

NOTICE

CITY OF LAS CRUCES, NEW MEXICO

\$8,585,000*

Taxable Subordinate Lien State Shared Gross Receipts Tax Improvement Revenue Bonds Series 2016

Preliminary Official Statement, subject to completion, dated March 2, 2016

The Preliminary Official Statement, dated March 2, 2016 (the “Preliminary Official Statement”), relating to the above-described bonds (the “Bonds”) of the City of Las Cruces, New Mexico (the “City”), has been posted as a matter of convenience. The posted version of the Preliminary Official Statement has been formatted in Adobe Portable Document Format (Adobe Acrobat 8.0). Although this format should replicate the Preliminary Official Statement available from the City, appearance may vary for a number of reasons, including electronic communication difficulties or particular user software or hardware. Using software other than Adobe Acrobat 8.0 may cause the Preliminary Official Statement that you view or print to differ in appearance from the Preliminary Official Statement.

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

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

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

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

* Preliminary, subject to change.

Preliminary Official Statement dated March 2, 2016

NEW ISSUE

MOODY'S RATING: Applied for
See "RATINGS" herein.

In the opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A., Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Series 2016 Bonds (including original issue discount treated as interest) (a) is not excludable from the gross income of the recipients thereof; for federal income tax purposes, and (b) the Series 2016 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, see "TAX MATTERS" herein.

CITY OF LAS CRUCES, NEW MEXICO

\$8,585,000*

**Taxable Subordinate Lien State Shared Gross Receipts Tax Improvement Revenue Bonds
Series 2016**

Book-Entry Only

Dated: Date of Delivery

Due: June 1, as shown on inside cover

The City of Las Cruces, New Mexico Taxable Subordinate Lien State Shared Gross Receipts Tax Improvement Revenue Bonds, Series 2016 (the "Series 2016 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, acquiring and improving roadways, public infrastructure and drainage projects, (2) funding a capitalized interest account, (3) funding a debt service reserve account, and (4) paying expenses and costs of issuance related to the issuance of the Series 2016 Bonds. See "PURPOSE AND PLAN OF FINANCING" herein. The Series 2016 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 2016 Bonds, including the Bond Ordinance (as defined herein).

The Series 2016 Bonds are issuable only as fully registered bonds in denominations of \$5,000 each or any integral multiple thereof. The Series 2016 Bonds will bear interest from the delivery date and interest is payable on June 1 and December 1 of each year commencing June 1, 2016, 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 2016 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 2016 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 2016 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 2016 Bonds maturing on and after June 1, 2018 are subject to optional redemption on and after June 1, 2017, in whole or in part at any time. See "DESCRIPTION OF THE BONDS – REDEMPTION OF BONDS" herein.

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under a municipal bond insurance policy to be issued concurrently with the delivery of the Bonds by **BUILD AMERICA MUTUAL ASSURANCE COMPANY.**



The Series 2016 Bonds are offered when, as and if issued by the City, subject to the approval of validity by Modrall, Sperling, Roehl, Harris & Sisk, P.A., Albuquerque, New Mexico, Bond Counsel, and certain other conditions. Certain legal matters will be passed on for the City by William R. Babington Jr., Esq., City Attorney. Modrall, Sperling, Roehl, Harris & Sisk, P.A., has also acted as special counsel to the City in connection with the preparation of this Official Statement and the sale of the Series 2016 Bonds. It is anticipated that the Series 2016 Bonds will be available for delivery on or about April 5, 2016 through the facilities of DTC, New York, New York.

Electronic and/or sealed bids will be opened at 10:00 a.m, prevailing Mountain Time, March 9, 2016 at City Hall, 700 North Main Street in Las Cruces, New Mexico 88001.

Dated: _____ 2016

* Preliminary, subject to change.

MATURITY SCHEDULE SERIES 2016 BONDS*

<u>Maturity (June 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP Number</u>
2017	\$ 0			
2018	500,000			
2019	510,000			
2020	520,000			
2021	535,000			
2022	550,000			
2023	570,000			
2024	590,000			
2025	610,000			
2026	635,000			
2027	655,000			
2028	685,000			
2029	710,000			
2030	740,000			
2031	775,000			

Electronic and/or sealed bids will be opened at 10:00 a.m., prevailing Mountain Time, March 9, 2016 at City Hall, 700 North Main Street in Las Cruces, New Mexico 88001.

BUILD AMERICA MUTUAL ASSURANCE COMPANY (“BAM”) makes no representation regarding the Series 2016 Bonds or the advisability of investing in the Series 2016 Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading “Bond Insurance” and Appendix D- SPECIMEN MUNICIPAL BOND INSURANCE POLICY.

* Preliminary, subject to change.

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

Greg Smith, Mayor Pro-Tem
Kasandra Gandara, Councilor
Olga Pedroza, Councilor
Jack Eakman, Councilor
Gill Sorg, Councilor
Ceil Levatino, Councilor

CITY ADMINISTRATION

Robert Garza, City Manager
Victoria Fredrick, CMA, Director of Financial Services
Karin Byrum, Interim City Treasurer
Linda Lewis, City Clerk
William R. Babington, Jr., City Attorney

FINANCIAL ADVISOR

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

BOND 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

\$8,585,000*

Taxable Subordinate Lien State Shared Gross Receipts Tax Improvement Revenue Bonds Series 2016

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 June 1, 2016.
Purpose:	The City of Las Cruces, New Mexico State Shared Gross Receipts Tax Improvement Revenue Bonds, Series 2016 (the “Series 2016 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, acquiring and improving roadways, public infrastructure and drainage projects, (2) funding a capitalized interest account for the Series 2016 Bonds, (3) funding a debt service reserve fund for the Bonds, and (4) 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 lien upon the revenues of the 1.225% state shared gross receipts tax (the “Pledged Revenues”) subordinate to the lien thereon of Senior Lien Bonds, as defined herein. See “SECURITY FOR THE BONDS” herein.

* Preliminary, subject to change.

Special Obligations:	THE PRINCIPAL OF AND INTEREST ON THE BONDS WILL BE PAYABLE SOLELY FROM PLEDGED REVENUES TO THE EXTENT AVAILABLE AFTER PAYMENT OF ALL SENIOR LIEN BONDS, 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:	Upon issuance of the Bonds, the Reserve Fund will be funded in the amount of the Minimum Reserve from proceeds of the Bonds. SEE "PURPOSE AND PLAN OF FINANCE" herein.
Minimum Reserve:	The Minimum Reserve shall be an amount equal to the least of (i) ten percent of the principal amount of the outstanding Series 2016 Bonds, (ii) the maximum annual debt service on the outstanding Series 2016 Bonds, or (iii) 125% of the average annual debt service on the outstanding Series 2016 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, 2018 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, 2017. 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.
Senior Lien Obligations:	The City has the following outstanding obligations with a senior parity lien on the Pledged Revenues ("Senior Lien Bonds"), which parity lien is prior and superior to the lien thereon of the Bonds: (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 \$2,250,000; (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 \$21,675,000; (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 \$7,725,000; (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 \$519,446; (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 \$930,000; (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 July 8, 2014 and currently outstanding in the aggregate principal amount of \$10,000,000; (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 \$416,193; and (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 and Resolution No. 15-140 adopted by the City Council, respectively, on December 1, 2014 and February 3, 2015 and currently outstanding in the aggregate principal amount of \$18,960,000.

Additional Bonds:

In addition to the Series 2016 Bonds, additional Senior Lien Bonds may hereafter be issued and secured by and paid from the Pledged SSGRT Revenues with a lien thereon superior to the lien of the Bonds. 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 Revenues with a lien thereon on parity with or subordinate and junior to the lien of the Series 2016 Bonds thereon, nor to prevent the issuance of bonds or other obligations refunding all or part of the Series 2016 Bonds as permitted by the Bond Ordinance. See “ADDITIONAL OBLIGATIONS PAYABLE FROM PLEDGED REVENUES” herein.

Bonds not Tax Exempt:

In the opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A., Bond Counsel, under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is not excludable from the gross income of the recipients thereof for federal income tax purposes, but is excludable from net income for purposes of certain New Mexico taxes imposed on individuals, estates, trusts and corporations. See “TAX MATTERS” 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 April 5, 2016.

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

\$8,585,000*

Taxable Subordinate Lien State Shared Gross Receipts Tax Improvement Revenue Bonds Series 2016

INTRODUCTION

This Official Statement, which includes the cover page and the appendices hereto, sets forth certain information in connection with the offering of \$8,585,000* aggregate principal amount of Taxable Subordinate Lien State Shared Gross Receipts Tax Improvement Revenue Bonds, Series 2016 (the “Series 2016 Bonds” or the “Bonds”), to be issued by the City of Las Cruces, Doña Ana County, New Mexico, pursuant to Ordinance No. 2774, adopted on February 16, 2016, as supplemented by Resolution No. _____, adopted on March 9, 2016 (together, the “Bond Ordinance”).

The Series 2016 Bonds are payable and collectible solely from the Pledged State Shared Gross Receipts Tax Revenues (“Pledged Revenues”), with a lien on Pledged Revenues subordinate to the lien thereon of Senior Lien Bonds. See “SECURITY FOR THE BONDS” herein.

Pledged 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; 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 2016 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, acquiring and improving roadways, public infrastructure and drainage projects, (2) funding a capitalized interest account for the Series 2016 Bonds, (3) funding a debt service reserve account for the Bonds, and (4) paying expenses and costs of issuance related to the issuance of the 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 Revenues having a lien on the Pledged Revenues on parity with the lien thereon of Senior Lien Bonds and superior to the lien of the Series

* Preliminary, subject to change.

2016 Bonds. Additional bonds may be issued with a lien on parity with the lien of the Series 2016 Bonds (“Parity Subordinate Lien Obligations”), or subordinate and junior to, the lien on the Pledged Revenues securing the Series 2016 Bonds (“Super Subordinate Lien Obligations”). 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 2016 Bonds will be used to (1) construct, acquire and improve roadways, public infrastructure and drainage projects, (2) fund a capitalized interest account, (3) fund a debt service reserve fund for the Series 2016 Bonds, and (4) pay expenses and costs of issuance related to the issuance of the Series 2016 Bonds. See “SOURCES AND USES OF PROCEEDS OF THE BONDS” herein.

In connection with the issuance of the Series 2016 Bonds, the City expects to be reimbursed for costs of the roadway, public infrastructure and drainage projects through the Metro Verde Voluntary Assessment District (the “District”) established by the City, pursuant to which the real properties benefitted by the capital improvements financed with proceeds of the Bonds are each assessed a proportionate share of the improvement costs (each an “Assessment” and collectively, the “Assessments”). The Series 2016 Bonds do not constitute a lien on the Assessments, but the Series 2016 Bonds are subject to early redemption at the option of the City if revenue derived from the Assessments is sufficient to redeem all or a portion of the outstanding principal amount of the Series 2016 Bonds. The pace of development and land sales in the District will govern possible early optional redemption of the Series 2016 Bonds, and the City cannot predict the pace of development and land sales in the District. SEE “DESCRIPTION OF THE BONDS—Optional Redemption” herein.

The Development and the District

The District is located in the northeast quadrant of the City and was established in connection with a proposed residential development known as Metro Verde, which is being developed by Sierra Norte Development Inc. (the “Developer”). Metro Verde is located in proximity to the Red Hawk Golf Club, an established 200-acre golf course noted for its links-style features. The purpose of the District is to provide a funding mechanism for the construction of specified major roads, sanitary sewer and regional drainage infrastructure (the “Improvements”), which will benefit approximately 1,500 acres of land owned by the Developer.

The District was established pursuant to a development agreement between City and the Developer dated April 20, 2015 (the “Agreement”), pursuant to which the real property tracts owned by an affiliate of the Developer, Sierra Norte Land Holdings, LLC (the “Landowner”) will be assessed for the costs of the Improvements, including financing costs (the “Improvement Costs”). The total Assessment amount is calculated as 1.5 times the estimated amount of Improvement Costs, and is allocated to each tract according to its acreage. Under the Agreement: (i) payment of the Assessment will be secured by a municipal first lien granted by the Landowner in favor of the City securing payment of the total hard and soft construction costs of the Improvements; (ii) the obligation to pay the Assessment is triggered upon transfer of an assessed tract by the Landowner to any third party other than the Developer; (iii) the City will be responsible for the

construction of the Improvements, the cost of which will be paid from proceeds of bonds issued by the City; (iv) the City will bill the Landowner directly for the amount required to make each scheduled payment of principal and interest on the bonds; (v) interest on the payments owed by the Landowner to the City will accrue at 1.0% over the interest rate on the bonds, beginning at the time that the City begins paying interest on the bonds, and shall be payable monthly, quarterly or annually, as billed by the City; and (vi) the Landowner will make additional principal reduction payments as assessed tracts are transferred to third parties or are included in a final plat which the Landowner wishes to record, which payments will be credited to the next principal reduction payment to be made by the Landowner.

The City anticipates that the Improvements will be constructed in 2 phases. The first phase will consist of construction of sanitary sewer, regional drainage infrastructure and road improvements with a total estimated cost of \$7,088,946. The second phase will consist of construction of additional road and regional drainage improvements with a total estimated cost of \$4,949,789. Both cost estimates exclude engineering costs, which will or have been paid by the Developer or Landowner.

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 Revenues are directly affected by economic activities in the City. The City's retail sales are affected by general economic circumstances.

The Pledged 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, 2015, total Pledged Revenues were \$33,922,018, approximately 5.2% higher than for the previous fiscal year.

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 2016 Bonds constitute a subordinate lien solely on the Pledged 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

The City may issue additional Parity Superior Lien Obligations without Bondholder consent, upon meeting coverage or other financial tests. See "ADDITIONAL OBLIGATIONS PAYABLE FROM PLEDGED STATE SHARED GROSS RECEIPTS TAX REVENUES -- Parity Superior Lien Obligations" herein. Parity Superior Lien Obligations have a lien on the Pledged Revenues superior and prior to the thereon of the Series 2016 Bonds. If Pledged Revenues are insufficient to pay debt service on the Parity Superior Lien Obligations in any year, debt service on Parity Superior Lien Obligations will be paid first on a proportionate basis among such obligations. To the extent that Pledged Revenues are sufficient to pay debt service on Senior Lien Bonds but not sufficient to pay debt service on Parity Subordinate Lien Obligations, debt service on the Series 2016 Bonds and any other Parity Subordinate Lien Obligations will be paid on a proportionate basis among such obligations.

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 and could be proposed in the future by the Legislature. There is no assurance that any future amendments will not adversely affect activities now subject to the gross receipts tax or distribution of gross receipts tax revenues to the 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. During the 2015 Regular Session a number of proposed bills were considered which attempted to rescind or otherwise modify the Hold Harmless Gross Receipts Tax. While none of the proposed bills was enacted in that session, interim legislative committees have been tasked with developing approaches for eliminating or reducing 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 2016 Bonds. SEE “PLEDGED 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 2016 Bonds are being issued in the aggregate principal amount of \$8,585,000* 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 June 1, 2016. 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

* Preliminary, subject to change

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 2016 Bonds maturing on or after June 1, 2018 are subject to prior redemption at the City's option in one or more units of principal of \$5,000 on and after June 1, 2017 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 2016 Bonds of such maturity is called, such selection by lot to be made by the Registrar in such manner as considered appropriate and fair) for the principal amount of each \$5,000 unit of principal so redeemed plus accrued interest to the redemption date. Redemption shall be made upon prior notice mailed to each registered owner of each Series 2016 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. For additional information about optional redemption of the Bonds, see "THE PROJECT" herein.

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 2016 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 2016 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 2016 Bond, or any defect therein, shall not affect the validity of the proceedings for the redemption of any Series 2016 Bonds for which proper notice was given. Notices of redemption shall specify the maturity dates and the number or numbers of the Series 2016 Bonds to be redeemed (if less than all are to be redeemed) and if less than the full amount of any Series 2016 Bond is to be redeemed, the amount of such Series 2016 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 2016 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 2016 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 2016 Bonds called for redemption shall on the redemption date be on deposit with the Paying Agent, the Series 2016 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 2016 Bonds to be redeemed at the office of the Paying Agent, the Paying Agent will pay the Series 2016 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 2016 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 2016 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 2016 Bonds for which the optional redemption price is on deposit with the Paying Agent. If all Series 2016 Bonds called for optional redemption cannot be redeemed, the Series 2016 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 2016 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 2016 Bonds for redemption, or (ii) after the mailing to registered owners of notice calling such Series 2016 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 County 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 County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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 County 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 County, 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 County 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 2016 Bonds are payable and collectible solely from the Pledged State Shared Gross Receipts Tax Revenues ("Pledged Revenues"), with a lien on Pledged Revenues subordinate to the lien thereon of Senior Lien Bonds. See "SECURITY FOR THE BONDS" herein.

All of the Series 2016 Bonds, together with the interest accruing thereon, shall be payable and collectible solely out of Pledged 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 of or 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 Series 2016 Bonds: (i) Acquisition Fund, (ii) Pledged Revenue Fund, (iii) Debt Service Fund, (iv) Reserve Fund, and (v) Capitalized Interest Account.

Disposition of Bond Proceeds

The Bond Ordinance provides that 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 Series 2016 Bonds.

Acquisition Fund. \$_____ derived from the sale of the Series 2016 Bonds shall be deposited promptly upon the receipt thereof in the 2016 Acquisition Fund. Until the Completion Date, the money in the Acquisition Fund shall be used and paid out solely for the purpose of the Project in compliance with applicable law.

Reserve Fund. \$_____ derived from proceeds of the Series 2016 Bonds shall be deposited promptly upon the receipt thereof into the Reserve Fund. The City may satisfy the requirement of the Reserve Fund by depositing a Reserve Fund Insurance Policy with coverage in the amount of the Minimum Reserve.

Capitalized Interest Account. \$_____ derived from the sale of the Series 2016 Bonds shall be deposited promptly upon receipt thereof into the Capitalized Interest Account in the Debt Service Fund to be used to pay interest on the Bonds. Upon certification by the City Treasurer that the remaining amount held in the Capitalized Interest Account is not needed to pay interest on the Bonds, such amount may be transferred to the Acquisition Fund for use on the Project.

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 Acquisition Fund (other than any amount retained by the City for any Project costs not then due and payable) shall be transferred from the Acquisition Fund and deposited in the Debt Service Fund and used by the City to pay principal and interest on the Series 2016 Bonds as same become due.

Deposit of Pledged Revenues and Flow of Funds

The Bond Ordinance provides for the application of Pledged Revenues as follows.

A. *Administration of Pledged Revenue Funds.* So long as any of the Bonds shall remain outstanding, either as to principal or interest or both, the following payments shall be made monthly from the Pledged Revenues:

B. *Debt Service Fund Payments.* After payment of amounts required under the ordinances authorizing the Senior Lien Bonds, the following amounts shall be withdrawn from the State Shared Gross Receipts Tax Revenue Fund (and on a parity with other outstanding Parity Subordinate Lien Bonds), and shall be concurrently credited to the Debt Service Fund (unless the City determines that such amounts shall be withdrawn from such funds in some other order):

(1) Monthly, commencing on the first day of the month immediately succeeding the delivery of the 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 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 Bonds then outstanding.

(2) Monthly, commencing on the first day of the month immediately succeeding the delivery of the 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 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 Bonds then outstanding.

C. *Credit.* In making the deposits required to be made into the Debt Service Fund, if there are any amounts then on deposit in the Debt Service Fund available for the purpose for which such deposit is to be made, the amount of the deposit to be made as described in paragraph B above shall be reduced by the amount available in such fund for such purpose.

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

E. *Reserve Fund.* No additional payments need be made into the Reserve Fund so long as the moneys therein shall equal not less than the Minimum Reserve. The moneys in the Reserve Fund shall be accumulated and maintained as a continuing reserve to be used, except as described in paragraph F below, only to prevent deficiencies in the payment of the principal of and interest on the Bonds resulting from failure to deposit into the Debt Service Fund sufficient funds to pay the principal and interest as the same accrue. The City may satisfy the requirement of the Reserve Fund by depositing a Reserve Fund Insurance Policy with coverage in the amount of the Minimum Reserve.

F. *Defraying Delinquencies in the Debt Service Fund and Reserve Fund.* If, on any Interest Payment Date, the amount on deposit in the Debt Service Fund is insufficient to pay principal of and interest on the Bonds then due, then an amount shall be paid into the Debt Service Fund on such date from the Reserve Fund (if moneys are then on deposit in the Reserve Fund) equal to the amount of the insufficiency. The money deposited in the Debt Service Fund from the Reserve Fund, if any, shall be replaced in the Reserve Fund in 24 substantially equal monthly deposits commencing on the first day of the first month immediately succeeding the draw on the Reserve Fund. Such accumulation shall be made from the Pledged Revenues after the payments required as described in paragraph B above. If, in any month, the City shall, for any reason, fail to pay into the 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 Revenues thereafter received and not required to be otherwise applied. The moneys in the 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 Bonds; provided, however, that any moneys at any time in excess of the Minimum Reserve in the Reserve Fund may be withdrawn therefrom and applied to any other lawful purpose. Cash accumulated in the Reserve Fund shall not be invested in a manner which could cause the Bonds to become arbitrage bonds within the meaning of the Code. Any investments held in the 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 Reserve Fund exceeds the Minimum Reserve, all amounts in excess of the Minimum Reserve shall be transferred to the Debt Service Fund and used to pay principal of and interest on the Bonds.

G. *Payment of Parity Subordinate Lien Obligations.* After the payments required under the ordinances authorizing the Senior Lien Bonds, but concurrently with the payment of the Pledged Revenues required as described in paragraphs B, E and F above, any amounts on deposit in the Pledged 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 Subordinate Lien Bonds payable from the Pledged Revenues, as the same become due. If funds on deposit in the Pledged Revenue Funds are not sufficient to pay when due the required payments of principal of, interest on and debt service reserve fund deposits relating to the Bonds and any other outstanding Parity Subordinate lien Bonds, then the available funds in the Pledged 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 Subordinate Lien Bonds, for the payment of principal of and interest on all series of outstanding Parity Subordinate Lien Bonds and, then, to the extent of remaining available funds in the Pledged 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 Subordinate Lien Bonds, for the required debt service reserve fund deposits for all series of outstanding Parity Subordinate Lien Bonds.

H. *Termination Upon Deposits to Maturity.* No payment shall be made into the Debt Service Fund or the 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 Bonds to their respective maturities or applicable redemption dates, in which case moneys in the Debt Service Fund and the 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 Debt Service Fund and the Reserve Fund may be used as provided below.

I. *Payment of Super Subordinate Lien Obligations.* Subsequent to the payments required as described in paragraphs B, E, F and G above, any balance remaining in the Pledged Revenue Fund, after making the payments hereinabove provided shall be used by the City for the payment of interest on and the principal of additional bonds or other obligations, if any, having a lien on any of the Pledged Revenues subordinate to the lien thereon of the Bonds, issued and payable from the Pledged 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 additional obligations.

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

General Administration of Funds

Pursuant to the Bond Ordinance, the funds designated above shall be administered and invested as follows:

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 by the City 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 accounts or investments for other funds and accounts of the City.

Investment of Moneys. Moneys in the Reserve Fund shall be invested as described in the immediately succeeding paragraph 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 by 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.

Reserve Fund. Moneys in the Reserve Fund, if any, may be invested only in Permitted Investments with an average aggregate weighted term to maturity not greater than five years. The City shall annually on or about June 1 of each year, commencing on the first June 1 succeeding funding of the Reserve Fund, value the Reserve Fund on the basis of the current fair market value of deposits and investments credited to the Reserve Fund. If, upon any valuation, the value of the Reserve Fund exceeds the Minimum

Reserve, the excess amount shall be withdrawn and deposited into the Debt Service Fund; if the value is less than the applicable requirement, the City shall replenish such amounts from the first Pledged Revenues thereafter received not required to be otherwise applied or other monies legally available therefor.

At such time as the Bonds are paid in full or are deemed to be paid in full, the amount on deposit in the Reserve Fund may be used to pay the final installments of principal and interest on the Bonds and otherwise may be withdrawn and transferred to the City to be used for any lawful purpose, provided that, if such amounts are used for a purpose other than payment of the 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 of New Mexico.

If moneys have been withdrawn from the Reserve Fund and deposited into the Debt Service Fund to prevent a default on the Bonds, then the City will pay, from Pledged Revenues or other monies legally available therefor, the full amount so withdrawn or so much as shall be required to restore the Reserve Fund to the Minimum Reserve. Such repayment shall be made as required by paragraph F of the preceding section, entitled "Defraying Delinquencies in the Debt Service Fund and Reserve Fund."

Default, Remedies and City Duties

Events of Default. Each of the following events is declared in the Bond Ordinance to be an "event of default":

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

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

C. Incapable of Performing. If the City shall for any reason be rendered incapable of fulfilling its obligations under the Bond Ordinance.

D. Default of any Provision. 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 paragraphs 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 Bonds then outstanding.

E. Bankruptcy. 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.

Remedies Upon Default. Upon the happening and continuance of any of the events of default as provided in the Bond Ordinance, then and in every case, the holder or holders of not less than twenty-five percent (25%) in aggregate principal amount of the Bonds then outstanding, including, but not limited to, a trustee or trustees therefor, may proceed against the 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 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 and interest in connection with the Series 2016 Bonds have been duly paid, the pledge and lien for the payment of the Series 2016 Bonds shall be discharged and the Series 2016 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 as described in the Bond Ordinance 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 2016 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 2016 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) A reduction of the principal amount of Bonds required for consent to such amendatory ordinance; or
- (d) The establishment of priorities as between Bonds issued and outstanding under the provisions of the Bond Ordinance; or

(e) 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 Revenues and the amounts and securities on deposit in the 2016 Debt Service Fund and the 2016 Reserve Fund and the proceeds thereof, for the payment of principal of and interest on the Series 2016 Bonds. The Series 2016 Bonds constitute a lien on the Pledged Revenues subordinate and junior to the lien thereon of Parity Superior Lien Obligations, as set forth in the Bond Ordinance.

Special Limited Obligations

All of the Series 2016 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 Revenues. The owner or owners of the Series 2016 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 Series 2016 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 2016 Bonds shall recite that it is payable and collectible solely out of the Pledged Revenues, and that the lien of the Bonds thereon is an irrevocable and subordinate lien, but not necessarily an exclusive subordinate lien, 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 herein shall prevent the City from applying other funds of the City legally available therefor to the payment of the Bonds, in its sole discretion.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Series 2016 Bonds, Build America Mutual Assurance Company (“BAM”) will issue its Municipal Bond Insurance Policy for the Bonds (the “Policy”). The Policy guarantees the scheduled payment of principal of and interest on the Series 2016 Bonds when due as set forth in the form of the Policy included as Appendix D to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Build America Mutual Assurance Company

BAM is a New York domiciled mutual insurance corporation. BAM provides credit enhancement products solely to issuers in the U.S. public finance markets. BAM will only insure obligations of states, political subdivisions, integral parts of states or political subdivisions or entities otherwise eligible for the

exclusion of income under section 115 of the U.S. Internal Revenue Code of 1986, as amended. No member of BAM is liable for the obligations of BAM.

The address of the principal executive offices of BAM is: 200 Liberty Street, 27th Floor, New York, New York 10281, its telephone number is: 212-235-2500, and its website is located at: www.buildamerica.com.

BAM is licensed and subject to regulation as a financial guaranty insurance corporation under the laws of the State of New York and in particular Articles 41 and 69 of the New York Insurance Law.

BAM's financial strength is rated "AA/Stable" by Standard and Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"). An explanation of the significance of the rating and current reports may be obtained from S&P at www.standardandpoors.com. The rating of BAM should be evaluated independently. The rating reflects the S&P's current assessment of the creditworthiness of BAM and its ability to pay claims on its policies of insurance. The above rating is not a recommendation to buy, sell or hold the Series 2016 Bonds, and such rating is subject to revision or withdrawal at any time by S&P, including withdrawal initiated at the request of BAM in its sole discretion. Any downward revision or withdrawal of the above rating may have an adverse effect on the market price of the Series 2016 Bonds. BAM only guarantees scheduled principal and scheduled interest payments payable by the issuer of the Series 2016 Bonds on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the Policy), and BAM does not guarantee the market price or liquidity of the Series 2016 Bonds, nor does it guarantee that the rating on the Series 2016 Bonds will not be revised or withdrawn.

Capitalization of BAM

BAM's total admitted assets, total liabilities, and total capital and surplus, as of December 31, 2015 and as prepared in accordance with statutory accounting practices prescribed or permitted by the New York State Department of Financial Services were \$479.6 million, \$42.3 million and \$437.3 million, respectively.

BAM is party to a first loss reinsurance treaty that provides first loss protection up to a maximum of 15% of the par amount outstanding for each policy issued by BAM, subject to certain limitations and restrictions.

BAM's most recent Statutory Annual Statement, which has been filed with the New York State Insurance Department and posted on BAM's website at www.buildamerica.com, is incorporated herein by reference and may be obtained, without charge, upon request to BAM at its address provided above (Attention: Finance Department). Future financial statements will similarly be made available when published.

BAM makes no representation regarding the Bonds or the advisability of investing in the Bonds. In addition, BAM has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Official Statement or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding BAM, supplied by BAM and presented under the heading "BOND INSURANCE".

Additional Information Available from BAM

Credit Insights Videos. For certain BAM-insured issues, BAM produces and posts a brief Credit Insights video that provides a discussion of the obligor and some of the key factors BAM’s analysts and credit committee considered when approving the credit for insurance. The Credit Insights videos are easily accessible on BAM's website at buildamerica.com/creditinsights/. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Credit Profiles. Prior to the pricing of bonds that BAM has been selected to insure, BAM may prepare a pre-sale Credit Profile for those bonds. These pre-sale Credit Profiles provide information about the sector designation (e.g. general obligation, sales tax); a preliminary summary of financial information and key ratios; and demographic and economic data relevant to the obligor, if available. Subsequent to closing, for any offering that includes bonds insured by BAM, any pre-sale Credit Profile will be updated and superseded by a final Credit Profile to include information about the gross par insured by CUSIP, maturity and coupon. BAM pre-sale and final Credit Profiles are easily accessible on BAM's website at buildamerica.com/obligor/. BAM will produce a Credit Profile for all bonds insured by BAM, whether or not a pre-sale Credit Profile has been prepared for such bonds. (The preceding website address is provided for convenience of reference only. Information available at such address is not incorporated herein by reference.)

Disclaimers. The Credit Profiles and the Credit Insights videos and the information contained therein are not recommendations to purchase, hold or sell securities or to make any investment decisions. Credit-related and other analyses and statements in the Obligor Disclosure Briefs and the Credit Insights videos are statements of opinion as of the date expressed, and BAM assumes no responsibility to update the content of such material. The Credit Profiles and Credit Insight videos are prepared by BAM; they have not been reviewed or approved by the City or the purchaser of the Series 2016 Bonds, and the City and purchaser assume no responsibility for their content.

BAM receives compensation (an insurance premium) for the insurance that it is providing with respect to the Series 2016 Bonds. Neither BAM nor any affiliate of BAM has purchased, or committed to purchase, any of the Bonds, whether at the initial offering or otherwise.

PURPOSE AND PLAN OF FINANCING

Purpose

The net proceeds received by the City from the sale of the Series 2016 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 2016 Bonds are as follows:

SOURCES OF FUNDS

Par Amount of Series 2016 Bonds	\$ _____
Original Issue Premium	\$ _____

TOTAL SOURCES \$ _____

USES OF FUNDS

Deposit to Acquisition Fund	\$ _____
Deposit to Reserve Fund	\$ _____
Deposit to Capitalized Interest Account	\$ _____
Costs of Issuance for Series 2016 Bonds ⁽¹⁾	\$ _____
Original Issue Discount	_____
Underwriter's Discount	_____
TOTAL USES	\$ _____

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

ANNUAL DEBT SERVICE SUMMARY

The following table sets forth for each fiscal year from 2016 through 2037 the amounts required in each such fiscal year to pay scheduled annual debt service on the Series 2016 Bonds and outstanding Parity SSGRT Obligations, as well as the debt service coverage ratio, based on fiscal year 2015 Pledged Revenues.

Series 2016 Bonds Debt Service/Coverage⁽¹⁾

Fiscal Year Ending June 30	Debt Service on Outstanding Parity Obligations	Estimated Debt Service on 2016 Bonds⁽¹⁾	Total Debt Service[*]	Estimated Pledged Revenues⁽²⁾	Debt Service Coverage⁽²⁾	% of Estimated FY 2015 Hold Harmless Distribution
2016	\$ 7,505,525	\$ -	\$ 7,505,525	\$32,100,816	4.28x	94
2017	7,508,718	-	7,508,718	31,864,882	4.24x	88
2018	5,962,813	770,505	6,733,318	31,628,948	4.70x	82
2019	5,342,615	770,355	6,112,970	31,393,014	5.14x	76
2020	5,216,182	769,755	5,985,937	31,157,080	5.21x	70
2021	5,175,633	768,705	5,944,338	30,881,823	5.20x	63
2022	4,879,782	767,205	5,646,987	30,606,567	5.42x	56
2023	4,918,719	770,255	5,688,974	30,331,310	5.33x	49
2024	3,755,894	767,705	4,523,599	30,056,054	6.64x	42
2025	3,733,794	769,705	4,503,499	29,780,797	6.61x	35
2026	3,455,338	771,105	4,226,443	29,505,541	6.98x	28
2027	2,790,088	766,905	3,556,993	29,230,284	8.22x	21
2028	2,786,500	767,255	3,553,755	28,955,028	8.15x	14
2029	2,788,850	766,330	3,555,180	28,679,771	8.07x	7
2030	2,796,850	769,090	3,565,940	28,404,515	7.97x	0
2031	2,801,050	770,330	3,571,380	28,404,515	7.95x	0
2032	2,801,850	-	2,801,850	28,404,515	10.14x	0
2033	2,804,350	-	2,804,350	28,404,515	10.13x	0
2034	2,808,300	-	2,808,300	28,404,515	10.11x	0
2035	2,808,500	-	2,808,500	28,404,515	10.11x	0
2036	1,589,900	-	1,589,900	28,404,515	17.87x	0
2037	1,588,900	-	1,588,900	28,404,515	17.88x	0
	\$85,820,150	\$10,765,205	\$96,585,355			

⁽¹⁾ Net of capitalized interest.

⁽²⁾ Estimated Pledged Revenues were derived from State Shared Gross Receipts Taxes reported by the New Mexico Taxation and Revenue Department for Fiscal Year 2015 and include the share of Hold Harmless Distributions attributable to the State Shared Gross Receipts Tax received by the City during the same period. The decline in Estimated Pledged Revenues shown for Fiscal Years 2016 through 2030 reflects the statutory phase-out of Hold Harmless Distributions that begins in fiscal year 2016 and culminates in Fiscal Year 2030, when the Hold Harmless Distributions are eliminated. There is no assurance that Pledged Revenues received in the future will equal the Pledged Revenues used in coverage computations. See “Gross Receipts Tax Hold Harmless Distributions” and “PLEDGED REVENUES-- *State Shared Gross Receipts Tax Report*” herein.

PLEDGED REVENUES

Pledged 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 June 30	State Gross Receipts Tax Rate	Percentage Distributed to City	State Shared Gross Receipts Tax Revenues ⁽¹⁾	Percent Increase (Decrease)
2015	5.125%	1.225%	\$33,922,018	5.2%
2014	5.125%	1.225%	32,135,625	(1.7%)
2013	5.125%	1.225%	32,697,399	3.5%
2012	5.125%	1.225%	31,583,198	0.0%
2011	5.125%	1.225%	31,584,196	1.5%
2010	5.125%	1.225%	31,111,970	0.9%

⁽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 are included in Pledged Revenues, the Hold Harmless Distributions will be phased out over a 15-year period beginning 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, a 0.25% Municipal Infrastructure Gross Receipts Tax, a 0.0625% Municipal Environmental Services Gross Receipts Tax and a 0.3750% Municipal Hold Harmless Gross Receipts Tax. The total gross receipts tax rate within the City is 8.3125% (combined State (5.1250%), County (1.2500 %) 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:

Classification	<u>Total Taxable Gross Receipts</u>				
	Calendar Year				
	2011	2012	2013	2014	2015 ⁽¹⁾
Agriculture, Forestry, Fishing & Hunting	\$ 2,919,143	\$ 2,762,796	\$ 2,794,553	\$ 2,762,540	\$ 2,991,398
Mining/Oil & Gas Extraction	*	*	*	*	*
Utilities	84,980,806	80,617,575	83,826,882	75,433,981	69,416,725
Construction	223,726,253	251,816,303	199,199,434	180,848,967	197,632,068
Manufacturing	31,252,379	33,134,181	31,634,637	25,323,764	30,705,023
Wholesale Trade	45,726,910	47,344,343	46,001,767	41,433,646	42,006,010
Retail Trade	768,772,261	762,033,247	775,353,214	718,576,646	691,383,420
Transportation & Warehousing	24,949,300	25,466,381	22,134,750	13,158,336	9,886,504
Information & Cultural Industries	132,103,266	132,219,400	135,253,673	130,375,639	127,081,075
Finance and Insurance	15,579,346	14,261,939	17,450,028	16,076,852	18,114,271
Real Estate, Rental & Leasing	32,408,758	34,040,298	34,565,027	32,302,366	31,926,252
Professional, Scientific & Technical Services	132,196,911	135,528,159	137,576,250	119,251,573	148,261,014
Management of Companies & Enterprises	1,553,530	1,352,595	4,607,878	2,618,470	3,108,968
Admin & Support, Waste Mgt & Remed	20,116,358	18,988,921	20,600,762	18,118,972	21,227,952
Educational Services	6,958,134	15,128,636	5,077,035	3,746,691	4,050,105
Health Care and Social Assistance	294,152,658	314,496,273	306,961,306	329,651,231	356,002,794
Arts, Entertainment & Recreation	7,656,912	8,539,525	8,209,447	7,945,732	9,272,390
Accommodation & Food Services	218,767,959	219,586,680	227,440,776	223,027,532	231,976,236
Other Services (except Public Admin)	182,574,450	192,963,775	189,381,042	165,992,205	183,481,433
Public Administration	*	*	*	*	*
Unclassified Establishments	3,444,377	1,440,845	5,503,985	9,437,033	7,339,528
TOTAL TAXABLE	\$2,249,275,848	\$2,308,576,453	\$2,271,952,792	\$2,134,057,629	\$2,198,010,034

Source: New Mexico Taxation and Revenue Department, RP-80 Reports.

⁽¹⁾ Through November, 2015.

* Not disclosed

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 “PLEDGED REVENUES – Taxed Activities” and “PLEDGED 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
2015*	\$1,258,509,591	\$4,660,258,991	\$21,615,206,877	\$ 97,142,837,352
2014	1,368,488,040	4,828,462,142	23,152,213,533	102,544,536,041
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
2011	1,457,341,903	4,946,094,992	23,789,930,180	102,715,750,442

Source: New Mexico Taxation and Revenue Department, RP-80 Reports.

* Through November, 2015.

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
2015*	\$2,198,010,034	\$49,051,012,202
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
2011	2,249,275,848	50,089,286,457

Source: New Mexico Taxation and Revenue Department, RP-80 Reports.

* Through November, 2015.

ADDITIONAL OBLIGATIONS PAYABLE FROM PLEDGED REVENUES

State Shared Gross Receipts Tax Parity Obligations

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

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

(2) The Pledged 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 Parity Subordinate Lien 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 Senior Lien Bonds, (2) the outstanding Bonds, (2) other outstanding Parity Subordinate Lien Bonds, and (3) the Parity Subordinate Lien 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 Parity Subordinate Lien Bonds, (a) any amount of the reserve fund requirement for the additional Parity Subordinate Lien Bonds is immediately deposited in or credited to the reserve fund for the additional Parity Subordinate Lien Bonds or, (b) any amount of the reserve fund requirement for any issue of outstanding Parity Subordinate Lien Bonds is then on deposit in or credited to the reserve fund for any issue of outstanding Parity Subordinate Lien 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 Parity Subordinate Lien Bonds or any issue of outstanding Parity Subordinate Lien Bonds for which such reserve fund was created.

Certification or Opinion Regarding Pledged Revenues. A written certificate or opinion by an Independent Accountant or the City Treasurer or Finance Director, that the Pledged Revenues (not including the Hold Harmless Distribution) are sufficient to pay the required amounts under the test described in the preceding paragraph shall conclusively determine the right of the City to issue additional Parity Subordinate Lien 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.

Super Subordinate Obligations Permitted. Nothing in the Bond Ordinance prevents the City from issuing bonds or other obligations payable from Pledged Revenues having a lien on any of the Pledged Revenues subordinate to the lien of the Bonds.

Additional Senior Lien Bonds. The Bond Ordinance provides that, so long as the Policy shall be in force and effect or any amounts are owed to BAM, and in addition to requirements set forth in the ordinances authorizing the issuance of the outstanding Senior Lien Bonds, before any additional Senior Lien 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 Senior Lien 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 Senior Lien Bonds, (2) the outstanding Bonds, (3) other outstanding Parity Subordinate Lien Bonds, and (4) the Parity Senior Lien Bonds proposed to be issued. Compliance with the foregoing requirement shall be evidenced by a written certification or opinion by an independent Accountant or the City Treasurer or Finance Director regarding Pledged Revenues as described above.

Refunding Bonds

The foregoing provisions for issuance of Additional Obligations payable from Pledged Revenues 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 Revenues, the 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 as provided in the succeeding 3 paragraphs.

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

- (1) The lien on the Pledged Revenues of the outstanding obligations so refunded is on a parity with the lien on the Pledged Revenues of the Bonds; or
- (2) The refunding obligations are issued in compliance with the requirements for issuing Additional Parity Subordinate Lien Bonds as described above.

Limitation Upon Issuance of Senior Lien Refunding Obligations. Refunding obligations may be issued with a lien on the Pledged Revenues senior and superior to the lien of the Bonds to refund outstanding Senior Lien Obligations if the aggregate principal and interest requirements for each Fiscal Year in which such Senior Lien Refunding Obligations are outstanding do not exceed the aggregate principal and interest requirements for each corresponding Fiscal Year in which the Senior Lien Obligations being refunded would have been outstanding; otherwise, no Senior Lien Refunding Obligations shall be issued except in accordance with the requirements for issuing Additional Senior Lien Bonds, as described above.

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 provisions for issuing Additional Subordinate Lien Obligations or Additional Senior Lien Obligations, as applicable, as described above.

Limitation Upon Issuance of Any Refunding Obligations. Any refunding obligations payable from Pledged Revenues shall be issued with such details as the City Council may provide, subject to the inclusion of any such rights and privileges described in paragraphs C or D of this Section, as applicable, but without impairing any contractual obligation imposed by any proceedings authorizing any unrefunded portion of any issue or issues, including the Bonds.

A. *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 Revenues, the 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 as provided in the succeeding two paragraphs.

B. *Limitation Upon Issuance of Parity Subordinate Lien Refunding Obligations.* No refunding obligations shall be issued with a lien on the Pledged Revenues on parity with the lien of the Bonds, unless:

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

(2) The refunding obligations are issued in compliance with requirements for issuing Additional Parity Subordinate Lien Bonds as described above.

C. *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 requirements for issuing Additional Parity Subordinate Lien Bonds as described above.

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

Equality of Parity Subordinate Lien Bonds

The Parity Subordinate Lien Bonds from time to time outstanding shall not be entitled to any priority one over the other in the application of the Pledged Revenues, regardless of the time or times of their issuance or the date incurred, it being the intention of the City Council that, except as set forth herein, there shall be no priority among Parity Subordinate Lien Bonds regardless of whether they are actually issued and delivered or incurred at different times.

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 Fund, Capitalized Interest Account and Reserve Fund. The Debt Service Fund, Capitalized Interest Account 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.

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 17,963 jobs in the second quarter of 2015. The remaining non-agricultural jobs are in manufacturing (2,193), wholesale/retail trade (8,799), natural resources, mining and construction (3,571), transportation/warehousing/utilities (1,771), information (840), finance and insurance (1,780) and all other services (34,382).

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:

Name	Office	Current Term Expires
Ken Miyagishima	Mayor	November, 2019
Kasandra Gandara	Councilor – District 1	November, 2019
Greg Smith	Councilor – District 2 / Mayor Pro Tem	November, 2019
Olga Pedroza	Councilor – District 3	November, 2017
Jack Eakman	Councilor – District 4	November, 2019
Gill Sorg	Councilor – District 5	November, 2017
Ceil Levatino	Councilor – District 6	November, 2019

Administrative Officers

City Manager Robert Garza. The City Manager is appointed by the Council as the chief executive officer of the City and is responsible for the proper and efficient administration of the City. The manager appoints and discharges, if necessary, all persons engaged in the administrative service of the City. He is

charged with the responsibility of enforcing all ordinances, rules and regulations enacted by the Council; fully advising the Council on the City's financial condition and need; preparing and submitting an annual budget; and making recommendations to the Council on all matters concerning the welfare of the City. Mr. Garza is a native of Las Cruces. He attended Las Cruces Public Schools and received an engineering degree from New Mexico State University. He is a licensed professional engineer and has extensive experience working with municipal budgeting, operations and capital improvement program development as well as grant writing and intergovernmental relations. With over 25 years of public service in a variety of technical and management positions, he possess skills in the areas of facilitation and collaborative thinking to achieve goals with very diverse audiences. He has worked for the City of Las Cruces for 24 years and has held numerous positions in increased areas of responsibility, most recently as the Assistant City Manager.

Professional Affiliations:

- Board of Directors, NM Society of Professional Engineers, 1999 to 2003, VP Education and VP Professional Affairs, Chapter President, State of NM Young Engineer of the Year Award 1997
- Graduate of Executive Programs, John F. Kennedy School of Government at Harvard University, 2003 ~ Alumni mentoring program
- NMSU Alumni Executive Council 2004 - Current
- International Association of Administrative Professionals (IAAP), Executive of the Year Award 2004 -2005
- Chairman of the Board of Directors – United Way of SW New Mexico ~ Current
- Ex-Officio member of the Las Cruces Utilities Board
- New Mexico Municipal League – City Management Association
- International City/County Management Association

Director of Financial Services Victoria Fredrick. Victoria Fredrick is currently the Financial Services Director and oversees operations in accounting, financial reporting, disbursements, payroll, treasury, grants and contract administration, and procurement. She started with the City in September 2010 as the Manager of Rates and Economic Analysis with Las Cruces Utilities. Prior to joining the City, she held positions as Region Controller for Securitas Security Services, Director of Finance for Fox Sports Net, both in Phoenix, AZ and Controller and Business Manager for KTVB-TV in Boise, ID.

Ms. Fredrick is a certified management accountant (CMA) and a certified government financial manager (CGFM). She holds a Master of Business Administration in Finance from Boise State University, a Bachelor of Science degree in Accounting from Metropolitan State College in Denver, Colorado and Bachelor of Arts degree in Business Management, Fort Lewis College, Durango, Colorado.

City Treasurer Mark Krawczyk. Mark Krawczyk is currently the Treasurer for the City of Las Cruces and has responsibility for the management and direction of all treasury operations to include short-term investment portfolio management, long and short term debt issuance, liquidity forecasting, economic forecasting, operational budgeting, bank relationship management and credit card processing. He started with the City in July, 2014. Prior to joining the City, he held positions as Treasurer for Wilks Brothers, LLC, in Cisco, Texas; Principal for CZYK & Associates (a professional speaking and training firm); Assistant Treasurer for the University of Michigan, Ann Arbor, Michigan and worked in the investor-owned electrical utility industry for over 16 years in Tulsa, Oklahoma.

Mark is a CTP (Certified Treasury Professional), has twice served on the Board of Directors of the Association for Financial Professionals (AFP), and serves on the faculty for the Graduate School of Banking at LSU in Baton Rouge. Mark is also co-author for The Essentials of Treasury Management, 3rd Edition, published by the AFP. He is a recipient of the Marquis Award (presented by EPCOR) for his involvement in

the implementation and promotion of ACH consumer and corporate payment applications in the corporate and not-for-profit markets.

Mark received both his undergraduate degree (B.S., Marketing/Economics) and MBA (M.S., Finance) from Oklahoma State University.

Other Employees

As of June 30, 2015, the City had approximately 1,616 full time, part time and seasonal employees, 645 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 \$9,403,845 for the fiscal year ended June 30, 2015. The City's liability

under the Plan is limited to the periodic employer contributions, as described above, that it is required to make for its participating employees.

On June 25, 2012, the Governmental Accounting Standards Board approved Statement No. 68 which requires governments providing defined benefit pensions to recognize their long term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. Statement No. 68 requires cost sharing employers, such as the City, to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. Statement No. 68 is effective for fiscal years beginning after June 15, 2014.

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, 2015 is shown below:

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

Membership ⁽¹⁾	96,479
Actuarial Information	
Actuarial Accrued Liability ⁽²⁾	\$18,786,486,550
Actuarial Value of Assets	14,074,919,042
Unfunded Actuarial Accrued Liability	4,711,567,508

Source: PERA Annual Actuarial Valuation as of June 30, 2015.

⁽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, 2015, PERA has an amortization or funding period designated as infinite, based on the employer and member contribution rates in effect as of July 1, 2015. Member and employer rates are established pursuant to Sections 10-11-1 through 10-11-141 NMSA 1978. The funded ratio (ratio of the actuarial value of assets to accrued actuarial liability) was 74.9% as of June 30, 2015 and the unfunded accrued actuarial liability of the PERA Fund has been calculated to be approximately \$4.71 billion. The PERA Board has reviewed the results of its June 30, 2015 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, 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, 2015, 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 1.0% of the employee's annual salary. The City remitted \$ 847,444 in Fiscal Year 2015, \$831,594 in Fiscal Year 2014, and \$854,248 in Fiscal Year 2013, 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 2016 budget continues the City's conservative practices. The City has proposed increased expenditures in Fiscal Year 2016 of \$47.2 million, or an increase of 18.5% 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 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
Strongly support				30%
Somewhat support				41%
Somewhat oppose				15%
Strongly oppose				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
Strongly support				35%
Somewhat support				40%
Somewhat oppose				14%
Strongly oppose				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
Streets (maintenance and traffic systems)	13%	22%	43%	22%
Public safety (police and fire services)	18%	12%	22%	48%
Parks and recreation (parks, playgrounds, pools, ball fields)	13%	33%	40%	15%
Senior services (community centers, meal programs)	19%	24%	36%	20%
Transit systems (Roadrunner bus routes, dial-a-ride)	17%	39%	28%	15%
Museums/libraries	16%	40%	26%	17%
Other	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 24,965 students for school year 2015-2016. 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 2015 enrollment of 28,345 students (including four branch campuses). The Fall 2015 enrollment for the Las Cruces campus was 15,490. 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 numbers 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
2015*	92,572	7.3%	923,282	6.5%	5.3%
2014	93,212	7.2%	918,206	6.5%	6.2%
2013	93,901	7.5%	922,960	6.9%	7.4%
2012	93,938	7.3%	928,050	7.1%	8.1%
2011	93,419	7.6%	929,862	7.6%	8.9%
2010	93,753	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%
2006	85,792	4.7%	928,094	4.2%	4.6%

* Average, January through November, 2015.

Source: New Mexico Department of Workforce Solutions.

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	2010	2011	2012	2013	2014	2015*
Grand Total	69,187	69,100	69,246	70,377	71,647	71,299
Total Private	50,193	50,661	51,208	52,390	53,253	53,336
Agriculture, Forestry, Fishing and Hunting	3,474	3,203	3,389	3,313	3,418	3,742
Mining	40	45	24	20	21	19
Utilities	659	668	707	719	737	737
Construction	3,774	3,763	3,611	3,681	3,597	3,750
Manufacturing	2,830	3,094	2,864	2,706	2,510	2,193
Wholesale Trade	1,271	1,099	1,072	1,217	1,167	1,211
Retail Trade	6,988	7,304	7,536	7,646	7,842	7,636
Transportation and Warehousing	1,588	1,721	1,906	1,780	1,860	1,792
Information	874	859	922	933	930	869
Finance and Insurance	1,524	1,570	1,663	1,743	1,784	1,788
Real Estate and Rental and Leasing	723	708	683	703	786	778
Professional and Technical Services	3,806	3,394	3,488	4,010	3,638	3,878
Management of Companies and Enterprises	94	85	51	35	39	41
Administrative and Waste Services	4,068	3,964	3,176	3,309	3,632	3,170
Educational Services	11,089	10,802	10,683	10,810	11,373	11,127
Health Care and Social Assistance	11,195	11,832	12,662	12,707	13,457	13,855
Arts, Entertainment, and Recreation	1,236	1,219	1,307	1,263	1,090	1,185
Accommodation and Food Services	5,960	6,081	6,291	6,756	6,813	6,918
Other Services, ex. Public Administration	1,417	1,338	1,317	1,296	1,337	1,191
Public Administration	18,994	18,439	18,038	17,988	18,393	17,963
Federal Government	4,264	4,051	3,870	3,742	3,632	3,482
State Government	6,151	5,810	5,586	5,604	5,584	5,445
Local Government	8,579	8,578	8,581	8,641	9,178	9,037

Source: New Mexico Department of Workforce Solutions.

* Average, Second Quarter 2015.

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+
City of Las Cruces	1,500+
Memorial Medical Center	1,000+
Wal-Mart	1,000+
Doña Ana County	750+
Doña Ana Community College	750+
Addus Healthcare	_____
National Aeronautics & Space	_____

Source: Mesilla Valley Economic Development Authority and City of Las Cruces Comprehensive Annual Financial Report for Fiscal Year Ending June 30, 2015.

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.

<u>Year</u>	<u>Las Cruces MSA</u>	<u>New Mexico</u>	<u>United States</u>
2014	n/a	\$37,605	\$46,129
2013	31,620	35,965	44,765
2012	31,280	35,805	44,200
2011	30,648	34,763	42,332
2010	29,751	33,175	40,144
2009	28,804	32,522	39,379

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.

[[UPDATE – RBC?]]

Effective Buying Income Group	Las Cruces MSA	New Mexico	United States
Under \$25,000	36.1%	29.6%	23.7%
\$25,000 – 34,999	13.0%	12.7%	11.1%
\$35,000 – 49,999	13.4%	16.6%	15.5%
\$50,000 and over	16.1%	18.3%	19.5%
\$75,000 and over	21.5%	22.8%	30.2%
2013 Est. Median Household Income	\$35,983	\$43,273	\$49,297
2012 Est. Median Household Income	\$34,983	\$41,958	\$49,581
2011 Est. Median Household Income	\$35,048	\$42,030	\$49,726

Source: *Claritas Inc.*

Age Distribution

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

Age Group	Las Cruces MSA	New Mexico	United States
0-17	25.9%	24.3%	23.3%
18-24	14.7%	10.3%	10.0%
25-34	12.8%	13.0%	13.5%
35-44	10.5%	12.0%	12.8%
45-54	11.7%	12.9%	13.8%
55 and Older	24.4%	27.5%	26.6%

Source: U.S. Census Bureau, 2013 American Community Survey.

Population

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

Year	City of Las Cruces	Doña Ana County	State of New Mexico
2010	97,618	209,233	2,059,179
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
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
2004	216,324,118	3,329

Source: City of Las Cruces Community Development Department and Doña Ana County Assessor's Office as of April 22, 2014

History of Assessed Values⁽¹⁾

Tax Year	City of Las Cruces	Doña Ana County
2014	\$2,102,950,157	\$3,975,407,209
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
2004	1,153,168,324	2,254,323,053
2003	1,104,451,227	2,173,213,218

⁽¹⁾ As of June 30, 2015.

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

Historical General Fund Balance Sheet

	Fiscal Year Ending June 30			
	2012	2013	2014	2015
Assets				
Pooled cash and investments	\$25,848,311	\$25,034,017	\$23,680,533	\$30,057,266
Receivables, net	829,617	824,178	883,934	723,834
Due from other funds	3,342,228	2,415,837	2,566,180	1,303,517
Due from other governmental units	10,976,969	10,735,555	10,701,624	13,454,045
Inventories	1,531,425	1,732,121	1,607,029	1,431,060
Total assets	<u>\$42,528,550</u>	<u>\$40,741,708</u>	<u>\$39,439,300</u>	<u>\$46,969,722</u>
Liabilities				
Accounts and contracts payable	\$2,745,943	\$2,833,714	\$1,393,413	\$2,353,894
Accrued liabilities	2,241,394	2,538,095	1,957,719	2,613,666
Unearned/Deferred revenue	107,534	108,062	3,900	3,450
Total liabilities	<u>5,094,871</u>	<u>5,479,871</u>	<u>3,445,614</u>	<u>4,971,010</u>
Deferred Inflows of Resources				
Unavailable revenue	-	-	90,582	99,976
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>90,582</u>	<u>99,976</u>
Fund balances				
Non-spendable:				
Inventories	1,531,425	1,732,121	1,607,029	1,431,060
Restricted for:				
Public safety programs	-	-	-	2,960
Housing and community development	-	-	15,867	52,468
Public works	-	-	-	26,999
Community and cultural services	-	-	10,787	36,943
Committed for:				
Debt service	-	-	7,464,550	5,937,791
Assigned to:				
Public works	-	-	-	477,974
Community development	-	-	22,448	378
Information technology	-	-	28,347	29,228
Office of Emergency Management Reserve	-	-	50,000	50,000
Economic development	-	-	-	11,347
Transportation	-	-	333,472	78,492
Vehicle acquisition fund	-	-	4,217,706	2,416,329
Unassigned:	25,898,101	20,665,163	22,243,480	31,379,100
Total fund balances	<u>37,433,679</u>	<u>35,261,837</u>	<u>35,993,686</u>	<u>41,898,736</u>
Total liabilities, deferred inflows and fund balances	<u>\$42,528,550</u>	<u>\$40,741,708</u>	<u>\$39,439,300</u>	<u>\$46,969,722</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			
	2012	2013	2014	2015
<u>REVENUES</u>				
Taxes	\$73,646,007	\$74,959,013	\$74,790,018	\$89,728,390
Charges for services	2,738,978	2,431,979	2,853,924	2,750,235
Fees and fines	1,148,964	1,036,984	950,956	654,159
Investment income (loss)	927,625	(992,702)	456,734	972,412
Franchise fees	2,742,676	2,691,014	2,700,727	2,438,470
Licenses and permits	1,278,941	1,266,098	1,090,909	1,072,697
Intergovernmental	52,203	2,241	24,102	7,440
Other	4,388,179	3,272,261	5,706,425	6,157,893
Total revenues	86,923,573	84,666,888	88,573,795	103,781,696
<u>EXPENDITURES</u>				
Current				
General government	13,469,327	13,751,225	13,589,958	14,600,868
Police	19,239,019	19,682,675	20,904,786	22,790,188
Fire	9,365,873	9,708,710	9,874,369	12,150,566
Community development	2,591,452	2,770,678	3,139,753	3,093,414
Community and cultural services	5,378,079	5,249,293	5,202,617	5,206,661
Public works	9,490,705	8,067,854	8,187,894	8,426,615
Information technology	2,913,463	3,575,895	3,261,809	3,307,482
Transportation	3,192,467	5,027,066	5,091,356	5,006,488
Parks and Recreation	8,568,820	7,889,794	8,395,006	9,083,711
Capital outlay	1,726,034	2,870,694	4,163,268	5,148,122
Total expenditures	75,935,233	78,593,884	81,810,816	88,814,115
Revenues over (under) expenditures	10,988,340	6,073,004	6,762,979	14,967,581
<u>OTHER FINANCING SOURCES (USES)</u>				
Issuance of debt	-	-	1,600,000	104,500
Proceeds from sale of capital assets	212,621	941,856	159,840	87,238
Payment to agency	-	-	(1,600,000)	-
Transfers in	2,967,414	2,412,095	3,052,511	2,332,789
Transfers out	(10,632,324)	(11,598,797)	(9,243,481)	(11,587,058)
Total other financing sources (uses)	(7,452,289)	(8,244,846)	(6,031,130)	(9,062,531)
Net change in fund balances	3,536,051	(2,171,842)	731,849	5,905,050
Fund balance, beginning of year	33,897,628	37,433,679	35,261,837	35,993,868
Fund balances, end of year	\$37,433,679	\$35,261,837	\$35,993,686	\$41,898,736

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 30, 2015:

Category of Indebtedness	Issue Date	Original Principal Amount	Interest Rate	Date of Final Maturity	Amount Outstanding as of 6/30/15
Joint Utility Refunding Revenue Bonds, Series 2009	4/14/2009	\$ 17,575,000	2.750 – 3.000%	2016	\$ 2,740,000
Joint Utility Refunding Revenue Bonds, Series 2010	9/14/2010	24,840,000	2.000 - 4.000%	2027	23,585,000
Gross Receipts Tax Refunding Revenue Bonds, Series 2010	9/28/2010	24,330,000	2.000 – 5.000%	2037	21,675,000
Municipal Gross Receipts Tax Refunding & Improvement Revenue Bonds (Street Projects), Series 2010A	9/28/2010	12,255,000	2.500 – 3.000%	2021	3,505,000
Municipal Gross Receipts Tax Refunding Revenue Bonds (Flood Control Projects), Series 2010B	9/28/2010	4,390,000	2.500 – 3.000%	2021	1,130,000
State Shared Gross Receipts Tax Improvement Revenue Bonds, Series 2011A	7/12/2011	9,640,000	3.000 – 4.000%	2021	7,725,000
Municipal Gross Receipts Tax Revenue Bonds (Flood Control Projects), Series 2011B	7/12/2011	1,530,000	2.000 – 3.625%	2021	600,000
State Shared Gross Receipts Tax Improvement Revenue Bonds, Series 2014	7/29/2014	10,000,000	2.000 – 4.000%	2026	10,000,000
Municipal Gross Receipts Tax Improvement Revenue Bonds (Street Improvement Projects), Series 2014A	7/29/2014	8,000,000	2.000 – 4.000%	2028	6,970,000
Municipal Gross Receipts Tax Improvement Revenue Bonds (Flood Control Infrastructure Projects), Series 2014B	7/29/2014	1,500,000	2.000 – 3.000%	2024	1,450,000
Joint Utility Refunding Revenue Bonds, Series 2014A	8/26/2014	7,125,000	2.000 – 4.000%	2025	6,505,000
Joint Utility Improvement Revenue Bonds, Series 2014B	8/26/2014	3,425,000	3.000 – 5.000%	2034	3,325,000
State Shared Gross Receipts Tax Refunding Revenue Bonds, Series 2015	3/11/15	19,195,000	2.250—4.000%	2035	18,960,000
Joint Utility Refunding and Improvement Bonds, Series 2015	5/12/15	16,895,000	2.000—5.000%		16,895,000
Total Revenue Bond Obligations		<u>\$160,700,000</u>			<u>\$125,065,000</u>

Source: The City's Fiscal Year 2015 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, 2015:

Category of Indebtedness	Project	Issue Date	Original Principal Amount	Interest Rate	Date of Final Maturity	Amount Outstanding as of 6/30/2015
2007 NMFA Loan	Fire pumper trucks	11/16/2007	896,598	3.644%	2016	\$ 127,123
2008 NMFA Loan	Flood control	12/23/2008	4,563,829	3.246%	2016	675,261
2009 NMFA Loan	Parking deck	1/23/2009	4,999,890	4.650%	2021	2,250,000
2010 NMFA Loan	Fire apparatus	7/30/2010	938,875	2.108%	2020	793,361
2010 NMFA Loan	Griggs Walnut	1/18/2008	1,478,799	2.000%	2031	1,324,060
2010 HUD Loan	Facilities	7/21/2010	2,000,000	1.700%	2030	1,738,000
2011 NMFA Loan	Gas tax refunding	10/14/2011	2,045,000	0.919%	2016	415,000
2011 NMFA Loan	Fire apparatus	11/18/2011	964,250	0.230%	2019	519,446
2012 NMFA Loan	2003 SSGRT refunding	6/1/2012	2,280,000	0.400%	2018	930,000
2014 NMFA Loan	SCSWA projects	6/20/2014	2,780,000	0.250%	2028	2,310,000
2014 NMFA Loan	Fire apparatus	12/12/2014	443,325	1.975%	2022	416,193
Total NMFA/HUD Loan Obligations			<u>\$23,390,566</u>			<u>\$11,498,444</u>

Source: City's Fiscal Year 2015 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 MATTERS

General

No attempt has been made or will be made to comply with certain requirements relating to the exclusion from gross income for federal or state income tax purposes of interest on the Series 2016 Bonds. The stated interest on the Series 2016 Bonds will be included in the gross income, as defined in section 61 of the Code, of the beneficial owners thereof and be subject to U.S. federal income taxation when paid or accrued, depending on the tax accounting method applicable to the beneficial owners thereof. Prospective purchasers of the Series 2016 Bonds should be aware that the ownership of taxable obligations may result in collateral federal income tax consequences to certain taxpayers. Prospective purchasers of the Series 2016 Bonds should consult their tax advisors as to the applicability and impact of such consequences.

Internal Revenue Service Circular 230 Notice

You should be aware that:

- (i) the discussion with respect to United States federal tax matters in this Official Statement was not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding penalties that may be imposed on the taxpayer;
- (ii) such discussion was written to support the promotion or marketing (within the meaning of IRS Circular 230) of the transactions or matters addressed by such discussion; and
- (iii) each taxpayer should seek advice based on his or her particular circumstances from an independent tax advisor.

This notice is given solely for purposes of ensuring compliance with IRS Circular 230.

FINANCIAL STATEMENTS

The general purpose financial statements of the City as of June 30, 2015, and for the year then ended, contained in Appendix A to this Official Statement, have been audited by Moss Adams LLP, Certified Public Accountants, Albuquerque, New Mexico, as set forth in their report thereon included in Appendix A hereto. Moss Adams LLP has not been engaged to perform, and has not performed since June 30, 2015, 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 MATTERS.” 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 2016 Bonds have been assigned a rating of “_____” 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, 2017 until the Bonds are no longer outstanding, and (ii) operating data, and to provide notice of certain events, pursuant to the requirements of section (b)(5)(i) of Rule 15c2-12 of the Securities and Exchange Commission (17 C.F.R. § 240.15c2-12). A failure by the City to provide any information required thereunder shall not constitute an Event of Default under the Bond Ordinance. The City has previously entered into continuing disclosure undertakings (each a “Prior Undertaking” and collectively, the “Prior Undertakings”) with respect to certain other obligations of the City in accordance with Section Rule 15c2-12 and except as described below, during the last five years, the City has complied in all material respects with those Prior Undertakings.

Audited Financial Statements

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. 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 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: _____
Ken Miyagishima, Mayor

APPENDIX A

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

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



City of Las Cruces

Financial Statements
and
Report of Independent Auditors

June 30, 2015

MOSS-ADAMS_{LLP}

Certified Public Accountants | Business Consultants

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

Prepared by
Finance Department
Victoria Fredrick,
Financial Services Director

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

City of Las Cruces

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City of Las Cruces

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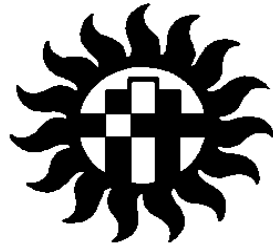
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City of Las Cruces

November 30, 2015

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

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

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

Profile of the City

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

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

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

Economic Condition and Outlook

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

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

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

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

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

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

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

Long-Term Plans and Major Initiatives

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

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

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

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

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

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

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

Internal Control Framework

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

Financial Information, Management and Control

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

Budgetary Control

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

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

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

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

Taxes

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

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

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

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

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

Debt Administration

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

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

Independent Audit

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

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

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

GFOA Award

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

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

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

Acknowledgments

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

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

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

Respectfully submitted,

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

Robert L. Garza, PE
City Manager

City of Las Cruces
June 30, 2015

LIST OF PRINCIPAL OFFICIALS

City Council

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

Other officials

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

CITY GOVERNMENT ORGANIZATION CHART





Government Finance Officers Association

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

Presented to

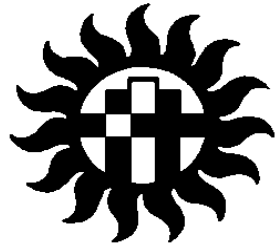
**City of Las Cruces
New Mexico**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

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

Executive Director/CEO



City of Las Cruces

Report of Independent Auditors

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

MOSS ADAMS LLP

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

Opinions

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

Emphasis of a Matter

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

Other Matters***Required Supplementary Information***

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

MOSS ADAMS LLP

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

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

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



November 30, 2015
Albuquerque, New Mexico

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

Management's Discussion and Analysis

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

Financial Highlights

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

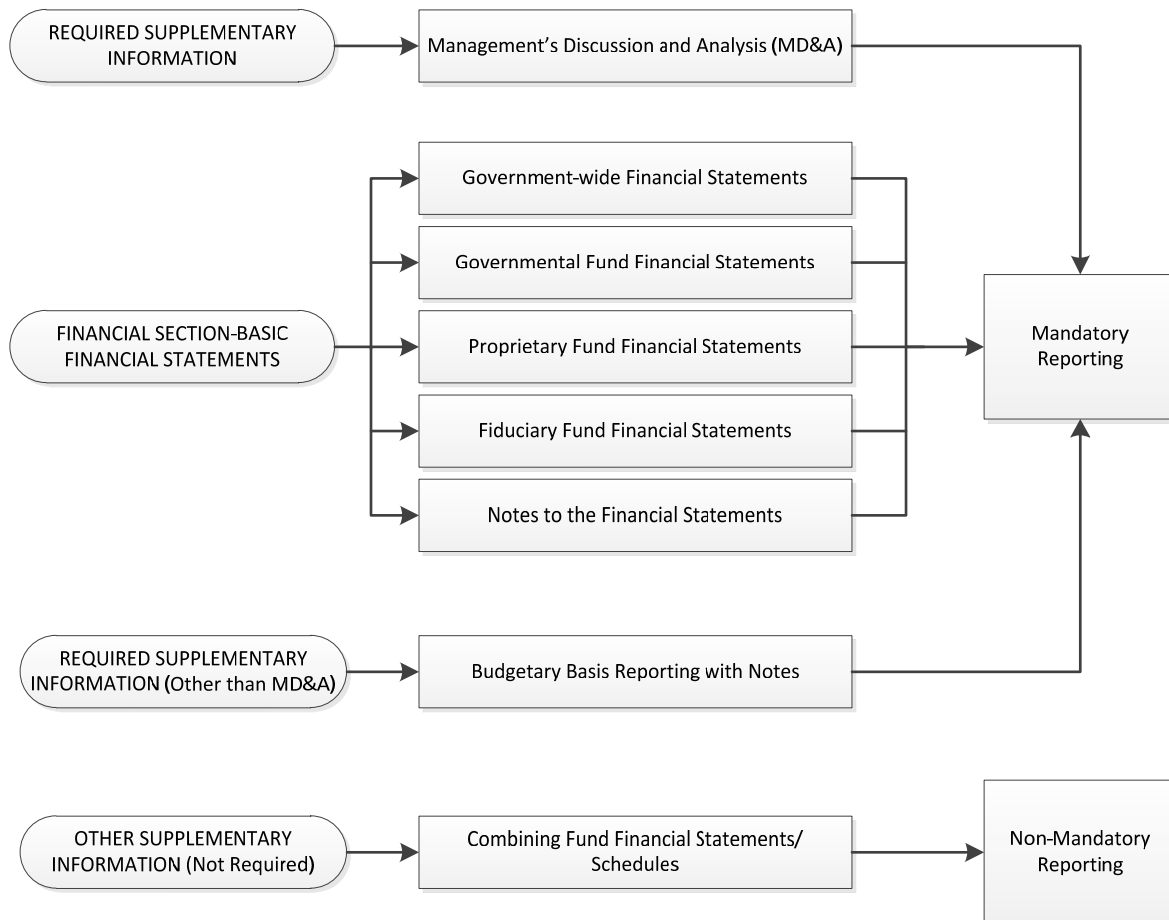
Overview of the Financial Statements

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

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

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

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



Government-wide Financial Statements

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

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

City of Las Cruces

Management's Discussion and Analysis

June 30, 2015

The *Statement of Activities* presents information showing how the government's net position changed during FY15. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned, but unused, vacation leave). Both of these financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include General Government, Police, Fire, Community Development, Public Works, Information Technology, Transportation, and Community and Cultural Services. The business-type activities of the City include Gas, Water, Waste Water, Solid Waste, Transit, and Alternative Fuels.

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

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

Fund Financial Statements

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

Governmental Funds

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

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

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

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

Proprietary Funds

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

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

City of Las Cruces

Management's Discussion and Analysis

June 30, 2015

Fiduciary Funds

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

Notes to the Financial Statements

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

Other Information

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

Statistics

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

Government-Wide Overall Financial Analysis

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

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

City of Las Cruces

Management's Discussion and Analysis

June 30, 2015

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

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

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

Summary of Changes in Position (in 000's)

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

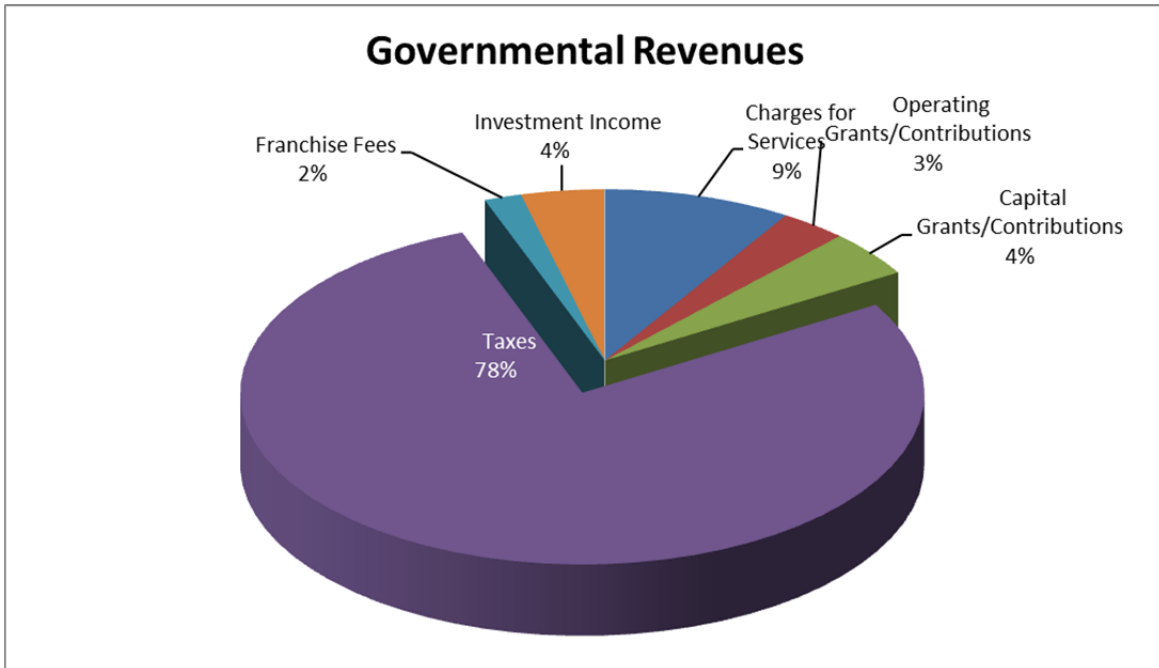
City of Las Cruces

Management's Discussion and Analysis

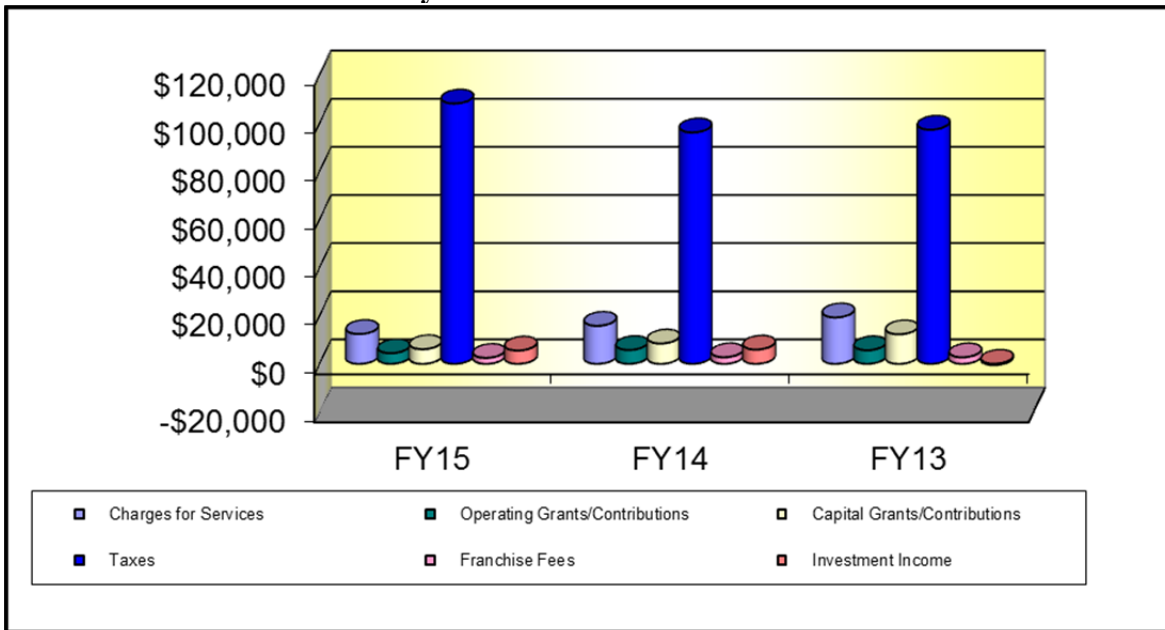
June 30, 2015

Governmental Activities

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



Revenue by Source – Governmental Activities



City of Las Cruces

Management's Discussion and Analysis

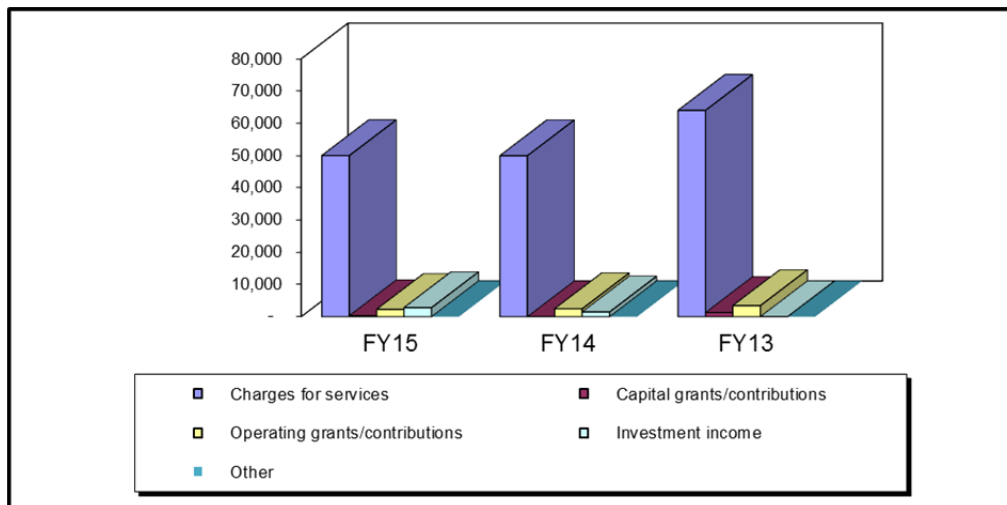
June 30, 2015

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

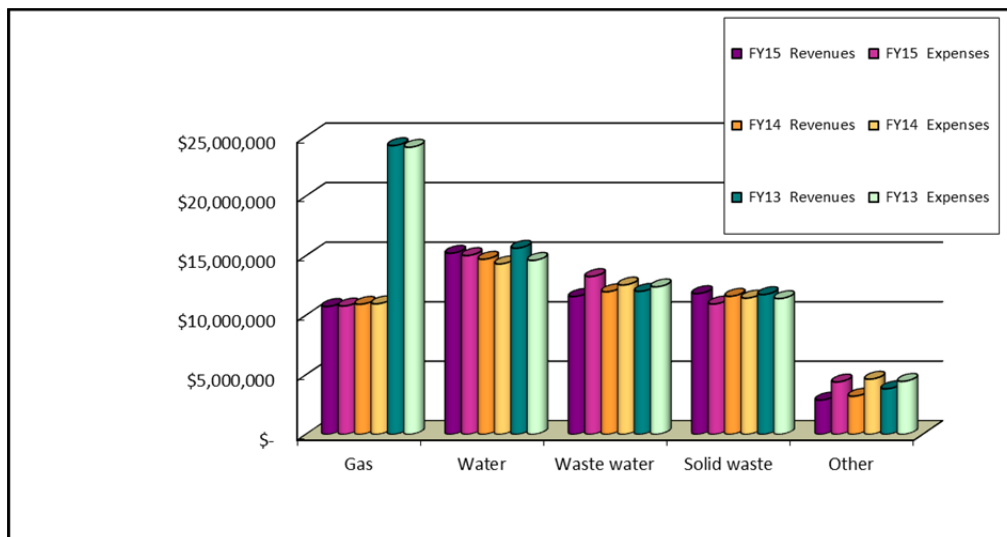
Business-type Activities

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

Revenues by Source – Business-type Activities



Expenses and Program Revenues – Business-type Activities



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

Financial Analysis of the City's Funds

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

Governmental Funds

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

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

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

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

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

General Fund

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

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

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

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

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

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

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

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

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

Long-Term Debt

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

Outstanding Bonds and Liabilities to Financial Institutions 2015

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

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

Capital Assets

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

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

Economic Outlook

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

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

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

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

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

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

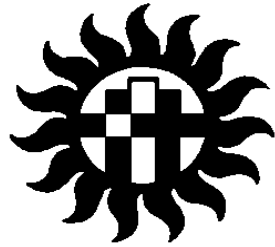
While the General Fund balances are anticipated to ebb slightly over the time horizon, the City can continue to provide its citizens services. This ability is a dividend of the City's prudent fiscal management practice for the past several years, and is allowing the City to navigate the recession while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

Requests for Information

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

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

Government-Wide Financial Statements



City of Las Cruces

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

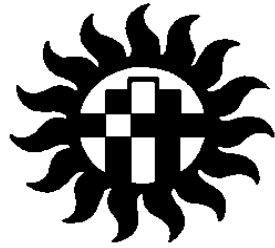
	Primary Government			South Central
	Governmental	Business-type	Total	Solid Waste
	Activities	Activities		Authority
Assets				
Cash and investments	\$ 68,175,262	\$ 42,963,346	\$ 111,138,608	\$ 2,572,618
Receivables, net	14,184,724	4,005,566	18,190,290	493,008
Other assets	1,791,372	2,326,062	4,117,434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

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

City of Las Cruces
Statement of Activities
For the Year Ended June 30, 2015

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

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



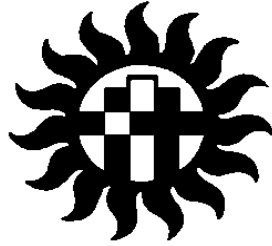
City of Las Cruces

Fund Financial Statements

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

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

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



City of Las Cruces

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

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

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

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

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

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

City of Las Cruces

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

Net change in fund balances—governmental funds

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

\$ 29,405,204

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

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

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

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

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

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

(615,591)

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

290,256

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

(470,000)

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

1,499,472

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

1,667,460

Change in net position of governmental activities

\$ 17,262,401

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

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

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

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

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

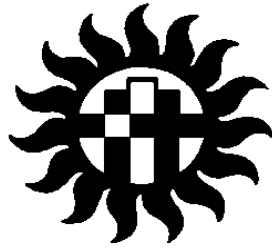
	2015			2014	
	Budgeted Amounts		Actual	Variance with Final Budget - Positive (Negative)	Actual
	Original	Final			
Revenues					
Investment income	\$ -	\$ -	\$ 66,822	\$ 66,822	\$ 29,893
Other	-	-	-	-	-
Total revenues	-	-	66,822	66,822	29,893
Net change in fund balance	-	-	66,822	66,822	29,893
Fund balance, beginning of year	1,436,280	1,436,280	1,436,280	31,055	1,406,387
Fund balance, end of year	<u>\$ 1,436,280</u>	<u>\$ 1,436,280</u>	<u>\$ 1,503,102</u>	<u>\$ 97,877</u>	<u>\$ 1,436,280</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, 2015
(With Comparative Actual Amounts for the Year Ended June 30, 2014)

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

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



City of Las Cruces

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

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

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

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

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

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

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

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

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

(Continued)

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

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

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

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

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

Assets

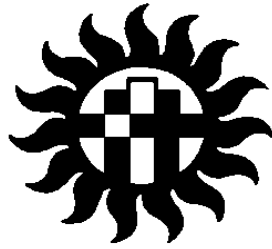
Pooled cash and investments	\$ 5,411,542
Accounts receivable	83,557
Due from other governments	<u>619,892</u>
Total assets	<u><u>\$ 6,114,991</u></u>

Liabilities

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

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

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



City of Las Cruces

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

1) Description and Reporting Entity

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

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

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

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

1) Description and Reporting Entity (continued)

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

2) Basis of Presentation, Basis of Accounting

Basis of Presentation

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

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

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

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

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

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

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

The City reports the following as major governmental funds:

General Fund:

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

Special Revenue Funds:

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

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

Debt Service Fund:

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

The City reports the following major enterprise funds:

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

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

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

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

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

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

The City also reports the following fund types:

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

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

Measurement Focus, Basis of Accounting

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

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

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

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

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

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

Use of Estimates

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

Fair Value of Financial Instruments

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

Assets, Liabilities, and Equity

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

Investments are stated at fair value.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Pensions – The City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* during the current year. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Budgets

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

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

Deficit fund balance

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

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

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

Deferred outflows/inflows of resources

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

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

3) Cash and Investments

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

Cash and investments

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

Restricted cash and investments

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

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

3) Cash and Investments (continued)

Total cash and investments at fair value are as follows:

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

Bank Balance of Deposits

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

Investments

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

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

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

3) Cash and Investments (continued)

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

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

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

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

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

3) Cash and Investments (continued)

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

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

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

4) Capital Assets

Primary Government

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

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

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

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

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

4) Capital Assets (continued)

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

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

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

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

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

4) Capital Assets (continued)

Business-type Activities

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

Business-type Activities

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

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

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

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

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

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

4) Capital Assets (continued)

Depreciation expense was charged to functions as follows:

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

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

4) Capital Assets (continued)

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

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

5) Receivables and Payables

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

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

Governmental Activities

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

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

5) Receivables and Payables (continued)

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

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

Business-type Activities

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

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

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

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

5) Receivables and Payables (continued)

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

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

6) Interfund Assets, Liabilities, and Transfers

Primary Government

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

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

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

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

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

Business-type Activities

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

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

Business-type Activities

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

Interfund Transfers

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

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

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

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

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

7) Long-term Liabilities

Primary Government

Changes in long-term liabilities were as follows:

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

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

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

7) Long-term Liabilities (continued)

Description of Bonds

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

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

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

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

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

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

7) Long-term Liabilities (continued)

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

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

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

Debt Service Requirements

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

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

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

7) Long-term Liabilities (continued)

Debt Service Requirements

Future debt service requirements for governmental activities revenue bonds are:

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

Defeased Bonds

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

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

Non-recourse (Conduit) Debt

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

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

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

7) Long-term Liabilities (continued)

Arbitrage

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

Governmental Activities Notes Payable

Details of governmental activities notes payable are:

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

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

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

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

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

7) Long-term Liabilities (continued)

Debt Service Requirements

Future debt service requirements for governmental activities notes payable are:

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

Joint Utility Revenue Bonds

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

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

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

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

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

7) Long-term Liabilities (continued)

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

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

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

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

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

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

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

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

7) Long-term Liabilities (continued)

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

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

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

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

7) Long-term Liabilities (continued)

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

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

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

Business-type Activities Notes Payable

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

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

Details of business-type activities notes payables are:

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

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

7) Long-term Liabilities (continued)

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

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

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

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

8) Landfill Closure and Post-closure Care Cost

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

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

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

8) Landfill Closure and Post-closure Care Cost

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

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

9) Pollution Remediation Obligation

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

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

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

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

9) Pollution Remediation Obligation (continued)

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

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

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

10) Deferred Compensation Plan

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

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

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

11) New Mexico Retiree Health Care Plan

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

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

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

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

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

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

11) New Mexico Retiree Health Care Plan (continued)

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

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

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

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

12) Multiple-Employer Cost Sharing Pension Plans

General Information about the Pension Plan

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

The Public Employees Retirement Fund (PERA Fund) is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal fire, and State Legislative Divisions, and offers 24

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

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

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

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

Benefits provided – For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2014 available at:
http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2014.pdf.

Contributions – The contribution requirements of defined benefit plan members and the City of Las Cruces are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY14 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY14 annual audit report at http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2014.pdf. The PERA coverage options that apply to City of Las Cruces are: General Municipal, Police and Fire. Statutorily required contributions to the pension plan from the City of Las Cruces were \$6,870,339 and employer paid member benefits that were “picked up” by the employer were \$2,533,506 for the year ended June 30, 2015. These contributions of the City includes its discretely presented component unit and fiduciary funds.

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

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

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

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The City of Las Cruces proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2014. Only employer contributions for the pay period end dates that fell within the period of July 1, 2013 to June 30, 2014 were included in the total contributions for a specific employer.

Regular and any adjustment contributions that applied to fiscal year ended June 30, 2014 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For PERA Fund Division: General Municipal, at June 30, 2015, the City of Las Cruces reported a liability of \$36,171,147 for its proportionate share of the net pension liability. At June 30, 2014, the Municipal's proportion was 4.64 percent, which was unchanged from its proportion measured as of June 30, 2013, due to the insignificance of the difference.

For the year ended June 30, 2015, the City of Las Cruces recognized PERA Fund Division Municipal's pension expense of \$3,208,065, which excludes the City's fiduciary funds and discretely presented component unit. At June 30, 2015, the City of Las Cruces reported PERA Fund Division Municipal deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

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

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

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

\$9,081,004 reported as deferred outflows of resources related to pensions resulting from City of Las Cruces contributions subsequent to the measurement date June 30, 2014 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

For PERA Fund Division: Police, at June 30, 2015, the City of Las Cruces reported a liability of \$16,640,441 for its proportionate share of the net pension liability. At June 30, 2014, the Police proportion was 5.1046 percent, which was unchanged from its proportion measured as of June 30, 2013, due to the insignificance of the difference.

For the year ended June 30, 2015, the City of Las Cruces recognized PERA Fund Division Police's pension expense of \$1,474,311. At June 30, 2015, the City of Las Cruces reported PERA Fund Division Municipal deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

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

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

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

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

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

For PERA Fund Division: Fire, at June 30, 2015, the City of Las Cruces reported a liability of \$23,884,004 for its proportionate share of the net pension liability. At June 30, 2014, the Fire proportion was 5.7221 percent, which was unchanged from its proportion measured as of June 30, 2013, due to the insignificance of the difference.

For the year ended June 30, 2015, the City of Las Cruces recognized PERA Fund Division Fire's pension expense of \$2,355,683. At June 30, 2015, the City of Las Cruces reported PERA Fund Division Municipal deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

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

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

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

\$829,126 reported as deferred outflows of resources related to pensions resulting from City of Las Cruces contributions subsequent to the measurement date June 30, 2014 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

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

For the SCSWA at June 30, 2015, a liability of \$1,223,363 was recorded for its proportionate share of the net pension liability. At June 30, 2014, SCSWA's proportion was 3.67 percent, which was unchanged from its proportion measured as of June 30, 2013, due to the insignificance of the difference.

For the year ended June 30, 2015, SCSWA recognized pension expense of \$190,234. At June 30, 2015, SCSWA reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

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

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

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

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

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

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

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

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

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

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

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

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

PERA Fund Division - Municipal	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City of Las Cruces' proportionate share of the net pension liability	31,503,902	36,171,147	40,838,392
PERA Fund Division - Police	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City of Las Cruces' proportionate share of the net pension liability	14,493,287	16,640,441	18,787,595
PERA Fund Division - Fire	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City of Las Cruces' proportionate share of the net pension liability	20,802,201	23,884,009	26,965,817

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

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

Sensitivity of the SCSWA's proportionate share of the net pension liability to changes in the discount rate – The following table shows the sensitivity of the net pension liability to changes in the discount rate. In particular, the table presents the SCSWA's net pension liability in each PERA Fund Division that SCSWA participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75 percent) or one percentage point higher (8.75 percent) than the single discount rate.

PERA Fund Division - SCSWA	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
SCSWA's proportionate share of the net pension liability	\$ 1,065,509	\$ 1,223,363	\$ 1,381,216

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

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

13) Risk Management

The City is exposed to various risks of loss related to torts and civil rights claims (including law enforcement and employment related exposures); theft, damage, and destruction of its real and personal assets; workers' compensation losses; errors, and omissions of City officers and officials; and natural disasters. The City uses the insurance fund (an internal service fund) to account for and finance its uninsured risks of loss. At various periods in past years, certain risk exposures were insured and the City continues to benefit from case coverage on claims that were incurred during those claim years.

The insurance fund tracks claims on a fund-by-fund basis and assesses charges to each fund based on historical claims experience and the need to establish a reserve for unanticipated catastrophic losses. The claims liabilities reported in the insurance fund are based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

The risk of loss associated with actions of employees resulting in damage to persons or property of others is subject to limitations of the New Mexico State Tort Claims Act. The self-insurance fund uses excess workers compensation insurance agreements to reduce its exposure to large losses from employee on-the-job injuries. Excess insurance permits recovery of a portion of losses from the excess insurer, although it does not discharge the primary liability of the fund as direct insurer of the risks.

Self-insurance premiums and program costs (claims, fees, and transfers to other funds, less reimbursed expenses) were:

	2015		2014	
	Program Costs (Benefits)	Premiums	Program Costs (Benefits)	Premiums
Health Program	\$ 4,535,726	\$ (4,624,033)	\$ 1,708,336	\$ -
Workers compensation	1,040,444	(2,438,290)	2,105,665	(2,353,132)
Liability insurance	1,522,816	(593,851)	1,380,798	(585,236)
Unemployment insurance	102,135	(325,831)	135,738	(325,831)
Judgments insurance	-	-	-	-
Total	<u>\$ 7,201,121</u>	<u>\$ (7,982,005)</u>	<u>\$ 5,330,537</u>	<u>\$ (3,264,199)</u>

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

13) Risk Management (continued)

In prior years, a reserve was established in the self-insurance fund's claims liability account for four wrongful death claims filed against the City. In 2013 two of these cases were dismissed and resulted in a significant reduction in the fund's claim liability. The City currently has two significant cases, that is, one remaining alleged wrongful death case and an additional case involving a sexual assault. The City believes that the reserve funds will more than cover any potential liability from these two cases. As of June 30, 2015, litigation is still pending on remaining claims.

Changes in the insurance fund's claims liability were:

	<u>2015</u>	<u>2014</u>
Changes in fund's claims liability		
Claims liability, beginning of year	\$ 5,800,147	\$ 5,480,397
Current year claims and changes in estimates	6,911,389	5,330,538
Payment of claims liability	<u>(6,521,498)</u>	<u>(5,010,788)</u>
Claims liability, end of year	<u>\$ 6,190,038</u>	<u>\$ 5,800,147</u>

14) Development Impact Fees

The City collects and expends development impact fees in accordance with Ordinance No. 1456, which requires impact fees to be used for capital improvements or facility expansions identified in a capital improvements plan. In addition to capital improvements, development impact fees may also be used to pay for debt service costs if the proceeds of the debt issued were used in accordance with the capital improvements plan.

The expenditures of collected fees must improve the following facilities:

- 1) Water supply, treatment, and distribution facilities, and wastewater collection and treatment facilities;
- 2) Parks, recreational areas, open space, trails, and related areas and facilities; and
- 3) Major roads, stormwater drainage, and public safety (police and fire) facilities.

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

14) Development Impact Fees (continued)

In addition to the construction of capital improvements or facility expansions, Ordinance 1456 §4 states that the development impact fee may also be used to pay for the preparation and updating of the capital improvements plan, the estimated costs of the plan, or up to three percent of administrative costs for City employees who are qualified professionals. Additionally, debt service costs may be paid from impact fees assessed if the proceeds of the debt issued were used in accordance with the capital improvements identified in the capital improvements plan.

The initial land use assumptions and capital improvements plan prepared by Tischler & Associates, Inc. on January 6, 1995 is a 10-to 20-year plan with professional engineering estimates of costs well exceeding the assessed development impact fees. A significant portion of the assessed development impact fees for the water and wastewater system have been used to pay debt service on bonds. The expenditures from the bond proceeds were spent on specific items listed in the initial capital improvements plan and were expended within five years of the completion of the capital improvements plan.

In August 2011, the City Council adopted Resolution No. 12-024, *Impact Fee Capital Improvements Plan for Major Roads, Stormwater Drainage, and Public Safety (fire and police) Facilities*. The public safety fees apply to all new development in the City, while the major roads and drainage fees apply only to new development located in the “growth area” (i.e. outside the City’s designated infill area).

Development impact fee activity for the year ended June 30, 2015 is shown below. Unspent fees collected in previous years are available for expenditure in the current fiscal year.

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

14) Development Impact Fees (continued)

Parks Impact Fees

Impact fees collected	\$ 548,640
Investment gain	27,558
Expenditures	(300,881)
Net Parks Impact Fees	<u>\$ 275,317</u>

Public Safety Impact Fees

Impact fees collected	\$ 264,900
Investment gain	20,240
Expenditures	(15,035)
Net Public Safety Impact Fees	<u>\$ 270,105</u>

Water Impact Fees

Impact fees collected	\$ 1,656,917
Investment gain	74,170
Expenditures	(1,186,664)
Net Water Impact Fees	<u>\$ 544,423</u>

Wastewater Impact Fees

Impact fees collected	\$ 1,005,002
Investment gain	176,181
Expenditures	(1,209,966)
Net Wastewater Impact Fees	<u>\$ (28,783)</u>

Total Impact Fees

Collections	\$ 3,475,459
Investment gain	298,149
Expenditures	(2,712,546)
Net Impact Fees	<u>\$ 1,061,062</u>

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

15) Telshor Facility Lease

Memorial Medical Center / Province Hospital (Telshor Facility)

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

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

The net lease proceeds, after these deposits and liabilities, are summarized as follows:

	<u>Total</u>	<u>City Portion</u>
Total lease amount	\$ 150,000,000	\$ 75,000,000
Less:		
Hospital liabilities assumed by PHC	9,247,375	4,623,688
Amounts deposited into escrow to cover		
medical malpractice and other contingencies	14,445,892	7,222,946
Payment of outstanding hospital bonds	50,038,987	25,019,493
Payment of hospital pension liabilities	24,100,000	12,050,000
Closing costs	1,000	500
Cash paid by PHC to the City and County	<u>\$ 52,166,746</u>	<u>\$ 26,083,373</u>

As part of the PHC lease, the City and County received amounts needed to cover specific future costs. The maximum amounts of these costs are as follows:

	<u>Total</u>	<u>City Portion</u>
Employee severance agreements	\$ 987,266	\$ 493,633
Construction costs	1,278,414	639,207
Future payments to MMCI for expanded care services	19,200,000	9,600,000
Hospital property taxes	5,000,000	2,500,000
	<u>\$ 26,465,680</u>	<u>\$ 13,232,840</u>

The proceeds of the PHC lease are reported in a special revenue fund (Telshor Facility Fund) because the City Council adopted a resolution restricting the use of the lease proceeds to fund health-related programs and health-related capital projects.

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

15) Telshor Facility Lease (continued)

The asset purchase agreement entitles PHC to compensation solely from the escrow account if PHC incurs any losses, including the discharge of malpractice liabilities, in connection with events that occurred on or prior to the closing.

MMCI began distributing its cash and investments equally between the City and the County in July 2004. MMCI retained cash to pay certain liabilities. Any cash remaining at the end of the liquidation process will be distributed equally between the City and the County. In April 2005, PHC merged with LifePoint Hospitals. The lease continues with LifePoint Hospitals.

The City and County did not receive distributions from the escrow accounts in FY15.

16) Las Cruces Convention Center

In 2008, the City began construction of the Las Cruces Convention Center. Construction and furnishing the convention center was completed in December 2010, with the grand opening in January 2011. The City retains ownership of all the furnishings, equipment, and the convention center facility.

During FY15 the City entered into an amended contract through June 30, 2015 with four remaining optional one year extensions with Global Spectrum, henceforth referred to as Spectra, to manage the facility and grounds on behalf of the City. Spectra is responsible for operations and maintenance of all physical and mechanical facilities necessary for the operation, maintenance, and management of the convention center. All facility staff and other personnel are hired by Spectra and are employees or independent contractors of Spectra. Compensation to Spectra during FY15 for management services was a fixed management fee.

The City applied to the state for the governmental liquor license pursuant to 60-6A-101, NMSA 1978. In accordance with the management agreement, the liquor license will be leased to Spectra and will be used exclusively for the operation of the convention center. The operations manager will ensure that all activities associated with the liquor license shall strictly conform to New Mexico law and the regulations of the New Mexico Alcohol and Gaming Division of the New Mexico Regulation and Licensing Department.

Each year the annual operating budget prepared by Spectra will be provided to the City. The operating budget will include a projection of operating revenues and expenses for the fiscal year. The annual budget is subject to the review and approval of the City. The City has agreed to provide a one-time facility operating fee of \$50,000 and restore any deficit in this balance to the operating account on a monthly basis. During FY15, the City provided funding of \$147,547.

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

16) Las Cruces Convention Center (continued)

In order to utilize energy incentives relating to the installation of solar panels, the City must and does pay the electric bills directly. This funding totaled \$69,900 in FY15.

Spectra must maintain independent records, in accordance with generally accepted accounting principles, of the operations and maintenance of the convention center. The City has the right to audit the records. Additionally, Spectra must provide monthly financial statements to the City, and must provide the City with a copy of their audited annual financial statements.

17) Major Construction Commitments

The City has the following construction commitments as of June 30, 2015. These projects are evidenced by contractual arrangements with construction contractors:

Commitments of Business-type Activities

Project	Fund	Contract Amount	Spent to Date	Commitment Remaining	Source of Payment
Joint Utilities					
Gas Streets Rehabilitation Projects	Gas Capital Improvements	\$ 1,240,908	\$ 179,756	\$ 1,061,152	Gas Utility Rates
Water Production Projects	Water Capital Improvements	247,155	101,743	145,412	Water Utility Rates
Water Streets Utility Rehabilitation	Water Capital Improvements	1,351,797	147,058	1,204,739	Water Utility Rates
Water Line Relocation - Mesa Grande	Water NMFA Loan Projects	58,885	-	58,885	2010 Joint Utility Bond
Wastewater Septic Systems	Wastewater Capital Improvements	131,432	-	131,432	2010 Joint Utility Bond
Wastewater Street Utility Rehabilitation	Wastewater Capital Improvements	568,018	1,619	566,399	Wastewater Utility Rates
Wastewater Treatment Plant Rehabilitation	Wastewater Capital Improvements	385,453	55,817	329,636	Wastewater Utility Rates
Wastewater Septic Systems-SAP-13-1449 NMED Grant	Wastewater Capital Improvements	321,000	-	321,000	Wastewater Utility Rates
Wastewater Septic Systems Phase II-SAP-14-L-1624 NMED Grant	Wastewater Capital Improvements	241,356	147,689	93,667	Wastewater Utility Rates
Total		\$ 4,546,004	\$ 633,682	\$ 3,912,322	

18) Contingent Liabilities

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

The City is a defendant in various lawsuits. Management estimates that balances available in the self-insurance fund are sufficient to settle such lawsuits. Management is not aware of any other pending or threatened litigation that would adversely affect the City's financial position.

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

19) Downtown Tax Increment Development District (TIDD)

In December of 2007, Las Cruces formed the state's first Tax Increment Development District (TIDD) for downtown revitalization. The Downtown TIDD is defined by certain geographic boundaries and receives an incremental portion of the gross receipts tax and property tax collected in this geographic area. The state of New Mexico, Doña Ana County, and the City contribute 75 percent of the incremental gross receipts tax is collected in the district. Additionally, both the City and County contribute 75 percent of the incremental property tax assessed in the district.

The tax revenues that go to the TIDD are used for downtown public improvements and revitalization of the downtown area. Projects to be supported by TIDD funds include a downtown plaza, pedestrian safety improvements, roadways, street lighting, and landscaping.

20) Affiliated Organizations and Joint Powers Agreements

The City is a participant in the following five affiliated organizations, four of which are joint ventures. Other than the City bonds secured by South Central Solid Waste Authority, the City is unaware of any circumstances that would cause a significant benefit or burden to the participating governments.

Mesilla Valley Regional Dispatch Authority

The City is a participant in a combined City-County communications/dispatch center for police, fire, and emergency medical services for the City/County area. The organization is governed by a board of thirteen individuals. The City and County each appoint four members; the Town of Mesilla, the City of Sunland Park, the City of Anthony and the Village of Hatch each appoint one member; and the final member is appointed at large by the other members.

The City contributes 53 percent of the net annual operating cost while the County contributes 47 percent. The joint powers agreement provides that if the agreement is terminated, property and any funds accrued by the organization shall be distributed to the City and County in proportion to the contributions made by the two entities.

The City is the fiscal agent for the organization and accounts for its resources in an agency fund. Separate audited financial statements were prepared for the year ended June 30, 2015. Requests for copies of financial statements can be made to the City of Las Cruces' Chief Administrative Officer.

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

20) Affiliated Organizations and Joint Powers Agreements (continued)

Metro Narcotics Agency

The City is a participant in a joint City–County–State–University controlled substances investigation project for the City/County area. The organization is governed by a board of nine individuals. The City and County each appoint three members; the remaining three members are the State Police Chief, the University Police Chief, and the District Attorney.

All persons (agents and support staff) assigned to Metro are paid by their respective agencies. The City and the County make contributions to cover the net operating expenses of the organization in proportion to the number of agents assigned to the organization by the two entities. The joint powers agreement provides that if the agreement is terminated by all parties, assets and monies acquired without federal involvement will be distributed in proportion equal to their investment. Assets received from the federal government pursuant to the federal asset-sharing procedures will be distributed to the parties in proportion to their contribution to operational expenses.

The City is the fiscal agent for the organization and accounts for it in an agency fund. Separate audited financial statements were prepared for the year ended June 30, 2015. Request for copies of financial statements can be made to the City of Las Cruces' Chief Administrative Officer.

Metropolitan Planning Organization

The City is a participant in a joint City/County/Town of Mesilla Metropolitan Planning Organization jurisdictional area. The organization is governed by a board of nine; three each appointed by the City of Las Cruces, Doña Ana County and Town of Mesilla, respectively. The committee was constituted for the purpose of establishing, overseeing and directing transportation related policy within the Las Cruces urban area and to accomplish overall transportation planning for the City, County and Town.

The parties agree that some of the expense of the transportation planning process will be provided for by grant funds available under Section 112 of the Federal Highway Act of 1978 and Section 8 of the Urban Mass Transportation Act of 1964. Expenses not so provided shall be assumed by participating agencies according to the listing of funding sources contained in the annual Unified Work Program approved by the governing board.

The joint venture agreement may be terminated upon the mutual consent of both parties and shall not be terminated so long as any revenue bonds issued under the agreement by the City are outstanding.

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

20) Affiliated Organizations and Joint Powers Agreements (continued)

South Central Solid Waste Authority

The City is a participant in South Central Solid Waste Authority (SCSWA), a City-County joint venture that establishes a mechanism for designing, constructing, financing, operating and maintaining regional solid waste landfills and related facilities. SCSWA is reported as a component unit of the City because its revenues are the primary source of debt service for City bonds issued to construct a regional landfill and transfer station.

The repayment of the bonds is secured by a pledge of the Authority's net revenues from operation of the facility. If the net revenues are not enough to satisfy the debt service requirements, the proceeds of the 1/16 percent Municipal Environmental Services Gross Receipts Tax of the City and the 1/8 percent County Environmental Services Gross Receipts Tax of the County are pledged.

SCSWA is governed by a board comprised of six working members and two ex-officio members. Three of the members are appointed from the City Council by the Mayor and three members are appointed from the County Commission by the Chairman. The two ex-officio members are the City Manager and the County Manager or their designees.

The City serves as the fiscal agent for the Authority for the term of the agreement. The fiscal agent is compensated for services rendered to the Authority in the amount of \$70,000 per year base rate. The base rate increases each year by the Consumer Price Index.

The joint venture agreement may be terminated upon the mutual consent of both parties and shall not be terminated so long as any revenue bonds issued under the agreement by the City are outstanding.

In 2015, the City of Las Cruces and Dona Ana County paid approximately \$2.4 million and \$520,490, respectively, to SCSWA for solid waste services provided.

Animal Service Center of the Mesilla Valley

Animal Service Center of the Mesilla Valley was formed through a joint powers agreement (JPA) between the City of Las Cruces and Doña Ana County. The JPA provides for a governing board for the Authority. The ASCMV is governed by a Board that consists of six members and two ex-officio members. Three members are appointed from the City Council by the Mayor with the advice and consent of the City Council. Three members are appointed from the County Commission by the Chair with the advice and consent of the County Commission. The two ex-officio members are the City Manager and the County Manager, or their designees.

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

20) Affiliated Organizations and Joint Powers Agreements (continued)

It is the mission of the center to provide safe shelter for all lost, mistreated, and abandoned animals of the Mesilla Valley and surrounding communities. The operations of the Authority began in February 2009. ASCMV receives funding from members of the joint powers agreement. During FY15, ASCMV received \$901,787 from the City of Las Cruces and \$901,787 from Doña Ana County.

The City is the fiscal agent for the organization and accounts for it in an agency fund. Separate audited financial statements were prepared for the year ended June 30, 2015. Request for copies of financial statements can be made to the City of Las Cruces' Chief Administrative Officer.

21) Subsequent Events

On September 24, 2015, the City issued \$23,075,000 of Hold Harmless Gross Receipts Tax Improvement Revenue Bonds Series 2015A with a net effective interest rate of 3.1979 percent and a final maturity of June 1, 2035. These bonds are designated for facilities and street improvement projects.

Additionally, on September 24, 2015, the City issued \$4,020,000 of Hold Harmless Gross Receipts Tax Improvement Revenue Bonds Series 2015B with a net effective interest rate of 3.8486 percent and a final maturity of June 1, 2035. These bonds are designated for economic development projects.

22) Restatement of Prior Period Net Position and Fund Balance

During the year ended June 30, 2015, the City implemented GASB Statement Nos. 68 and 71. As a result of these accounting standard changes, beginning net position/fund balance were restated in the City's financial statements as follows:

	Government-Wide		Component
	Governmental	Business-Type	Unit
	Activities	Activities	SCSWA
Beginning net position/fund balance, as originally reported	\$ 422,341,041	\$ 221,266,272	\$ 10,992,240
GASB 68 & 71- Pensions	(83,294,777)	(10,159,600)	(1,848,455)
Beginning net position/fund balance, as restated	<u>\$ 339,046,264</u>	<u>\$ 211,106,672</u>	<u>\$ 9,143,785</u>

	Proprietary Funds					
	Gas	Water	Waste Water	Solid Waste	Other Enterprise Funds	Internal Service Funds
Beginning net position/fund balance, as originally reported	\$ 42,746,001	\$ 79,470,910	\$ 83,226,407	\$ 8,971,826	\$ 6,851,128	\$ 13,470,023
GASB 68 & 71- Pensions	(2,716,136)	(1,896,092)	(2,053,475)	(1,656,867)	(1,837,030)	(936,791)
Beginning net position/fund balance, as restated	<u>\$ 40,029,865</u>	<u>\$ 77,574,818</u>	<u>\$ 81,172,932</u>	<u>\$ 7,314,959</u>	<u>\$ 5,014,098</u>	<u>\$ 12,533,232</u>

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

23) Subsequent Pronouncements

In March 2015, GASB Statement No. 72, *Fair Value Measurement and Application*, would require state and local governments to measure investments at fair value. The standard would enhance comparability of governmental financial statements by enforcing fair value measurement for certain assets and liabilities, by using consistent definition and accepted valuation methods. This standard magnifies fair value disclosures to provide comprehensive information and impact of fair value measurements on the City's financial position. The requirements are effective for financial statements for periods beginning after June 15, 2015.

APPENDIX B

FORM OF BOND COUNSEL OPINION

_____, 2016

City of Las Cruces
Las Cruces, New Mexico

\$ _____

Taxable Subordinate Lien State Shared Gross Receipts Tax Improvement Revenue Bonds Series 2016

Ladies and Gentlemen:

We have acted as bond counsel to the City of Las Cruces, New Mexico (the “City”) in connection with the issuance and sale by the City of its \$ _____ Taxable Subordinate Lien State Shared Gross Receipts Tax Improvement Revenue Bonds, Series 2016 (the “Series 2016 Bonds,” or the “Bonds”). The Bonds are issued pursuant to the Constitution and laws of the State of New Mexico (the “State”) and Ordinance No. 2774, adopted on February 16, 2016, as supplemented by Resolution No. ___, adopted on March 9, 2016 (together, 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 2016 Bonds are payable as to principal and interest, solely from, and are secured by a subordinate lien pledge (but not an exclusive subordinate 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 not excludable from gross income for federal income tax purposes.

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

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

The foregoing opinions represent our legal judgment based upon a review of existing legal authorities 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

OFFICIAL NOTICE OF BOND SALE

\$8,585,000

CITY OF LAS CRUCES, NEW MEXICO

**Taxable Subordinate Lien State Shared Gross Receipts Tax Improvement Revenue Bonds,
Series 2016**

PUBLIC NOTICE IS HEREBY GIVEN that electronic bids will be received by the City Council (the “Council”) of the City of Las Cruces, New Mexico (the “City”), for the purchase of all of the City’s Taxable Subordinate Lien State Shared Gross Receipts Tax Improvement Revenue Bonds, Series 2016 (the “2016 Bonds”), more particularly described below. The Council will meet in special session at 1:30 p.m., prevailing Mountain Time, March 9, 2016, to take official action awarding the 2016 Bonds.

Bids for the purchase of the 2016 Bonds will be accepted through the Grant Street Group electronic bidding web site (“Grant Street Group”) at www.grantstreet.com. No other method of submitting bids will be accepted. The date and time for submitting bids will be as follows:

Bid Date: March 9, 2016

Bid Time: Between 12:00 p.m. and 12:30 p.m. Eastern Time

(Between 10:00 a.m. and 10:30 a.m. Mountain Time)

Submit Bid to: www.grantstreet.com

Information related to this auction can be obtained from Grant Street Group Auction Support at (412) 391-5555 (x370), attention John Carver.

To bid, bidders must have both (1) completed the registration form on the Grant Street Group website and (2) requested and received admission to the City’s auction, as described under “TERMS OF SALE - Submission of Bids” below. The use of Grant Street Group shall be at the bidder’s risk and expense, and the City shall have no liability with respect thereto.

Neither the City, Grant Street Group, the Financial Advisor, nor Bond Counsel shall be responsible for, and each bidder expressly assumes the risk of, any incomplete, inaccurate, or untimely bid submitted by Internet transmission by such bidder, including, without limitation, by reason of garbled transmissions, mechanical failure, engaged telephone or telecommunications lines, or any other cause arising from delivery by Internet transmission. Additionally, the Grant Street Group time stamp will govern the receipt of all bids. The official bid clock does not automatically refresh. Bidders must refresh the auction page periodically to monitor the progression of the bid clock and to ensure that their bid will be submitted prior to the termination of the auction. All bids will be deemed to incorporate the provisions of this Official Notice of Bond Sale.

This Official Notice of Bond Sale, and the information set forth herein, are not to be treated as a complete disclosure of all relevant information with respect to the 2016 Bonds. The information set forth herein is subject, in all respects, to a more complete description of the 2016 Bonds and the security therefore set forth in the Preliminary Official Statement dated March 2, 2016 (the “Preliminary Official Statement”).

BOND DETAILS

The 2016 Bonds will be issued in the aggregate principal amount of \$8,585,000. The 2016 Bonds and the interest thereon are special limited obligations of the City. The City has prepared the Preliminary Official Statement, relating to the 2016 Bonds which is deemed by the City to be final as of its date for purposes of allowing bidders to comply with Rule 15c2-12 of the Securities Exchange Commission (“the Rule”), except for the omission of certain information as permitted by the Rule. Details of the 2016 Bonds, including maturities, redemption provisions, payment dates and security for payment are contained in the Preliminary Official Statement. The Preliminary Official Statement is subject to revision, amendment and completion in a Final Official Statement.

Official Statement. The Preliminary Official Statement may be viewed and downloaded from www.grantstreet.com or a physical copy may be obtained by contacting the City or the Financial Advisor, see “Information” below.

The City will make available to the winning bidder, within seven business days after the award of the sale of the 2016 Bonds, the Final Official Statement which is to be downloaded from www.grantstreet.com. One physical copy of the Final Official Statement also will be provided to the winning bidder at that time; provided, however, the winning bidder must cooperate in providing the information required to complete the Final Official Statement. Additional copies of the Final Official Statement may be provided at the expense of the winning bidder.

The winning bidder shall comply with the requirements of Rule 15c2-12 and the rules of the Municipal Securities Rulemaking Board.

TERMS OF SALE

Submission of Bids. All bids must be submitted only by electronic bidding on Grant Street Group at www.grantstreet.com. No other provider of bidding services and no other means of delivery (i.e. telephone, telefax or physical delivery) will be accepted. Bidding for the 2016 Bonds will begin at 12:00 p.m., Eastern Time (10:00 a.m. Mountain Time), as indicated above. The receipt of bids will end promptly at 12:30 p.m., Eastern Time (10:30 a.m. Mountain Time), unless extended in accordance with the two-minute rule described herein. If any bid becomes a leading bid two (2) minutes prior to the end of the auction, then the auction will be automatically extended by two (2) minutes from the time such new leading bid was received by Grant Street Group. The auction end time will continue to be extended, indefinitely, until a single leading bid remains the leading bid for at least two (2) minutes.

To bid, bidders must first visit the Grant Street Group website where, if they have never registered with Grant Street Group, they can register and then request admission to bid on the 2016 Bonds. Bidders will be notified prior to the scheduled bidding time of their eligibility to bid. Only NASD registered broker-dealers and dealer banks with DTC clearing arrangements will be eligible to bid. Bidders who have previously registered with Grant Street Group may call **(412) 391-5555, x 370, attention John Carver**, for their ID Number or password.

Rules of Grant Street Group. Bidders must comply with, and all bids must be made in accordance with, the Rules of Grant Street Group in addition to the requirements of this Official Notice of Bond Sale. The Rules of Grant Street Group can be viewed on the Grant Street Group website and are incorporated herein by reference. In the event the Rules of Grant Street Group conflict with this Official Notice of Bond Sale, this Official Notice of Bond Sale shall prevail.

Bidding Parameters. Bidders are required to submit unconditional all-or-none bids specifying the rate of interest at which the bidder will purchase all of the 2016 Bonds. Interest shall be bid in multiples of 1/20th or 1/8th percentum and only one interest rate may be bid for each maturity of the 2016 Bonds. The maximum interest rate specified for any maturity of the 2016 Bonds may not exceed the minimum interest rate specified for any maturity of the 2016 Bonds by more than 4 percent (4%). The maximum net effective interest rate of the 2016 Bonds shall not exceed twelve percent (12%) per annum.

Term Bonds. A bidder may elect to have all or a portion of the 2016 Bonds scheduled to mature in consecutive years issued as one or more term bonds (the “Term Bonds”) scheduled to mature in the latest of the consecutive years and subject to mandatory redemption requirements consistent with the schedule of serial maturities set forth in the Preliminary Official Statement, however, not less than all Bonds of the same serial maturity shall be converted to Term Bonds with mandatory redemption requirements.

Adjustment of principal amounts, modification or clarification prior to examination of bids. The City Treasurer, in consultation with the City's financial and bond advisors, in the City Treasurer's sole discretion and prior to the examination of bids, may (i) adjust the aggregate principal amount set forth herein or may adjust the principal amount of each series without increasing the aggregate principal amount of Bonds; (ii) adjust individual maturities, and/or (iii) modify or clarify any other term hereof, including the date on which bids for the 2016 Bonds will be received, by issuing a notification of the adjusted series, amounts, modification or clarification via Thomson Municipal News (“TM3”) and/or Grant Street platform and/or Bloomberg Financial Services no later than 8:00 a.m., Mountain Time, on the Bid Date.

Adjustments to principal amounts after determination of best bid. The aggregate principal amount of the 2016 Bonds is subject to increase or reduction, and each scheduled maturity thereof is subject to increase or reduction, by the City Treasurer after the determination of the Best Bid (defined below). Such adjustments will be made within no more than two (2) hours after the end of the time of bid examination and will be in the sole discretion of the City. To cooperate with any adjustment in the principal amounts, the Purchaser is required to indicate by e-mail to Victoria Fredrick at vfredrick@las-cruces.org or such other address as may be indicated by the City Treasurer within one-half (1/2) hour after the end of the time of bid examination, the amount of any original issue discount or premium on any maturity of the 2016 Bonds, the initial offering price of each maturity, and the amount received from the sale of the 2016 Bonds to the public that will be retained by the Purchaser as its compensation.

The City Treasurer in consultation with the City's financial and bond advisors, may change the dollar amount bid by the Purchaser if the aggregate principal amount of the 2016 Bonds is adjusted as described below, but the interest rates specified by the Purchaser for all maturities will not change. The City Treasurer in consultation with the City's financial and bond advisors, will make every effort to ensure that the percentage net compensation to the Purchaser (i.e., the percentage resulting from dividing (i) the aggregate difference between the offering price of the 2016 Bonds to the public and the price to be paid to the City, by (ii) the principal amount of the 2016 Bonds) does not increase or decrease from what it would have been if no adjustment was made to principal amounts shown in the maturity schedule. The City will notify the Purchaser of the final principal amounts and the resulting adjusted prices no later than 12:00 p.m. Mountain Time on the day of the sale and award of the 2016 Bonds. THE PURCHASER MAY NOT WITHDRAW OR MODIFY ITS BID ONCE SUBMITTED TO THE CITY FOR ANY REASON, INCLUDING, WITHOUT LIMITATION, AS A RESULT OF ANY INCREASE OR DECREASE IN THE FINAL PRINCIPAL AMOUNTS AND THE AGGREGATE PURCHASE PRICE OF THE 2016 BONDS.

Information Regarding Bids. Bidders may change and submit bids as many times as they wish during the bidding, provided, however, that each bid submitted subsequent to a bidder's initial bid must result in a lower true interest cost (“TIC”) with respect to a bid when compared to the immediately preceding bid of

such bidder. During the bidding, no bidder will see any other bidder's bid, but each bidder will be able to see its own ranking (*i.e.*, "Leader," "Cover," "3rd," etc.).

Bids Constitute an Irrevocable Offer. Each bid submitted through Grant Street Group shall be deemed an irrevocable offer to purchase the 2016 Bonds on the terms provided in this Official Notice of Bond Sale and shall be binding upon the bidder.

Basis of Award. The 2016 Bonds will be sold to the bidder or bidders offering to purchase the same at the lowest true interest cost. The actuarial yield on the 2016 Bonds using the true interest cost method will be computed at that yield which, if used to compute the present value of all payments of principal and interest on the 2016 Bonds as of April 5, 2016, produces an amount equal to the aggregate bid price. Such calculation will be made based upon a 360-day year and a semiannual interval for compounding.

The winning bid or bids will be indicated on Grant Street Group and the auction results, as posted on such website, will be subject to verification by the City. The City will verify the auction results immediately following the close of the bidding period and notice of confirmation by the City of the winning bidder or bidders will be made by a posting on Grant Street Group stating "Auction Results Verified and Confirmed".

An award may be made by the City to any bidder in a principal amount less than the principal amount of the 2016 Bonds for which the bid is submitted. Further, in the event of an award by the City for a principal amount less than the principal amount the bidder submitted, any premium bid shall be ratably reduced. If two or more bids have the same true interest cost, the first bid submitted, as determined by reference to the time stamp displayed on Grant Street Group, shall be deemed to be the leading bid.

Sale Reservations. The City reserves the right (a) to reject any and all bids for any Bonds, (b) to reoffer any Bonds for public sale, and (c) to waive any irregularity or informality in any bid.

Good Faith Deposit Not Required to Bid. A good faith deposit will not be required in connection with the submission of any bid for the Series 2016 Bonds. The winning bidder will be required to submit a Bid Award Deposit (see "Bid Award Deposit" below).

Bid Award Deposit. Not later than 2:00 p.m. Eastern Time (12:00 p.m. Mountain Time) on March 9, 2016, the winning bidder is required to submit a Bid Award Deposit of \$200,000. All Bid Award Deposits must be made in good funds by wire transfer of the required amount to an account specified by the City Treasurer and provided to the winning bidder after the sale of the Bonds:

No interest will be paid by the City on the amount of the Bid Award Deposit. The proceeds of the Bid Award Deposit of the winning bidder will be applied to the purchase price of the Series 2016 Bonds, or in the event of the failure of a winning bidder to take up and pay for the Bonds in compliance with the terms of the bid, at the option of the City, its Bid Award Deposit may be retained as liquidated damages, as partial payment of actual damages or as security for any other remedy available to the City.

Manner and Time of Delivery. The 2016 Bonds will be delivered to DTC for the account of the winning bidder or bidders at the expense of the City on April 5, 2016, or such later date as the City and the winning bidder may agree. Payment of the purchase price due at delivery must be made in Federal Reserve funds for immediate and unconditional credit to the City.

Continuing Disclosure Undertaking. The City has covenanted to provide, in a timely manner, on the Electronic Municipal Market Access (EMMA) Website maintained by the Municipal Securities Rulemaking

Board notice of the occurrence of specified, material events. The City has not failed to comply with any of its previous undertakings under Rule 15c2-12, except as disclosed in the Preliminary Official Statement.

State Securities Laws. The City has taken no action to qualify the offer or sale of the 2016 Bonds under the securities laws of any state. Should any such qualification be necessary, the City agrees to cooperate with the winning bidder in such matters, provided that the City reserves the right not to consent to service of process outside its boundaries and expenses related to any such qualification shall be the responsibility of the winning bidder.

CUSIP Numbers. CUSIP numbers will be issued and printed on the 2016 Bonds at the expense of the City. Any error or omission in printing such numbers on the 2016 Bonds will not constitute cause for any winning bidder to refuse delivery of any Bond.

Legal Opinion, Certificates and Transcript. The validity and enforceability of the 2016 Bonds will be approved by the City's Bond Counsel. A copy of the form of the opinion of Bond Counsel is attached as an exhibit to the Preliminary Official Statement.

The purchaser of the 2016 Bonds will receive a certified transcript of legal proceedings which will include, among other items:

- (a) a certificate of the City to the effect that, as of its date, the Preliminary Official Statement was deemed final within the meaning of Rule 15c2-12, except for the omissions permitted under Rule 15c2-12;
- (b) a certificate of the City to the effect that there is no litigation pending or, to its knowledge, threatened affecting the validity of the 2016 Bonds as of the date of their delivery; and
- (c) a certificate of the City to the effect that, as of the date of the Official Statement and at all times to and including the date of delivery of the 2016 Bonds, the Official Statement did not contain any untrue statement of a material fact or omit any statement of a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

Postponement of Sale. The City reserves the right to postpone the date and time established for the receipt of bids. Any such postponement will be announced by posting on Grant Street Group prior to commencement of the bidding. If any date and time fixed for the receipt of bids and the sale of the 2016 Bonds is postponed, an alternative sale date and time will be announced at least one business day prior to such alternative sale date. On any such alternative sale date and time, any bidder may submit bids electronically as described above for the purchase of the 2016 Bonds in conformity in all respects with the provision of this Official Notice of Bond Sale, except for the date and time of sale and except for any changes announced by posting on Grant Street Group at the time the sale date and time are announced.

Rating. A rating has been applied for to Moody's Investors Service.

Information. Copies (in reasonable quantities) of this Official Notice of Bond Sale, the Preliminary Official Statement, and other information concerning the City and the 2016 Bonds may be obtained from:

Victoria Fredrick, City Financial Services Director Treasurer
Las Cruces, New Mexico
P.O. Box 20000
Las Cruces, New Mexico 88004

Phone: (575) 541-2035

Erik Harrigan, Director
RBC Capital Markets
6301 Uptown Blvd., Ste. 110
Albuquerque, NM 87110
Phone: (505) 872-5999

The date of this Official Notice of Bond Sale is as of March 2, 2016.

CITY OF LAS CRUCES, NEW MEXICO

APPENDIX D

SPECIMEN MUNICIPAL BOND INSURANCE POLICY



MUNICIPAL BOND INSURANCE POLICY

ISSUER: [NAME OF ISSUER]

Policy No: _____

MEMBER: [NAME OF MEMBER]

BONDS: \$ _____ in aggregate principal
amount of [NAME OF TRANSACTION]
[and maturing on]

Effective Date: _____

Risk Premium: \$ _____

Member Surplus Contribution: \$ _____

Total Insurance Payment: \$ _____

BUILD AMERICA MUTUAL ASSURANCE COMPANY ("BAM"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") for the Bonds named above (as set forth in the documentation providing for the issuance and securing of the Bonds), for the benefit of the Owners or, at the election of BAM, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the first Business Day following the Business Day on which BAM shall have received Notice of Nonpayment, BAM will disburse (but without duplication in the case of duplicate claims for the same Nonpayment) to or for the benefit of each Owner of the Bonds, the face amount of principal of and interest on the Bonds that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by BAM, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of such principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in BAM. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by BAM is incomplete, it shall be deemed not to have been received by BAM for purposes of the preceding sentence, and BAM shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, any of whom may submit an amended Notice of Nonpayment. Upon disbursement under this Policy in respect of a Bond and to the extent of such payment, BAM shall become the owner of such Bond, any appurtenant coupon to such Bond and right to receipt of payment of principal of or interest on such Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under such Bond. Payment by BAM either to the Trustee or Paying Agent for the benefit of the Owners, or directly to the Owners, on account of any Nonpayment shall discharge the obligation of BAM under this Policy with respect to said Nonpayment.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent (as defined herein) are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless BAM shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration) and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment made to an Owner by or on behalf of the Issuer of principal or interest that is Due for Payment, which payment has been recovered from such Owner pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means delivery to BAM of a notice of claim and certificate, by certified mail, email or telecopy as set forth on the attached Schedule or other acceptable electronic delivery, in a form satisfactory to BAM, from and signed by an Owner, the Trustee or the Paying Agent, which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount, (d) payment instructions and (e) the date such claimed amount becomes or became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer, the Member or any other person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

BAM may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee, the Paying Agent, the Member and the Issuer specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee, the Paying Agent, the Member or the Issuer (a) copies of all notices required to be delivered to BAM pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to BAM and shall not be deemed received until received by both and (b) all payments required to be made by BAM under this Policy may be made directly by BAM or by the Insurer's Fiscal Agent on behalf of BAM. The Insurer's Fiscal Agent is the agent of BAM only, and the Insurer's Fiscal Agent shall in no event be liable to the Trustee, Paying Agent or any Owner for any act of the Insurer's Fiscal Agent or any failure of BAM to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, BAM agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to BAM to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy. This Policy may not be canceled or revoked.

This Policy sets forth in full the undertaking of BAM and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. THIS POLICY IS ISSUED WITHOUT CONTINGENT MUTUAL LIABILITY FOR ASSESSMENT.

In witness whereof, BUILD AMERICA MUTUAL ASSURANCE COMPANY has caused this Policy to be executed on its behalf by its Authorized Officer.

BUILD AMERICA MUTUAL ASSURANCE COMPANY

By: _____
Authorized Officer

Notices (Unless Otherwise Specified by BAM)

Email:

claims@buildamerica.com

Address:

1 World Financial Center, 27th floor

200 Liberty Street

New York, New York 10281

Telecopy:

212-962-1524 (attention: Claims)

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