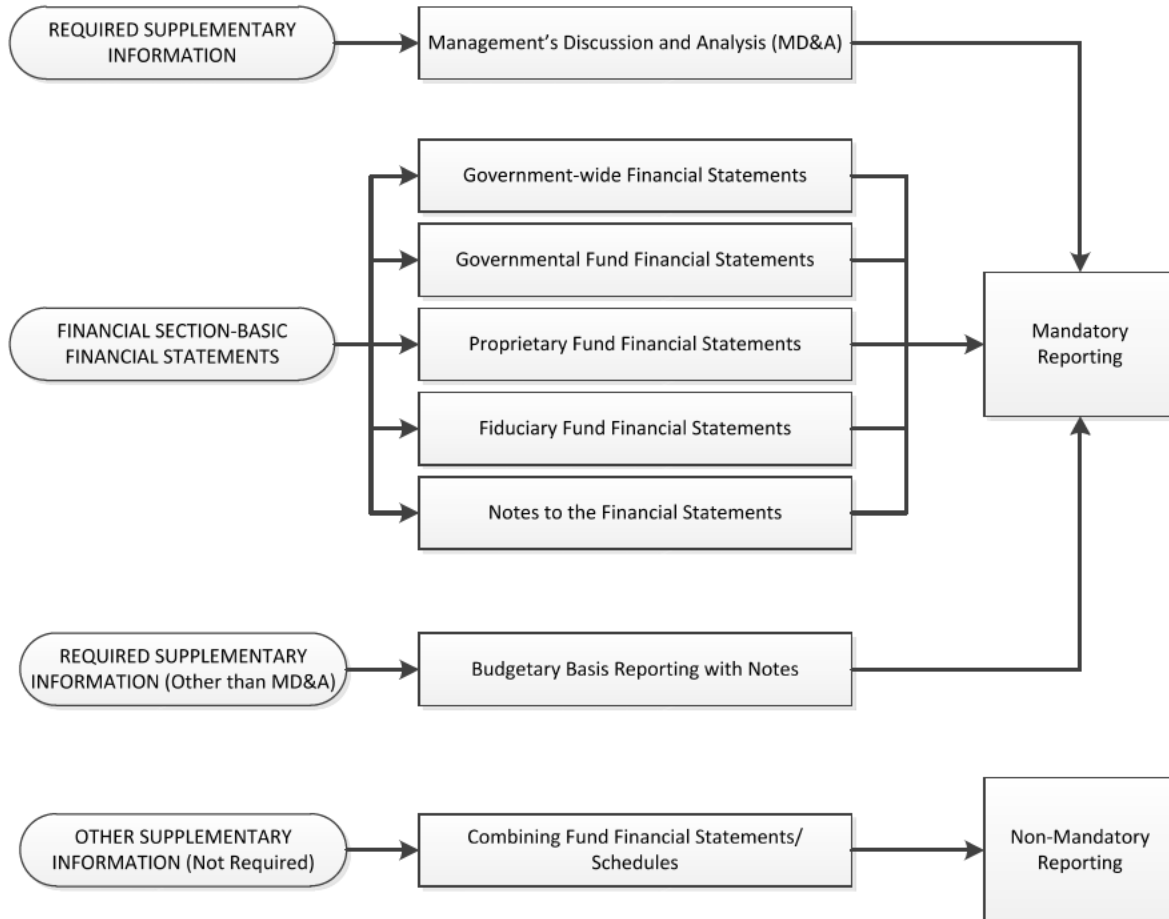
Overview of the Financial Statements

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.

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

City of Las Cruces
Management's Discussion and Analysis
June 30, 2016

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.

The *Statement of Activities* presents information showing how the government's net position changed during fiscal year 2016. 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

City of Las Cruces
Management's Discussion and Analysis
June 30, 2016

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, Transportation, and Community & Cultural Services. Prior to Fiscal Year 2016 the activity Information Technology was included; however, on June 20, 2016, as part of the chart of accounts implementation, Information Technology activity was rolled into the General Government activity due to the fact that Information Technology is a function of the General Government and is more appropriately included as part of that line rather than being broken out separately. 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.

City of Las Cruces
Management's Discussion and Analysis
June 30, 2016

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.

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 one hundred and seven governmental funds, eight of which combine into the General Fund and twenty-eight combine to make the Debt Service 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 sixty-nine 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

City of Las Cruces
Management's Discussion and Analysis
June 30, 2016

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.

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 and deferred inflows by \$376 million, at the close of the most recent fiscal year.

City of Las Cruces
Management's Discussion and Analysis
June 30, 2016

Net Position (in 000's)

Eighty four 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 sixty-three percent in fiscal year 2015. 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.

Twenty-five 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 six percent from 2015. The remaining balance of *unrestricted net position* (\$53 million) may be used to meet the government's ongoing obligations to citizens and creditors.

	Governmental Activities			Business - type Activities			Total		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Current and Other Assets	\$ 225,830	\$ 187,668	\$ 154,686	\$ 93,302	\$ 76,785	\$ 63,384	\$ 319,132	\$ 264,453	\$ 218,070
Capital Assets	374,118	362,515	365,533	217,727	214,557	216,152	591,845	577,072	581,685
Total Assets	<u>599,948</u>	<u>550,183</u>	<u>520,219</u>	<u>311,029</u>	<u>291,342</u>	<u>279,536</u>	<u>910,977</u>	<u>841,525</u>	<u>799,755</u>
Deferred Outflows of Resources	11,215	9,143	-	1,705	1,978	123	12,920	11,121	123
Total Assets and Deferred Outflows of Resources	<u>\$ 611,163</u>	<u>\$ 559,326</u>	<u>\$ 520,219</u>	<u>\$ 312,734</u>	<u>\$ 293,320</u>	<u>\$ 279,659</u>	<u>\$ 923,897</u>	<u>\$ 852,646</u>	<u>\$ 799,878</u>
Current and Other Liabilities	\$ 23,844	\$ 22,074	\$ 18,661	\$ 11,447	\$ 11,366	\$ 8,684	\$ 35,291	\$ 33,440	\$ 27,345
Long-term Liabilities	209,315	159,298	79,218	79,110	63,722	48,889	288,425	223,020	128,107
Total Liabilities	<u>233,159</u>	<u>181,372</u>	<u>97,879</u>	<u>90,557</u>	<u>75,088</u>	<u>57,573</u>	<u>323,716</u>	<u>256,460</u>	<u>155,452</u>
Deferred Inflow of Resources	2,152	21,645	-	628	3,253	820	2,780	24,898	820
Net Position:									
Net investment in capital assets	300,431	190,996	289,783	204,136	166,565	173,829	504,567	357,561	463,612
Restricted Net Position	116,782	80,631	61,253	29,918	26,407	13,718	146,700	107,038	74,971
Unrestricted Net Position	(41,361)	84,682	71,304	(12,505)	22,007	33,719	(53,866)	106,689	105,023
Total Net Position	<u>375,852</u>	<u>356,309</u>	<u>422,340</u>	<u>221,549</u>	<u>214,979</u>	<u>221,266</u>	<u>597,401</u>	<u>571,288</u>	<u>643,606</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 611,163</u>	<u>\$ 559,326</u>	<u>\$ 520,219</u>	<u>\$ 312,734</u>	<u>\$ 293,320</u>	<u>\$ 279,659</u>	<u>\$ 923,897</u>	<u>\$ 852,646</u>	<u>\$ 799,878</u>

City of Las Cruces
Management's Discussion and Analysis
June 30, 2016

Changes in net position during 2016 and comparative amounts for 2015 and 2014 were:

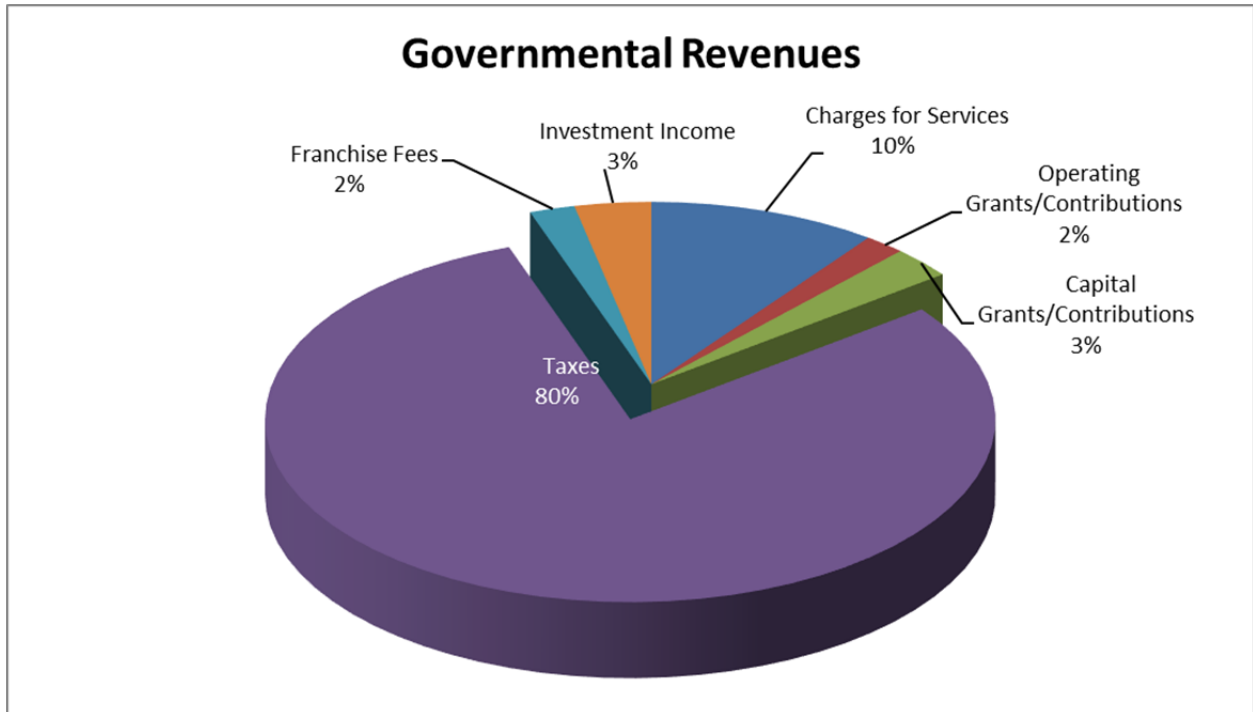
Summary of Changes in Position (in 000's)

	Governmental Activities			Business - type Activities			Total		
	2016	2015	2014	2016	2015	2014	2016	2015	2014
Revenues:									
Program Revenues:									
Charges for services	\$ 22,604	\$ 12,347	\$ 15,761	\$ 52,639	\$ 49,952	\$ 49,930	\$ 75,243	\$ 62,299	\$ 65,691
Operating grants and contributions	2,646	4,398	5,729	5,118	2,253	2,459	7,764	6,651	8,188
Capital grants and contributions	3,939	6,044	8,423	328	294	-	4,267	6,338	8,423
General Revenue:									
Taxes-GRT and property	114,456	108,145	96,148	-	-	-	114,456	108,145	96,148
Franchise fees/lodgers tax	2,873	2,438	2,701	-	-	-	2,873	2,438	2,701
Investment income (loss)	4,805	5,515	5,892	2,714	2,797	1,465	7,519	8,312	7,357
Gain on sale of capital assets	-	-	-	441	-	-	441	-	-
Miscellaneous	-	-	10	-	-	-	-	-	10
Capital asset contribution	-	-	-	-	-	231	-	-	231
Total Revenue	151,323	138,887	134,664	61,240	55,296	54,085	212,563	194,183	188,749
Expenses:									
General Government	29,352	17,464	16,477	-	-	-	29,352	17,464	16,477
Police	26,784	26,926	28,115	-	-	-	26,784	26,926	28,115
Fire	14,247	13,828	12,734	-	-	-	14,247	13,828	12,734
Community Development	5,214	4,859	4,592	-	-	-	5,214	4,859	4,592
Community and Cultural Services	9,553	9,273	9,315	-	-	-	9,553	9,273	9,315
Public Works	21,483	21,885	21,168	-	-	-	21,483	21,885	21,168
Information Technology	-	3,416	3,341	-	-	-	-	3,416	3,341
Transportation	8,042	8,161	8,159	-	-	-	8,042	8,161	8,159
Parks and Recreation	10,324	9,798	9,120	-	-	-	10,324	9,798	9,120
Gas	-	-	-	11,274	10,776	10,958	11,274	10,776	10,958
Water	-	-	-	15,994	15,009	14,306	15,994	15,009	14,306
Waste water	-	-	-	14,318	13,246	12,536	14,318	13,246	12,536
Solid waste	-	-	-	11,627	10,942	11,438	11,627	10,942	11,438
Other	-	-	-	4,625	4,393	4,632	4,625	4,393	4,632
Interest on long-term debt	3,613	3,071	3,158	-	-	-	3,613	3,071	3,158
Total Expenses	128,612	118,681	116,179	57,838	54,366	53,870	186,450	173,047	170,049
Increase (decrease) in net position before transfers	22,711	20,206	18,485	3,402	930	215	26,113	21,136	18,700
Transfers	(3,168)	(2,943)	(3,161)	3,168	2,943	3,161	-	-	-
Change in net position	19,543	17,263	15,324	6,570	3,873	3,376	26,113	21,136	18,700
Net Position - beginning	356,309	422,341	407,016	214,979	221,266	217,890	571,288	643,607	624,906
Restatement	-	(83,295)	-	-	(10,160)	-	-	(93,455)	-
Net Position - ending	\$ 375,852	\$ 356,309	\$ 422,340	\$ 221,549	\$ 214,979	\$ 221,266	\$ 597,401	\$ 571,288	\$ 643,606

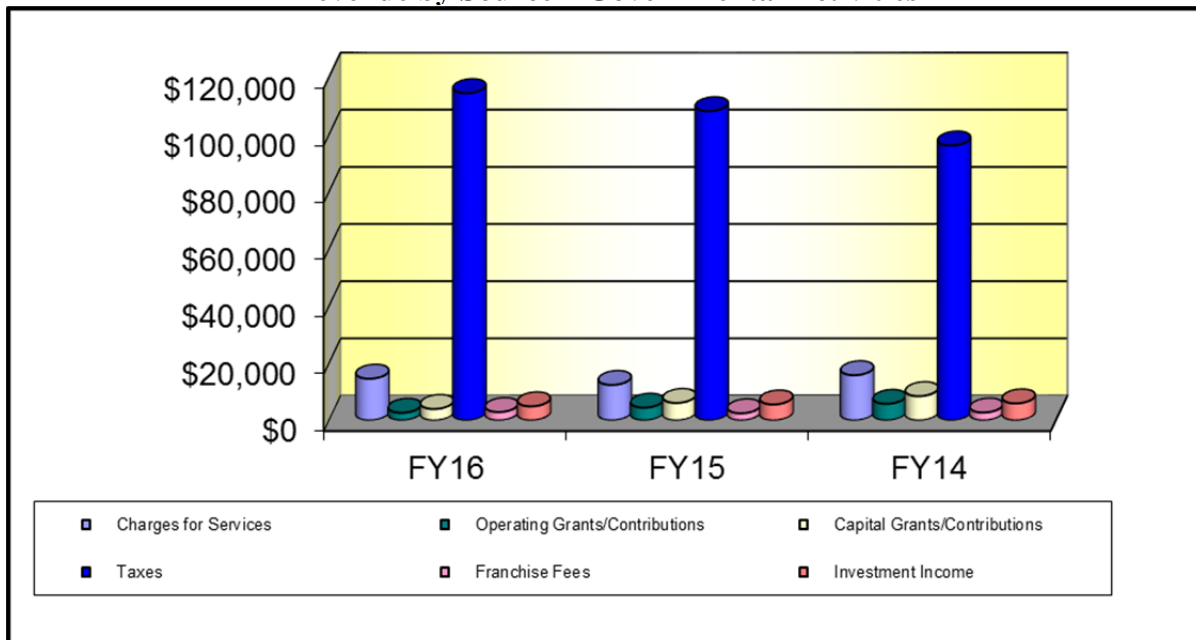
City of Las Cruces
Management's Discussion and Analysis
June 30, 2016

Governmental Activities

During the current fiscal year, net position for governmental activities increased \$20 million from the prior fiscal year for an ending balance of \$376 million. Gross receipts tax, property tax, and franchise fees increased from \$110.6 million in fiscal year 2015 to \$117.3 million in fiscal year 2016.



Revenue by Source – Governmental Activities



City of Las Cruces

Management's Discussion and Analysis

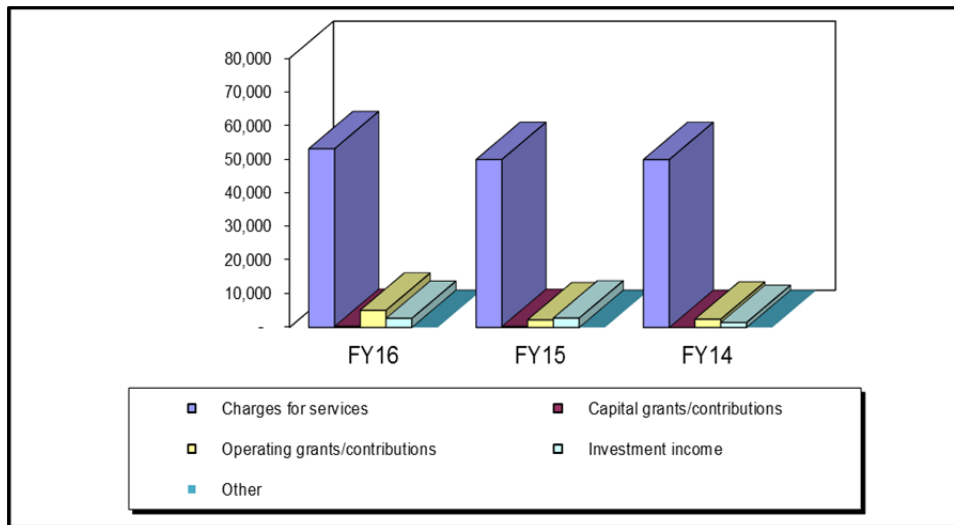
June 30, 2016

Expenses of the City's governmental activities increased from \$118.7 million in fiscal year 2015 to \$128.2 million in 2016 due to increased costs in general government.

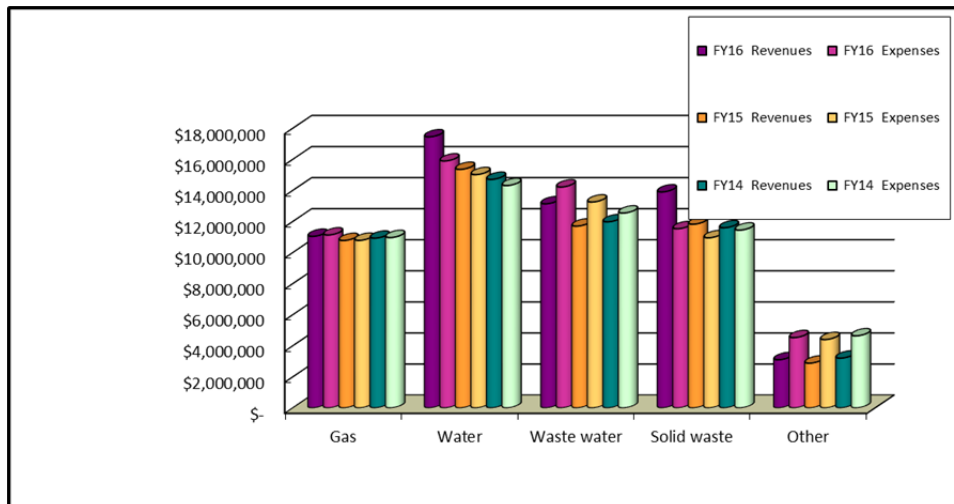
Business-type Activities

For the City's business-type activities, the net position increased by \$7 million to reach an ending balance of \$222 million. Charges for services increased from \$50.0 million in 2015 to \$52.6 million in 2016 due to the increased rates that were in effect as a result of the rate case that took place. Operating grants and contributions increased from \$2.3 million in fiscal year 2015 to \$5.1 million in fiscal year 2016.

Revenues by Source – Business-type Activities



Expenses and Program Revenues – Business-type Activities



City of Las Cruces
Management's Discussion and Analysis
June 30, 2016

Financial Analysis of the City's Funds

Gross receipts tax, the largest revenue source in the general fund, increased by \$5.9 million from 2015 due to the increase in gross receipts tax authorized by the Legislature to make up for the state funding reductions. Operating and capital grants and contributions decreased by \$3.9 million due to a decrease in legislative funding.

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 and 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 fiscal year 2016, the City's governmental funds reported combined ending fund balances of \$178.0 million, an increase of \$35.0 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. The nonspendable fund balance of \$1.82 million is for inventories. The restricted fund balance of \$50 thousand is for grants for public safety programs, community development and community, transportation, and cultural services. The committed fund balance of \$8 million is for debt service. The assigned fund balance in the General Fund is \$5.8 million and is mainly for the acquisition of new vehicles and economic development. The allocation to each function is presented in the governmental funds balance sheet. The unassigned fund balance in the General Fund is \$34.7 million. The total fund balance in the General Fund is \$50.5 million.

Fund balances of other major governmental funds are committed and restricted. The fund balance in Sonoma Ranch of \$2.6 million is committed for public works. The Telshor Facility fund has \$36.9 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 \$74.2 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, public works, public safety programs, and parks and recreation.

City of Las Cruces
Management's Discussion and Analysis
June 30, 2016

General Fund

The General Fund is the chief operating fund of the City. At the end of fiscal year 2016, unassigned fund balance of the general fund was \$34.7 million, while total fund balance was \$50.5 million. Of the \$34.7 million in unassigned fund balance, \$8.4 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 \$5.2 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 \$42 thousand for the year. This reflects a decrease in the budget of \$35 thousand for Charges for Services, which was determined as part of an End-Of-Year revenue review, netted against a \$77.5 thousand increase from Other sources of revenue; which included the recognition of revenue from the NM MFA, revenue to be obtained in the transferal of partial ownership of fiber-optic infrastructure to Don Ana County, and an increase due to a mid-year review of revenue and expense.

Actual revenues for the fiscal year were approximately \$8.4 million more than the final budget. Actual revenues from Gross Receipts exceeded budget by approximately \$7.3 million, which was due to gross receipts tax distributions from the State exceeding what was estimated throughout the year. Actual revenues for Investment Income exceeded final budget by approximately \$1 million, which was due to the same excess of gross receipts tax distributions from the State increasing the cash balance in the bank which increased the amount of investment income.

Expenditures - Differences between the original expenditures budget and the final amended expenditures budget totaled approximately \$6.8 million and are briefly summarized as follows:

- The budget for general government decreased by \$2.5 million. \$2.15 million is attributable to transfers made to other expenditure line items as described in each of the other line items described below. \$350 thousand is attributable to a transfer from general government, fund 1400 Facilities Maintenance, out of the general fund completely to the capital fund 4227 for a needed increase to paving funds.
- The budget for police increased by \$2.0 million. \$1.2 million is attributable to a transfer from parks and recreation that was necessary to correct the chart of accounts conversion where budget was recorded to the wrong account. \$190 thousand is attributable to a transfer from general government that was necessary to correct the chart of accounts conversion where budget was recorded to the wrong account. \$11 thousand is attributable to a transfer from general government to provide match for the VOCA grant. \$15 thousand is attributable to an increase in budget for funding received from New Mexico State University for a Youth Leadership Academy. \$120 thousand is attributable to a transfer from general government to cover expense for a Staffing Survey. \$450 thousand is attributable to the 1st quarter and mid-year budget adjustments for various items including a Record Management System with the Dona Ana Sheriff's Office, salary merit

City of Las Cruces
Management's Discussion and Analysis
June 30, 2016

and longevity increases, building maintenance and operations, minor equipment and minor construction costs transferred from general government.

- The budget for fire increased \$108 thousand which is attributable to Mid-Year Budget adjustment for salary merit and longevity increases transferred from general government.
- The budget for community development increased by \$207 thousand. \$56 thousand is attributable to the Mid-Year budget adjustment for salary merit and longevity increases transferred from general government. \$151 thousand is attributable to a transfer from general government for the purchase of Accela Land Management Software configuration and implementation.
- The budget for community & cultural services increased by \$101 which is attributable to Mid-Year budget adjustment for salary merit and longevity increases, salary increases due to time study adjustments, and projected increase to operating expenses including minor equipment costs transferred from general government.
- The budget for transportation increased by \$108 thousand. \$90 thousand is attributable to a transfer from public works to be used for Street Improvements as a match to a State of New Mexico Legislative appropriation. \$14 thousand is attributable to a transfer from general government as a match for an FAA grant, \$4 thousand is attributable to Mid-Year budget adjustment for salary merit and longevity increases transferred from general government
- The budget for Parks and Recreation decreased by \$1.3 million which is due to a transfer to police in the amount of \$1.2 million and to transportation in the amount of \$90 thousand.
- The budget for capital outlay decreased by \$5.56 million. \$6.5 million was a transfer out of capital outlay to the TIDD fund for construction work on the Amador project. The budget was also increased by \$940 thousand for transfers in to cover greater vehicle acquisition and replacement costs, transfers in to provide matching funds for grants received during the fiscal year, increase for State of New Mexico Legislative appropriations for street improvements and a mid-year budget increase for computer upgrades, equipment and vehicle purchases, and building maintenance and repairs from general government.

Actual expenditures were approximately \$11.9 million less than the final expenditures budget. These variances can be briefly summarized as follows:

- The general government actual expenditures were approximately \$4 million less than the final budget. \$3 million is attributable to debt service charges that were budgeted but not incurred, the budget department estimated this as potential debt service that did not occur in this fiscal year. As this item should be in the debt service funds rather than in the general fund, the budget department has corrected this by moving this budgeted amount to the debt service funds as of the 2017 Fiscal year. \$600 thousand is attributable to a retainer for council that was budgeted but not incurred. \$400 thousand is attributable to conservative spending on operating expenditures so that they were less than estimated.

City of Las Cruces
Management's Discussion and Analysis
June 30, 2016

- Actual expenditures for police were \$2.7 million less than budget. \$1.7 million is attributable to salary savings and \$1 million is attributable to conservative spending on operating expenditures so that they were less than estimated.
- Actual expenditures for public works were \$2.6 million less than budget. \$2.2 million is attributable to salary savings and \$400 thousand is attributable to conservative spending on operating expenditures so that they were less than estimated.
- Actual expenditures for transportation were \$623 thousand less than budget. \$132 thousand is attributable to salary savings and \$491 thousand is attributable to conservative spending on operating expenditures so that they were less than estimated.
- Actual expenditures for capital outlay were \$765 thousand less than budget. This variance is caused by conservative spending on capital items so that expenditure was less than budgeted costs by \$2.849 million. This savings was netted against a correction of \$2.084 million which was for engineering cost allocations.

Long-Term Debt

At the end of fiscal year 2016, the City had total long-term debt outstanding of \$177 million in bonds, notes and leases, with a net increase of \$36.6 million over the prior year due to the issuance of new debt.

Outstanding Bonds and Liabilities to Financial Institutions 2015

	Governmental			Business-type			Total		
	2016	2015	Change	2016	2015	Change	2016	2015	Change
Revenue Bonds: Outstanding	\$ 99,935,000	\$ 72,015,000	\$ 27,920,000	\$ 65,445,000	\$ 53,050,000	\$ 12,395,000	\$ 165,380,000	\$ 125,065,000	\$ 40,315,000
Notes Payable: Outstanding	8,605,230	11,576,819	(2,971,589)	3,116,172	3,812,635	(696,463)	11,721,402	15,389,454	(3,668,052)
Total Outstanding	\$ 108,540,230	\$ 83,591,819	\$ 24,948,411	\$ 68,561,172	\$ 56,862,635	\$ 11,698,537	\$ 177,101,402	\$140,454,454	\$ 36,646,948

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of June 30, 2016 amounts to \$592 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 US 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% growth in FY16.

City of Las Cruces
Management's Discussion and Analysis
June 30, 2016

Population growth which slowed along with the national economy is expected to show a very modest gain in FY16. While the City is expected to add approximately 1,000 net new residents in FY16 the rate of growth will be under 2% 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 US, 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.

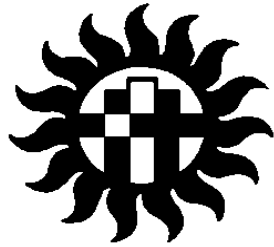
While the General Fund balances are anticipated to ebb slightly over the time horizon, the City can continue to provide its citizens services. This ability is a dividend of the City's prudent fiscal management practice for the past several years, and is allowing the City to navigate the recession while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

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, 2016

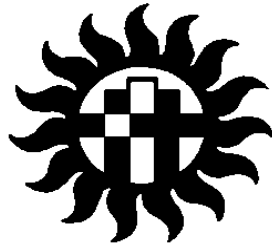
	Primary Government			South Central Solid Waste Authority
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments	\$ 107,609,994	\$ 54,742,246	\$ 162,352,240	\$ 2,465,185
Receivables, net	22,425,832	3,986,805	26,412,637	595,212
Other assets	2,221,406	2,362,114	4,583,520	-
Due from other governmental units	22,215,694	1,836,480	24,052,174	-
Due from South Central Solid Waste	1,534,170	-	1,534,170	-
Notes receivable	-	457,019	457,019	-
Restricted cash and investments	69,823,178	29,918,292	99,741,470	3,200,883
Capital assets:				
Land and construction in progress	50,167,592	8,304,442	58,472,034	1,712,977
Other capital assets, net of depreciation	<u>323,950,441</u>	<u>209,422,646</u>	<u>533,373,087</u>	<u>7,523,242</u>
Total capital assets	<u>374,118,033</u>	<u>217,727,088</u>	<u>591,845,121</u>	<u>9,236,219</u>
Total assets	<u>599,948,307</u>	<u>311,030,044</u>	<u>910,978,351</u>	<u>15,497,499</u>
Deferred Outflows of Resources				
Deferred amount from investment earnings	5,392	-	5,392	-
Deferred amount from refundings	394,049	685,790	1,079,839	-
Deferred charges related to pensions	10,815,193	1,018,987	11,834,180	164,493
Total deferred outflows of resources	<u>11,214,634</u>	<u>1,704,777</u>	<u>12,919,411</u>	<u>164,493</u>
Liabilities				
Accounts payable and accrued liabilities	9,497,290	4,782,469	14,279,759	628,756
Unearned revenue	2,425,940	-	2,425,940	-
Customer deposits	-	1,224,082	1,224,082	-
Long-term liabilities:				
Due within one year	11,920,477	5,440,474	17,360,951	217,659
Due in more than one year	<u>209,314,591</u>	<u>79,110,760</u>	<u>288,425,351</u>	<u>5,262,240</u>
Total liabilities	<u>233,158,298</u>	<u>90,557,785</u>	<u>323,716,083</u>	<u>6,108,655</u>
Deferred Inflows of Resources				
Deferred gain of revenue for cost of gas	-	170,387	170,387	-
Deferred inflows related to pensions	<u>2,152,329</u>	<u>457,547</u>	<u>2,609,876</u>	<u>29,373</u>
Total deferred inflows of resources	<u>2,152,329</u>	<u>627,934</u>	<u>2,780,263</u>	<u>29,373</u>
Net Position				
Net investment in capital assets	300,431,414	204,136,578	504,567,992	7,562,445
Restricted for:				
Public safety programs	2,489,312	-	2,489,312	-
Housing and community development	613,421	-	613,421	-
Debt service	6,045,168	20,229,607	26,274,775	-
Public works	65,360,733	8,464,603	73,825,336	-
Health-related programs	2,982,186	-	2,982,186	-
Community and cultural services	36,926,001	-	36,926,001	-
Parks and recreation	2,275,118	-	2,275,118	-
Transportation	90,345	-	90,345	-
Customer deposits	-	1,224,082	1,224,082	-
Curbside recycling program	-	-	-	-
Unrestricted	<u>(41,361,384)</u>	<u>(12,505,768)</u>	<u>(53,867,152)</u>	<u>1,961,519</u>
Total net position	<u>\$ 375,852,314</u>	<u>\$ 221,549,102</u>	<u>\$ 597,401,416</u>	<u>\$ 9,523,964</u>

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

City of Las Cruces
Statement of Activities
For the Year Ended June 30, 2016

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								
Governmental activities								
General government	\$ 29,352,376	\$ 11,406,062	\$ 261,301	\$ 3,681,812	\$ (14,003,201)	\$ -	\$ (14,003,201)	\$ -
Police	26,784,454	4,008,210	453,499	-	(22,322,745)	-	(22,322,745)	-
Fire	14,246,842	2,241,589	109,542	-	(11,895,711)	-	(11,895,711)	-
Community development	5,213,672	587,454	341,297	257,626	(4,027,295)	-	(4,027,295)	-
Community and cultural services	9,553,385	947,182	598,147	-	(8,008,056)	-	(8,008,056)	-
Public works	21,482,947	934,210	463,571	-	(20,085,166)	-	(20,085,166)	-
Transportation	8,041,532	850,027	352,893	-	(6,838,612)	-	(6,838,612)	-
Parks and recreation	10,324,569	1,629,526	66,629	-	(8,628,414)	-	(8,628,414)	-
Interest on long-term debt	3,612,877	-	-	-	(3,612,877)	-	(3,612,877)	-
Total governmental activities	<u>128,612,654</u>	<u>22,604,260</u>	<u>2,646,879</u>	<u>3,939,438</u>	<u>(99,422,077)</u>	<u>-</u>	<u>(99,422,077)</u>	<u>-</u>
Business-type activities								
Gas	11,273,615	10,872,445	-	72,569	-	(328,601)	(328,601)	-
Water	15,993,648	15,705,758	1,537,425	167,738	-	1,417,273	1,417,273	-
Wastewater	14,317,690	11,767,317	1,255,539	87,192	-	(1,207,642)	(1,207,642)	-
Solid waste	11,626,780	13,525,241	-	-	-	1,898,461	1,898,461	-
Transit/other	4,625,168	768,221	2,325,482	-	-	(1,531,465)	(1,531,465)	-
Total business-type activities	<u>57,836,901</u>	<u>52,638,982</u>	<u>5,118,446</u>	<u>327,499</u>	<u>-</u>	<u>248,026</u>	<u>248,026</u>	<u>-</u>
Total primary government	<u>\$ 186,449,555</u>	<u>\$ 75,243,242</u>	<u>\$ 7,765,325</u>	<u>\$ 4,266,937</u>	<u>(99,422,077)</u>	<u>248,026</u>	<u>(99,174,051)</u>	<u>-</u>
Component units								
Solid waste	9,586,483	10,301,931	-	-	-	-	-	715,448
Total component units	<u>\$ 9,586,483</u>	<u>\$ 10,301,931</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>715,448</u>
General revenues								
Taxes:								
Gross receipts					99,613,753	-	99,613,753	-
Property					14,841,410	-	14,841,410	-
Franchise fees and lodgers taxes					2,873,464	-	2,873,464	-
Investment income					4,804,673	2,713,872	7,518,545	201,235
Gain (loss) on sale of capital assets					-	441,294	441,294	-
Other					-	-	-	(50,380)
Transfers					(3,167,574)	3,167,574	-	-
Total general revenues and transfers					<u>118,965,726</u>	<u>6,322,740</u>	<u>125,288,466</u>	<u>150,855</u>
Change in net position					<u>19,543,649</u>	<u>6,570,766</u>	<u>26,114,415</u>	<u>866,303</u>
Net position, beginning of year					<u>356,308,665</u>	<u>214,978,336</u>	<u>571,287,001</u>	<u>8,657,661</u>
Net position, end of year					<u>\$ 375,852,314</u>	<u>\$ 221,549,102</u>	<u>\$ 597,401,416</u>	<u>\$ 9,523,964</u>

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



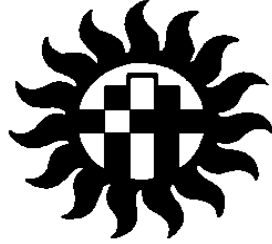
City of Las Cruces

Fund Financial Statements

City of Las Cruces
Balance Sheet—Governmental Funds
June 30, 2016

	General Fund	Debt Service	Sonoma Ranch	Telshor Facility	2015A HHS	Other Governmental Funds	Total Governmental Funds
Assets							
Pooled cash and investments	\$ 32,447,860	\$ -	\$ 2,561,942	\$ -	\$ 22,146,882	\$ 33,821,502	\$ 90,978,186
Restricted cash and investments	-	5,750,466	-	36,987,443	-	27,085,269	69,823,178
Receivables, net	946,694	8,585,000	7,184,269	44,752	-	5,656,118	22,416,833
Due from other funds	2,000,802	-	-	-	-	-	2,000,802
Due from other governmental units	16,976,363	-	-	-	-	5,239,188	22,215,551
Inventories	1,820,976	-	-	-	-	-	1,820,976
Total assets	<u>54,192,695</u>	<u>14,335,466</u>	<u>9,746,211</u>	<u>37,032,195</u>	<u>22,146,882</u>	<u>71,802,077</u>	<u>209,255,526</u>
Deferred Outflows of Resources							
Deferred amount from investment earnings	5,392	-	-	-	-	-	5,392
Total Deferred Outflows of Resources	<u>5,392</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,392</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 54,198,087</u>	<u>\$ 14,335,466</u>	<u>\$ 9,746,211</u>	<u>\$ 37,032,195</u>	<u>\$ 22,146,882</u>	<u>\$ 71,802,077</u>	<u>\$ 209,260,918</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances							
Liabilities							
Accounts and contracts payable	\$ 1,674,871	\$ -	\$ -	\$ 106,194	\$ 705,515	\$ 2,829,304	\$ 5,315,884
Due to other funds	-	-	-	-	-	2,000,802	2,000,802
Accrued liabilities	1,953,981	-	-	-	-	49,864	2,003,845
Unearned revenue	5,956	350,000	-	-	-	4,837,118	5,193,074
Total liabilities	<u>3,634,808</u>	<u>350,000</u>	<u>-</u>	<u>106,194</u>	<u>705,515</u>	<u>9,717,088</u>	<u>14,513,605</u>
Deferred Inflows of Resources							
Deferred special assessment receipts	99,085	-	7,184,269	-	-	-	7,283,354
Unavailable revenue	-	8,585,000	-	-	-	877,271	9,462,271
Total Deferred Inflows of Resources	<u>99,085</u>	<u>8,585,000</u>	<u>7,184,269</u>	<u>-</u>	<u>-</u>	<u>877,271</u>	<u>16,745,625</u>
Total Liabilities and Deferred Inflows of Resources	<u>3,733,893</u>	<u>8,935,000</u>	<u>7,184,269</u>	<u>106,194</u>	<u>705,515</u>	<u>10,594,359</u>	<u>31,259,230</u>
Fund Balances							
Non-spendable:							
Inventories	\$ 1,820,976	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,820,976
Restricted for:							
Public safety programs	5,360	-	-	-	-	2,483,952	2,489,312
Housing and community development	15,722	-	-	-	-	597,699	613,421
Debt service funds	-	5,400,466	-	-	-	644,702	6,045,168
Public works	-	-	-	-	21,441,367	43,919,366	65,360,733
Community and cultural services	17,922	-	-	-	-	2,964,264	2,982,186
Health-related programs	-	-	-	36,926,001	-	-	36,926,001
Parks and recreation	-	-	-	-	-	2,275,118	2,275,118
Transportation	10,691	-	-	-	-	79,654	90,345
Committed for:							
Debt service	8,034,176	-	-	-	-	2,556,718	10,590,894
Health-related programs	-	-	-	-	-	27,556	27,556
Public safety programs	-	-	-	-	-	1,408,872	1,408,872
Public works	-	-	2,561,942	-	-	4,455,769	7,017,711
Parks and recreation	-	-	-	-	-	-	-
Assigned to:							
Public works	635,718	-	-	-	-	-	635,718
Community development	-	-	-	-	-	-	-
Information technology	-	-	-	-	-	-	-
Office of emergency management reserve	-	-	-	-	-	-	-
Economic development	1,847,905	-	-	-	-	-	1,847,905
Transportation	1,122	-	-	-	-	-	1,122
Vehicle acquisition fund	3,346,971	-	-	-	-	-	3,346,971
Unassigned:							
Unassigned	34,727,631	-	-	-	-	(205,952)	34,521,679
Total fund balances	<u>50,464,194</u>	<u>5,400,466</u>	<u>2,561,942</u>	<u>36,926,001</u>	<u>21,441,367</u>	<u>61,207,718</u>	<u>178,001,688</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 54,198,087</u>	<u>\$ 14,335,466</u>	<u>\$ 9,746,211</u>	<u>\$ 37,032,195</u>	<u>\$ 22,146,882</u>	<u>\$ 71,802,077</u>	<u>\$ 209,260,918</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, 2016

Total fund balances for governmental funds	\$ 178,001,688
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 \$88,357 that are reported in internal services funds)	374,029,676
Other assets are not available to pay for current-period expenditures and, therefore, are reported as unearned revenue in the funds	20,794,351
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. (excludes long-term liabilities reported in internal services funds of \$7,988,275 and net pension liabilities of \$91,218,430)	(122,028,363)
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	1,534,170
Deferred outflows of pensions (excludes \$129,421 of deferred outflows from pensions of internal service funds reported below)	10,738,262
Net pension liabilities are not reported in governmental funds but reported on the statement of net position	(91,218,430)
Deferred inflows of pensions (excludes \$9,196 of deferred inflows from pensions of internal service funds reported below)	(2,147,535)
Assets and liabilities of internal service funds are included in net position of governmental activities	<u>7,430,087</u>
Net position of governmental activities	<u>\$ 375,852,314</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, 2016

	General Fund	Debt Service	Sonoma Ranch	Telshor Facility	2015A HHS	Other Governmental Funds	Total Governmental Funds
Revenues							
Taxes	\$ 95,313,685	\$ -	\$ -	\$ -	\$ -	\$ 19,141,478	\$ 114,455,163
Charges for services	2,842,674	-	-	-	-	114,978	2,957,652
Fees and fines	665,022	-	-	-	-	2,573,019	3,238,041
Investment income (loss)	1,512,627	196,332	90,563	922,571	65,347	1,233,641	4,021,081
Franchise fees	2,873,464	-	-	-	-	-	2,873,464
Licenses and permits	1,577,456	-	-	-	-	-	1,577,456
Intergovernmental:							
Federal	-	-	-	-	-	3,234,375	3,234,375
State	-	-	-	-	-	3,545,479	3,545,479
Local	4,670	-	-	-	-	-	4,670
Other	3,972,073	500,236	968,277	-	-	1,771,177	7,211,763
Total revenues	<u>108,761,671</u>	<u>696,568</u>	<u>1,058,840</u>	<u>922,571</u>	<u>65,347</u>	<u>31,614,147</u>	<u>143,119,144</u>
Expenditures							
Current							
General government	19,804,279	-	-	-	-	1,465,998	21,270,277
Police	22,487,668	-	-	-	-	2,544,310	25,031,978
Fire	12,576,218	-	-	-	-	614,573	13,190,791
Community development	3,295,856	-	-	-	-	1,914,816	5,210,672
Community and cultural services	5,314,072	-	-	-	-	3,355,846	8,669,918
Public works	5,241,293	-	-	-	105,581	2,495,238	7,842,112
Transportation	4,768,996	-	-	-	-	1,979,871	6,748,867
Parks and recreation	9,142,296	-	-	-	-	373,816	9,516,112
Capital outlay	5,852,903	-	-	-	2,277,795	22,260,535	30,391,233
Debt service:							
Principal	-	10,705,464	-	-	-	-	10,705,464
Interest and other charges	-	3,592,138	-	-	-	-	3,592,138
Debt issuance costs	-	-	-	-	342,050	283,598	625,648
Total expenditures	<u>88,483,581</u>	<u>14,297,602</u>	<u>-</u>	<u>-</u>	<u>2,725,426</u>	<u>37,288,601</u>	<u>142,795,210</u>
Revenues over (under) expenditures	<u>20,278,090</u>	<u>(13,601,034)</u>	<u>1,058,840</u>	<u>922,571</u>	<u>(2,660,079)</u>	<u>(5,674,454)</u>	<u>323,934</u>
Other Financing Sources (Uses)							
Proceeds of debt	-	1,148,611	-	-	23,075,000	11,456,389	35,680,000
Premiums on issuance of debt	-	-	-	-	1,026,446	126,257	1,152,703
Proceeds from sale of capital assets	1,167,038	-	-	-	-	30,805	1,197,843
Transfers in	6,577,912	12,096,476	-	-	-	16,057,912	34,732,300
Transfers out	(22,861,277)	-	-	(300,000)	-	(14,879,372)	(38,040,649)
Total other financing sources (uses)	<u>(15,116,327)</u>	<u>13,245,087</u>	<u>-</u>	<u>(300,000)</u>	<u>24,101,446</u>	<u>12,791,991</u>	<u>34,722,197</u>
Net change in fund balances	5,161,763	(355,947)	1,058,840	622,571	21,441,367	7,117,537	35,046,131
Fund balances, beginning of year	45,302,431	5,756,413	1,503,102	36,303,430	-	54,090,181	142,955,557
Fund balances, end of year	<u>\$ 50,464,194</u>	<u>\$ 5,400,466</u>	<u>\$ 2,561,942</u>	<u>\$ 36,926,001</u>	<u>\$ 21,441,367</u>	<u>\$ 61,207,718</u>	<u>\$ 178,001,688</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, 2016

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:

\$ 35,046,131

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	\$ 30,391,233	
Depreciation	(18,878,353)	
Difference in proceeds and net capital assets sold	(1,197,843)	
Disposal of capital assets not recorded in governmental funds	1,284,802	
Total	11,599,839	11,599,839

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	10,705,464	
Premiums on issuance of debt	(1,152,703)	
Proceeds from bonds and notes payable	(35,680,000)	
Interest expense related to bond refunding	(20,739)	
Amortization of premium/discount of bond and notes payable	108,894	
Total	(26,039,084)	(26,039,084)

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.

55,416

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.

7,876,141

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.

(455,000)

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.

(1,769,189)

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.

(6,770,605)

Change in net position of governmental activities

\$ 19,543,649

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, 2016
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	June 30, 2016			June 30, 2015 (As Reclassified)	
	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)	
	Original	Final			
Revenues					
Local taxes					
Gross receipts	\$ 75,065,303	\$ 75,065,303	\$ 82,347,641	\$ 7,282,338	\$ 76,932,663
Property	11,260,187	11,260,187	11,299,666	39,479	11,060,833
Utility franchise	1,235,170	1,235,170	1,163,436	(71,734)	1,259,748
Total local taxes	<u>87,560,660</u>	<u>87,560,660</u>	<u>94,810,743</u>	<u>7,250,083</u>	<u>89,253,244</u>
State-shared taxes	483,504	483,504	502,942	19,438	475,146
Charges for services	3,145,619	3,110,559	2,842,674	(267,885)	2,750,235
Fees and fines	687,665	687,665	665,022	(22,643)	654,159
Investment income (loss)	506,201	506,201	1,512,627	1,006,426	1,219,947
Franchise fees	2,775,191	2,775,191	2,873,464	98,273	2,438,470
Licenses and permits	1,106,660	1,106,660	1,577,456	470,796	1,072,697
Operating grants and contributions	16,613	16,613	4,670	(11,943)	7,440
Other	<u>3,997,035</u>	<u>4,074,585</u>	<u>3,972,073</u>	<u>(102,512)</u>	<u>6,379,592</u>
	<u>12,718,488</u>	<u>12,760,978</u>	<u>13,950,928</u>	<u>1,189,950</u>	<u>14,997,686</u>
Total revenues	<u>100,279,148</u>	<u>100,321,638</u>	<u>108,761,671</u>	<u>8,440,033</u>	<u>104,250,930</u>
Expenditures					
Current					
General government	26,512,959	23,999,583	19,804,279	4,195,304	14,590,348
Police	23,193,806	25,207,260	22,487,668	2,719,592	22,790,188
Fire	12,574,952	12,682,809	12,576,218	106,591	12,150,566
Community development	3,379,080	3,585,628	3,295,856	289,772	3,093,414
Community and cultural services	5,528,966	5,630,075	5,314,072	316,003	5,206,661
Public works	7,810,322	7,822,543	5,241,293	2,581,250	8,552,498
Information technology	-	-	-	-	3,307,482
Transportation	5,283,626	5,392,093	4,768,996	623,097	5,006,488
Parks and recreation	10,914,857	9,591,317	9,142,296	449,021	9,083,711
Capital outlay	12,180,660	6,618,275	5,852,903	765,372	6,702,890
Debt service					
Interest	-	-	-	-	-
Principal	-	-	-	-	-
Total expenditures	<u>107,379,228</u>	<u>100,529,583</u>	<u>88,483,581</u>	<u>12,046,002</u>	<u>90,484,246</u>
Revenues over (under) expenditures	<u>(7,100,080)</u>	<u>(207,945)</u>	<u>20,278,090</u>	<u>20,486,035</u>	<u>13,766,684</u>
Other Financing Sources (Uses)					
Issuance of debt	26,125	26,125	-	(26,125)	104,500
Proceeds from sale of capital assets	60,553	1,163,097	1,167,038	3,941	87,238
Payment to agency	-	-	-	-	-
Transfers in	4,855,592	6,737,193	6,577,912	(159,281)	4,332,789
Transfers out	<u>(12,466,952)</u>	<u>(22,887,612)</u>	<u>(22,861,277)</u>	<u>26,335</u>	<u>(13,633,679)</u>
Total other financing sources (uses)	<u>(7,524,682)</u>	<u>(14,961,197)</u>	<u>(15,116,327)</u>	<u>(155,130)</u>	<u>(9,109,152)</u>
Net change in fund balance	(14,624,762)	(15,169,142)	5,161,763	20,330,905	4,657,532
Fund balance, beginning of year	<u>45,302,431</u>	<u>45,302,431</u>	<u>45,302,431</u>	<u>-</u>	<u>40,644,899</u>
Fund balance, end of year	<u>\$ 30,677,669</u>	<u>\$ 30,133,289</u>	<u>\$ 50,464,194</u>	<u>\$ 20,330,905</u>	<u>\$ 45,302,431</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—Budget and Actual
Sonoma Ranch
For the Year Ended June 30, 2016
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

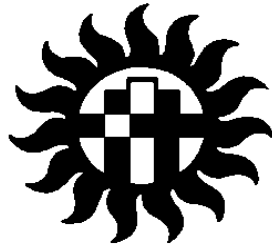
	June 30, 2016			June 30, 2015	
	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)	Actual
	Original	Final			
Revenues					
Investment income	\$ -	\$ -	\$ 90,563	\$ 90,563	\$ 66,822
Other	-	-	968,277	968,277	-
Total revenues	<u>-</u>	<u>-</u>	<u>1,058,840</u>	<u>1,058,840</u>	<u>66,822</u>
Net change in fund balance	-	-	1,058,840	1,058,840	66,822
Fund balance, beginning of year	<u>1,503,102</u>	<u>1,503,102</u>	<u>1,503,102</u>	<u>31,055</u>	<u>1,436,280</u>
Fund balance , end of year	<u>\$ 1,503,102</u>	<u>\$ 1,503,102</u>	<u>\$ 2,561,942</u>	<u>\$ 1,089,895</u>	<u>\$ 1,503,102</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—Budget and Actual
Telshor Facility
For the Year Ended June 30, 2016
(With Comparative Actual Amounts for the Year Ended June 30, 2015)

	June 30, 2016			June 30, 2015	
	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)	
	Original	Final			
Revenues					
Investment income	\$ -	\$ -	\$ 922,571	\$ 922,571	\$ 1,852,290
Other	-	-	-	-	-
Total revenues	-	-	<u>922,571</u>	<u>922,571</u>	<u>1,852,290</u>
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	(300,000)	(300,000)	622,571	922,571	1,552,290
Fund balance, beginning of year	36,303,430	36,303,430	36,303,430	2,011,532	34,751,140
Fund balance, end of year	<u>\$ 36,003,430</u>	<u>\$ 36,003,430</u>	<u>\$ 36,926,001</u>	<u>\$ 2,934,103</u>	<u>\$ 36,303,430</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
Statement of Net Position—Proprietary Funds
June 30, 2016

	Enterprise Funds					Totals	Internal Service Funds
	Gas	Water	Waste Water	Solid Waste	Other Enterprise Funds		
Assets							
Current assets							
Cash and investments	\$ 20,889,901	\$ 13,583,448	\$ 11,892,297	\$ 8,557,607	\$ (181,007)	\$ 54,742,246	\$ 16,631,808
Accounts receivable, net of allowance for uncollectible accounts	735,982	1,570,868	746,178	794,284	139,493	3,986,805	8,999
Due from other governments	-	490,275	603,238	-	742,967	1,836,480	143
Inventories	815,327	509,302	406,672	630,813	-	2,362,114	400,430
Total current assets	<u>22,441,210</u>	<u>16,153,893</u>	<u>13,648,385</u>	<u>9,982,704</u>	<u>701,453</u>	<u>62,927,645</u>	<u>17,041,380</u>
Non-current assets							
Restricted cash and investments	672,672	12,485,157	15,792,412	968,051	-	29,918,292	-
Notes receivable	-	265,316	191,703	-	-	457,019	-
Advance to other funds	-	-	2,480,000	-	-	2,480,000	-
Other	-	-	-	-	-	-	-
Capital assets	67,958,245	137,370,501	136,605,297	14,518,075	13,091,455	369,543,573	2,316,650
Less accumulated depreciation	(41,039,370)	(43,812,379)	(52,953,295)	(8,002,301)	(6,009,140)	(151,816,485)	(2,228,293)
Net capital assets	<u>26,918,875</u>	<u>93,558,122</u>	<u>83,652,002</u>	<u>6,515,774</u>	<u>7,082,315</u>	<u>217,727,088</u>	<u>88,357</u>
Total non-current assets	<u>27,591,547</u>	<u>106,308,595</u>	<u>102,116,117</u>	<u>7,483,825</u>	<u>7,082,315</u>	<u>250,582,399</u>	<u>88,357</u>
Total assets	<u>50,032,757</u>	<u>122,462,488</u>	<u>115,764,502</u>	<u>17,466,529</u>	<u>7,783,768</u>	<u>313,510,044</u>	<u>17,129,737</u>
Deferred outflows of resources							
Deferred amount from refundings	-	315,143	370,647	-	-	685,790	-
Deferred charges related to pensions	190,167	140,656	153,994	393,431	140,739	1,018,987	76,931
Total deferred outflows of resources	<u>190,167</u>	<u>455,799</u>	<u>524,641</u>	<u>393,431</u>	<u>140,739</u>	<u>1,704,777</u>	<u>76,931</u>
Liabilities							
Current liabilities							
Accounts and contracts payable	744,739	1,640,240	1,382,608	44,227	86,630	3,898,444	2,145,378
Accrued liabilities	187,556	290,332	224,902	123,690	57,545	884,025	32,183
Current portion of non-current liabilities	210,388	2,415,912	2,004,711	781,269	28,194	5,440,474	1,959,490
Total current liabilities	<u>1,142,683</u>	<u>4,346,484</u>	<u>3,612,221</u>	<u>949,186</u>	<u>172,369</u>	<u>10,222,943</u>	<u>4,137,051</u>
Non-current liabilities							
Customer deposits	672,672	212,680	149,939	188,791	-	1,224,082	-
Revenue bonds payable	4,022,569	32,119,022	28,409,197	-	-	64,550,788	-
Notes payable	-	-	-	2,409,118	-	2,409,118	-
Compensated absences	246,904	194,739	166,854	120,862	112,778	842,137	51,212
Claims	-	-	-	-	-	-	4,601,230
Accrued landfill closure cost	-	-	-	856,000	-	856,000	-
Advance from other funds	-	2,480,000	-	-	-	2,480,000	-
Net pension liability	2,805,792	1,948,969	2,078,558	1,732,874	1,886,524	10,452,717	982,294
Total non-current liabilities	<u>7,747,937</u>	<u>36,955,410</u>	<u>30,804,548</u>	<u>5,307,645</u>	<u>1,999,302</u>	<u>82,814,842</u>	<u>5,634,736</u>
Total liabilities	<u>8,890,620</u>	<u>41,301,894</u>	<u>34,416,769</u>	<u>6,256,831</u>	<u>2,171,671</u>	<u>93,037,785</u>	<u>9,771,787</u>
Deferred inflows of resources							
Deferred gain of revenue for cost of gas	170,387	-	-	-	-	170,387	-
Deferred inflows related to pensions	32,120	36,916	72,541	275,690	40,280	457,547	4,794
Total deferred inflows of resources	<u>202,507</u>	<u>36,916</u>	<u>72,541</u>	<u>275,690</u>	<u>40,280</u>	<u>627,934</u>	<u>4,794</u>
Net Position							
Net investment in capital assets	22,685,918	91,177,099	80,700,311	3,325,387	7,082,315	204,971,030	88,357
Restricted for customer deposits	672,672	212,680	149,939	188,791	-	1,224,082	-
Restricted for capital projects	-	6,257,556	1,492,294	714,753	-	8,464,603	-
Restricted for debt service	-	6,014,922	14,150,179	64,506	-	20,229,607	-
Unrestricted	17,771,207	(22,082,780)	(14,692,890)	7,034,002	(1,369,759)	(13,340,220)	7,341,730
Total net position	<u>\$ 41,129,797</u>	<u>\$ 81,579,477</u>	<u>\$ 81,799,833</u>	<u>\$ 11,327,439</u>	<u>\$ 5,712,556</u>	<u>\$ 221,549,102</u>	<u>\$ 7,430,087</u>

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, 2016

	Enterprise Funds					Totals	Internal Service Funds
	Gas	Water	Waste Water	Solid Waste	Other Enterprise Funds		
Operating Revenues							
Sales/charges	\$20,137,353	\$15,800,217	\$ 11,775,913	\$13,702,807	\$ 756,330	\$ 62,172,620	16,476,049
Provision for uncollectible accounts	(177,746)	(117,294)	(78,133)	(158,164)	-	(531,337)	-
Net sales/charges	<u>19,959,607</u>	<u>15,682,923</u>	<u>11,697,780</u>	<u>13,544,643</u>	<u>756,330</u>	<u>61,641,283</u>	<u>16,476,049</u>
Utility extension/service fee	274,856	114,616	32,350	-	-	421,822	-
Rentals	-	769	-	-	-	769	195,514
Other	28,790	80,715	37,187	(19,402)	11,891	139,181	-
Total operating revenues	20,263,253	15,879,023	11,767,317	13,525,241	768,221	62,203,055	16,671,563
Cost of gas, water and services, respectively	(9,390,808)	(173,265)	-	-	-	(9,564,073)	(2,372,505)
Gross Margin	<u>10,872,445</u>	<u>15,705,758</u>	<u>11,767,317</u>	<u>13,525,241</u>	<u>768,221</u>	<u>52,638,982</u>	<u>14,299,058</u>
Operating Expenses							
Personnel services	3,182,438	2,540,037	2,289,788	2,229,014	2,481,499	12,722,776	1,331,486
Supplies	334,830	511,476	1,208,946	284,073	93,430	2,432,755	208,119
Utilities	16,399	1,844,423	995,421	32,602	33,020	2,921,865	24,108
Professional services	200,514	1,847,521	1,107,054	4,654,764	168,448	7,978,301	1,132,841
Motor pool charges	-	-	-	-	345,736	345,736	605
Motor fuel	-	-	-	-	498,504	498,504	-
Repairs and maintenance	1,413,414	2,172,818	1,115,263	860,017	12,808	5,574,320	119,850
Rent	2,153	32,441	9,283	788	-	44,665	-
Depreciation and amortization	2,159,194	2,404,460	3,451,613	1,076,756	756,335	9,848,358	21,770
Payment in lieu of taxes	538,436	585,369	531,151	298,919	-	1,953,875	-
Administrative charges from other funds	2,857,796	2,582,554	2,425,222	2,168,168	-	10,033,740	-
Customer service	-	-	-	-	-	-	-
Closure/post-closure costs	-	-	-	(280,244)	-	(280,244)	-
Claims and judgments	-	-	-	-	-	-	19,036,995
Insurance	88,708	65,814	62,178	61,693	-	278,393	-
Pension expenses	265,291	188,445	187,330	175,220	186,579	1,002,865	16,638
Other	69,719	15,497	10,438	-	48,809	144,463	110,103
Total operating expenses	<u>11,128,892</u>	<u>14,790,855</u>	<u>13,393,687</u>	<u>11,561,770</u>	<u>4,625,168</u>	<u>55,500,372</u>	<u>22,002,515</u>
Operating income (loss)	(256,447)	914,903	(1,626,370)	1,963,471	(3,856,947)	(2,861,390)	(7,703,457)
Non-operating Revenues (Expenses)							
Gain (loss) on sale of capital assets	25,245	28,220	18,855	368,974	-	441,294	8,485
Investment (loss) income	700,664	622,941	1,037,630	359,723	(7,086)	2,713,872	783,592
Grants	-	1,537,425	1,255,539	-	2,325,482	5,118,446	-
Interest expense	(144,723)	(1,202,793)	(924,003)	(65,010)	-	(2,336,529)	-
Total non-operating revenues (expenses)	<u>581,186</u>	<u>985,793</u>	<u>1,388,021</u>	<u>663,687</u>	<u>2,318,396</u>	<u>5,937,083</u>	<u>792,077</u>
Income (loss) before capital	<u>324,739</u>	<u>1,900,696</u>	<u>(238,349)</u>	<u>2,627,158</u>	<u>(1,538,551)</u>	<u>3,075,693</u>	<u>(6,911,380)</u>
Capital contributions	<u>72,569</u>	<u>167,738</u>	<u>87,192</u>	<u>-</u>	<u>-</u>	<u>327,499</u>	<u>-</u>
Transfers							
Transfers in	-	889,329	1,535,525	-	2,045,674	4,470,528	140,775
Transfers out	-	(452,954)	(850,000)	-	-	(1,302,954)	-
Change in net position	397,308	2,504,809	534,368	2,627,158	507,123	6,570,766	(6,770,605)
Net position, beginning 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>
Net position, end of year	<u>\$ 41,129,797</u>	<u>\$ 81,579,477</u>	<u>\$ 81,799,833</u>	<u>\$ 11,327,439</u>	<u>\$ 5,712,556</u>	<u>\$ 221,549,102</u>	<u>\$ 7,430,087</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, 2016

	Enterprise Funds					Totals	Internal Service Funds
	Gas	Water	Waste Water	Solid Waste	Other Enterprise Funds		
Cash flows from operating activities							
Cash received from customers	\$20,598,046	\$15,548,889	\$11,742,965	\$13,697,061	\$ 644,949	\$ 62,231,910	\$ 16,671,564
Cash paid to suppliers	(15,067,060)	(9,464,980)	(7,242,194)	(9,757,899)	(1,522,804)	(43,054,937)	(3,988,050)
Cash paid to employees	(3,297,404)	(2,916,941)	(2,420,075)	(2,232,613)	(2,471,294)	(13,338,327)	(1,331,486)
Claims paid	-	-	-	-	-	-	(16,956,940)
Other receipts	28,790	80,715	37,187	(19,402)	11,891	139,181	-
Net cash provided (used) by operating activities	<u>2,262,372</u>	<u>3,247,683</u>	<u>2,117,883</u>	<u>1,687,147</u>	<u>(3,337,258)</u>	<u>5,977,827</u>	<u>(5,604,912)</u>
Cash flows from non-capital financing activities							
Grants and contributions	-	1,537,425	1,255,539	-	2,325,482	5,118,446	-
Transfers in	-	889,329	1,535,525	-	2,045,674	4,470,528	140,775
Transfers out	-	-	-	-	-	-	-
Investment income	-	70,754	(837)	-	-	69,917	-
Loans for development impact fees	-	(753,976)	-	-	-	(753,976)	-
Advance to/from other funds	-	(289,238)	(548,978)	-	-	(838,216)	-
Net cash provided (used) by non-capital financing activities	<u>-</u>	<u>1,454,294</u>	<u>2,241,249</u>	<u>-</u>	<u>4,371,156</u>	<u>8,066,699</u>	<u>140,775</u>
Cash flows from capital and related financing activities							
Purchase of capital assets	(2,446,939)	(4,277,216)	(3,822,478)	(691,832)	(1,207,819)	(12,446,284)	(16,108)
Acquisition of other assets	-	-	-	-	-	-	-
Principal paid: revenue bonds/lease purchase/advances	4,022,570	6,819,585	3,128,262	(696,463)	-	13,273,954	-
Interest paid: revenue bonds/lease purchase/advances	(144,723)	(1,202,793)	(882,889)	(65,010)	-	(2,295,415)	-
Net cash provided (used) by capital and related financing activities	<u>1,430,908</u>	<u>1,339,576</u>	<u>(1,577,105)</u>	<u>(1,453,305)</u>	<u>(1,207,819)</u>	<u>(1,467,745)</u>	<u>(16,108)</u>
Cash flows from investing activities							
Cash interest received	700,664	622,941	1,037,630	359,723	(7,086)	2,713,872	783,592
Net cash provided (used) by investing activities	<u>700,664</u>	<u>622,941</u>	<u>1,037,630</u>	<u>359,723</u>	<u>(7,086)</u>	<u>2,713,872</u>	<u>783,592</u>
Net increase (decrease) in pooled cash and investments	4,393,944	6,664,494	3,819,657	593,565	(181,007)	15,290,653	(4,696,653)
Cash and investments, beginning of year	17,168,629	19,404,111	23,865,052	8,932,093	-	69,369,885	21,328,461
Cash and investments, end of year	<u>\$ 21,562,573</u>	<u>\$ 26,068,605</u>	<u>\$ 27,684,709</u>	<u>\$ 9,525,658</u>	<u>\$ (181,007)</u>	<u>\$ 84,660,538</u>	<u>\$ 16,631,808</u>
Cash and investments at June 30 consisted of:							
Current assets							
Cash and investments	\$ 20,889,901	\$ 13,583,448	\$ 11,892,297	\$ 8,557,607	\$ (181,007)	\$ 54,742,246	\$ 16,631,808
Non-current assets							
Restricted cash and investments	672,672	12,485,157	15,792,412	968,051	-	29,918,292	-
Total cash and investments, June 30	<u>\$ 21,562,573</u>	<u>\$ 26,068,605</u>	<u>\$ 27,684,709</u>	<u>\$ 9,525,658</u>	<u>\$ (181,007)</u>	<u>\$ 84,660,538</u>	<u>\$ 16,631,808</u>

(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, 2016

	Enterprise Funds					Totals	Internal Service Funds
	Gas	Water	Waste Water	Solid Waste	Other Enterprise Funds		
Reconciliation of operating income to net cash provided (used) by operating activities							
Operating income (loss)	\$ (256,447)	\$ 914,903	\$ (1,626,370)	\$ 1,963,471	\$ (3,856,947)	\$ (2,861,390)	\$ (7,703,457)
Adjustments to reconcile operating income to net cash provided by operating activities:							
Depreciation and amortization	2,159,194	2,404,460	3,451,613	1,076,756	756,335	9,848,358	21,770
Provision for uncollectible accounts	177,746	117,294	78,133	158,164	-	531,337	-
Increase in liability for landfill closure costs	-	-	-	(218,000)	-	(218,000)	-
Change in assets, deferred outflows, liabilities, and deferred inflows:							
Accounts receivable	68,023	(377,187)	(71,718)	(20,313)	(111,381)	(512,576)	-
Inventories	66,531	(23,870)	20,035	(98,748)	-	(36,052)	(40,118)
Due from other governmental agencies	-	(480,519)	(603,238)	-	-	(1,083,757)	(143)
Accounts and contracts payable	(43,066)	952,413	993,294	(1,186,676)	(135,470)	580,495	1,740,640
Estimated liability for insurance claims	-	-	-	-	-	-	368,440
Wages payable and accrued liabilities	93,205	(380,457)	(170,620)	(39,872)	(29,966)	(527,710)	(15,749)
Deferred gain of revenue	(93,529)	-	-	-	-	(93,529)	-
Unearned revenue	57,118	110,172	40,333	37,799	40,171	285,593	23,705
Customer deposits	33,597	10,474	6,421	14,566	-	65,058	-
Total adjustments	<u>2,518,819</u>	<u>2,332,780</u>	<u>3,744,253</u>	<u>(276,324)</u>	<u>519,689</u>	<u>8,839,217</u>	<u>2,098,545</u>
Net cash provided (used) by operating activities	<u>\$ 2,262,372</u>	<u>\$ 3,247,683</u>	<u>\$ 2,117,883</u>	<u>\$ 1,687,147</u>	<u>\$ (3,337,258)</u>	<u>\$ 5,977,827</u>	<u>\$ (5,604,912)</u>
Non-cash investing/financing activities							
Advances to (from) other funds	\$ -	\$ -	\$ (850,000)	\$ -	\$ -	\$ (850,000)	\$ -
Capital contributions of capital assets	<u>72,569</u>	<u>167,738</u>	<u>87,192</u>	<u>-</u>	<u>-</u>	<u>327,499</u>	<u>-</u>
Total non-cash investing/financing activities	<u>\$ 72,569</u>	<u>\$ 167,738</u>	<u>\$ (762,808)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (522,501)</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, 2016

Assets

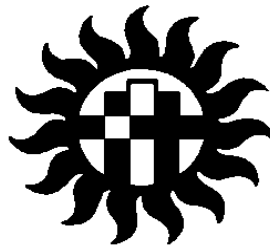
Pooled cash and investments	\$ 5,940,961
Accounts receivable	94,165
Due from other governments	<u>305,076</u>
Total assets	<u><u>\$ 6,340,202</u></u>

Liabilities

Due to fiscal agent	\$ 214,491
Accounts and contracts payable	146,570
Accrued wages payable	252,347
Funds held for others	<u>5,726,794</u>
Total liabilities	<u><u>\$ 6,340,202</u></u>

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

City of Las Cruces
Notes to Financial Statements
June 30, 2016



City of Las Cruces

City of Las Cruces
Notes to Financial Statements
June 30, 2016

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:

<u>Component Unit</u>	<u>Included in the Reporting Entity Because:</u>	<u>Separate Financial Statements</u>
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 Statement 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. Main St., Las Cruces, New Mexico 88001.
Downtown Tax Increment Development District (TIDD)	The Board members for the TIDD are also the City Councilors, which allows the City to impose its will. According to GASB Statement No. 61, the TIDD qualifies as a blended component unit. Mainly due to management having operational responsibility for the blended component unit.	Presented as a blended component unit of the City.

City of Las Cruces
Notes to Financial Statements
June 30, 2016

1) Description and Reporting Entity

SCSWA is reported as 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, 2016

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.

The Debt Service fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of the governmental funds.

Capital Project Funds

2015A HHS – This fund was created after the issuance of the New Mexico Hold Harmless Gross Receipts Tax Improvement Revenue Bonds, Series 2015A.

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.

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, general liability, and workers' compensation.

City of Las Cruces
Notes to Financial Statements
June 30, 2016

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

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: Rio Grande Natural Gas Association (cash only); 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 is 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 sixty 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.

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.

City of Las Cruces
Notes to Financial Statements
June 30, 2016

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

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 provisions of GASB Statement No. 72, *Fair Value Measurement and Application*, have been implemented in the City's as of June 30, 2016. This standard addresses the City's reporting related to fair value measurements and provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The City's financial instruments consist of investments in securities, bonds and notes payable. The estimated fair value amounts have been determined by the City using available market information and appropriate valuation methodologies.

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—Propriety 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.

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.

City of Las Cruces
Notes to Financial Statements
June 30, 2016

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

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 weighted average cost 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.

Assets, Liabilities and Equity — continued

In accordance with provisions of GASB No. 34, the City regards library materials (e.g., books, tapes, etc.), as individual assets versus collections and, therefore, they are not capitalized. Museum collections and exhibits are considered a collection but are not capitalized as allowed by GASB 34. 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, 2016

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 Government Accounting Standards Board 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

Prior to 2011, the City reported the governmental fund balances as Reserved and Unreserved. Effective in 2011, the City implemented GASB 54 and reports the governmental fund balances in five categories, which include:

- 1) Non-spendable fund balance – 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 – 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 – amounts to be used for specific purposes as determined by Council resolution, 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 – comprises amounts *intended* to be used by the City for specific purposes. Intent can be expressed by the City Council, or by an official or body to which the City Council delegates the authority. In governmental funds other than the General Fund, assigned fund balance represents the amount that is not restricted or committed but has earmarked by the governing body by accounting them in these funds.
- 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, 2016

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%, 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.

City of Las Cruces
Notes to Financial Statements
June 30, 2016

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

The City of Las Cruces reports fund balances by specific function. These functions may include multiple purposes for the use of these fund balances. Further detail for certain major functions is listed below:

	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
Non-spendable:			
Inventories	\$ 1,820,976	\$ -	\$ 1,820,976
Restricted:			
Public Safety			
Police	5,360	1,144,029	1,149,389
Fire	-	855,318	855,318
Municipal	-	484,605	484,605
Housing and community development			
MPO Planning	15,722	-	15,722
Affordable Housing Trust	-	510,944	510,944
Housing & Community	-	86,755	86,755
Debt Service	-	6,045,168	6,045,168
Public Works			
Streets Maintenance & Operations	-	44,846,178	44,846,178
Flood Control	-	4,945,212	4,945,212
Downtown	-	7,636,543	7,636,543
Griggs & Walnut	-	2,499,478	2,499,478
Facilities Maintenance	-	5,236,159	5,236,159
Convention Center	-	197,163	197,163
Community and Cultural Services	17,922	2,964,264	2,982,186
Health Related Programs			
Community Healthcare Initiatives	-	300,000	300,000
Held for Investment Proceeds To			
Benefit Community Healthcare			
Initiatives	-	36,626,001	36,626,001
Parks and recreation	-	2,275,118	2,275,118
Transportation	10,691	79,654	90,345
Committed:			
Debt Service	8,034,176	2,556,718	10,590,894
Health-related programs	-	27,556	27,556
Public Safety			
Police	-	1,408,872	1,408,872
Public Works	-	7,017,711	7,017,711
Subtotal	<u>9,904,847</u>	<u>127,743,446</u>	<u>137,648,293</u>

City of Las Cruces
Notes to Financial Statements
June 30, 2016

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

	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
Assigned to:			
Public works	\$ 635,718	\$ -	\$ 635,718
Economic development	1,847,905	-	1,847,905
Transportation	1,122	-	1,122
Vehicle Acquisition Fund			
IT Vehicle Replacement	60,000	-	60,000
Parks & Recreation Vehicle Replacement	452,000	-	452,000
Public Works Vehicle Replacement	166,000	-	166,000
Transportation Vehicle Replacement	112,000	-	112,000
Police Vehicle Replacement	775,500	-	775,500
Fire Vehicle Replacement	105,000	-	105,000
Fire - NMFA Loan Repayment	1,490,000	-	1,490,000
Vehicle Replacement Reserve	186,471	-	186,471
Unassigned	<u>34,727,631</u>	<u>(205,952)</u>	<u>34,521,679</u>
Total fund balance	<u>\$ 50,464,194</u>	<u>\$ 127,537,494</u>	<u>\$ 178,001,688</u>

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 (PHA 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.

Reclassification of Funds

In 2016, the City implemented a newly restructured chart of accounts as part of the reimplementation of its Enterprise Resource Planning Software MUNIS. As a result of this new structure, the Capital Improvement Reserve Fund and EDA West Mesa Industrial Park Fund, that were presented as nonmajor governments funds as of June 30, 2015, were reclassified into the general fund in 2016. These changes reduced unnecessary internal transfers since these funds unrestricted activities received its funding from the general fund.

The 2015 ending fund balance in the Capital Improvement Reserve Fund and EDA West Mesa Industrial Park Fund funds were \$1,815,556 and \$1,512,247, respectively. In addition to redirecting \$56,372 from other unrestricted funds, the general fund equity balance as of June 30, 2015 of \$45,291,911 is reported in these financial statements for \$45,302,431.

City of Las Cruces
Notes to Financial Statements
June 30, 2016

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

Changes in Accounting

GASB Statement No. 73, Amendments to Certain Provisions of GASB Statements 67 and 68, is effective for years beginning after June 15, 2015. This Statement clarifies the application of certain provisions of Statements 67 and 68. The provisions of GASB Statement No. 73 have been implemented for the year ended June 30, 2016. The City's financial statements and note disclosures reflect any required changes.

GASB Statement No. 82, an amendment of GASB Statements No. 67, No. 68, and No. 73, is effective for years beginning after June 15, 2016. This Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The provisions of GASB Statement No. 82 have been implemented early for the year ended June 30, 2016. The City's financial statements and note disclosures reflect any required changes.

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	\$ 107,609,994
Business-type activities	54,742,246
Total primary government	<u>162,352,240</u>
South Central Solid Waste Authority	<u>2,465,185</u>
	<u>164,817,425</u>

Restricted cash and investments

Governmental activities	69,823,178
Business-type activities	29,918,292
Total primary government	<u>99,741,470</u>
Fiduciary funds (excludes \$214,491 due to fiscal agent)	5,726,577
South Central Solid Waste Authority	<u>3,200,883</u>
Total Cash and Investments	<u>\$ 273,486,355</u>

City of Las Cruces
Notes to Financial Statements
June 30, 2016

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	\$ 21,198,302	\$ 63,867,016	\$ 85,065,318
Investments	142,296,769	39,561,815	181,858,584
Cash with fiscal agent	-	5,866,529	5,866,529
Cash on hand	-	13,629	13,629
Accrued interest	682,295	-	682,295
Total Cash and Investments	<u>\$ 164,177,366</u>	<u>\$ 109,308,989</u>	<u>\$ 273,486,355</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% 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, 2016, the City’s deposits, totaling \$85,543,545 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, 2016

3) Cash and Investments (continued)

As of June 30, 2016, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted-Avg Maturity (Yrs)</u>
Pooled Investments:		
Overnight repurchase agreement	\$ 13,611,029	0.00
U.S. agency coupon bonds	125,686,740	12.07
U.S. agency treasury bills	<u>2,999,000</u>	0.15
	<u>142,296,769</u>	
Telshor Facility Fund:		
U.S. agency coupon bonds	15,008,380	12.21
External investment equity pools	<u>20,300,487</u>	N/A
Total Telshor Facility Fund	<u>35,308,867</u>	
Project Funds:		
Money market funds	<u>420</u>	0.09
	<u>420</u>	
Water and Wastewater Funds:		
U.S. agency coupon bonds	<u>4,252,528</u>	2.61
Total Investments	<u>\$ 181,858,584</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 \$124,682,860 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, 2016, 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, 2016

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, 2016, 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, 2016, 56% of the City's investment pool was in Fannie Mae (FNMA), 33% was in Federal Home Loan Mortgage Corporation (FHLMC), 11% in Federal Home Loan Bank (FHLB). Of the Telshor Fund, 7% was in FHLB and 93% was in FNMA. Of the Water and Wastewater Funds portfolio, 100% was in FNMA.

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

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

- New Mexico State Investment Council Pools of \$16 million, and are valued using quoted prices in an active market for identical assets (Level 1 input).
- U.S. Agency securities of \$145 million, Stagecoach Sweep Repurchase Agreement of \$13 million, U.S. Treasury securities of \$3 million, New Mexico State Investment Council Pools of \$4 million are valued using a matrix pricing model and SDWF Money Market of \$420 (Level 2 input).

Investment Pools. The City's investment in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is a 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Act of 1940.

City of Las Cruces
Notes to Financial Statements
June 30, 2016

3) Cash and Investments (continued)

The City's investment in pools at June 30, 2016 are shown below:

	<u>Reported Amount</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Overnight Repurchase Agreement	\$ 13,611,029	\$ 13,611,029	
State Investment Council Large Cap Active Equity Pool	7,709,242	7,709,242	
State Investment Council Large Cap Index Equity Pool	4,272,637	4,272,637	
State Investment Council Non-U.S. Developed Equity Pool	2,120,633	2,120,633	
State Investment Council Mid/Small Cap Equity Pool	6,197,975	6,197,975	
SDWF Money Market Mutual Fund	420	420	30 days

City of Las Cruces
Notes to Financial Statements
June 30, 2016

4) Capital Assets

Primary Government

Capital asset activity for the City for the year ended June 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities					
<i>Capital assets not being depreciated</i>					
Land and land rights	\$ 14,701,285	\$ 7,980,208	\$ (81,000)	\$ -	\$ 22,600,493
Land improvements	19,072,599	52,521	-	-	19,125,120
Construction in progress	2,575,069	6,217,673	(350,763)	-	8,441,979
Total capital assets not being depreciated	<u>36,348,953</u>	<u>14,250,402</u>	<u>(431,763)</u>	<u>-</u>	<u>50,167,592</u>
<i>Other capital assets</i>					
Buildings and building improvements	136,727,379	1,172,205	(2,889,680)	-	135,009,904
Leasehold improvements	3,124,131	-	(3,124,131)	-	-
Airport runways	27,742,013	259,212	-	-	28,001,225
Park improvements	21,620,098	758,174	-	-	22,378,272
Land improvement remediation	1,633,551	-	-	-	1,633,551
Machinery and equipment	47,753,451	4,380,435	(3,717,510)	(1,743)	48,414,633
Roads network	311,834,022	13,244,052	(292,155)	-	324,785,919
Flood control network	35,063,617	85,767	(128)	-	35,149,256
Total other capital assets at cost	<u>585,498,262</u>	<u>19,899,845</u>	<u>(10,023,604)</u>	<u>(1,743)</u>	<u>595,372,760</u>
<i>Less accumulated depreciation for</i>					
Buildings and building improvements	(34,673,133)	(4,207,352)	1,920,779	-	(36,959,706)
Leasehold improvements	(1,621,605)	(45,011)	1,666,616	-	-
Airport runway	(9,424,694)	(849,211)	-	-	(10,273,905)
Park improvements	(4,865,301)	(631,410)	-	-	(5,496,711)
Land improvement remediation	(54,452)	(108,903)	-	-	(163,355)
Machinery and equipment	(37,986,928)	(3,119,983)	3,200,556	(73)	(37,906,428)
Roads network	(160,502,364)	(8,944,364)	-	-	(169,446,728)
Flood control network	(10,203,367)	(972,119)	-	-	(11,175,486)
Total accumulated depreciation	<u>(259,331,844)</u>	<u>(18,878,353)</u>	<u>6,787,951</u>	<u>(73)</u>	<u>(271,422,319)</u>
Total other capital assets at historic cost, net	<u>326,166,418</u>	<u>1,021,492</u>	<u>(3,235,653)</u>	<u>(1,816)</u>	<u>323,950,441</u>
Governmental activities capital assets, net	<u>\$ 362,515,371</u>	<u>\$ 15,271,894</u>	<u>\$ (3,667,416)</u>	<u>\$ (1,816)</u>	<u>\$ 374,118,033</u>

Land and land rights were increased by approximately \$7.9 million with the purchase of land to build the Downtown Civic Plaza and the purchase of the Amador Hotel Site and land purchase.

Construction in progress was increased by approximately \$4.2 million related to ongoing projects: East Mesa Public Safety Complex, Solar Energy Costs, Branigan Library Land Improvements, Downtown underground project and the Cinematic Theatre Project.

City of Las Cruces
Notes to Financial Statements
June 30, 2016

4) Capital Assets (continued)

Airport infrastructure increased by approximately \$259 thousand due to the West-end Taxiway-FAA. Parks Improvement increased by \$758 thousand which included Sagecrest and Young Park restrooms, Solar charging station and the Rustic Red Baseball turf, etc.

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
<i>Business type activities</i>					
<i>Capital assets not being depreciated</i>					
Land and land rights	\$ 7,743,482	\$ -	\$ -	\$ -	\$ 7,743,482
Construction in progress	260,031	300,929	-	-	560,960
Total capital assets not being depreciated	<u>8,003,513</u>	<u>300,929</u>	<u>-</u>	<u>-</u>	<u>8,304,442</u>
<i>Other capital assets</i>					
Buildings and building improvements	10,867,863	7,865	-	-	10,875,728
Land improvements	335,172	-	-	-	335,172
Distribution and collection system	80,276,290	148,679	-	174,310	80,599,279
Utilities transmission	230,866,870	8,585,054	(254,548)	(174,310)	239,023,066
Machinery and equipment	27,881,967	4,151,231	(1,908,105)	1,743	30,126,836
Total other capital assets at historic cost	<u>350,228,162</u>	<u>12,892,829</u>	<u>(2,162,653)</u>	<u>1,743</u>	<u>360,960,081</u>
<i>Less accumulated depreciation for</i>					
Buildings and building improvements	(3,539,399)	(364,273)	-	-	(3,903,672)
Land improvements	(190,783)	(31,385)	-	-	(222,168)
Distribution and collection system	(38,239,612)	(1,561,082)	-	-	(39,800,694)
Utilities transmission	(82,672,479)	(5,642,752)	71,055	-	(88,244,176)
Machinery and equipment	(19,032,756)	(2,190,837)	1,856,795	73	(19,366,725)
Total accumulated depreciation	<u>(143,675,029)</u>	<u>(9,790,329)</u>	<u>1,927,850</u>	<u>73</u>	<u>(151,537,435)</u>
Total other capital assets at historic cost, net	<u>206,553,133</u>	<u>3,102,500</u>	<u>(234,803)</u>	<u>1,816</u>	<u>209,422,646</u>
Business type activities capital assets, net	<u>\$ 214,556,646</u>	<u>\$ 3,403,429</u>	<u>\$ (234,803)</u>	<u>\$ 1,816</u>	<u>\$ 217,727,088</u>

Leasehold improvements decreased by approximately \$3.1 million due to the termination of leases concerning the Court Youth Centers.

Roads increased by approximately \$4.9 million which included the ADA Improvements, Dam Trail improvements, La Llorona Trail Improvements, paving and Streets for FY16, Sidewalks, Lighting. Traffic Safety Mgmt. control, etc.

The City spent approximately \$11 million for equipment purchases, which included vehicles for Las Cruces Police and Fire Departments and Parks & 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, 2016

4) Capital Assets (continued)

Business Type Activities

There were no changes for land or land rights during the year for 2016.

CIP was increased primarily by \$300 thousand related to Transit Center. Buildings and buildings improvements decreased by \$111 thousand primarily due to not having much additions for 2016.

The Utilities transmission increased by \$5 million primarily due to Gas infrastructure additions and donated Subdivisions as well as adjustment costs for interest expense. Machinery and equipment remained at \$4.1 million due to various purchases of machinery and equipment for Gas, Water, Wastewater, transit, and Solid Waste. Included in this was partial expense for the Munis reimplementation cost.

Depreciation expense was charged to functions as follows:

	Governmental Activities	Business- type Activities
General government	\$ -	\$ -
Police	1,386,652	-
Fire	863,277	-
Community development	3,000	-
Public services	883,467	-
Public works	13,583,530	-
Transportation	1,292,665	-
Parks and recreation	808,457	-
Gas	-	2,139,874
Water	-	2,385,142
Wastewater	-	3,432,295
Solid waste	-	1,076,683
Other	-	756,335
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	57,305	-
Total depreciation expense	<u>\$ 18,878,353</u>	<u>\$ 9,790,329</u>

City of Las Cruces
Notes to Financial Statements
June 30, 2016

4) Capital Assets (continued)

Component Unit

Capital asset activity for SCSWA for the year ended June 30, 2016 was as follows:

	Balances				Balances June 30, 2016
	June 30, 2015	Additions	Dispositions	Transfer	
Capital assets not being depreciated					
Land	\$ 807,276	\$ -	\$ -	\$ -	\$ 807,276
Landfill cell/site - construction in progress	708,875	-	-	-	708,875
Construction in progress	177,164	-	-	19,662	196,826
Total	1,693,315	-	-	19,662	1,712,977
Capital assets being depreciated					
Buildings	4,540,840	601,259	-	-	5,142,099
Equipment	9,968,910	766,489	(171,733)	415,652	10,979,318
Infrastructure	1,056,988	-	-	-	1,056,988
Landfill cell/site	7,413,352	-	-	-	7,413,352
Total	22,980,090	1,367,748	(171,733)	415,652	24,591,757
Less accumulated depreciation					
Buildings	2,512,526	93,741	-	-	2,606,267
Equipment	7,185,290	690,117	(171,733)	-	7,703,674
Infrastructure	835,021	10,089	-	-	845,110
Landfill cell/site	5,856,548	56,916	-	-	5,913,464
Total accumulated depreciation	16,389,385	850,863	(171,733)	-	17,068,515
Total capital assets, net	\$ 8,284,020	\$ 516,885	\$ -	\$ 435,314	\$ 9,236,219

5) Receivables and Payables

Governmental activities receivables were as follows at June 30, 2016:

	General Fund	Debt Service	Sonoma Ranch	Telshor Facility	Other Governmental Funds	Internal Service Funds	Total Governmental Activities
Accounts	\$ 933,161	\$ -	\$ -	\$ -	\$ 3,691,439	\$ 8,999	\$ 4,633,599
Dockets	5,097,909	-	-	-	-	-	5,097,909
Interest	-	-	2,209,929	44,752	387,875	-	2,642,556
Contracts	-	-	-	-	4,109,596	-	4,109,596
Special assessments	-	8,585,000	4,974,340	-	489,396	-	14,048,736
Less: allowance for doubtful accounts	(5,084,376)	-	-	-	(3,022,188)	-	(8,106,564)
Total governmental receivables	\$ 946,694	\$ 8,585,000	\$ 7,184,269	\$ 44,752	\$ 5,656,118	\$ 8,999	\$ 22,425,832

City of Las Cruces
Notes to Financial Statements
June 30, 2016

5) Receivables and Payables (continued)

Governmental Activities

Special assessments receivables of \$14,048,736 and related interest receivable of \$2,597,598 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.

Business-type activities receivables were as follows at June 30, 2016:

	<u>Accounts Receivable</u>	<u>Allowance for Doubtful Accounts</u>	<u>Accounts Receivable, Net</u>
Gas	\$ 1,894,073	\$ (1,158,091)	\$ 735,982
Water	2,176,858	(605,990)	1,570,868
Wastewater	1,249,666	(503,488)	746,178
Solid waste	1,439,282	(644,998)	794,284
Other enterprise funds	139,493	-	139,493
Total business-type activities	<u>\$ 6,899,372</u>	<u>\$ (2,912,567)</u>	<u>\$ 3,986,805</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.

City of Las Cruces
Notes to Financial Statements
June 30, 2016

5) Receivables and Payables (continued)

Governmental activities accounts payable and accrued liabilities at June 30, 2016 were as follows:

	Vendors	Salaries and Benefits	Total Accounts Payable and Accrued Liabilities
<i>Governmental activities</i>			
General Fund	\$ 1,674,871	\$ 1,953,981	\$ 3,628,852
Sonoma Ranch	-	-	-
Debt service	-	-	-
Telshor Facility	106,194	-	106,194
Other governmental	2,829,303	49,865	2,879,168
Internal service funds	2,145,378	32,183	2,177,561
Total governmental activities	\$ 6,755,746	\$ 2,036,029	\$ 8,791,775

Business-type activities accounts payable and accrued liabilities at June 30, 2016 were as follows:

	Vendors	Salaries and Benefits	Accrued Interest	Taxes Payable	Total Accounts Payable and Accrued Liabilities
<i>Business-type activities</i>					
Gas	\$ 744,737	\$ 111,981	\$ 12,639	\$ 62,938	\$ 932,295
Water	1,640,239	97,967	95,644	96,722	1,930,572
Wastewater	1,382,608	92,206	83,560	49,136	1,607,510
Solid waste	44,227	54,919	9,364	59,407	167,917
Other enterprise funds	86,630	57,545	-	-	144,175
Total business-type activities	\$ 3,898,441	\$ 414,618	\$ 201,207	\$ 268,203	\$ 4,782,469

City of Las Cruces
Notes to Financial Statements
June 30, 2016

6) Interfund Assets, Liabilities and Transfers

Primary Government

Governmental interfund receivables and interfund payables as of June 30, 2016 were as follows:

	Interfund Receivables	Interfund Payables	Total
Governmental activities			
<i>General fund</i>			
Nonmajor governmental funds	\$ 2,000,802	\$ -	\$ 2,000,802
<i>Nonmajor governmental funds</i>			
General fund	-	(2,000,802)	(2,000,802)
Total governmental activities	<u>\$ 2,000,802</u>	<u>\$ (2,000,802)</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.

Business-type Activities

Business-type activities receivables and payables as of June 30, 2016 were as follows:

	Interfund Receivables	Interfund Payables	Total
Business-type activities			
<i>Major enterprise funds</i>			
Water Development Fund	\$ -	\$ (2,480,000)	\$ (2,480,000)
Waste Water Development Fund	2,480,000	-	2,480,000
Total business-type activities	<u>\$ 2,480,000</u>	<u>\$ (2,480,000)</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.

City of Las Cruces
Notes to Financial Statements
June 30, 2016

6) Interfund Assets, Liabilities and Transfers (continued)

Interfund Transfers

Interfund transfers for the fiscal year ended June 30, 2016 consisted of the following:

Transfers From	Transfers To	Amount		Purpose
		2016	2015	
BETWEEN GOVERNMENTAL AND BUSINESS-TYPE COLUMNS				
Operating or Debt Subsidy				
General Fund	Transit Funds	1,125,000	1,141,809	Operating subsidy for transit fund
Gasoline Tax Fund	Transit Funds	720,674	576,621	Operating subsidy for transit fund
Nonmajor governmental funds	Transit Funds	200,000	-	Operating subsidy for transit fund
Revenue Allocation				
Environmental gross receipts tax fund	Wastewater fund	685,525	685,525	Transfer share of tax revenue
Environmental gross receipts tax fund	Water fund	436,375	314,535	Transfer share of tax revenue
Environmental gross receipts tax fund	Solid waste fund	-	224,207	Transfer share of tax revenue
BETWEEN FUNDS WITHIN GOVERNMENTAL OR BUSINESS-TYPE COLUMNS				
Operating or Debt Subsidy				
General fund	Debt service funds	7,690,007	7,023,672	Debt Service for subsidy from pledged revenues
General fund	Nonmajor governmental fund	4,163,799	1,420,000	Transfer to prisoner care and affordable housing
General Fund	Internal service funds	140,775	1,577	Funding for City fleet and insurance funds
Debt service funds	Debt service funds	9,884	59,623	Transfer excess reserves to debt service funds
Debt service funds	General fund	278,597	-	Transfer excess debt service funds to general fund
Nonmajor governmental funds	Debt service funds	4,130,373	5,607,747	Debt service subsidy from pledged revenues
Nonmajor governmental funds	General fund	8,778,482	2,332,789	Transfers for administrative and engineering costs
Internal service funds	General fund	-	-	Move services to general fund, administrative fees
Clean Communities fund	Gas fund	-	-	Transfer operation of natural gas fuel pumps
Water fund	Wastewater fund	-	-	Water borrowed cash in 2012 with a 10 year repayment
Nonmajor governmental funds	Nonmajor governmental fund	-	115,444	Transfer from Court Award
Capital Contributions				
Nonmajor governmental funds	Nonmajor governmental fund	6,112,885	2,800,887	Transfer to capital projects
General fund	Nonmajor governmental fund	330,000	2,000,000	Transfer to capital improvement reserves
Revenue Allocation				
Telshor Facility fund	Nonmajor governmental fund	300,000	300,000	Recurring allocation of special revenue
Environmental gross receipts tax fund	Nonmajor governmental fund	388,733	388,733	Transfer share of tax revenue

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.

City of Las Cruces
Notes to Financial Statements
June 30, 2016

7) Long-term Liabilities

Primary Government

Changes in long-term liabilities are as follows:

	Primary Government				Amount Due Within One Year
	Beginning Balance	Increases	Decreases	Ending Balance	
Governmental Activities					
Tax revenue bonds	\$ 72,015,000	\$ 35,680,000	\$ 7,760,000	\$ 99,935,000	\$ 7,465,000
Unamortized premium/discount on sales tax revenue bonds	4,041,329	1,152,703	309,424	4,884,608	313,029
Notes payable	11,576,819	-	2,971,589	8,605,230	1,465,265
Net pension liability	68,827,978	32,443,525	9,070,779	92,200,724	-
Pollution remediation	5,411,307	-	-	5,411,307	-
Claims and judgements	6,190,036	19,395,426	19,036,995	6,548,467	1,947,237
Compensated absences	3,457,728	5,290,846	5,098,842	3,649,732	729,946
	<u>171,520,197</u>	<u>93,962,500</u>	<u>44,247,629</u>	<u>221,235,068</u>	<u>11,920,477</u>
Business-type Activities					
Utility revenue bonds	53,050,000	17,065,000	4,670,000	65,445,000	4,245,000
Unamortized discount / premium on utility revenue bonds	2,658,905	1,118,675	198,117	3,579,463	228,675
Notes payable	3,812,635	-	696,463	3,116,172	707,054
Net pension liability	7,867,619	3,376,412	815,389	10,428,642	-
Landfill closure and post-closure costs (Note 9)	1,118,000	-	218,000	900,000	44,000
Compensated absences	1,002,466	1,633,180	1,577,764	1,057,882	215,745
	<u>69,509,625</u>	<u>23,193,267</u>	<u>8,175,733</u>	<u>84,527,159</u>	<u>5,440,474</u>
Total long-term liabilities	<u>\$ 241,029,822</u>	<u>\$ 117,155,767</u>	<u>\$ 52,423,362</u>	<u>\$ 305,762,227</u>	<u>\$ 17,360,951</u>

Net pension liability and net other postemployment benefit obligations have typically been liquidated in the fund to which the employees are assigned. For governmental activities, most pension liability and postemployment benefit obligations have been liquidated in the general fund. Claims and judgment liabilities have typically been liquidated in the general fund and the self-insurance fund (an internal service fund). 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. The balances for compensated absences and claims and adjustments are adjusted to include all internal service fund balances in governmental activities.

Description of Bonds

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 \$14.2 million. Principal payments on the bonds for the current year for the Series A and Series B bonds were \$690,000 and \$175,000, respectively. Interest payments were \$105,150 and \$33,900, respectively.

City of Las Cruces
Notes to Financial Statements
June 30, 2016

7) Long-term Liabilities (continued)

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 and lodger's tax revenues. Such revenues totaled \$38.3 million in 2016. For the current year, principal and interest paid was \$615,000 and \$973,769, 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 \$36.2 million in 2016. Series 2011B bonds are secured by certain future gross receipts tax through maturity. In fiscal year 2016, such pledged revenues totaled \$7.1 million. Principal payments on the bonds for the current year for the Series A and Series B bonds were \$860,000 and \$105,000, respectively. Interest payments were \$275,575 and \$19,119, respectively.

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 \$36.2 million in 2016. For the current year, principal and interest paid was \$565,000 and \$318,900, 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 \$7.1 million. Series 2014B bonds are secured by certain future gross receipts tax through maturity. In fiscal year 2016, such pledged revenues totaled \$7.1 million. Principal payments on the bonds for the current year for the Series A and Series B bonds were \$1,030,000 and \$310,000 respectively. Interest payments were \$197,019 and \$34,400 respectively.

The City issued \$19,195,000 bond par amount in State-shared 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. The bonds are secured through maturity by state-shared gross receipts tax revenues. Such revenues totaled \$36.2 million in 2016. For the current year, principal and interest paid was \$2,110,000 and \$658,888 respectively.

City of Las Cruces
Notes to Financial Statements
June 30, 2016

7) Long-term Liabilities (continued)

In 2015, Hold Harmless Gross Receipts Revenue Bonds, Series 2015A and 2015B were issued to fund street and facility improvements and economic development projects. The Series 2015A and 2015B bonds are secured by certain future gross receipts tax through maturity. For the current year, such pledged revenues totaled \$9.5 million. Principal payments on the bonds for the current year for the Series A and Series B bonds were \$1,215,000 and \$85,000 respectively. Interest payments were \$504,312 and \$92,126, respectively.

Taxable Subordinate Lien State-shared Gross Receipts Improvement Revenue Bonds, Series 2016 were issued to fund street and infrastructure improvements in the Metro Verde development area. The Series 2016 bonds are secured by a subordinate lien on certain future gross receipts tax through Maturity. For the current year, such pledged revenues totaled \$36.2 million. The City expects to be reimbursed for costs of the project through the Metro Verde Voluntary Assessment District. Principal and interest payments on the bonds for the current year were \$0 and \$46,434 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	\$ 2,815,000	2 5-3 0
Gross receipts tax refunding	Flood control refunding	9/28/2010	2021	4,390,000	955,000	2 5-3 0
Gross receipts tax refunding	Convention center refunding	9/28/2010	2037	24,330,000	21,060,000	2 0-5 0
Gross receipts tax revenue	Facilities and improve streets	7/12/2011	2023	9,640,000	6,865,000	3 0-4 0
Gross receipts tax revenue	Flood control	7/12/2011	2021	1,530,000	495,000	2 0-3 625
Gross receipts tax revenue	Facilities and improve streets	7/29/2014	2026	10,000,000	9,435,000	2 0-4 0
Gross receipts tax revenue	Street improvement	7/29/2014	2028	8,000,000	5,940,000	2 0-4 0
Gross receipts tax revenue	Flood control	7/29/2014	2024	1,500,000	1,140,000	2 0-3 0
Gross receipts tax refunding	City Hall refunding	3/11/2015	2035	19,195,000	16,850,000	2 25-4 0
Gross receipts tax revenue	Facilities and improve streets	9/24/2015	2035	23,075,000	21,860,000	3 0-5 0
Gross receipts tax revenue	Economic development	9/24/2015	2035	4,020,000	3,935,000	3 0-4 125
Gross receipts tax revenue	Streets in assessment district	3/9/2016	2031	8,585,000	8,585,000	3 1-3 75
				<u>\$ 126,520,000</u>	<u>\$ 99,935,000</u>	

City of Las Cruces
Notes to Financial Statements
June 30, 2016

7) Long-term Liabilities (continued)

Future debt service requirements for governmental activities revenue bonds are:

Years ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 7,465,000	\$ 3,678,763	\$ 11,143,763
2018	5,810,000	3,437,663	9,247,663
2019	5,885,000	3,248,913	9,133,913
2020	6,105,000	3,027,269	9,132,269
2021	6,280,000	2,793,044	9,073,044
2022-2026	26,515,000	10,628,225	37,143,225
2027-2031	22,205,000	6,202,848	28,407,848
2032-2037	19,670,000	2,321,118	21,991,118
	<u>\$ 99,935,000</u>	<u>\$ 35,337,843</u>	<u>\$ 135,272,843</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.

As of June 30, 2016, no defeased bonds are outstanding. The entire remaining defeased balance from fiscal year 2015 was paid from escrow during fiscal year 2016.

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, 2016, no Industrial Revenue Bonds are outstanding.

City of Las Cruces
Notes to Financial Statements
June 30, 2016

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, 2016.

Governmental Activities Notes Payable

Details of governmental activities notes payable are:

<u>Type</u>	<u>Purpose</u>	<u>Original Date</u>	<u>Due Date</u>	<u>Original Issue</u>	<u>Outstanding</u>	<u>Interest Rates %</u>
2009 NMFA Note	Parking deck	1/23/2009	2021	\$ 4,999,890	\$ 1,750,000	4.650
2010 NMFA Note	Fire apparatus	7/30/2010	2020	938,875	378,361	2.108
2010 NMFA Note	Griggs Walnut	1/18/2008	2032	1,478,799	1,257,897	2.000
2010 HUD Loan	Facilities	7/21/2010	2030	2,000,000	1,663,000	1.700
2011 NMFA Note	Gas tax refunding	10/14/2011	2016	2,045,000	273,441	0.919
2011 NMFA Note	Fire apparatus	11/18/2011	2019	964,250	391,967	0.230
2012 NMFA Note	2003 SSGRT refunding	6/1/2012	2018	2,280,000	625,000	0.400
2014 NMFA Note	SCSWA projects	6/20/2014	2028	2,780,000	1,855,000	0.250
2014 NMFA Note	Fire apparatus	12/12/2014	2022	443,325	358,314	1.975
2015 Estate Loan	Land Purchase	4/16/2015	2020	104,500	52,250	0.000
				<u>\$ 18,034,639</u>	<u>\$ 8,605,230</u>	

The 2010 NMFA-Fire apparatus loan is secured through maturity by fire protection fund revenues which totaled \$725,117 in 2016. The 2010 NMFA Griggs Walnut Plume note is secured by the 1995 environmental gross receipts tax revenues which totaled \$1,773,442 in 2016. The 2010 HUD loan is secured by property. The 2011 Gas Tax Refunding loan is secured by gasoline tax revenues which totaled \$1,547,856 in 2016. 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 \$36.2 million in 2016.

City of Las Cruces
Notes to Financial Statements
June 30, 2016

7) Long-term Liabilities (continued)

Principal and interest paid on the outstanding notes in the current year was \$1,753,080 and \$298,537, respectively.

Debt Service Requirements

Future debt service requirements for governmental activities notes payable are:

<u>Years ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
2021	623,801	124,263	748,064
2022-2026	1,800,557	406,326	2,206,883
2027-2032	1,537,941	125,813	1,663,754
	<u>\$ 8,605,230</u>	<u>\$ 1,468,117</u>	<u>\$ 10,073,347</u>

Joint Utility Revenue 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.

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.

City of Las Cruces
Notes to Financial Statements
June 30, 2016

7) Long-term Liabilities (continued)

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.

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, 2016:

Purpose	Issue Date	Due Date	Original Issued	Outstanding	Interest Rates %
Series 2010 refunding bond	9/14/2010	2027	\$ 24,840,000	\$ 23,400,000	2.0-4.0
Series 2014A refunding bond	8/26/2014	2025	7,125,000	5,940,000	2.0-4.0
Series 2014B system improvement	8/26/2014	2034	3,425,000	3,190,000	3.0-5.0
Series 2015 refunding and rehabilitation	5/12/2015	2035	16,895,000	15,850,000	2.0-5.0
Series 2015A improvement bond	12/16/2015	2035	17,065,000	17,065,000	2.375-5.0
			<u>\$ 69,350,000</u>	<u>\$ 65,445,000</u>	

City of Las Cruces
Notes to Financial Statements
June 30, 2016

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
2017	\$ 4,245,000	\$ 2,302,113	\$ 6,547,113
2018	4,385,000	2,168,163	6,553,163
2019	4,500,000	2,041,563	6,541,563
2020	4,615,000	1,908,313	6,523,313
2021	4,770,000	1,759,563	6,529,563
2022-2026	26,045,000	5,732,364	31,777,364
2027-2031	10,455,000	1,891,012	12,346,012
2031-2035	6,430,000	515,424	6,945,424
	<u>\$ 65,445,000</u>	<u>\$ 18,318,515</u>	<u>\$ 83,763,515</u>

The 2009, 2010, 2014A, 2014B, and 2015 JU revenue bond ordinances provide that the net revenue of the City's utility systems shall be at least 125% 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, 2016 exceeded the maximum annual debt service requirement. Bond reserve accounts have been established to accumulate funds.

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

City of Las Cruces
Notes to Financial Statements
June 30, 2016

7) Long-term Liabilities (continued)

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, 2016:

	<u>Water</u>	<u>Wastewater</u>	<u>Gas</u>	<u>Solid Waste</u>
Residential	28,394	30,158	36,807	31,628
Commercial/other	<u>4,259</u>	<u>3,360</u>	<u>3,039</u>	<u>2,687</u>
Total	<u><u>32,653</u></u>	<u><u>33,518</u></u>	<u><u>39,846</u></u>	<u><u>34,315</u></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 payable 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	\$ 400,688	1.9-3.85
2011 NMFA Note	Solid Waste Vehicles	12/16/2011	2019	1,016,561	423,859	0.32-2.11
2015 NMFA Note	Solid Waste Equipment	1/9/2015	2022	<u>2,775,819</u>	<u>2,291,625</u>	0.21-2.01
				<u><u>\$ 5,501,135</u></u>	<u>\$ 3,116,172</u>	

City of Las Cruces
Notes to Financial Statements
June 30, 2016

7) Long-term Liabilities (continued)

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

<u>Year ending December 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	388,945	15,673	404,618
2022-2026	396,258	8,361	404,619
	<u>\$ 3,116,172</u>	<u>\$ 175,535</u>	<u>\$ 3,291,707</u>

Changes in long-term liabilities of SCSWA for the year ended June 30, 2016 are as follows:

	<u>Balances</u>			<u>Balances</u>	<u>Amount</u>
	<u>June 30, 2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2016</u>	<u>Due Within</u>
					<u>One Year</u>
Long-term debt					
Due to City of Las Cruces	\$ 1,989,170	\$ -	\$ 455,000	\$ 1,534,170	\$ 140,000
Other noncurrent liabilities					
Net pension liability	1,223,363	723,527	-	1,946,890	-
Estimated landfill closure/postclosure liability	1,613,007	104,334	-	1,717,341	-
Compensated absences	176,906	-	35,013	141,893	28,379
Capital lease	187,900	-	48,295	139,605	49,280
	<u>\$ 5,190,346</u>	<u>\$ 827,861</u>	<u>\$ 538,308</u>	<u>\$ 5,479,899</u>	<u>\$ 217,659</u>

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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 thirty 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 \$900,000 as of the year ended June 30, 2016. Actual closure and post-closure care costs may be higher due to inflation, changes in technology, or changes in regulations. The liability reported reflects a decrease in the estimate of total closure and post-closure costs of \$218,000 during the fiscal year ended June 30, 2016. The Foothills landfill is at 100% capacity and closed.

SCSWA's landfill closure and post-closure care liability is reported as \$1,717,341 as of the fiscal year ended June 30, 2016. 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 \$104,334 during the fiscal year ended June 30, 2016.

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.

City of Las Cruces
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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	7,168,571	3,584,285
	\$ 13,780,213	\$ 6,890,106

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.

City of Las Cruces
Notes to Financial Statements
June 30, 2016

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, 2016, 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 \$85,665 less than operating costs. EGRT funds were used to cover the City's share of the operating loss of \$42,833.

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 568 active participants in the plan as of June 30, 2016.

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.

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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, 2016

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:

2016	\$ 907,011
2015	847,444
2014	831,594
2013	854,248
2012	711,422

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, 2016. 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 Santa Fe Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

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

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

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

Benefits provided. For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2015 available at <http://www.nmpera.org/financial-overview>.

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 FY15 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 31 through 32 of the PERA FY15 annual audit report at <http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/CAFR-2015.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 \$7,823,369 and employer paid member benefits that were “picked up” by the employer were \$2,046,156 for the year ended June 30, 2016. These contributions of the City includes it’s discretely presented component unit and fiduciary funds.

City of Las Cruces
Notes to Financial Statements
June 30, 2016

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

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

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The 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, 2015. Only employer contributions for the pay period end dates that fell within the period of July 1, 2014 to June 30, 2015 were included in the total contributions for a specific employer.

Regular and any adjustment contributions that applied to fiscal year ended June 30, 2015 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For PERA Fund Division: General Municipal, at June 30, 2016, the City of Las Cruces reported a liability of \$49,796,563 for its proportionate share of the net pension liability. At June 30, 2016, the Municipal's proportion was 5.0272 percent, which was unchanged from its proportion measured as of June 30, 2015, due to the insignificance of the difference.

City of Las Cruces
Notes to Financial Statements
June 30, 2016

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

For the year ended June 30, 2016, the City of Las Cruces recognized PERA Fund Division Municipal's pension expense of \$1,404,870, which excludes the City's fiduciary funds and discretely presented component units. At June 30, 2016, 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	\$ -	\$ 19,473
Differences between expected and actual experience	-	1,107,282
Net difference between projected and actual earnings on pension plan investments	-	140,612
Changes in proportion and differences between employer contributions and proportionate share of contributions	287,572	
City of Las Cruces contributions subsequent to the measurement date	3,719,703	-
Total	\$ 4,007,275	\$ 1,267,367

\$3,719,703 reported as deferred outflows of resources related to pensions resulting from City of Las Cruces contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 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:		
2017	\$	(244,949)
2018		(244,949)
2019		(244,949)
2020		(244,948)

For PERA Fund Division: Police, at June 30, 2016, the City of Las Cruces reported a liability of \$23,390,154 for its proportionate share of the net pension liability. At June 30, 2016, the Police proportion was 5.0069 percent, which was unchanged from its proportion measured as of June 30, 2015, due to the insignificance of the difference.

City of Las Cruces
Notes to Financial Statements
June 30, 2016

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

For the year ended June 30, 2016, the City of Las Cruces recognized PERA Fund Division Police's pension expense of \$769,055. At June 30, 2016, 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	\$ -	\$ 996,073
Differences between expected and actual experience	1,680,631	-
Net difference between projected and actual earnings on pension plan investments	-	66,784
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	243,198
City of Las Cruces contributions subsequent to the measurement date	<u>2,176,380</u>	<u>-</u>
Total	<u>\$ 3,857,011</u>	<u>\$ 1,306,055</u>

\$2,176,380 reported as deferred outflows of resources related to pensions resulting from City of Las Cruces contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 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:		
2017	\$	93,644
2018		93,644
2019		93,644
2020		93,644

For PERA Fund Division: Fire, at June 30, 2016, the City of Las Cruces reported a liability of \$29,442,649 for its proportionate share of the net pension liability. At June 30, 2016, the Fire proportion was 5.8719 percent, which was unchanged from its proportion measured as of June 30, 2015, due to the insignificance of the difference.

City of Las Cruces
Notes to Financial Statements
June 30, 2016

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

For the year ended June 30, 2016, the City of Las Cruces recognized PERA Fund Division Fire's pension expense of \$585,387. At June 30, 2016, 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	\$ 639,182	\$ -
Differences between expected and actual experience	1,193,511	-
Net difference between projected and actual earnings on pension plan investments	-	36,454
Changes in proportion and differences between employer contributions and proportionate share of contributions	477,477	-
City of Las Cruces contributions subsequent to the measurement date	1,659,724	-
Total	\$ 3,969,894	\$ 36,454

\$1,659,724 reported as deferred outflows of resources related to pensions resulting from City of Las Cruces contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 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:		
2017	\$	568,422
2018		568,422
2019		568,422
2020		568,422

For the SCSWA at June 30, 2016, a liability of \$1,946,890 was recorded for its proportionate share of the net pension liability. At June 30, 2016, the SCSWA's proportion was 2.01 percent, which was unchanged from its proportion measured as of June 30, 2015, due to the insignificance of the difference.

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

For the year ended June 30, 2016, SCSWA recognized pension expense of \$280,779. At June 30, 2016, SCSWA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ -	\$ 491
Differences between expected and actual experience	-	27,896
Net difference between projected and actual earnings on pension plan investments	-	986
Changes in proportion and differences between SCSWA's contributions and proportionate share of contributions	7,245	-
SCSWA's contributions subsequent to the measurement date	<u>157,248</u>	<u>-</u>
Total	<u>\$ 164,493</u>	<u>\$ 29,373</u>

\$157,248 reported as deferred outflows of resources related to pensions resulting from SCSWA's contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 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:

2017	\$	(5,532)
2018		(5,532)
2019		(5,532)
2020		(5,532)

Actuarial assumptions. As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2014 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2015 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2015. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2015 actuarial valuation.

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

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Pay, Open
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
Mortality Assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirements, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA.
· Experience Study Dates	July 1, 2008 to June 30, 2013

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, 2016

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% 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%) or one percentage point higher (8.75%) 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	\$ 43,371,200	\$ 49,796,563	\$ 56,221,926
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	\$ 20,372,070	\$ 23,390,154	\$ 26,408,238
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	\$ 25,643,598	\$ 29,442,649	\$ 33,241,700

City of Las Cruces
Notes to Financial Statements
June 30, 2016

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 tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present 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%) or one percentage point higher (8.75%) 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	\$ 1,695,678	\$ 1,946,890	\$ 2,198,102

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY15 PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

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. As of fiscal year, 2016 Employee healthcare benefits and premiums we moved from the General Fund to the Internal services funds which is the direct cause for increase in the amount reported for Health Programs.

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 Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that 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.

City of Las Cruces
Notes to Financial Statements
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13) Risk Management (continued)

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 worker's 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:

	2016		2015	
	Program Costs (Benefits)	Premiums	Program Costs (Benefits)	Premiums
Health program	\$ 14,166,794	\$(11,667,196)	\$ 4,543,363	\$ (4,625,610)
Workers compensation	802,808	(149,148)	1,040,444	(2,438,290)
Liability insurance	4,450,689	(176,046)	1,522,815	(593,851)
Unemployment insurance	91,253	(33,981)	102,135	(325,831)
Judgments insurance	-	-	-	-
Total	<u>\$ 19,511,544</u>	<u>\$(12,026,371)</u>	<u>\$ 7,208,757</u>	<u>\$ (7,983,582)</u>

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 one significant case, that is, one remaining alleged wrongful death case. The City believes that the reserve funds will more than cover any potential liability from this case. As of June 30, 2016, litigation is still pending on remaining claim.

Changes in the insurance fund's claims liability were:

	2016	2015
Claims liabilities, beginning of year	\$ 5,800,147	\$ 5,480,397
Current year claims and changes in estimate	19,036,995	5,330,538
Payment of claims liabilities	<u>(18,288,675)</u>	<u>(5,010,788)</u>
Claims liabilities, end of year	<u>\$ 6,548,467</u>	<u>\$ 5,800,147</u>

City of Las Cruces
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June 30, 2016

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.

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).

City of Las Cruces
Notes to Financial Statements
June 30, 2016

14) Development Impact Fees (continued)

Development impact fee activity for the year ended June 30, 2016 is shown below. Unspent fees collected in previous years can be netted with overspent fees and are available for expenditure in the current fiscal year.

Parks Impact Fees

Impact fees collected	\$ 686,639
Investment gain	32,333
Expenditures	(325,783)
Net Parks Impact Fees	<u>\$ 393,189</u>

Public Safety Impact Fees

Impact fees collected	\$ 392,520
Investment gain	25,520
Expenditures	(705,441)
Net Public Safety Impact Fees	<u>\$ (287,401)</u>

Water Impact Fees

Impact fees collected	\$ 926,252
Investment gain	58,560
Expenditures	(996,888)
Net Water Impact Fees	<u>\$ (12,076)</u>

Wastewater Impact Fees

Impact fees collected	\$ 1,059,852
Investment gain	164,515
Expenditures	(1,336,223)
Net Wastewater Impact Fees	<u>\$ (111,856)</u>

Total Impact Fees

Collections	\$ 3,065,263
Investment gain	280,928
Expenditures	(3,364,335)
Net Impact Fees	<u>\$ (18,144)</u>

City of Las Cruces
Notes to Financial Statements
June 30, 2016

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, 2016

15) Telshor Facility Lease Memorial Medical Center / Province Hospital (Telshor Facility) (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 FY16.

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 FY16 the City entered into an amended contract through June 30, 2016 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 FY16 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 FY16, the City provided funding of \$108,067.

City of Las Cruces
Notes to Financial Statements
June 30, 2016

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 \$75,146 in FY16.

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, 2016. 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 Infrastructure Rehabilitation	Gas Capital Improvements	\$ 694,881	\$ 66,611	\$ 628,270	Gas Utility Rates
Gas Street Improvements	Gas Capital Improvements	351,735	16,977	334,758	Gas Utility Rates
Gas Infrastructure Development	Gas Capital Improvements	214,705	61,351	153,354	Gas Utility Rates
Water Quality Lab	Water NMFA Loan Project	107,568	-	107,568	2015 Joint Utility Bond
Water Pavement Replacement	Water NMFA Loan Project	56,656	-	56,656	2015 Joint Utility Bond
Water Infrastructure Rehabilitation	Water Capital Improvements	845,667	197,082	648,585	Water Utility Rates
Water Line Rehabilitation	Water Capital Improvements	504,256	434,291	69,965	Water Utility Rates
Water Drill Replacement Wells (NMED)	Water Capital Improvements	1,857,761	1,412,164	445,597	NMED Grant
Water East Mesa Water System	Water NMFA Loan Project	215,210	51,380	163,830	2009 Joint Utility Bond
Water Drill Replacement Wells	Water NMFA Loan Project	672,294	78,869	593,425	NMFA Bond
Water East Mesa Reservoir	Water NMFA Loan Project	150,828	-	150,828	NMFA Bond
Water Drill Replacement Wells	Water NMFA Loan Project	150,000	-	150,000	2007 Joint Utility Bond
Water Street Utility Rehabilitation	Water NMFA Loan Project	174,606	-	174,606	2007 Joint Utility Bond
Water Infrastructure Development Zone				-	2007 Joint Utility Bond
Interconnect PH B	Water NMFA Loan Project	750,081	-	750,081	2014 Joint Utility Bond
Water Street Improvement Project	Water NMFA Loan Project	983,458	126,623	856,835	Wastewater Utility Rates
Wastewater New Interceptors	Wastewater Capital Project	131,432	-	131,432	2015 Joint Utility Bond
Wastewater WWTP Clarifiers	Wastewater NMFA Loan Project	271,004	99,562	171,442	2015 Joint Utility Bond
Wastewater Water Quality Lab	Wastewater NMFA Loan Project	250,992	-	250,992	Wastewater Utility Rates
Wastewater Street Utility Rehabilitation	Wastewater Capital Project	527,575	-	527,575	Wastewater Utility Rates
Wastewater Line Manhole Rehabilitation	Wastewater Capital Project	180,000	79,974	100,026	Wastewater Utility Rates
Wastewater WWTP Rehabilitation	Wastewater Capital Project	2,815,171	393,113	2,422,058	Wastewater Utility Rates
Wastewater Force Main Rehabilitation	Wastewater Capital Project	143,802	63,891	79,911	Wastewater Utility Rates
Wastewater Septic Systems Phase II	Wastewater Capital Project				
SAP-14-1624		1,531,067	693,183	837,884	NMED Grant
Wastewater Street Improvements Project:	Wastewater NMFA Loan Project	857,092	983,369	(126,277)	2014 Joint Utility Bond
Total		\$ 14,437,841	\$ 4,758,440	\$ 9,679,401	

City of Las Cruces
Notes to Financial Statements
June 30, 2016

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.

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, Dona Ana County, and the City contribute 75% of the incremental gross receipts tax is collected in the district. Additionally, both City and County contribute 75% 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.

City of Las Cruces
Notes to Financial Statements
June 30, 2016

20) Affiliated Organizations and Joint Powers Agreements (continued)

The City contributes 53% of the net annual operating cost while the County contributes 47%. 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, 2016. Requests for copies of financial statements can be made to the City of Las Cruces' Chief Administrative Officer.

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, 2016. 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, Dona 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.

City of Las Cruces
Notes to Financial Statements
June 30, 2016

20) Affiliated Organizations and Joint Powers Agreements (continued)

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.

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% Municipal Environmental Services Gross Receipts Tax of the City and the 1/8% 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 \$85,000 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 2016, the City of Las Cruces and Dona Ana County paid approximately \$2.6 million and \$563,580, respectively, to SCSWA for solid waste services provided.

City of Las Cruces
Notes to Financial Statements
June 30, 2016

20) Affiliated Organizations and Joint Powers Agreements (continued)

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 Dona 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.

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 fiscal year 2016, ASCMV received \$901,787 from the City of Las Cruces and \$901,787 from Dona 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, 2016. Request for copies of financial statements can be made to the City of Las Cruces' Chief Administrative Officer.

21) Subsequent Events

On August 24, 2016, the City issued \$5,000,000 of Municipal Gross Receipts Tax Improvement Revenue Bonds Series 2016 with a net effective interest rate of 1.8914 percent and a final maturity of June 1, 2028. These bonds are designated for flood control projects.

The City issued \$5,000,000 Tax-Exempt Industrial Revenue Bonds Series 2016 on September 20, 2016 for the F&A Dairy Products, Inc. Plant Equipment Upgrade Project. Per the terms of the agreement, the City is not legally liable for this debt.

Additionally, on October 19, 2016, the City issued \$16,375,000 of Joint Utility System Improvement Revenue Bonds Series 2016 with a net effective interest rate of 2.6435 percent and a final maturity of June 1, 2036. These bonds are designated to acquire, extend, enlarge, better, repair or otherwise improve the City's Joint Utility system.

APPENDIX B

FORM OF BOND COUNSEL OPINION

June 22, 2017

City of Las Cruces
Las Cruces, New Mexico

\$10,570,000
City of Las Cruces, New Mexico State Shared
Gross Receipts Tax Improvement Revenue
Bonds
Series 2017

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 \$10,570,000 State Shared Gross Receipts Tax Improvement Revenue Bonds, Series 2017 (the “Series 2017 Bonds”). The Bonds are issued pursuant to the Constitution and laws of the State of New Mexico (the “State”) and Ordinance No. 2808, adopted on May 1, 2017, as supplemented by Resolution No. 17-187, adopted on May 10, 2017 (collectively, 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 those portions of the Constitution and the laws of the State and the United States of America relevant to the opinions herein, a certified transcript of proceedings of the Council, the governing body of the City (the “Transcript”), and other proceedings and documents relevant to the authorization and issuance by the City of the Bonds, including the form of the Bonds in the Bond Ordinance. As to the questions of fact material to our opinion, we have relied upon the Transcript and other representations and certifications of public officials 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 constitute 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. As more fully described in the Bond Ordinance, the Series 2017 Bonds are payable as to principal and interest, solely from, and are secured by a first lien pledge (but not an exclusive first lien pledge) of Pledged State Shared Gross Receipts Tax Revenues of the City. The owners of the Bonds have no right to have property 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 Pledged State Shared Gross Receipts Tax 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. 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 of the State.

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 Bond Ordinance and 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 legislation as of the date of issuance and delivery of the Bonds, and we express no opinion as of any date subsequent thereto or with respect to any pending legislation.

The obligations of the 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 that we deem relevant to render such opinions and are not a guarantee of result.

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

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 \$10,570,000 State Shared Gross Receipts Tax Improvement Revenue Bonds, Series 2017 (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. 2808 adopted by the City Council on May 1, 2017 as supplemented by Resolution No. 17-187 adopted by the City Council on May 10, 2017 (collectively, 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 included in the section of the Official Statement entitled “PLEDGED REVENUES.” Annual Financial Information will include Audited Financial Statements if available.

(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 May 10, 2017, delivered in connection with the original issue and sale of the Bonds.

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

(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: _____, 2017.

CITY OF LAS CRUCES, NEW MEXICO

[CITY SEAL]

By: _____
Ken Miyagishima, Mayor

Attest:

By: _____
Linda Lewis, City Clerk