

NOTICE

\$21,170,000*

City of Las Cruces, New Mexico

**Subordinate Lien Joint Utility System Improvement Revenue Bonds
Series 2018**

**Preliminary Official Statement, subject to completion,
dated January 24, 2018**

The Preliminary Official Statement, dated January 24, 2018 (the “Preliminary Official Statement”), relating to the above-described Subordinate Lien Joint Utility Improvement Revenue Bonds, Series 2018 (the “Series 2018 Bonds,” or 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 January 24, 2018

NEW ISSUE

RATING: Moody's: applied for
See "RATING" herein.

In the opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A., Bond Counsel, under existing laws, regulations, rulings and judicial decisions, and assuming compliance with certain covenants described in "TAX EXEMPTION" herein, interest on the Series 2018 Bonds (including original issue discount treated as interest) (a) is excludable from the gross income of the recipients thereof; for federal income tax purposes, under Section 103 of the Internal Revenue Code of 1986, as amended (b) is not an item of tax preference under Section 57 of the Internal Revenue Code of 1986, as amended, for purposes of the federal alternative minimum tax imposed on individuals. Bond Counsel is also of the opinion based on existing laws of the State of New Mexico as enacted and construed that interest on the Series 2018 Bonds is exempt from all taxation by the State of New Mexico or any political subdivision thereof. For a more complete description of such opinion of Bond Counsel and a description of certain provisions of the Internal Revenue Code of 1986, as amended, which may affect the federal tax treatment of interest on the Series 2018 Bonds for certain owners of such bonds, see "TAX EXEMPTION" herein.

\$21,170,000*

**CITY OF LAS CRUCES, NEW MEXICO
SUBORDINATE LIEN JOINT UTILITY SYSTEM IMPROVEMENT REVENUE BONDS
SERIES 2018**

BOOK-ENTRY ONLY

Dated: Date of Delivery

Due: June 1, as shown on inside cover

The City of Las Cruces, New Mexico (the "City") will issue its Subordinate Lien Joint Utility System Improvement Revenue Bonds, Series 2018 (the "Series 2018 Bonds," or the "Bonds") to provide funds to finance the costs of acquiring, extending, enlarging, bettering, repairing or otherwise improving the City's Joint Utility System, including but not limited to acquiring, constructing, installing, and equipping energy and water conservation measures pursuant to a Guaranteed Utility Savings Contract, to purchase a reserve fund surety bond or otherwise fund a debt service reserve account for the Series 2018 Bonds, to fund capitalized interest on the Series 2018 Bonds, and to pay all costs of issuance of the Series 2018 Bonds. See "THE PROJECT" and "SOURCES AND USES OF FUNDS" herein.

The Series 2018 Bonds are special limited obligations of the City, payable solely from and secured by a subordinate lien (but not necessarily an exclusive subordinate lien) upon the Net Revenues (as defined herein) of the City's joint water, wastewater and natural gas utility system (the "System"). The Master Ordinance (as defined herein) authorizes the issuance of additional bonds senior to, on a parity with or subordinate to the Series 2018 Bonds. The City currently has outstanding its Joint Utility System Refunding Revenue Bonds, Series 2010 (the "Series 2010 Bonds"), Joint Utility System Refunding Revenue Bonds, Series 2014A (the "Series 2014A Bonds"), Joint Utility System Improvement Revenue Bonds, Series 2014B (the "Series 2014B Bonds"), Joint Utility System Refunding and Improvement Bonds, Series 2015 (the "Series 2015 Bonds"), Joint Utility System Improvement Revenue Bonds, Series 2015A (the "Series 2015A Bonds"), Joint Utility System Improvement Revenue Bonds, Series 2016 (the "Series 2016 Bonds"), Joint Utility System Improvement Revenue Bonds, Series 2017 (the "Series 2017 Bonds" and, together with the Series 2010 Bonds, Series 2014A Bonds, Series 2014B Bonds, Series 2015 Bonds, Series 2015A Bonds, and Series 2016 Bonds, the "Parity Senior Bonds") payable from the Net Revenues with a lien thereon senior to the lien of the Series 2018 Bonds. Upon issuance of the Series 2018 Bonds, there are no other outstanding obligations with a lien on the Net Revenues on a parity with the Series 2018 Bonds and subordinate to the lien thereon of the Parity Senior Bonds. See "SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018 BONDS" herein.

The Series 2018 Bonds are issuable as fully registered bonds, and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company ("DTC"), New York, New York. Individual purchases and sales of the Series 2018 Bonds may be made in book-entry form only in principal denominations of \$5,000 and integral multiples thereof. Purchasers will not receive certificates from the City or the Paying Agent (as defined herein) representing their interest in the Series 2018 Bonds purchased. Principal of the Series 2018 Bonds is payable on June 1 of the years, in the amounts and at the rates shown on the Maturity Schedule set forth on the inside cover. Interest on the Series 2018 Bonds will be payable on June 1 and December 1 commencing on June 1, 2018. So long as the Series 2018 Bonds are held by DTC, the principal of, interest and premium, if any, on the Series 2018 Bonds will be payable by wire transfer to DTC, which in turn is required to remit such principal, interest and premium, if any, to the DTC Participants for subsequent disbursement to the Beneficial Owners of the Series 2018 Bonds, as more fully described herein.

The Series 2018 Bonds are subject to redemption prior to maturity at the option of the City. See "THE SERIES 2018 BONDS--Redemption" herein.

The Series 2018 Bonds, together with the interest accruing thereon, will be payable and collectible solely out of the Net Revenues and will be secured by a subordinate lien (but not necessarily an exclusive subordinate lien) on the Net Revenues. Net Revenues consist of all income and revenue directly or indirectly derived from the operation and use of the System, less Operation and Maintenance Expenses (as defined herein). Upon issuance, the registered owners of the Series 2018 Bonds may not look to any general or other funds for the payment of the principal of or interest and premium, if any, on such obligations, except for the Net Revenues. The Series 2018 Bonds do not constitute an indebtedness of the City within the meaning of any constitutional, charter or statutory provision or limitation, nor will they be considered or held to be general obligations of the City. Neither the full faith and credit of the City nor the general taxing power or general resources of the City, the State of New Mexico or any political subdivision or public agency thereof is pledged to the payment of the Series 2018 Bonds.

This cover page is not intended to be a summary of the terms of, or the security for, the Series 2018 Bonds. Investors are advised to read the Official Statement in its entirety to obtain information essential to the making of an informed investment decision.

The Series 2018 Bonds are offered when, as and if issued by the City subject to the approval of validity by Modrall, Sperling, Roehl, Harris & Sisk, P.A., Albuquerque, New Mexico, Bond Counsel, and certain other conditions. Certain legal matters will be passed on for the City by Jennifer Vega-Brown, Esq., City Attorney. Certain legal matters will be passed on for the underwriters listed below (the "Underwriters") by Orrick, Herrington & Sutcliffe LLP. 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 2018 Bonds. It is anticipated that the Series 2018 Bonds will be available for delivery on or about February 22, 2018 through the facilities of DTC.

Dated: _____, 2018

* Preliminary, subject to change.

HilltopSecurities

BAIRD

\$21,170,000*
CITY OF LAS CRUCES, NEW MEXICO
Subordinate Lien Joint Utility System Improvement Revenue Bonds
Series 2018

MATURITY SCHEDULE*

<u>Maturity Date</u> <u>June 1</u>	<u>Amount</u>	<u>Interest Rate</u>	<u>Price</u>	<u>CUSIP</u>
2019	\$ 50,000			
2020	230,000			
2021	350,000			
2022	645,000			
2023	770,000			
2024	740,000			
2025	920,000			
2026	985,000			
2027	865,000			
2028	905,000			
2029	805,000			
2030	950,000			
2031	1,175,000			
2032	1,315,000			
2033	1,445,000			
2034	1,590,000			
2035	1,690,000			
2036	1,800,000			
2037	1,910,000			
2038	2,030,000			

* Preliminary, subject to change.

CITY OF LAS CRUCES, NEW MEXICO

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P.O. Box 20000
Las Cruces, New Mexico 88004
(575) 541-2000

MAYOR

Ken Miyagishima

CITY COUNCIL

Gill M. Sorg, Mayor Pro Tem
Kasandra Gandara, Councilor
Gregory Z. Smith, Councilor
Gabriel Vasquez, Councilor
Jack Eakman, Councilor
Yvonne M. Flores, Councilor

CITY ADMINISTRATION

Stuart C. Ed, City Manager
Rosie Duran, Director of Financial Services
Karin Byrum, CGFM, City Treasurer
Linda Lewis, City Clerk
Jennifer Vega-Brown, Esq., City Attorney

MUNICIPAL ADVISOR

RBC Capital Markets, LLC
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Albuquerque, New Mexico 87110
(505) 872-5999

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

PAYING AGENT AND REGISTRAR

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

UNDERWRITERS' COUNSEL

Orrick, Herrington & Sutcliffe LLP
609 Main Street, 40th Floor
Houston, Texas 77002-3106

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

The Bonds have not been registered under the Securities Act of 1933 in reliance upon exemptions contained in such Act. The registration and qualification of the Bonds in accordance with applicable provisions of the securities law of the states in which the Bonds have registered or qualified and the exemption from registration or qualification in other states cannot be regarded as a recommendation thereof. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity, nor any agency or department thereof, has passed upon the merits of the Series 2018 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 United States Securities and Exchange Commission Rule 15c2-12. 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.

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and

circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

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

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

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\$21,170,000*
City of Las Cruces, New Mexico
Subordinate Lien Joint Utility System Improvement Revenue Bonds
Series 2018

SERIES 2018 BONDS-SUMMARY OF INFORMATION

There follows a summary of certain provisions discussed in this Official Statement relating to the City of Las Cruces, New Mexico (the “City”) Subordinate Lien Joint Utility System Improvement Revenue Bonds, Series 2018 (the “Series 2018 Bonds,” or the “Bonds”). SUCH SUMMARY DOES NOT PURPORT TO BE COMPREHENSIVE OR DEFINITIVE AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE COMPLETE OFFICIAL STATEMENT. This Summary is only a brief statement and a full review of the entire Official Statement, as it relates to the Bonds, should be made by potential investors.

Issuer:	The City operates under a home rule charter pursuant to Article X, Section 6 of the New Mexico Constitution, with a Council-Manager form of government. The City is located near the Texas and Mexico border. Las Cruces is the second largest city in the State of New Mexico and is the commercial service and cultural center of Southern New Mexico. See “THE CITY” and “APPENDIX C – Certain General Information Regarding the City of Las Cruces” herein.
Dated:	Date of Delivery.
Principal Payment:	The Series 2018 Bonds are registered bonds maturing on June 1 of the years set forth on the inside front cover of this Official Statement.
Interest Payment:	Interest will be payable semiannually on December 1 and June 1, commencing December 1, 2018.
Purpose:	The Series 2018 Bonds are being issued by the City: (a) for acquiring, extending, enlarging, bettering, repairing or otherwise improving the City’s joint water, wastewater and natural gas utility system (the “System”), including but not limited to acquiring, constructing, installing, and equipping energy and water conservation measures pursuant to a Guaranteed Utility Savings Contract (b) purchasing a reserve fund surety bond or otherwise fund a debt service reserve account for the Series 2018 Bonds, (c) funding capitalized interest on the Series 2018 Bonds through December 1, 2018, and (d) paying all costs of issuance of the Series 2018 Bonds. See “THE PROJECT” and “SOURCES AND USES OF FUNDS” herein.

* Preliminary, Subject to Change

Authorization:	The City is authorized pursuant to Sections 3-31-1 to 3-31-12 NMSA 1978 (the “Act”), the Charter and other applicable New Mexico law to issue the Series 2018 Bonds. The Series 2018 Bonds are being issued in accordance with the Act and the Charter and pursuant to Ordinance No. 1593, adopted by the City Council of the City on December 18, 1996, as amended by Ordinance No. 2750, adopted by the City Council on April 8, 2015, and as amended and supplemented by Ordinance No. 2837, adopted on January 16, 2018 (the “2018 Ordinance” and with Ordinance Nos. 1593 and 2750, the “Master Ordinance”).
Security:	The Series 2018 Bonds are payable from and secured by an irrevocable subordinate lien (but not necessarily an exclusive subordinate lien) upon the Net Revenues. Net Revenues consist of all income and revenues directly or indirectly derived from the operation and use of the System, less Operation and Maintenance Expenses (defined herein). See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018 BONDS” herein.
Reserve Account:	<p>At the time of the issuance of the Series 2018 Bonds, a portion of the proceeds of the Series 2018 Bonds will be utilized to purchase a reserve fund insurance policy or to otherwise fund the reserve account in the amount of \$_____ equal to the Reserve Requirement (defined in herein).</p> <p>See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018 BONDS – Series 2018 Reserve Account” herein.</p>
Special Obligations:	<p>THE PRINCIPAL OF, INTEREST AND PREMIUM, IF ANY, ON THE SERIES 2018 BONDS SHALL BE PAYABLE FROM THE NET REVENUES AND SHALL NOT BE PAYABLE FROM ANY FUNDS OF THE CITY EXCEPT THE DESIGNATED SPECIAL FUNDS PLEDGED TO THE PAYMENT OF THE SERIES 2018 BONDS. THE SERIES 2018 BONDS SHALL NOT CONSTITUTE AN INDEBTEDNESS NOR A DEBT OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL, CHARTER OR STATUTORY PROVISION OR LIMITATION, NOR WILL THEY BE CONSIDERED OR HELD TO BE GENERAL OBLIGATIONS OF THE CITY. NEITHER THE FULL FAITH AND CREDIT OF THE CITY NOR THE GENERAL TAXING POWER OR GENERAL RESOURCES OF THE CITY, THE STATE OR ANY POLITICAL SUBDIVISION OR PUBLIC AGENCY THEREOF, ARE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST AND PREMIUM, IF ANY, ON THE SERIES 2018 BONDS. NO OWNER HAS THE RIGHT TO COMPEL THE EXERCISE OF THE TAXING POWER OF THE CITY OR THE FORFEITURE OF ANY OF ITS PROPERTY IN CONNECTION WITH ANY DEFAULT UNDER THE MASTER ORDINANCE.</p>

Rate Covenant:	Pursuant to the Master Ordinance, the City has covenanted to fix rates and collect charges in connection with the use of the System and to increase such rates and other charges from time to time if and when necessary to produce (a) Gross Revenues (defined herein) of the System sufficient to maintain the funds and accounts established in the Master Ordinance and to pay the annual Operation and Maintenance Expenses (defined herein) of the System and (b) Net Revenues (defined herein) sufficient in amount to be at least equal to the greater of (i) 125% of the Debt Service Requirements on the Parity Senior Bonds Outstanding in such Fiscal Year or, (ii) 115% of the Debt Service Requirements on the Parity Senior Bonds Outstanding and Subordinate Bonds Outstanding in such Fiscal Year.
Redemption:	The Series 2018 Bonds maturing on and after June 1, 20__ are subject to optional redemption prior to maturity in one or more units of principal of \$5,000 on and after June 1, 20__. See “THE SERIES 2018 BONDS – Redemption” herein.
Registration:	The Series 2018 Bonds will be issued as fully registered bonds in book-entry form only in denominations of \$5,000 each or any integral multiple thereof.
Parity Senior Bonds and Subordinate Bonds:	Additional System Bonds may hereafter be issued and secured by and paid from the Net Revenues with a lien thereon senior to or on a parity with the lien of the Series 2018 Bonds on the Net Revenues. The City’s Joint Utility System Refunding Revenue Bonds, Series 2010 (the “Series 2010 Bonds”), the City’s Joint Utility System Refunding Revenue Bonds, Series 2014A (the “Series 2014A Bonds”), the City’s Joint Utility System Improvement Revenue Bonds, Series 2014B (the “Series 2014B Bonds”), the City’s Joint Utility System Refunding and Improvement Bonds, Series 2015 (the “Series 2015 Bonds”), the City’s Joint Utility System Improvement Revenue Bonds, Series 2015A (the “Series 2015A Bonds”), the City’s Joint Utility System Improvement Revenue Bonds, Series 2016 (the “Series 2016 Bonds”), and the City’s Joint Utility System Improvement Revenue Bonds, Series 2017 (the “Series 2017 Bonds” and, together with the Series 2010 Bonds, the Series 2014A Bonds, the Series 2014B Bonds, the Series 2015 Bonds, the Series 2015A Bonds, and the Series 2016 Bonds, the “Parity Senior Bonds”) will be the only other outstanding obligations that have a lien on the Net Revenues on senior to the lien thereon of the Series 2018 Bonds. There are no other outstanding obligations with a subordinate lien on the Net Revenues on a parity with the lien thereon of the Series 2018 Bonds. The issuance of additional Parity Senior Bonds is subject to certain conditions provided in the Master Ordinance. The City may issue additional bonds with a pledge on the Net Revenues subordinate to the pledge thereon of the Parity Senior Bonds on a parity with the Series 2018 Bonds upon the satisfaction of the conditions set forth in the Master Ordinance. See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018 BONDS -Additional Bonds” herein.

Delivery:	Delivery of the Series 2018 Bonds is expected on or about February 22, 2018.
Secondary Market Disclosure:	The City will enter into an undertaking (the “Undertaking”) for the benefit of the holders of the Series 2018 Bonds to file certain financial information and operating data and to provide notice of certain material events, pursuant to the requirements of Section (b)(5)(i) of United States Securities and Exchange Commission Rule 15c2-12 (17 C.F.R. Part 240, § 240.15c2-12). See “CONTINUING DISCLOSURE” herein and Appendix D hereto.
Tax Exemption:	In the opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A., Bond Counsel, interest on the Series 2018 Bonds (including any original issue discount treated as interest) (a) is excludable from the gross income of the recipients thereof for federal income tax purposes, (b) is not a specific preference item for purposes of the federal alternative minimum tax for individuals, and (c) is exempt from all taxation by the State of New Mexico or any political subdivision thereof. See “TAX EXEMPTION” herein.
Bond Counsel:	Modrall, Sperling, Roehl, Harris & Sisk, P.A., Albuquerque, New Mexico.
Registrar/Paying Agent:	City Treasurer, City of Las Cruces, New Mexico

OFFICIAL STATEMENT

\$21,170,000*

City of Las Cruces, New Mexico

**Subordinate Lien Joint Utility System Improvement Revenue Bonds
Series 2018**

INTRODUCTION

This Official Statement, including the cover page and the Appendices hereto (the “Official Statement”), sets forth certain information in connection with the sale and delivery of \$21,170,000* aggregate principal amount of City of Las Cruces, New Mexico Subordinate Lien Joint Utility System Improvement Revenue Bonds, Series 2018 (the “Series 2018 Bonds,” or the “Bonds”) by the City of Las Cruces, Doña Ana County, New Mexico (the “City”). The City is a political subdivision and municipality operating under a home rule charter (the “Charter”) pursuant to the Constitution and laws of the State of New Mexico (the “State”). See “THE CITY” and “APPENDIX C - Certain General Information Regarding the City of Las Cruces.”

The City is authorized pursuant to Sections 3-31-1 to 3-31-12 NMSA 1978 as amended and supplemented (the “Act”), the Charter and other applicable New Mexico laws to issue the Series 2018 Bonds. The Series 2018 Bonds are being issued in accordance with the Act and the Charter and pursuant to Ordinance No. 1593, adopted by the City Council of the City on December 18, 1996, as amended by Ordinance No. 2750, adopted by the City Council of the City on April 8, 2015 and Ordinance No. 2837, adopted on January 16, 2018 (the “2018 Ordinance” and with Ordinance Nos. 1593 and 2750, the “Master Ordinance”) for the purposes of acquiring, extending, enlarging, bettering, repairing or otherwise improving the City’s Joint Utility System, including but not limited to acquiring, constructing, installing, and equipping energy and water conservation measures pursuant to a Guaranteed Utility Savings Contract, purchasing a debt service reserve surety bond or otherwise funding a debt service reserve account in an amount equal to the Series 2018 Reserve Requirement, funding capitalized interest on the Series 2018 Bonds through December 1, 2018, and paying all costs of issuance of the Series 2018 Bonds. See “THE PROJECT” and “SOURCES AND USES OF FUNDS” herein.

The Series 2018 Bonds are payable from and secured by an irrevocable subordinate lien (but not an exclusive subordinate lien) on the Net Revenues (defined as Gross Revenues minus Operation and Maintenance Expenses) of the joint water, wastewater and natural gas utility systems (the “System”) described under “JOINT UTILITY SYSTEM” herein. The Master Ordinance authorizes the issuance of additional bonds senior to or on parity with the Series 2018 Bonds. The City’s Joint Utility System Refunding Revenue Bonds, Series 2010 (the “Series 2010 Bonds”), the City’s Joint Utility System Refunding Revenue Bonds, Series 2014A (the “Series 2014A Bonds”), the City’s Joint Utility System Improvement Revenue Bonds, Series 2014B (the “Series 2014B Bonds”), the City’s Joint Utility System Refunding and Improvement Bonds, Series 2015 (the “Series 2015 Bonds”), the City’s Joint Utility System Improvement Revenue Bonds, Series 2015A (the “Series 2015A Bonds”), the City’s Joint Utility Improvement Revenue Bonds, Series 2016 (the “Series 2016 Bonds”), and the City’s Joint Utility System

* Preliminary, subject to change.

Improvement Revenue Bonds, Series 2017 (the “Series 2017 Bonds”) are the obligations that are currently outstanding with a lien on the Net Revenues senior to the lien thereon of the Series 2018 Bonds. The Series 2017 Bonds, the Series 2016 Bonds, the Series 2015A Bonds, the Series 2015 Bonds, the Series 2014A Bonds, the Series 2014B Bonds, the Series 2010 Bonds, and any parity senior bonds issued pursuant to the Master Ordinance, are referred to herein as the “Parity Senior Bonds.” See “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018 BONDS” herein.

THE PRINCIPAL OF, INTEREST AND PREMIUM, IF ANY, ON THE SERIES 2018 BONDS SHALL BE PAYABLE FROM THE NET REVENUES AND SHALL NOT BE PAYABLE FROM ANY FUNDS OF THE CITY EXCEPT THE DESIGNATED SPECIAL FUNDS PLEDGED TO THE PAYMENT OF THE SERIES 2018 BONDS. THE SERIES 2018 BONDS SHALL NOT CONSTITUTE AN INDEBTEDNESS NOR A DEBT OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL, CHARTER OR STATUTORY PROVISION OR LIMITATION NOR WILL THEY BE CONSIDERED OR HELD TO BE GENERAL OBLIGATIONS OF THE CITY. NEITHER THE FULL FAITH AND CREDIT OF THE CITY NOR THE GENERAL TAXING POWER OR GENERAL RESOURCES OF THE CITY, THE STATE OR ANY POLITICAL SUBDIVISION OR PUBLIC AGENCY THEREOF, ARE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST AND PREMIUM, IF ANY, ON THE SERIES 2018 BONDS. NO OWNER HAS THE RIGHT TO COMPEL THE EXERCISE OF THE TAXING POWER OF THE CITY OR THE FORFEITURE OF ANY OF ITS PROPERTY IN CONNECTION WITH ANY DEFAULT UNDER THE MASTER ORDINANCE.

Pursuant to the Master Ordinance, the City has covenanted to fix rates and collect charges in connection with the use of the System and to increase such rates and other charges from time to time if and when necessary to produce (a) Gross Revenues (defined herein) of the System sufficient to maintain the funds and accounts established in the Master Ordinance and to pay the annual Operation and Maintenance Expenses (defined herein) of the System and (b) Net Revenues (defined herein) sufficient in amount to be at least equal to the greater of (i) 125% of the Debt Service Requirements on the Parity Senior Bonds Outstanding in such Fiscal Year or, (ii) 115% of the Debt Service Requirements on the Parity Senior Bonds Outstanding and Subordinate Bonds Outstanding in such Fiscal Year.

The descriptions and summaries of various documents herein set forth do not purport to be comprehensive or definitive, and reference is made to each such document for the complete details of all terms and conditions. All statements herein are qualified in their entirety by reference to such documents. Descriptions of the Master Ordinance and the Series 2018 Bonds are qualified by reference to bankruptcy laws affecting the remedies for the rights and security provided therein and the effect of the exercise of the police power by any entity having jurisdiction. All capitalized terms used in this Official Statement and not otherwise defined herein have the same meanings as in the Master Ordinance. See Appendix E “DEFINITIONS FROM THE MASTER ORDINANCE.”

THE SERIES 2018 PROJECT

The Series 2018 Bonds are being issued to finance the Series 2018 Project (or the “Project”), which is defined in the 2018 Ordinance as, collectively, (i), acquiring, extending,

enlarging, bettering, repairing or otherwise improving the System, including but not limited to acquiring, constructing, installing, and equipping energy and water conservation measures pursuant to a Guaranteed Utility Savings Contract, (ii) purchasing a reserve fund surety bond or otherwise funding the Series 2018 Reserve Account in an amount equal to the Series 2018 Reserve Requirement, (iii) funding capitalized interest on the Series 2018 Bonds through December 1, 2018 and (iv) paying all Costs of Issuance and expenses pertaining to the issuance of the Series 2018 Bonds. See “SOURCES AND USES OF FUNDS” herein.

The City will invest in technology and processes in the City’s gas and water utilities raising operational efficiency to current day best practice standards. The improvements and investment in its system are based on an Investment Grade Audit (IGA) conducted by Johnson Controls Incorporated (JCI). The audit was a comprehensive analysis of potential energy and water efficiency improvements with a focus on financial concerns and return on investment. The City will acquire, equip, and install Advanced Metering Infrastructure (AMI) system-wide for the gas and water utilities to provide increased metering accuracy and real time robust data acquisition improving engineering and operations optimization. The project will also standardize large water meters and meter typing procedures. The AMI technology includes leak detection to reduce water losses and provide improved customer service to residential, commercial and industrial customers. The project will be conducted pursuant to a Guaranteed Utility Savings Contract (the “Guaranteed Utility Savings Contract”) with JCI. Pursuant to the Guaranteed Utility Savings Contract, JCI guarantees certain energy and water cost savings at the levels set forth in the Guaranteed Utility Savings Contract, and provides a performance bond as security for the savings guarantee. There can be no assurance that the savings estimated in the contract will actually be achieved. Enforcement of the savings guarantee and the performance bond may be limited by bankruptcy, insolvency, reorganization or other laws affecting creditors’ rights, and general principles of equity.

SOURCES AND USES OF FUNDS

The estimated sources of funds from the proceeds to be received from the sale of the Series 2018 Bonds to the underwriters listed on the cover page hereof (the “Underwriters”) and the estimated uses of such funds to finance the Project, establish the Series 2018 Reserve Account and pay the costs and expenses related to the issuance and sale of the Series 2018 Bonds, are shown in the following table:

Sources

Principal Amount of Series 2018 Bonds	\$
Net Original Issue Discount/Premium	<u> </u>
Total Sources	<u><u> </u></u>

Uses

Deposit to Series 2018 Acquisition Account	\$
Underwriters’ Discount	
Costs of Issuance*	
Deposit to Debt Service Account for Capitalized	

Interest

Total Uses

\$

*Includes Municipal Advisor fees, legal fees, reserve account surety bond premium and other miscellaneous costs and contingencies.

RISK FACTORS

The ability of the City to pay Debt Service Requirements on the Series 2018 Bonds depends primarily upon the receipt of Net Revenues. No assurance can be made that the Net Revenues of the System, estimated or otherwise, will be realized by the City in amounts sufficient to pay Debt Service Requirements for the Series 2018 Bonds, the Parity Senior Bonds, and other System Bonds. Among other matters, drought, general national and local economic conditions and changes in law and government regulations (including initiatives relating to water conservation, moratoriums and growth) could adversely affect the amount of Net Revenues realized by the City. In addition, the realization of future Net Revenues is subject to, among other things, the capabilities of the management of the City, the ability of the City to provide services to its customers and the ability of the City to establish, maintain and collect rates and charges sufficient to pay for Operation and Maintenance Expenses and Debt Service Requirements.

The City Utility Department (“LCU”) has developed a long-term (40-year) Water Management Plan that was accepted by the New Mexico Office of the State Engineer in May 2009. The Plan was updated in April 2017, and is currently being used and will be periodically updated or a progress report submitted every 10 years.

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

In August 2017, LCU commenced the review of its water utility operations under the revised rate setting process that was approved by City Council Resolution 16-222, on May 16, 2016. The comprehensive cost of service based review of revenue requirements, allocated class cost of service and rate design for water and wastewater utilities, is anticipated to be concluded mid calendar year 2018. LCU is planning to conduct rate reviews for its gas and solid waste utilities the latter half of 2018.

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

LCU has established billing and service regulations documenting and clearly defining policies and procedures for billing adjustments, customer service fees and charges, deposits, refunds and collections, applications, billing payment for services, and shut-off services for non-payment; as well as terms and conditions to pay delinquent balances for service restoration. This

document provides consistency in the application of policies and procedures as it relates to customer service billing and collection of revenue.

Although the City has covenanted to maintain rates and charges at the level necessary to pay Debt Service Requirements for the Series 2018 Bonds, the Parity Senior Bonds and other System Bonds, there can be no assurance that such amounts will be collected in the amount and at the time necessary to pay the Debt Service Requirements for the Series 2018 Bonds, the Parity Senior Bonds and other System Bonds.

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

THE SERIES 2018 BONDS

General

The Series 2018 Bonds will be issued in the aggregate principal amount of \$21,170,000*. The Series 2018 Bonds will be dated the date of delivery, and will bear interest (computed on the basis of a year of 360 days consisting of twelve 30-day months) at the rates and will mature in the amounts and on the dates set forth on the inside front cover page of this Official Statement. Interest on the Series 2018 Bonds will be payable on June 1, 2018 and thereafter on December 1 and June 1 of each year (each an "Interest Payment Date"). The Series 2018 Bonds are issuable only in fully registered form in principal denominations of \$5,000 or any integral multiple thereof.

The principal of and premium, if any, on any Series 2018 Bond will be paid to the registered owner thereof as shown on the registration books with respect to the Series 2018 Bonds, upon maturity and upon presentation and surrender to the Treasurer of the City of Las Cruces, as paying agent and registrar (in each respective capacity, the "Paying Agent" or the "Registrar") in Las Cruces, New Mexico. Payment of interest on any Series 2018 Bond will be made by check or draft mailed by the Paying Agent, on or before each Interest Payment Date (or, if such Interest Payment Date is not a business day, on or before the next succeeding business day), to the registered owner thereof as of the fifteenth (15th) day of the calendar month (whether or not a business day) preceding each regularly scheduled Interest Payment Date (the "Regular Record Date") at the address as it last appears on such registration books on the Regular Record Date (or by such other arrangements as may be mutually agreed to by the Paying Agent and any registered owner on such Regular Record Date) notwithstanding any transfer or exchange thereof subsequent to such Regular Record Date and prior to such Interest Payment Date. Any interest not so timely paid or duly provided for will cease to be payable as described above and will be payable to the person in whose name any Series 2018 Bond is registered at the close of business on a special record date to be fixed by the Registrar whenever moneys become available for

* Preliminary, subject to change.

payment of the overdue interest (the “Special Record Date”). Notice of the Special Record Date will be given not less than ten (10) days prior thereto, by first-class mail, to the registered owners of the Series 2018 Bonds.

All payments of principal of and interest on the Series 2018 Bonds will be made in lawful money of the United States of America. The City and the Registrar may treat the registered owner of a Series 2018 Bond as the absolute owner thereof for all purposes except as otherwise provided in the Master Ordinance with respect to the Regular Record Date and the Special Record Date for the payment of interest. Payment of or on account of either principal of or interest on any Series 2018 Bond will be made only to or upon the written order of the registered owner thereof or such owner’s legal representative. All such payments will be valid and effectual to discharge the liability upon the Series 2018 Bond to the extent of the sum or sums so paid.

Redemption

Mandatory Sinking Fund Redemption

The Series 2018 Bonds maturing on June 1, 20__ are subject to mandatory sinking fund redemption on June 1 in each of the years and principal amounts stated below at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date. As and for a sinking fund for the redemption of Series 2018 Bonds so specified, the City shall cause to be deposited in the Debt Service Fund a sum which is sufficient to redeem the following principal amounts of such Series 2018 Bonds plus accrued interest to the sinking fund redemption date:

Redemption Dates (June 1)	Principal Amount
* _____	
*Maturity Date	

As and for a sinking fund for the redemption of the Series 2018 Bonds subject to mandatory sinking fund redemption, on or before June 1st in each of the years and in the principal amounts stated above, the City shall transfer into the Series 2018 Debt Service Account, the required payments of principal on the Series 2018 Bonds subject to mandatory sinking fund redemption so that there is on deposit on the required redemption date, the amounts sufficient to redeem the Series 2018 Bonds called for redemption.

Optional Redemption

The Series 2018 Bonds maturing on and after June 1, 20__ are subject to redemption at the option of the City prior to maturity in one or more principal denominations of \$5,000 on and after June 1, 20__, in whole or in part at any time, in such order of maturities as the City may determine (and by lot if less than all of the Series 2018 Bonds of any maturity is called, such

selection by lot to be made by the Registrar in such manner considered appropriate and fair) for a redemption price equal to the principal amount of each \$5,000 unit so redeemed, with accrued interest thereon to the redemption date.

Registration, Transfer and Exchange of Series 2018 Bonds

Any Series 2018 Bond may be transferred upon the registration books upon surrender of such Series 2018 Bond at the principal office of the Registrar, duly endorsed for transfer or accompanied by an assignment duly executed by the registered owner or such owner's attorney duly authorized in writing. Upon such surrender, the Registrar will authenticate and deliver in the name of the transferee or transferees a new Series 2018 Bond or Series 2018 Bonds of a like aggregate principal amount and of the same maturity. Series 2018 Bonds may be exchanged at the principal office of the Registrar for an equal aggregate principal amount of Bonds of the same maturity of other Authorized Denominations. Exchanges and transfers of Bonds will be without charge to the owner or any transferee, but the Registrar may require the payment by the owner of any Bond requesting exchange or transfer of any tax or other governmental charge required to be paid with respect to such exchange or transfer.

If any Series 2018 Bond is lost, stolen, destroyed or mutilated, the Registrar will, upon receipt of such Series 2018 Bond, if mutilated, and such evidence, information or indemnity relating thereto as it may reasonably require, authenticate and deliver a replacement Series 2018 Bond or Series 2018 Bonds of like aggregate principal amount and of the same maturity and interest terms, bearing a number or numbers not then outstanding. If such lost, stolen, destroyed or mutilated Series 2018 Bond shall have matured, the Registrar may direct the Paying Agent to pay such Series 2018 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 and the Underwriters make no representations as to the accuracy or the completeness of such information. The Beneficial Owners of the Series 2018 Bonds should confirm the following information with DTC, the Direct Participants or the Indirect Participants.

NEITHER THE CITY, THE UNDERWRITERS NOR THE PAYING AGENT WILL HAVE RESPONSIBILITY OR OBLIGATION TO DIRECT PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (A) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DIRECT PARTICIPANT, OR ANY INDIRECT PARTICIPANT; (B) ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE SERIES 2018 BONDS UNDER THE MASTER ORDINANCE; (C) THE SELECTION BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF THE SERIES 2018 BONDS; (D) THE PAYMENT BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR INTEREST DUE WITH RESPECT TO THE OWNER OF THE SERIES 2018 BONDS; (E) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE OWNERS OF SERIES 2018 BONDS; OR (F) ANY OTHER MATTER REGARDING DTC.

General

DTC will act as securities depository for the Series 2018 Bonds. The Series 2018 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Series 2018 Bond certificate will be issued for the Series 2018 Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

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

Purchases of the Series 2018 Bonds under the DTC system must be made by or through Direct or Indirect Participants, which will receive a credit for the Series 2018 Bonds on DTC's records. The ownership interest of each actual purchaser of each Series 2018 Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series 2018 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive

certificates representing their ownership interests in the Series 2018 Bonds, except in the event that use of the book-entry system for the Series 2018 Bonds is discontinued.

To facilitate subsequent transfers, all Series 2018 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Series 2018 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series 2018 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series 2018 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

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

While the Series 2018 Bonds are in the book-entry only system, redemption notices will be sent to DTC. If less than all of the Series 2018 Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series 2018 Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the County as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series 2018 Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, principal, and interest payments on the Series 2018 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from the City or agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, principal, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series 2018 Bonds at any time by giving reasonable notice to the City. Under such circumstances, in the

event that a successor depository is not obtained, certificates representing the Series 2018 Bonds are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, certificates representing the Series 2018 Bonds will be printed and delivered to DTC.

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

SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018 BONDS

Source of Payment

The Series 2018 Bonds are limited obligations of the City and are payable as to principal, interest and premium, if any, exclusively from the Net Revenues. The Series 2018 Bonds create and constitute a subordinate lien (but not an exclusive subordinate lien) on the Net Revenues subordinate to the lien of the Parity Senior Bonds on the Net Revenues. The Net Revenues consist of Gross Revenues (described below) less Operation and Maintenance Expenses (as described below).

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

THE PRINCIPAL OF, INTEREST AND PREMIUM, IF ANY, ON THE SERIES 2018 BONDS SHALL BE PAYABLE FROM NET REVENUES AND SHALL NOT BE PAYABLE FROM ANY FUNDS OF THE CITY EXCEPT THE DESIGNATED SPECIAL FUNDS PLEDGED TO THE PAYMENT OF THE SERIES 2018 BONDS. THE SERIES 2018 BONDS SHALL NOT CONSTITUTE AN INDEBTEDNESS NOR A DEBT OF THE CITY WITHIN THE MEANING OF ANY CONSTITUTIONAL, CHARTER OR STATUTORY PROVISION OR LIMITATION NOR WILL THEY BE CONSIDERED OR HELD TO BE GENERAL OBLIGATIONS OF THE CITY. NEITHER THE FULL FAITH AND CREDIT OF THE CITY NOR THE GENERAL TAXING POWER OR GENERAL RESOURCES OF THE CITY, THE STATE OR ANY POLITICAL SUBDIVISION OR PUBLIC AGENCY THEREOF, ARE PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR INTEREST AND PREMIUM, IF ANY, ON THE SERIES 2018 BONDS. NO OWNER HAS THE RIGHT TO COMPEL THE EXERCISE OF THE TAXING POWER OF THE CITY OR THE FORFEITURE OF ANY OF ITS PROPERTY IN CONNECTION WITH ANY DEFAULT UNDER THE MASTER ORDINANCE.

Gross Revenues are all income and revenues directly or indirectly derived by the City from the operation and use of the System, or any part of the System, and includes, without limitation, all revenues received by the City, or any municipal corporation or agency succeeding

to the rights of the City, from the System and from the sale and use of water, sanitary sewer and natural gas services or facilities, or any other service, commodity or facility or any combination thereof furnished to the inhabitants in the Service Area. Such term also includes:

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

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

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

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

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

Gross Revenues do not include:

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

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

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

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

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

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

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

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

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

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

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

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

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

Application of Gross Revenues

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

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

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

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

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

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

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

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

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

Rate Covenant

The City has covenanted in the Master Ordinance that it will at all times fix rates and collect charges for each class of service rendered by the System and, from time to time, amend or adjust such rates so that Gross Revenues of the System will always be sufficient to provide for payment of the Debt Service Requirements on all outstanding System Bonds as and when the same become due and payable, to maintain the funds and accounts established under the Master Ordinance, to provide for the payment of expenses of administration, Operation and Maintenance Expenses of the System which may be necessary to preserve the same in good repair and working order, including necessary reserves therefor and all other payments necessary to meet ongoing legal obligations to be paid at that time. The City has further covenanted in the Master Ordinance that it will at all times fix, charge and collect such rates and charges as are required in order that in each Fiscal Year the Net Revenues will at least equal the greater of (i) 125% of the Debt Service Requirements on the Parity Senior Bonds Outstanding in such Fiscal Year or, (ii) 115% of the Debt Service Requirements on the Parity Senior Bonds Outstanding and Subordinate Bonds Outstanding in such Fiscal Year. The foregoing covenants are herein referred to as the "Rate Covenant."

The City's failure to comply with the Rate Covenant in any Fiscal Year will not constitute an event of default under the Master Ordinance so long as the City, within 180 days after the end of any such Fiscal Year, adopts the schedule of rates and charges recommended or approved by a Consulting Engineer which would bring the City into compliance with the Rate Covenant. The City is also required under the Master Ordinance in each Fiscal Year to complete a review of its financial condition for the purpose of estimating whether the Net Revenues for such Fiscal Year and the next succeeding Fiscal Year will be sufficient to comply with the Rate Covenant. If the City determines that the Net Revenues may not be so sufficient, it will

forthwith cause the Consulting Engineer to make a study for the purpose of recommending a schedule of fees, rates and charges for the System which, in the opinion of the Consulting Engineer, will cause sufficient Gross Revenues to be collected in such Fiscal Year sufficient to eliminate the amount of any deficiency at the earlier practicable time within such Fiscal Year.

Reserve Account

A Reserve Account will be created for the Series 2018 Bonds, and funded in an amount equal to the Reserve Requirement. Amounts on deposit in the Reserve Account for the Series 2018 Bonds (the "Series 2018 Reserve Account") shall only be used to make payments of principal and interest on the Series 2018 Bonds.

Initially, on the date of issuance of the Series 2018 Bonds, the Reserve Requirement for the Series 2018 Bonds (the "Series 2018 Reserve Requirement") will be satisfied by depositing a Reserve Account Insurance Policy purchased from Build America Mutual Assurance Company with coverage equal to the Series 2018 Reserve Requirement.

No payments need be made into the Series 2018 Reserve Account as long as the sums of the money in the Series 2018 Reserve Account and the insurance in effect under any Reserve Account Insurance Policy are equal to or greater than the Series 2018 Reserve Requirement and all proceeds paid pursuant to the Series 2018 Reserve Account Insurance Policy, if any, have been repaid. Money in the Series 2018 Reserve Account will be accumulated and maintained as a continuing reserve to be used, except as provided in the Master Ordinance, only to prevent deficiencies in the payment of the principal or interest on the Series 2018 Bonds. In the future, the City may fund all or a portion of the Series 2018 Reserve Requirement with respect to the Series 2018 Reserve Account with a Reserve Account Insurance Policy. A Reserve Account Insurance Policy may be any insurance policy, letter of credit or surety bond deposited in the Series 2018 Reserve Account in lieu of or in partial substitution for cash or securities. Any such Reserve Account Insurance Policy must either extend to the final maturity of the Series 2018 Bonds, or the City must agree, by supplemental ordinance, that the City will replace such Reserve Account Insurance Policy prior to its expiration with another Reserve Account Insurance Policy, or with cash, and the face amount of the Reserve Account Insurance Policies, together with amounts on deposit in the Series 2018 Reserve Account, including the face amount of any other Reserve Account Insurance Policy, are at least equal to the Series 2018 Reserve Requirement. For purposes of determining the amount on deposit in the Series 2018 Reserve Account, a Reserve Account Insurance Policy held by, or the benefit of which is available to, the City as security for the Series 2018 Bonds will be deemed to be a deposit in the stated amount of the Reserve Account Insurance Policy, except that, if the amount available under the Reserve Account Insurance Policy has been reduced as a result of a payment having been made thereunder or as a result of the termination, cancellation or failure of the Reserve Account Insurance Policy and not reinstated or another surety bond or credit facility provided, then, in valuing the Series 2018 Reserve Account, the value of the Reserve Account Insurance Policy will be reduced accordingly.

If the amount on deposit in the Debt Service Account for the Series 2018 Bonds (the "Series 2018 Debt Service Account") on a payment date and available Net Revenues are insufficient to pay the amount becoming due on the Series 2018 Bonds on that date, an amount

equal to the deficiency will be transferred from the Series 2018 Reserve Account to the Series 2018 Debt Service Account.

A sum equal to the amount in the Series 2018 Reserve Account used to pay Debt Service Requirements on the Series 2018 Bonds, plus interest, if any, owed on amounts advanced pursuant to a Reserve Account Insurance Policy, if any, will be deposited in the Series 2018 Reserve Account on a parity basis with other reserve accounts created for Subordinate Bonds, from the first Net Revenues received by the City which are not required to be otherwise applied pursuant to the Master Ordinance.

If all proceeds drawn on the Series 2018 Reserve Account have been reimbursed and paid, any amount on deposit in the Series 2018 Reserve Account in excess of the Series 2018 Reserve Requirement (taking into consideration the amount of insurance in effect under any applicable Reserve Account Insurance Policy, if any) may be withdrawn at any time from the Series 2018 Reserve Account and deposited in the Replacement Fund. However, any excess which represents original proceeds of the Series 2018 Bonds, or interest thereon, will first be used to pay Debt Service Requirements on the Series 2018 Bonds.

Rate Stabilization Fund

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

Additional Parity Senior Bonds

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

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

(a) a certificate prepared by an Authorized Officer of the City showing that the Net Revenues for the Historic Test Period (i.e. any 12 consecutive months within the 18-month period next preceding the delivery of additional Parity Bonds) of were at least equal to (i) 125% of the maximum combined annual Debt Service Requirements for all Outstanding Parity Senior Bonds which will be Outstanding immediately after the issuance of the proposed Parity Senior Bonds and (ii) 115% of the maximum combined annual Debt Service Requirements for

all Outstanding Parity Senior Bonds which will be Outstanding immediately after the issuance of the proposed Parity Senior Bonds and the Outstanding Subordinate Lien Bonds; or

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

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

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

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

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

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

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

Subordinate Obligations. Subordinate Bonds may be issued for the System purposes including, but not limited to, (i) financing the Costs of a Project; or (ii) providing additional funds for deposit into a Reserve Account or the Replacement Fund and paying the costs incident to the issuance of such Subordinate Bonds or any combination of the foregoing.

The tests required in the Bond Legislation shall be performed without adjustment for payments to or withdrawals from the Rate Stabilization Fund or interest accrued (other than amounts representing capitalized interest) in the Acquisition Fund. Except as permitted herein and by Article XXV, prior to the issuance of additional Subordinate Bonds, the City shall be current in making all deposits required by Article XVIII and the following test shall be satisfied:

(a) A certificate prepared by an Authorized Officer of the City showing that the Net Revenues for the Historic Test Period were at least equal to 115% of the maximum combined annual Debt Service Requirements for all Outstanding Parity Senior Bonds and Subordinate Bonds after the issuance of the proposed Subordinate Bonds, or

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

i. The Net Revenues for the Historic Test Period were at least equal to 100% of the maximum combined annual Debt Service Requirements for all Outstanding Parity Senior Bonds and Subordinate Bonds immediately preceding the issuance of the proposed additional Subordinate Bonds;

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

iii. The estimated Net Revenues for each of the three Fiscal Years immediately following the latest estimated Completion Date for the specified Project to be financed with the proceeds of the proposed additional Subordinate Bonds, as at least equal to 115% of the maximum combined annual Debt Service Requirements for all Outstanding Parity Senior Bonds and Subordinate Bonds which will be outstanding immediately after the issuance of the proposed additional Subordinate Bonds.

For purposes of subsection (b)(i) and (ii) above, in estimating Net Revenues, the Consulting Engineer may take into account (1) reasonable Gross Revenues from specified Projects expected to become available, (2) any increase in fees, rates, charges, rentals or other sources of Gross Revenues which have been approved by the City and will be in effect during the period for which the estimates are provided, and (3) any other increases in Gross Revenues for such period which the Consulting Engineer certifies to be reasonable for purposes of such certificate. With respect to Operation and Maintenance Expenses, the Consulting Engineer shall use such assumptions as the Consulting Engineer believes to be reasonable, and taking into account, (i) historical Operation and Maintenance Expenses, (ii) Operation and Maintenance Expenses

associated with the specified Projects and (iii) such other factors, including inflation and changing operations or policies of the City, as the Consulting Engineer believes to be appropriate. The Consulting Engineer shall include in the certificate or in a separate accompanying report a description of the assumptions used and the calculations made in determining the estimated Net Revenues and shall also set forth the calculations of the maximum combined annual Debt Service Requirements, which calculations may be based upon information provided by another Consulting Engineer or Consultant.

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

In determining whether additional Subordinate Bonds may be issued pursuant to this Section 24.05, a written certificate or opinion of a Consulting Engineer shall be conclusively presumed to be accurate in determining the right of the City to authorize, issue, sell and deliver the additional Subordinate Bonds.

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

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

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

DEBT SERVICE REQUIREMENTS FOR THE SERIES 2018 BONDS

The following table shows the debt service requirements for the Series 2018 Bonds for each fiscal year ending June 30:

TABLE 1*
SERIES 2018 BONDS

Fiscal Year Ending June 30	Principal ⁽¹⁾	Interest ⁽²⁾	Total Debt Service ⁽¹⁾⁽²⁾⁽³⁾
2019	\$ 50,000	%	\$
2020	230,000		
2021	350,000		
2022	645,000		
2023	770,000		
2024	740,000		
2025	920,000		
2026	985,000		
2027	865,000		
2028	905,000		
2029	805,000		
2030	950,000		
2031	1,175,000		
2032	1,315,000		
2033	1,445,000		
2034	1,590,000		
2035	1,690,000		
2036	1,800,000		
2037	1,910,000		
2038	2,030,000		
	\$21,170,000		\$

* Preliminary, subject to change.

⁽¹⁾ Assumes \$21,170,000 aggregate principal amount of Series 2018 Bonds.

⁽²⁾ Rounded to the nearest dollar.

⁽³⁾ Assumes average interest rate of _____%.

PRO FORMA SCHEDULE OF NET REVENUES, DEBT SERVICE AND COVERAGE

The following table sets out debt service requirements for the Series 2018 Bonds, estimated Net Revenues (based upon the amount of unaudited Net Revenues that the City received for its fiscal year ended June 30, 2017, without any adjustment for changes in such amount in future years) and calculations of the respective debt service coverage ratio for each of the following Fiscal Years:

TABLE 2
City of Las Cruces, New Mexico
Pro Forma Schedule of Net Revenues of the System
Debt Service and Coverage^{*(1)}

Fiscal Year Ending June 30	Parity Senior Debt Service	Proposed Series 2018 Subordinate Lien Debt Service	Total Combined Senior and Subordinate Debt	Net Revenues ⁽²⁾ without Anticipated Savings	Senior Debt Service Coverage without Anticipated Savings	Senior and Subordinate Debt Service Coverage without Anticipated Savings	Anticipated Energy Savings ⁽³⁾	Senior Coverage with Anticipated Savings ⁽³⁾	Senior and Subordinate Debt Service Coverage with Anticipated Savings ⁽³⁾
2017	\$7,240,452	-	\$7,240,452	\$11,362,373	1.57	-	-	1.57	-
2018	7,854,051	-	7,854,051	12,152,373	1.55	-	-	1.55	-
2019	8,015,670	\$ 473,700	8,489,370	12,152,373	1.52	-	\$ 933,550	1.63	-
2020	7,999,632	1,075,400	9,075,032	12,152,373	1.52	1.34	1,121,616	1.66	1.46
2021	8,001,339	1,186,200	9,187,539	12,152,373	1.52	1.32	1,234,443	1.67	1.46
2022	8,004,027	1,467,200	9,471,227	12,152,373	1.52	1.28	1,526,662	1.71	1.44
2023	8,008,250	1,566,400	9,574,650	12,152,373	1.52	1.27	1,630,066	1.72	1.44
2024	7,997,466	1,510,600	9,508,066	12,152,373	1.52	1.28	1,570,799	1.72	1.44
2025	7,954,904	1,655,800	9,610,704	12,152,373	1.53	1.26	1,725,397	1.74	1.44
2026	7,189,048	1,684,000	8,873,048	12,152,373	1.69	1.37	1,755,659	1.93	1.57
2027	5,987,826	1,524,600	7,512,426	12,152,373	2.03	1.62	1,589,794	2.30	1.83
2028	3,429,851	1,530,000	4,959,851	12,152,373	3.54	2.45	1,595,274	4.01	2.77
2029	3,430,801	1,393,800	4,824,601	12,152,373	3.54	2.52	1,451,325	3.97	2.82
2030	3,435,378	1,506,600	4,941,978	12,152,373	3.54	2.46	1,569,998	3.99	2.78
2031	3,430,559	1,693,600	5,124,159	12,152,373	3.54	2.37	1,762,307	4.06	2.72
2032	3,267,095	1,786,600	5,053,695	12,152,373	3.72	2.40	1,859,119	4.29	2.77
2033	3,269,188	1,869,000	5,138,188	12,152,373	3.72	2.37	1,944,205	4.31	2.74
2034	3,268,537	1,951,000	5,219,537	12,152,373	3.72	2.33	2,032,838	4.34	2.72
2035	3,038,402	1,992,400	5,030,802	12,152,373	4.00	2.42	2,072,324	4.68	2.83
2036	1,475,656	2,029,600	3,505,256	12,152,373	8.24	3.47	2,112,994	9.67	4.07
2037	346,658	2,067,600	2,414,258	12,152,373	35.06	5.03	2,154,884	41.27	5.93
2038		2,111,200	2,111,200	12,152,373	-	5.76	2,198,032	-	6.80
	\$112,644,790	\$32,075,300	\$144,720,090						

* Preliminary, subject to change; based upon an average coupon of 4.00%.

(1) Rounded to the nearest dollar.

(2) In FY2017, the City acquired the Jornada water utility in an asset-only acquisition with the proceeds of the Series 2016 Bonds. The Jornada water system serves approximately 3,500 customers within and outside of the City limits and generates approximately \$1,500,000 in revenues per year. FY 2017 Net Revenues reflect actual net revenues received for the fiscal year which included only one half year's net revenues from Jornada. Net Revenues for FY2018 through FY 2038 include an additional \$790,000 to reflect a full years' revenue for the Jornada water utility acquisition.

(3) Energy savings anticipated under the Guaranteed Utility Savings Contract with Johnson Controls Inc. For a description of the energy savings measures to be implemented with the proceeds of the Series 2018 Bonds, see "PROJECT" herein.

JOINT UTILITY SYSTEM

General

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

The proceeds of sale of the Series 2018 Bonds will be used to finance the costs of the Project, as more fully described under "THE PROJECT" above. The term "System" as used in this Official Statement refers to the joint water, wastewater and natural gas utilities, as previously defined. The term "System" does not include the solid waste utility.

Utility Governance

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

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

The Utility Board is authorized to develop a long-range strategic policy direction for the System, recommends rates to the City Council for the System and water/wastewater development impact fees, using industry accepted methodology. The Utility Board does not have the authority to approve rates, issue debt, sell or dispose of assets, or initiate litigation in the name of the City. Initially, membership of the Utility Board consisted of the members of the City Council. Pursuant to the Utility Board's By-Laws, five non-council members were subsequently appointed to serve on the Utility Board. Two City Council members will always remain on the Utility Board and shall serve four-year terms, while the remaining five members will be public members serving unlimited four-year terms. The City Manager and the Utilities

Director serve as ex-officio non-voting members of the Utility Board. The current Utility Board consists of Mr. William Little (Chair), Councilor Gill Sorg (Vice-Chair), Mr. Jim Carmichael, Mr. Ed Archuleta, Dr. Harry Johnson, Mr. Steven Baumgarn, and Councilor Gabriel Vasquez.

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

Utility Management

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

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

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

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

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

Meei Montoya, P.E., has been appointed Interim Wastewater Administrator with the retirement of Klaus Kemmer at the start of the new year.

Employees

For the revised fiscal year 2018, the Joint Utilities Department was authorized to employ 288.4 full-time employees, of which 60 work in Administrative Services, 27 work in Regulatory and Environmental Services/Technical Support, 7.4 are under the Director's Office, 57 work in Gas Services, 42 work in Wastewater Services, 47 work in Water Services and 48 work in Solid Waste Services. The City reports that its relationship with the employees of the Joint Utilities Department is good.

Budgeting

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

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

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

Accounting and Auditing

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

Enforcement of Rates and Charges

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

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

Connection, Billing and Collection Procedures

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

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

Collection Procedures. The City continuously monitors utility accounts for delinquencies. When a customer fails to pay its account balance, 23 days after the date on which the bill was initially issued, the customer will be assessed a Late Payment Penalty Fee and mailed a Shutoff Notice. Services may be disconnected shortly after the thirty-seventh day, and on day 92 the account is turned over to a collection agency.

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

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

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

Insurance

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

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

Equipment Reserves

The City's practice is to create reserves for the acquisition and replacement of equipment as needed or services require. As of June 30, 2017, the System equipment reserves were approximately \$2.5 million. The System equipment reserves are recognized separately in the Joint Utilities Funds rather than the general government equipment reserves.

Water Utility

The City began providing water service to its citizens in the early 1900s. The service area of the water utility consists of approximately 90% of the land area within the City limits, or approximately 41 square miles. The water utility had 35,099 connections as of June 30, 2017 with an average daily consumption in 2017 of 16.01 million gallons. See “Water Consumption” below. The balance of the land area of the City is largely undeveloped. Two small private water companies operate within the water utility’s service area.

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

Due to its location on the Rio Grande River, the City has physical access to this surface water as a source of supply. However, the Rio Grande supply is fully appropriated to others, and the City relies entirely upon ground water obtained from 41 wells for its water supply. The City’s wells tap the Mesilla and Jornada del Muerto Bolsons, which are regional “basin-fill” aquifers that contain large quantities of fresh water. Existing wells have maintained a high rate of production without significant long-term draw-downs, due principally to the hydrological interconnection between the aquifer and the Rio Grande stream system. The quality of the City’s ground water supply is reported as generally good, although some wells produce water with elevated levels of salinity or temperature and others require treatment for iron and manganese. Most of the City’s wells produce water directly to the distribution piping network.

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

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

Water Storage and Distribution Facilities. Associated with the water wells are 25 ground storage tanks and 17 pump stations. The reservoir capacity totals 257.9 million gallons and includes the 24 ground storage tanks and 1 elevated tank. All reservoir storage tanks are of steel construction and are in good condition. There are 14 pressure zones with numerous flow-regulating valves are located throughout the City to isolate and maintain static pressure of

between 40 and 100 pounds per square inch. The City has 17 pump stations to transfer production between reservoirs and to charge the distribution system.

The water distribution system contained approximately 704 miles of transmission and distribution lines as of June 30, 2017. The City considers the water transmission and distribution systems to be in good condition and of adequate size to serve system demand including fire flows. Subdivision developers are required to furnish and install all water and sewer lines within their subdivisions.

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

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

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

Major Water Utility Customers. The following is a list of the five largest users of the water utility (based on percentage of total water utility revenues) for the City's fiscal year ended June 30, 2017, according to the City's utility records. Total unaudited water utility sales revenues for the City's fiscal year ended June 30, 2017 were approximately \$12,672,466. The five largest users of the water utility accounted for approximately 3.89% of such total water utility revenues.

TABLE 3
City of Las Cruces, New Mexico
Water Utility
Five Largest Users of Water Utility
Fiscal Year Ended June 30, 2017⁽¹⁾

Name	Type of Business	Annual Water Revenues
Mayfield High School	Las Cruces Public Schools	\$142,570
F&A Dairy Products, Inc.	Cheese Processing Plant	110,748
Southern NM Correctional	Prison	91,271
Memorial Medical Center (PHC)	Hospital	82,898
Dona Ana County Detention	Prison	65,353
Total		<u>\$492,840</u>

⁽¹⁾ Unaudited.

Source: The City of Las Cruces – Utilities Department

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

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

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

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

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

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

Year Ended June 30 ⁽¹⁾	Total Water Consumption ⁽²⁾	% Change	Peak Month Consumption ⁽³⁾	Average Daily Consumption ⁽³⁾	Average Number of Customers Served
2011	5,553	2.89%	20.3	15.21	31,723
2012	5,629	1.37%	21.7	15.42	31,924
2013	5,681	0.92%	21.1	15.56	31,934
2014	5,598	(1.46%)	20.6	15.34	32,209
2015	5,300	(5.32%)	21.0	14.52	32,380
2016	5,468	3.16%	20.2	14.98	32,653
2017 ⁽⁴⁾	5,842	6.84%	20.52	16.01	35,099

⁽¹⁾ Includes reclaimed consumption and customer count.

⁽²⁾ Million gallons.

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

⁽⁴⁾ There was increased water consumption in second half of the fiscal year due to the acquisition of Jornada Water Company as described in footnote 2 to Table 2.

Source: The City of Las Cruces

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

Wastewater Utility

The City's wastewater utility provides service to approximately 93% of the households in Las Cruces, the balance being served by septic tanks. The wastewater utility had 34,048 connections as of June 30, 2017. The City also treats the wastewater from the collection systems of New Mexico State University, the Town of Mesilla, the Village of Doña Ana, the Village of San Pablo, the Village of Tortugas, Holy Cross Retreat Center, Southern New Mexico Correctional Facility, Watson Lane Mobile Home Park and Winterhaven Mobile Home Park.

The collection system consists of approximately 550 miles of collection lines of primarily clay, iron pipe and PVC construction and some concrete. The wastewater collection system includes 19 lift stations and 8 permanent odor control stations.

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

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

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

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

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

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

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

Fiscal Year Ended June 30	Total Billing Units ⁽¹⁾	% Change	Monthly Peak Flow ⁽²⁾	Average Daily Discharge ⁽²⁾	Average Number of Customers Served
2011	3,743	4.99%	10.88	10.25	31,734
2012	3,616	(3.39%)	10.40	9.91	32,094
2013	3,509	(2.96%)	10.14	9.61	32,394
2014	3,596	2.48%	9.98	9.85	32,767
2015	3,605	0.25%	10.04	9.88	33,098
2016	3,575	(0.83%)	9.86	9.79	33,518
2017 ⁽³⁾	3,557	(0.50%)	9.09	9.74	34,048

⁽¹⁾ Million gallons.

⁽²⁾ Million gallons per day.

⁽³⁾ Unaudited.

Source: The City of Las Cruces

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

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

Major Wastewater Utility Customers. The following is a list of the five largest customers of the wastewater utility (based on percentage of total wastewater utility revenues) for the City's fiscal year ended June 30, 2017, according to the City's utility records. Total wastewater utility sales revenues for the City's fiscal year ended June 30, 2017 were \$9,592,158.79. The five largest customers of the wastewater utility accounted for approximately 9.20% of such total wastewater utility revenues.

TABLE 6
City of Las Cruces, New Mexico
Wastewater Utility
Five Largest Users of Wastewater Utility
Fiscal Year Ended June 30, 2017⁽¹⁾

Name	Business	Annual Wastewater Revenues
New Mexico State University	University	\$366,090
Olam West Coast Inc.	Processor of Agricultural Products	193,118
Mountain View	Hospital	132,958
Memorial Medical Center (PHC)	Medical Facility	102,242
Dona Ana County Building	Government Building	88,509
Total		<u>\$882,917</u>

⁽¹⁾ Unaudited.

Source: The City of Las Cruces

Natural Gas Utility

The City's gas utility served approximately 40,391 customers as of June 30, 2017 and has approximately 1000 miles of gas lines. The City's gas utility is configured in three parts, each of which operates at a different pressure level. The City's transmission lines transport gas from El

Paso Natural Gas Company (“EPNGC”) to the City limits. Within the City limits, the high pressure system operates at 350 pounds per square inch gauge (“psig”) and moves gas around the perimeter of the City. The high intermediate pressure (“HIP”) system receives gas from the high pressure system and transfers the gas inside the City’s service area to the low pressure system. The low pressure system, which is intended to operate at approximately 15 psig, distributes the gas to residential and commercial gas customers.

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

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

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

Fiscal Year Ended June 30	Total Sales at 14.73 PSI ⁽¹⁾	% Change	Average Daily Use ⁽¹⁾	Average Number of Customers Served
2011	3,169,723	7.9%	8,684	36,882
2012	3,474,926	9.6%	9,520	39,466
2013	3,383,442	(2.6%)	9,270	38,844
2014	3,152,162	(6.8%)	8,636	39,008
2015	3,085,969	(2.1%)	8,455	39,299
2016	3,206,196	3.9%	8,784	39,846
2017 ⁽²⁾	2,995,732	(6.56%)	8,207	40,391

⁽¹⁾ Million cubic feet.

Source: The City of Las Cruces.

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

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

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

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

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

Major Gas Utility Customers. The following is a list of the five largest customers of the natural gas utility (based on percentage of total natural gas utility revenues) for the City's fiscal year ended June 30, 2017, according to the City's utility records. Total natural gas utility sales revenues and costs of gas for the City's fiscal year ended June 30, 2017 were approximately \$20,332,888. The five largest customers of the natural gas utility accounted for approximately 19.53% of such total natural gas utility revenues.

TABLE 8
City of Las Cruces, New Mexico
Natural Gas Utility
Five Largest Users of Natural Gas Utility
Fiscal Year Ended June 30, 2017⁽¹⁾

Name	Business Type	Annual Gas Revenues
NMSU Co-Gen /Boilers	University	\$2,269,106
F&A Dairy Products	Cheese Processing Plant	771,194
Olam West Coast Inc.	Processor of Agricultural Products	295,006
Memorial Medical Center (PHC)	Hospital	379,219
New Mexico State University	University	122,939
Total		<u><u>\$3,970,344</u></u>

Source: The City of Las Cruces

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

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

Five-Year Summary of Financial Information on the System

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

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

	2013	2014	2015	2016 ¹	2017
Assets					
Current assets					
Cash and investments	\$ 32,367,426	\$ 37,309,618	\$ 36,364,828	\$ 46,365,646	\$ 34,644,619
Accounts receivable	3,906,695	3,553,643	3,045,318	3,053,028	4,343,987
Due from other governments	155,363	155,363	9,756	1,093,513	9,756
Inventories	1,257,714	1,646,865	532,065	1,731,301	1,824,229
Total current assets	37,687,198	42,665,489	39,951,967	52,243,488	40,822,591
Non-current assets					
Restricted cash and investments	15,538,839	12,804,578	24,072,964	28,950,241	27,413,239
Notes receivable	205,798	35,297	526,936	457,019	439,796
Advance to other funds	3,405,340	3,070,260	2,781,022	2,480,000	2,166,714
Other	551,567	-	-	-	-
Capital assets	323,126,339	327,566,326	331,188,293	341,934,043	378,300,032
Less accumulated depreciation	(114,982,003)	(122,742,697)	(129,990,479)	(137,805,044)	(145,054,352)
Net capital assets	208,144,336	204,823,629	201,197,814	204,128,999	233,245,680
Total non-current assets	227,845,880	220,733,764	228,578,736	236,016,259	263,265,429
Total assets	265,533,078	263,522,634	269,792,635	288,259,747	304,088,020
Deferred outflows of resources	-	123,381	1,561,870	1,170,607	5,925,468
Liabilities					
Current Liabilities					
Accounts and contracts payable	1,219,866	1,408,782	1,864,945	3,767,587	4,454,396
Accrued liabilities	962,374	863,339	845,454	702,790	737,450
Unearned/deferred revenue	502,025	820,123	-	-	-
Current portion of noncurrent liabilities	4,324,745	4,431,043	4,982,381	4,631,011	5,407,499
Total current liabilities	7,009,010	7,523,287	7,692,780	9,101,388	10,599,345
Non-current Liabilities:					
Customer Deposits	1,034,259	945,662	984,799	1,035,291	1,031,530
Revenue bonds payable	50,429,217	46,125,917	50,869,609	64,550,788	76,430,810
Notes payable	-	-	-	-	-
Compensated absences	548,356	414,190	572,335	608,497	681,889
Advance from other funds	3,348,175	3,070,260	2,781,022	2,480,000	2,166,714
Net pension liability	-	-	5,181,391	6,833,319	12,477,361
Total non-current liabilities	55,360,007	50,556,029	60,389,156	75,507,895	92,788,304
Total liabilities	62,369,017	58,079,316	68,081,936	84,609,283	103,387,649
Deferred inflows of resources	-	-	2,199,947	311,964	142,353
Net Position					
Net investment in capital assets	147,243,741	148,599,254	154,111,574	194,563,328	174,475,799
Restricted for customer deposits	1,034,258	945,662	984,799	1,035,291	1,031,530
Restricted for capital projects	6,231,381	5,718,361	9,519,314	7,749,850	3,561,131
Restricted for debt service	8,273,200	6,140,554	13,568,852	20,165,101	22,820,578
Unrestricted	40,381,481	44,039,487	22,888,083	(19,004,463)	4,594,448
Total net position	\$203,164,061	\$205,443,318	\$ 201,072,622	\$204,509,107	\$206,483,486

¹In 2016, approximately \$27,000,000 of unspent bond proceeds was included in net investment in capital assets which should have been included in unrestricted net position. The net investment for capital assets for the joint utility system should have been stated as \$167,750,000, and the unrestricted net position should have been stated as \$7,808,537. City staff discussions with the auditor resulted in no restatement of the 2016 audit.

Soucre: The City of Las Cruces audited financial statements

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

	2013	2014	2015	2016	2017
Operating Revenues					
Sales/charges	\$ 51,103,854	\$ 51,855,551	\$ 49,504,589	\$ 47,713,483	\$ 50,562,998
Provision for uncollectable accounts	(213,065)	(69,000)	(107,817)	(373,173)	444,271
Net sales/charges	50,890,789	51,786,551	49,396,772	47,340,310	51,007,269
Utility extension/service fee	379,814	396,998	347,650	421,822	438,318
Rentals	625	-	1,369	769	769
Other	363,968	226,108	265,735	146,692	8,317,655
Total operating revenues	51,635,196	52,409,657	50,011,526	47,909,593	59,764,011
Cost of gas, water, and services respectively	-	-	(12,533,292)	(9,564,073)	(10,788,432)
Gross Margin	-	-	37,478,234	38,345,520	48,975,579
Operating Expenses					
Personnel services	8,251,178	8,341,881	8,182,325	8,012,263	13,878,669
Cost of gas purchased	13,111,258	14,697,387	-	-	-
Supplies	1,486,709	1,425,987	1,632,229	2,055,252	2,433,295
Utilities	2,474,735	2,699,557	2,477,527	2,856,243	2,582,489
Professional services	2,465,199	2,303,909	2,813,515	3,155,089	4,888,416
Repairs and maintenance	3,488,321	3,143,423	3,261,740	4,701,495	3,806,641
Rent	33,161	37,010	24,460	43,877	69,835
Depreciation and amortization	7,712,271	7,757,732	7,883,399	8,015,267	8,459,929
Payment in lieu of taxes	1,640,181	1,717,464	1,771,254	1,654,956	1,730,341
Administrative charges from other funds	1,649,941	1,684,693	1,900,492	7,865,572	8,844,540
Customer service	4,831,885	5,376,074	6,012,837	-	-
Insurance	713,036	713,036	633,465	216,700	358,154
Cost of water	185,383	121,978	-	-	-
Pension expense	-	-	-	641,066	757,733
Other	1,073,005	222,810	30,579	95,654	117,804
Total Operating Expenses	49,116,263	50,242,941	36,623,822	39,313,434	47,927,846
Operating income (loss)	2,518,933	2,166,716	854,412	(967,914)	1,047,733
Non-operating revenue (expenses)					
Gain (loss) on sale of capital assets	(22,953)	40,781	35,044	72,320	143,244
Investment income (loss)	(1,606,172)	1,311,239	2,519,164	2,361,235	124,370
Grants – federal/state	241,116	-	-	2,792,964	1,090,562
Interest expense	(1,955,370)	(2,403,464)	(2,407,306)	(2,271,519)	(2,073,765)
Total non-operating revenues (expenses)	(3,343,379)	(1,051,444)	146,902	2,955,000	(715,589)
Income (loss) before capital contributions and transfers	(824,446)	1,115,272	1,001,314	1,987,086	333,144
Capital contributions	1,289,455	230,868	293,633	327,499	265,983
Transfers					
Transfers in	993,692	933,117	1,000,060	2,424,854	7,177,235
Transfers out	-	-	-	(1,302,954)	(5,801,983)
Change in net position	1,458,701	2,279,257	2,295,007	3,436,485	1,974,379
Net position, beginning of year	201,705,360	203,164,061	205,443,318	201,072,622	204,509,107
Net position, end of year	<u>\$203,164,061</u>	<u>\$205,443,318</u>	<u>\$201,072,622</u>	<u>\$204,509,107</u>	<u>\$206,483,486</u>

Source: The City of Las Cruces

Management Discussion and Analysis of Operating Results

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

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

	2013	2014	2015	2016	2017
Total Operating Revenue	\$51,635,196	\$52,409,657	\$50,011,524	\$47,909,593	\$59,764,011
Less: Total Operating Expenses	(49,116,263)	(50,242,941)	(49,157,113)	(48,877,507)	(47,927,846)
Plus: Depreciation/Amortization	7,712,271	7,757,732	7,883,399	8,015,267	8,459,929
Plus: Payment in Lieu of Taxes	1,640,181	1,717,464	1,771,254	1,654,956	1,730,341
Plus: Investment Income (Loss)	(1,606,172)	1,311,239	2,519,164	2,361,235	124,370
Total Pledged Revenues	\$10,265,213	\$12,953,151	\$13,028,229	\$11,063,544	\$11,362,373
Annual Debt Service	\$ 6,120,941	\$ 6,103,660	\$ 7,087,667	\$ 6,771,424	\$ 7,240,452
Historical Debt Service Coverage	1.68	2.12	1.84	1.63	1.57

Source: The City of Las Cruces.

The City's water and wastewater revenues have experienced consistent steady growth from Fiscal Year 2009 through Fiscal Year 2016. Fiscal Year 2017 unaudited water revenues were \$12,672,466.74 and unaudited wastewater revenues were \$6,796,076. The City's gas sales fluctuate with the weather and cost of gas, but steady growth in the number of customers tends to increase sales of gas in the long term. An added commodity gas cost rate provides for the recovery of the cost of natural gas.

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

The Joint Utilities Department is committed to setting rates to be approved by the Utility Board in accordance with regulatory requirements established in connection with the City's joint utility bond ordinances as well as other ordinances. The water utility and the wastewater utility implemented increased rates for water and wastewater service following Utility Board approval on August 12, 2010 meeting. See "SYSTEM RATES" herein. Additionally, the rates for natural gas were completed and approved by the Utilities Board in August 2013. A five-year capital improvement plan is reviewed as part of the budget process each year. The City has a diversified customer base for each utility. In fiscal year 2017, the five largest water, wastewater and gas customers represented 4.14%, 8.92% and 18.33%, respectively, of total sales.

SYSTEM RATES

General

On September 11, 2008, the Utility Board adopted Resolution No. 08-09-024, to establish its Rate Making Procedures for the System. Generally, the basic principal is to set rates so that

each of the System's utilities separately achieves the amount of revenue that must be recovered through billing to meet the projected cost of the utilities. In the event that revenues generated by existing rates are not sufficient to cover costs necessary to provide efficient, safe and reliable service, the Joint Utilities Department will file an application for a rate change. Within nine (9) months from the date of the application for a rate increase, the Utility Board will review the information and data pertinent to the rate increase request, hold a hearing, and provide a written decision regarding the outcome of the requested rate increase. The City Council acts as the appeals board for appeals related to action taken by the Utility Board related to rate-making. Copies of the Utility Board's Rate Making Procedures may be requested from the City's Joint Utilities Department, 680 North Motel Blvd., Las Cruces, New Mexico 88007.

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

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

Water Utility

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

TABLE 12
City of Las Cruces, New Mexico
Water Utility
Water Rates
(as of June 30, 2017)

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

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

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

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

Source: The City of Las Cruces

A water utility rate study has been completed by Stantec and will be presented to the Utility Board to consider the recommended rate increases. The rate study recommends an increase in water rates which represents a 21% increase in total water utility revenue if implemented. The Utility Board will consider the rate increase and whether it should be passed over 1 to 3 years at its January 2018 meeting. After public outreach and information in February and March, the Utility Board will consider the rate increases in April, 2018. If approved by the Utility Board, the recommended rate ordinance will be considered by the City Council in May. New rates, if approved, would become effective July, 2018.

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

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

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

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

Gallons	2011	2012	2013	2014	2015	2016	2017
Minimum Charge	\$6.8200	\$6.8200	\$6.8200	\$6.8200	\$6.8200	\$6.8200	\$6.8200
0-3,000	\$0.7000	\$0.7000	\$0.7000	\$0.7000	\$0.7000	\$0.7000	\$0.7000
3,000+	\$2.0800	\$2.0800	\$2.0800	\$2.0800	\$2.0800	\$2.0800	\$2.0800
Water Rights Fee (per 1,000)	\$0.11	\$0.11	\$0.11	\$0.11	\$0.11	\$0.11	\$0.11

Source: City of Las Cruces Utilities

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

TABLE 14
City of Las Cruces, New Mexico
Comparison of Residential Water Rates
(as of June 30, 2017)

City	Bill Amount
Alamogordo, NM	\$34.29
Albuquerque, NM	\$32.21
El Paso, TX	\$35.10
Farmington, NM	\$57.33
Gallup, NM	\$63.35
Las Cruces, NM ⁽¹⁾	\$23.48
Average	\$40.96

⁽¹⁾ In-city customers.

Source: The City of Las Cruces

Wastewater Utility

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

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

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

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

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

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

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

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

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

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

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

The monthly fees for these classes are as follows:

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

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

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

Source: The City of Las Cruces

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

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

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

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

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

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

TABLE 15
City of Las Cruces, New Mexico
Wastewater Utility
Comparison of Residential Sewer Rates
Based on 5,000 Gallons
(as of June 30, 2017)

City	Bill Amount
Alamogordo, NM	\$23.59
Albuquerque, NM	\$14.23
El Paso, TX	\$18.77
Farmington, NM	\$32.88
Gallup, NM	\$23.46
Las Cruces, NM ⁽¹⁾	\$15.00
Average	\$21.32

⁽¹⁾ In-city customers.

Source: The City of Las Cruces

Natural Gas Utility

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

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

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

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

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

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

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

Source: The City of Las Cruces

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

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

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

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

	2011	2012	2013	2014	2015	2016	2017
Monthly Access Charge	\$13.75	\$13.75	\$13.75	\$13.75	\$13.75	\$13.75	\$13.75
Volume Charge per dekatherm ⁽¹⁾	\$1.330	\$1.3330	\$1.30	\$1.30	\$1.30	\$1.30	\$1.340

⁽¹⁾ Excludes cost of gas recovery rate.
Source: The City of Las Cruces

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

TABLE 18
City of Las Cruces, New Mexico
Natural Gas Utility
Comparison of Average Residential Natural Gas Rates for Summer and Winter
Based on 4 Dekatherms*
(as of June 30, 2017)

City	Bill Amount ⁽¹⁾
Alamogordo, NM	\$20.68
Albuquerque, NM	\$20.68
El Paso, TX	\$31.97
Farmington, NM	\$20.68
Gallup, NM	\$20.68
Las Cruces, NM	\$19.11
Roswell, NM	\$20.68
Santa Fe, NM	\$20.68
Average	\$21.89

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

⁽¹⁾ Excludes cost of gas.

Source: The City of Las Cruces

Development Charges

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

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

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

Development fees are revenues of the System and are set aside in a Development Fund and used to pay the costs of extending and enlarging the System as the need arises. The amount collected in fiscal years 2010 through 2017 is as follows:

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

Fiscal Year Ended June 30	Water		Wastewater	
	Incl. Rate Base	Revenues From Developers & Customers	Incl. Rate Base	Revenues From Developers & Customers
2010	262,147	693,785	344,330	632,804
2011	305,188	866,157	250,000	677,111
2012	178,079	579,810	232,168	568,123
2013	235,069	841,006	287,840	678,404
2014	149,599	504,333	225,001	479,895
2015	147,235	602,785	226,562	638,266
2017	166,268	602,747	393,337	923,486

Source: The City of Las Cruces

THE CITY

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

FORWARD-LOOKING STATEMENTS

This Official Statement, and particularly the information contained under the headings entitled “SERIES 2018 BONDS-SUMMARY OF INFORMATION,” “INTRODUCTION,” “THE PROJECT,” “SOURCES AND USES OF FUNDS,” “SECURITY AND SOURCES OF PAYMENT FOR THE SERIES 2018 BONDS,” “PRO FORMA SCHEDULE OF NET REVENUES, DEBT SERVICE AND COVERAGE,” “JOINT UTILITY SYSTEM” “SYSTEM RATES,” Appendix A, and Appendix C, contain statements relating to future results that are “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. When used in this Official Statement, the words “estimate,” “forecast,” “intend,” “expect” and similar expressions identify forward-looking statements. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

CONTINUING DISCLOSURE

The City will enter into an undertaking (the “Undertaking”), in the form attached as Appendix D, for the benefit of the holders of the Bonds to provide (i) certain financial information by no later than March 31st of each year, beginning March 31, 2018 until the Bonds are no longer outstanding, and (ii) operating data, and to provide notice of certain events, pursuant to the requirements of section (b)(5)(i) of Rule 15c2-12 of the Securities and Exchange Commission (17 C.F.R. § 240.15c2-12). A failure by the City to provide any information required thereunder shall not constitute an Event of Default under the Master 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

The City’s annual disclosure filing for FY 2013 inadvertently omitted several tables that were required to be updated, and were subsequently filed with EMMA on July 28, 2014, with a Notice of Failure to Provide Annual Information dated August 1, 2014. Additionally, when the City filed its audit for 2014 on March 26, 2015, it failed to associate the CUSIPs related to the Joint Utility Refunding Revenue Bonds, Series 2010, Joint Utility Refunding Revenue Bonds, Series 2014A, and Joint Utility Improvement Revenue Bonds, Series 2014B to the filing. The City made a remedial filing on February 2, 2016 to associate all of the proper CUSIPs with its 2014 audit and filed a Notice of Failure to Provide Annual Financial Information.

Event Notices

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

Compliance with Continuing Disclosure Undertakings in Future Years

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

LITIGATION

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

There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, which is pending or threatened, challenging the creation, organization or existence of the City or the titles of its officers to their respective offices, or seeking to restrain or enjoin the issuance, sale or delivery of the Series 2018 Bonds, or for the purpose of restraining or enjoining the collection of the revenues of the System or the pledge or application of the revenues of the System as provided in the Master Ordinance, or directly or indirectly contesting or affecting the proceedings or the authority by which the Series 2018 Bonds are issued, the legality of the purpose for which the Series 2018 Bonds are issued or the validity of the Series 2018 Bonds or the issuance thereof or the security therefor.

INDEPENDENT ACCOUNTANTS

The general purpose financial statements of the City as of June 30, 2017 and for the year then ended, contained in Appendix A to this Official Statement, have been audited by Moss Adams LLP, Certified Public Accountants, Albuquerque, New Mexico, as set forth in their

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

MUNICIPAL ADVISOR

RBC Capital Markets, LLC ("RBC CM") is employed as Municipal Advisor to the City of Las Cruces in connection with the issuance of the Series 2018 Bonds. The Municipal Advisor's fee for services rendered with respect to the sale of the Series 2018 Bonds is contingent upon the issuance and delivery of the Series 2018 Bonds.

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

TAX EXEMPTION

General

In the opinion of Modrall, Sperling, Roehl, Harris & Sisk, P.A., Bond Counsel, to be delivered at the time of original issuance of the Series 2018 Bonds, under existing laws, regulations rulings and judicial decisions, and assuming compliance with covenants described herein, interest on Series 2018 Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. Bond Counsel is also of the opinion, based on existing laws of the State of New Mexico as enacted and construed, that interest on the Series 2018 Bonds is excludable from net income for present State of New Mexico income tax purposes.

The Internal Revenue Code of 1986, as amended (the "Code"), imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal tax purposes of interest on obligations such as the Series 2018 Bonds. The City has made various representations and warranties with respect to, and has covenanted in the Master Ordinance and other documents, instruments and certificates to comply with the applicable provisions of the Code to assure that interest on the Series 2018 Bonds will not become includible in gross income. Failure to comply with these covenants or the inaccuracy of these representations and warranties may result in interest on the Series 2018 Bonds being included in gross income from the date of issue of the Series 2018 Bonds. The opinion of Bond Counsel assumes compliance with the covenants and the accuracy of such representations and warranties.

Although Bond Counsel has rendered an opinion that interest on the Series 2018 Bonds is excludable from gross income for federal income tax purposes, the accrual or receipt of interest on the Series 2018 Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. Bond Counsel expresses no opinion regarding any such consequences. Before purchasing any of the Series 2018 Bonds, potential purchasers should

consult their tax advisors as to the tax consequences of purchasing or owning the Series 2018 Bonds.

The opinions expressed by Bond Counsel are based upon existing law as of the date of issuance and delivery of the Series 2018 Bonds, and Bond Counsel expresses no opinion as of any date subsequent thereto or with respect to any pending legislation.

From time to time, there are legislative proposals in Congress that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Series 2018 Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether if enacted, it would apply to Series 2018 Bonds issued prior to enactment. Each purchaser of the Series 2018 Bonds should consult his or her own tax advisor regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

Internal Revenue Service Audit Program

The Internal Revenue Service (the "Service") has an ongoing program auditing tax-exempt obligations to determine whether, in the view of the Service, interest on such tax-exempt obligations is includable in the gross income of the owners thereof for federal income tax purposes. No assurances can be given as to whether the Service will commence an audit of the Series 2018 Bonds. If an audit is commenced, under current procedures the Service will treat the City as the taxpayer and the Bond owners may have no right to participate in such procedure. Neither the Municipal Advisor, the Underwriters, nor Bond Counsel is obligated to defend the tax-exempt status of the Series 2018 Bonds. The City has covenanted in the Master Ordinance not to take any action that would cause the interest on the Series 2018 Bonds to become includable in gross income except to the extent described above for the owners thereof for federal income tax purposes. None of the City, the Municipal Advisor, the Underwriters, nor Bond Counsel is responsible to pay or reimburse the costs of any Bond owner with respect to any audit or litigation relating to the Series 2018 Bonds.

Original Issue Discount

The Series 2018 Bonds may be offered at a discount ("original issue discount") equal generally to the difference between public offering price and principal amount. For federal income tax purposes, original issue discount on a bond accrues periodically over the term of the bond as interest. The amount of original issue discount deemed received by the holder is excludable from gross income of the holder for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals. The accrual of original issue discount increases the holder's tax basis in the bond for determining taxable gain or loss from sale or from redemption prior to maturity. Holders of Series 2018 Bonds offered at an original issue discount should consult their tax advisors for an explanation of the accrual rules.

Original Issue Premium

The Series 2018 Bonds may be offered at a premium ("original issue premium") over their principal amount. For federal income tax purposes, original issue premium is amortizable periodically over the term of a bond through reductions in the holders' tax basis in the bond for determining taxable gain or loss from sale or from redemption prior to maturity. Amortizable

premium is accounted for as reducing the tax-exempt interest on the bond rather than creating a deductible expense or loss. Holders of Series 2018 Bonds offered at an original issue premium should consult their tax advisors for an explanation of the amortization rules.

LEGAL MATTERS

Modrall, Sperling, Roehl, Harris & Sisk, P.A., Albuquerque, New Mexico, as Bond Counsel, will render an opinion with respect to the validity of the Series 2018 Bonds and will render the opinions described above under "TAX EXEMPTION." The proposed form of such opinion is attached hereto as Appendix B. Modrall, Sperling, Roehl, Harris & Sisk, P.A., has also acted as Special Counsel to the City in connection with the preparation of the Official Statement. Certain legal matters will be passed upon for the Underwriters by Orrick, Herrington & Sutcliffe LLP. The fees of Bond Counsel and Special Counsel are contingent upon the issuance and delivery of the Series 2018 Bonds.

RATING

The Series 2018 Bonds have been assigned a rating of "___" from Moody's Investors Services ("Moody's"). An explanation of the significance of such rating may be obtained from Moody's.

Such rating reflects only the view of Moody's. The rating is not a recommendation to buy, sell or hold the Series 2018 Bonds and there is no assurance that the rating will not be revised downward or withdrawn entirely by the rating agency, if, in its judgment, circumstances so warrant. Any downward revision or withdrawal of such rating may have an effect on the market price of the Series 2018 Bonds.

UNDERWRITING

The senior managing underwriter of the Bonds is Hilltop Securities Inc., with Robert W. Baird & Co., Inc. serving as co-manager. The Underwriters have agreed, subject to certain conditions, to purchase the Series 2018 Bonds from the City pursuant to a Bond Purchase Agreement (the "Bond Purchase Agreement") at a price of \$_____ (being the par amount of the Series 2018 Bonds, plus a net reoffering premium of \$_____ and less an Underwriters' discount of \$_____). The Bond Purchase Agreement provides that the Underwriters will purchase all of the Series 2018 Bonds if any are purchased. The prices at which the Series 2018 Bonds are offered to the public (and the yields resulting therefrom) may vary from the initial public offering prices appearing on the inside cover page of this Official Statement. In addition, the Underwriters may allow commissions or discounts from such initial prices to dealers and others.

ADDITIONAL INFORMATION

The foregoing and subsequent summaries or descriptions of provisions of the Series 2018 Bonds and the Master Ordinance and all references to other materials not purporting to be quoted in full are only brief outlines of some of the provisions thereof and do not purport to summarize or describe all of the provisions thereof, and reference is made to such documents for full and complete statements of their respective provisions. The Appendices attached hereto are a part of this Official Statement which, together with the Master Ordinance, may be obtained from the City.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the City or the purchasers or owners of any of the Series 2018 Bonds.

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

CITY OF LAS CRUCES, NEW MEXICO

By: _____
Mayor

APPENDIX A

CERTAIN GENERAL INFORMATION REGARDING THE CITY OF LAS CRUCES

General

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

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

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

Government

The City was incorporated in 1907 and operates under a home rule charter with a Council-Manager form of government. Nonpartisan elections are held for members of the City Council of the City (the "Council") for the election of 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	November, 2019
Gregory Z. Smith	Councilor	November, 2019
Gabriel Vasquez	Councilor	November, 2021
Jack Eakman	Councilor	November, 2019
Gill Sorg	Councilor	November, 2021
Yvonne Flores	Councilor	November, 2021

Administrative Officers

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

City Manager:	Stuart C. Ed
City Clerk:	Linda Lewis
City Finance Director:	Rosie Duran
City Treasurer:	Karin Byrum
City Attorney:	Jennifer Vega-Brown

Other Employees

As of June 30, 2017, the City had approximately 1,500 full time, part time and seasonal employees, 575 of which are represented by labor unions. The City believes that relations with its employees are good.

Retirement Plan

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

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

In addition to retirement benefits, the Plan provides disability benefits, surviving spouse and children's benefits, deferred benefits option and cost of living adjustments for all eligible participants. Employer contributions to the pension plan amounted to \$7,698,013 for the fiscal year ended June 30, 2017. The City's liability under the Plan is limited to the periodic employer

contributions, as described above, that it is required to make for its participating employees. Future deficits of the Plan, are expected to be financed by the State.

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

City Budgets

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

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

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

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

City Strategic Plan

The City has developed a strategic planning process to set long term, broad, policy-level goals to guide actions, initiatives and projects. This planning process has evolved through several stages, most recently with the completion of the 2017-2021 plan.

The 2017-2021 plan theme key is Capital Improvements & Infrastructure (CI&I) Communication, Involvement & Follow-up (COMM&INV) Economic & Community Development (E&CD) Education (EDUC). The plan has 20 objectives organized by year:

- In 2017

- 1.) The Las Cruces community will experience greater engagement with their City government evidenced by:

- Council work sessions held in locations and districts across the City;

- Council members will work with the community to explore, discover, and discern the policy direction in key areas, such as: housing, economic development, education, health, utilities, public safety, transportation, capital improvement program, and quality of life: and establishment of a Citizen's academy. (COMM&INV)

2.) December 31, 2017 - Working with the University and other partners, downtown patrons will have access to restaurants, taverns, music, and art. (E&CD – Downtown)

• In 2018

3.) Jan 1, 2018 – The city will offer internships, apprenticeships, and mentorship programs to the Community.(EDUC)

4.) July 1, 2018 – The community will have City approved results-oriented plans for sidewalks, parks, median landscaping, and facilities. (CI&I)

5.) July1, 2018 – Information & referral services for families with young children will be integrated into all appropriate city services. (EDUC)

6.) July 1, 2018 – Las Cruces City government will be managing for results for customers as evidenced by:

- Department business plans;
- Performance based budgets,
- Performance Reports
- Performance Dashboards,
- Employee performance alignment, and performance contracting. (COMM&INV)

7.) The end of 2018 – 18 City-led sponsored events will be held downtown. (E&CD – DOWNTOWN)

8.) Dec 31, 2018 – Las Cruces businesses will be able to access all permitting and licensing services in an efficient, effective, customer-service focused one-stop shop. (E&CD -ONE-STOP SHOP)

• In 2019

9.) The relationship between the business community and the City will be strengthened as evidenced by:

- A one-stop shop for licensing and permitting;
- More small businesses locating downtown;
- Jointly sponsored events and educational programs;

- More businesses locating in the West Mesa Industrial Park;
- Percentage of high school and university graduates staying locally;
- Increased local contracting for City services and products; and
- Workforce education and development. (COMM&INV)

10.) Working with our partners, the community will have access to engaging public transportation connecting downtown, the University, and the Convention Center. (CI&I)

11.) Viewing internet access as utility, by 2019, fiber optic broadband access will be available to businesses in the West Mesa Industrial Park. (E&CD)

12.) Working with the schools, the community will experience greater access to services and facilities by way of the City and Las Cruces Public Schools' shared services. (EDUC)

• In 2020

13.) Wi-fi will be available in the downtown, plaza, and Mesquite neighborhood. (E&CD – DOWNTOWN)

• In 2021

14.) Dec 31, 2021 – City employees will experience safe working conditions and city vehicles & equipment will be maintained in a cost effective, centralized service center. (CI&I)

• In 2022

15.) The community will experience a cost effective, municipal court facility that better assures public safety and provides customer focused access to court services. (CI&I)

16.) Through public-private partnerships, 200 additional downtown living spaces will be available. (E&CD – DOWNTOWN)

17.) Las Cruces will have daily regional flights. (E&CD – TRANSPORTATION)

18.) The Las Cruces airport terminal will be renovated to accommodate 20,000 enplanements per year. (E&CD – TRANSPORTATION)

19.) Commuter rail service between Las Cruces and El Paso will be included in the 2025 Metropolitan Transportation Plans for El Paso and Mesilla Valley MPOs. (E&CD – TRANSPORTATION)

20.) Early childhood education for Las Cruces families will be enhanced with access to interactive children's museum facility. (EDUC)

Industry

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

Education

The Las Cruces School District No. 2 (the "District") is the second largest in the State, with an enrollment of approximately 25,174 students for school year 2016-2017. The district has 42 schools: 25 elementary schools (grades pre-K-5), 8 middle schools (grades 6-8), 5 high schools (grades 9-12), 2 alternative schools, including the San Andres Learning Center, which offers vocational and career technical programs for at-risk middle and high school students, and 2 charter schools.

New Mexico State University

New Mexico State University (the "University"), was originally founded in 1888, and in 1889 was established as a land grant college. The University consists of its main campus in the City, with branch campuses located in Alamogordo, Carlsbad, Grants, Doña Ana and a satellite learning center in Albuquerque. The University had a Fall 2017 enrollment (full-time equivalent) of 18,769 students (including four branch campuses). The Fall 2017 enrollment (full-time equivalent) for the Las Cruces campus was 11,286 full-time undergraduate and graduate students and 3,146 part-time undergraduate and graduate students. Twenty-eight doctoral programs, 46 master's degree programs, and 96 undergraduate degree programs are available in the University's 5 colleges (Agriculture, Consumer and Environmental Sciences, Arts and Sciences, Business, Education, Engineering, Extended Learning, Health and Social Services and Honors) and the Graduate School.

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

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

Agriculture

Many private and commercial farms are located in Doña Ana County. Principal crops include cotton, pecans, alfalfa, onions, lettuce, chile, barley, nursery stock, and feed grains. Water for the various agricultural operations is provided by surface water diverted from the Rio Grande River and approximately 900 irrigation wells. The area's growing season averages about 200 days each year. The livestock, dairy cattle, Stahmann Farms (2,000 irrigated acres), and the poultry industry also provide a significant portion of agricultural income. Several chile processing plants are located in the area with seasonal employment growing to nearly 1,000.

Transportation

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

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

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

Labor Force and Percent Unemployed

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

Employment Information

	Las Cruces MSA (Doña Ana County)		State of New Mexico		United States
Year	Labor Force	Percent Unemployed	Labor Force	Percent Unemployed	Percent Unemployed
2017*	95,596	7.1%	930,770	6.5%	4.4%
2016	95,001	7.2%	927,355	6.7%	4.9%
2015	93,527	7.3%	924,114	6.6%	5.3%
2014	93,496	7.3%	922,388	6.7%	6.2%
2013	93,699	7.5%	923,571	7.0%	7.4%
2012	93,744	7.3%	927,795	7.1%	8.1%
2011	93,382	7.5%	930,356	7.5%	8.9%
2010	93,583	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%

Source: New Mexico Department of Workforce Solutions.

* Average through October 2017.

Covered Wage and Salary Employment by NAICS Code Classification

The following is a history of wage and salary employment for the Las Cruces MSA. The New Mexico Department of Workforce Solutions publishes quarterly reports of covered employment and wages. Beginning with 2001 data, employment was classified according to the new North American Industry Classification System (NAICS).

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

Sector	2012	2013	2014	2015	2016	2017*
Grand Total	69,245	70,377	70,733	70,746	71,699	71,716
Total Private	51,208	52,390	52,866	53,050	54,000	54,040
Agriculture, Forestry, Fishing and Hunting	3,385	3,310	3,518	3,382	3,272	3,377
Mining	24	20	16	17	25	29
Utilities	394	398	400	420	427	408
Construction	3,405	3,486	3,449	3,517	3,668	3,766
Manufacturing	2,864	2,706	2,488	2,266	2,363	2,310
Wholesale Trade	1,072	1,217	1,170	1,220	1,235	1,178
Retail Trade	7,466	7,582	7,657	7,579	7,522	7,527
Transportation and Warehousing	1,490	1,353	1,326	1,424	1,514	1,567
Information	894	905	888	840	683	609
Finance and Insurance	1,655	1,735	1,764	1,774	1,761	1,725
Real Estate and Rental and Leasing	683	703	762	789	774	786
Professional and Technical Services	3,434	3,958	3,741	3,822	3,768	3,546
Management of Companies and Enterprises	51	35	39	41	47	48
Administrative and Waste Services	3,057	3,184	3,439	3,022	2,952	2,793
Educational Services	507	525	547	564	562	658
Health Care and Social Assistance	12,198	12,244	12,686	13,350	14,016	14,206
Arts, Entertainment, and Recreation	1,049	1,008	886	921	932	931
Accommodation and Food Services	6,269	6,731	6,772	6,903	7,246	7,378
Other Services, ex. Public Administration	1,313	1,292	1,317	1,202	1,233	1,197
Public Administration	18,037	17,987	17,867	17,696	17,699	17,676
Federal Government	3,870	3,742	3,613	3,481	3,439	3,368
State Government	5,586	5,604	5,562	5,541	5,713	5,511
Local Government	8,581	8,641	8,692	8,674	8,547	8,797

Source: New Mexico Department of Workforce Solutions.

* Average, Second Quarter 2017.

Major Employers

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

City of Las Cruces Principal Employers

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

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

Per Capita Income

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

<u>Year</u>	<u>Las Cruces MSA</u>	<u>New Mexico</u>	<u>United States</u>
2016	\$32,852	\$38,807	\$49,571
2015	32,233	38,025	48,190
2014	30,453	36,701	46,464
2013	29,305	34,752	44,493
2012	30,408	35,427	44,282
2011	29,868	34,737	42,461

Sources: New Mexico Department of Workforce Solutions and BEA, Survey of Current Business

Gross Receipts

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

Fiscal Year	City of Las Cruces		State of New Mexico	
	Retail Trade	Total	Retail Trade	Total
2016	\$1,490,765,115	\$5,335,023,100	\$24,506,857,479	\$107,507,232,815
2015	1,666,269,610	5,848,494,815	27,481,308,742	119,726,977,705
2014	1,301,462,507	4,705,931,789	22,899,776,792	101,985,746,985
2013	1,409,255,432	5,227,868,451	23,873,876,703	106,300,014,072
2012	1,430,446,622	5,324,304,225	23,914,774,137	104,221,140,366

Source: New Mexico Taxation and Revenue Department.

Effective Buying Income

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

Effective Buying Income Group	Las Cruces MSA	New Mexico	United States
Under \$25,000	33.0%	27.9%	21.9%
\$25,000 – 34,999	11.5%	10.8%	9.7%
\$35,000 – 49,999	15.2%	14.1%	13.2%
\$50,000 and over	15.5%	16.6%	17.4%
\$75,000 and over	24.8%	30.6%	37.8%
2017 Est. Median Household Income	\$40,477	\$47,043	\$57,462
2016 Est. Median Household Income	\$37,471	\$45,455	\$55,551
2015 Est. Median Household Income	\$40,884	\$45,633	\$53,706
2014 Est. Median Household Income	\$39,347	\$44,292	\$51,579
2013 Est. Median Household Income	\$35,981	\$43,273	\$49,297

Source: The Nielson Company, February 2017.

Age Distribution

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

Age Group	Las Cruces	New Mexico	United States
0-17	25.6%	23.9%	22.8%
18-24	13.9%	9.8%	9.8%
25-34	13.2%	13.3%	13.4%
35-44	10.9%	11.9%	12.6%
45-54	10.6%	11.9%	13.1%
55 and Older	25.8%	29.2%	28.3%

Source: The Nielson Company, February 2017.

Population

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

Population

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

Source: United States Census Bureau.

Assessed Valuations

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

History of Assessed Values

Tax Year	City of Las Cruces	Doña Ana County
2017	\$2,293,290,617	\$4,323,278,362
2016	2,215,682,442	4,193,488,596
2015	2,165,733,246	4,106,398,168
2014	2,102,950,157	3,975,407,290
2013	2,076,068,745	3,888,811,543
2012	2,046,371,786	3,845,596,953
2011	2,003,490,667	3,743,500,833
2010	2,031,926,985	3,773,206,269
2009	1,967,709,487	3,652,222,577
2008	1,870,174,486	3,457,180,390
2007	1,695,414,748	3,150,260,440

Source: City of Las Cruces Planning Department and Doña Ana County Assessor's Office, as of June 30, 2017.

APPENDIX B

FORM OF BOND COUNSEL OPINION

_____, 2018

City of Las Cruces
Las Cruces, New Mexico

\$ _____
City of Las Cruces, New Mexico
Subordinate Lien Joint Utility System Improvement Revenue Bonds
Series 2018

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 \$_____ Subordinate Lien Joint Utility System Improvement Revenue Bonds, Series 2018 (the “Series 2018 Bonds,” or the “Bonds”). The Bonds are issued pursuant to the Constitution and laws of the State of New Mexico (the “State”), Ordinance No. 1593 adopted on December 18, 1996, as amended by Ordinance No. 2750, adopted by the City Council on April 8, 2015 (the “Master Ordinance”) and, Ordinance No. 2837 adopted on January 16, 2018 (the “2018 Ordinance” and, together with the Master Ordinance, the “Bond Ordinance”). Except as expressly defined herein, capitalized terms used herein have the same meanings as such terms have in the Bond Ordinance.

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

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

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

Bonds do not represent or constitute a debt or pledge of, or a charge against, the general credit of the City.

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

5. Under existing laws, regulations, rulings and judicial decisions, interest on the Bonds is excludable from gross income for federal income tax purposes. We are also of the opinion that interest on the Bonds is not a specific preference item for purposes of calculating the alternative minimum tax imposed on individuals under provisions contained in the Internal Revenue Code of 1986, as amended (the "Code"). Although we are of the opinion that interest on the Bonds is excludable from gross income for federal income tax purposes, the accrual or receipt of interest on the Bonds may otherwise affect the federal income tax liability of the recipient. The extent of these other tax consequences will depend upon the recipient's particular tax status or other items of income or deduction. We express no opinion regarding any such consequences.

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

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

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

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

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

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

Respectfully submitted,

APPENDIX C

EXCERPTS FROM AUDITED FINANCIAL STATEMENTS OF THE CITY OF LAS CRUCES, NEW MEXICO FOR FISCAL YEAR ENDING JUNE 30, 2017

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



Financial Statements
and
Report of Independent Auditors

June 30, 2017

CITY OF LAS CRUCES
COMPREHENSIVE ANNUAL
FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2017

Prepared by
Finance Department
Rosie Duran,
Financial Services Director

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

City of Las Cruces

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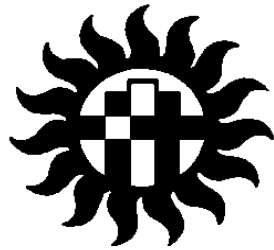
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City of Las Cruces

November 22, 2017

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, 2017, 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 City of Las Cruces' local economy is growing moderately and is forecast to remain stable over the coming fiscal year. The State of New Mexico is forecasting a flat to modest revenue growth for the fiscal year 2017-18.

The public sector is anticipated to be flat in the coming year as state education funding for local schools and New Mexico State University begins to turn around. Education and health care fields have driven the city's job growth and account for 6.2% of the government sector new job production over the comparable time last year. This job growth was driven by the Medicaid expansion. The city's unemployment rate is 6.7%. This is slightly lower than the State's and higher than the National unemployment rate.

Permitted valuation is anticipated to decrease in fiscal year 2017-18. This is traced to reduction in commercial and residential construction and repairs. City staff is not anticipating permit valuation to return to pre-housing market collapse values soon. Construction has been one of the market segments greatly impacted over recent years, with recovery being slow and uneven. Knowledgeable city staff expect issuing of new residential building permits to remain below 500 units for fiscal year 2017-18. This marks the seventh year in a row that new housing permits have fallen below the 500 units.

Population growth is relatively slow and is expected to gain slightly in fiscal year 2017-18. The city is expecting the rate of growth to be under 1.0% for the fourth year in a row. The slowly expanding population base is directly linked to growing local job opportunities and new residential permit issuance.

The largest source of revenue for the City of Las Cruces is Municipal Gross Receipts Tax and State-Share Gross Receipts Tax. The amount of these taxes varies with economic conditions. Gross Receipts Tax (GRT) is divided into two components; the first is consumption, which results largely from individuals and businesses making retail transactions. The second is investment, composed principally of investing in real property both residential and commercial. The two components can vary at different rates within business cycles as economic conditions change. The current business cycle and recovery has been characterized by downward pressure on housing and commercial real estate pricing and value. The city's GRT receipts reveals that investment has declined more rapidly than consumption through fiscal year 2013-2014. However, beginning in the fiscal year 2014-15, this trend reversed as investment exceeded consumption growth, and this continued up to fiscal year 2016-17. Both consumption and investment are anticipated to rise by 2.5% and 0.3%, respectively, for fiscal year 2017-18.

Total GRT receipts for fiscal year 2017-18 are anticipated to be \$96.5 million, a modest 2.5% gain from fiscal year 2016-17. The anticipated gain is traceable to both investments and consumption. The city's position remains conservative regarding revenue forecasting.

Long-Term Plans and Major Initiatives

The East Mesa Public Safety Complex was completed and operational in May 2017. This facility houses Fire Station #8 and serves as the east area command center for the Las Cruces Police department. Ribbon cutting ceremonies were held on June 15, 2017.

The 2007 Master Plan of the municipal service center is being updated. Design of the new municipal service center is anticipated to begin in fiscal year 2019 and construction in fiscal year 2020.

The design services contract was authorized late spring 2017 for the Convention Center expansion. Construction is anticipated to start in mid fiscal year 2018.

The first inclusive playground in the City located at Young Park was completed on June 30, 2017. It allows children of all abilities to play alongside each other in a safe environment.

The City continues to promote sustainability efforts through three major areas of investment including photovoltaic systems, a citywide LED streetlight retrofit, and Energy Performance contracts. The energy savings realized will be reinvested in renewable and energy efficient projects.

The East Mesa Water Reclamation Facility construction was completed in spring 2017. This is the largest addition to the City's photovoltaic system, providing and additional savings of approximately \$60,000 annually.

Began work on the Church Street and Water Street two-way conversion construction project. Downtown Las Cruces is undergoing a realignment of the area commonly known as "The Racetrack". Church and Water Streets will be converted for two-way traffic. Redefining these two streets will revive pedestrian-friendly thoroughfares with sidewalks, on street parking, and slower moving traffic.

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

- 1) 2017 - The Las Cruces community will experience greater engagement with their City government.
- 2) December 31, 2017 - Working with the University and other partners, downtown patrons will have access to restaurants, taverns, music, and art.
- 3) January 1, 2018 - The City will offer internships, apprenticeships, and mentorship programs to the community.
- 4) July 1, 2018 - The community will have City-approved results-oriented plans for sidewalks, parks, median landscaping, and facilities.
- 5) July 1, 2018 - Information & referral services for families with young children will be integrated into all appropriate city services.
- 6) July 1, 2018 - Las Cruces City Government will be managing for results for customers.
- 7) End of 2018 - City-led sponsored events will be held downtown.
- 8) December 31, 2018 - Las Cruces businesses will be able to access all permitting and licensing services in an efficient, effective, customer-service focused one-stop shop.

- 9) 2019 - The relationship between the business community and the City will be strengthened.
- 10) 2019 - Working with our partners, the community will have access to engaging public transportation connecting downtown, the University, and the Convention Center.

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

Internal Control Framework

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

Financial Information, Management and Control

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

Budgetary Control

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

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

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

Taxes

The allocation of the property tax for fiscal year 2016 and the two preceding years is based on the mill levy below (per thousand):

Purpose	2017	2016	2015
Operational mill levy:			
Residential	6.702	6.699	6.806
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 8.3125% at June 30, 2017. The breakdown and sources of the gross receipts tax rate include:

	Tax Rate	Percent of Total Rate
State shared	5.125%	61.65%
Municipal GRT- general purpose	1.25%	15.04%
Municipal GRT-infrastructure	0.25%	3.01%
Municipal Environmental GRT	0.0625%	0.75%
Municipal Hold Harmless GRT	0.375%	4.51%
Dona Ana County-local option taxes	1.25%	15.04%
	8.3125%	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 twenty revenue bond issues outstanding as of June 30, 2017. Gross receipts tax revenues finance fourteen bond issues. The six Joint Utilities Revenue Bond issues are secured by the net operating revenues of the utility system. The amount of bonds outstanding at June 30, 2017 was \$107.4 million in governmental bonds and \$77.2 million in utility revenue bonds. Principal payments on bonds totaled \$12.6 million during the fiscal year. In addition, the City had sixteen loans outstanding from the New Mexico Finance Authority and other entities totaling \$17.7 million with principal payments during the fiscal year of \$2.3 million.

Independent Audit

New Mexico State law requires that an annual audit of a governmental unit's financial statements be performed by independent public accountants. Federal law requires that a single audit be performed for federal grant funds as required by the Single Audit Act Amendments of 1996, Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, and ARRA requirements. Additionally, the City Charter requires an annual audit of all accounts of the City by an independent certified public accountant.

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

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

GFOA Award

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Las Cruces for the comprehensive annual financial report for the fiscal year ended June 30, 2016. This was the twelfth consecutive year that the City has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must demonstrate proficiencies in both generally accepted accounting principles and applicable legal requirements.

We believe that this current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to GFOA to determine eligibility for the certificate. This award represents the highest form of recognition in governmental accounting and 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 Rosie Duran, Financial Services Director, Maria Villa, Accounting Manager, and the Accounting staff including Claudia Melendez, Maria Sanchez, Cynthia Campo, Joshua Saffell, Hortencia Puentes, and Sarah Cundiff for their efforts in this accomplishment for their efforts in this accomplishment.

Honorable Mayor and City Council,
City of Las Cruces, New Mexico
11/22/2017

Acknowledgments

The annual audit cannot be completed without the efforts and dedication of the Financial Services Department staff and other City departments that provide performance measures and are responsible for responding to the federal single audit. I would like to express my appreciation to staff for their many hours of hard work devoted to this year's audit.

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

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Stuart C. Ed', with a stylized, cursive flourish at the end.

Stuart C. Ed
City Manager

City of Las Cruces
June 30, 2017

LIST OF PRINCIPAL OFFICIALS

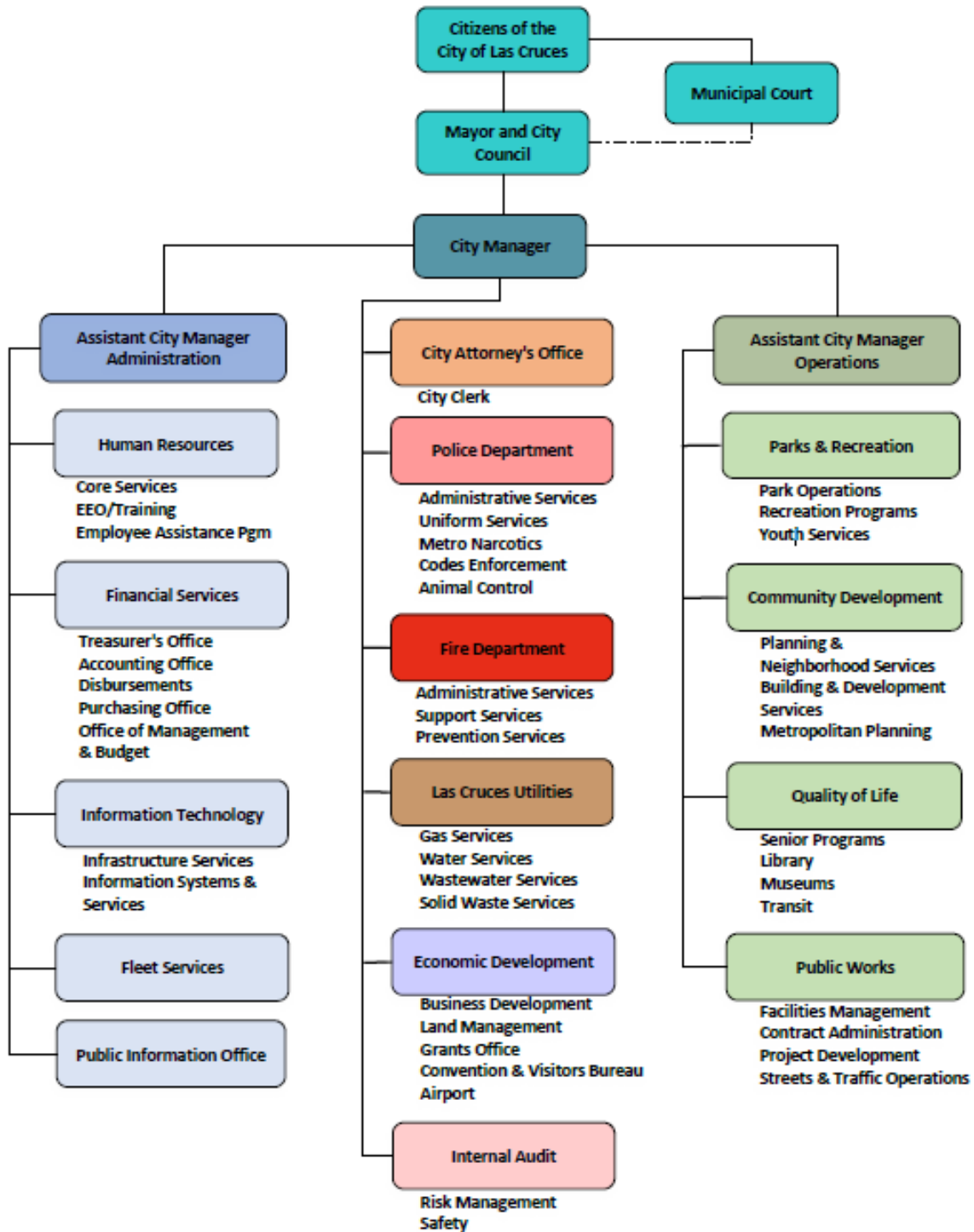
City Council

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

Other officials

Stuart Ed	City Manager
David Dollahon, AICP	Assistant City Manager/COO
William Studer, Jr.	Assistant City Manager/CAO

City of Las Cruces CITY GOVERNMENT ORGANIZATION CHART





Government Finance Officers Association

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

Presented to

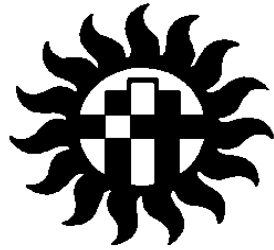
**City of Las Cruces
New Mexico**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2016

Christopher P. Morill

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, 2017, which collectively comprise the City’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

Auditor’s Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, 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 as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200*, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, the introductory and statistical section, and the other schedules required by 2.2.2 NMAC included as Combining Financial Statements and 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.

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

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 unaudited 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 22, 2017 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.

Moss Adams LLP

November 22, 2017
Albuquerque, New Mexico

City of Las Cruces
Management's Discussion and Analysis
June 30, 2017

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, 2017. It is intended to be read in conjunction with the Letter of Transmittal and the City's financial statements. Comparisons to prior-year balances and activity are presented in accordance with Governmental Accounting Standards Board.

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 \$380,687,282 (net position). Of this amount, (\$45,090,809) represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- At the close of the current fiscal year, the City of Las Cruces' governmental funds reported combined fund balances of \$193,271,307 an increase of \$15,269,619 in comparison with the prior year. Approximately 20.5% of this amount (\$39,576,969) is available for spending at the government's discretion (unassigned fund balance).
- The pooled cash and investments for the governmental activities increased \$4,725,503 and business-type activities decreased \$11,142,151.
- The total bond and certificate of obligation debt for the governmental and business-type activities increased \$24,948,411 and \$11,698,537, respectively. During the fiscal year increased total debt outstanding to \$202,369,920 due to the issuance of new debt to fund public parks, recreational facilities, street improvements, as well as to acquire public buildings.

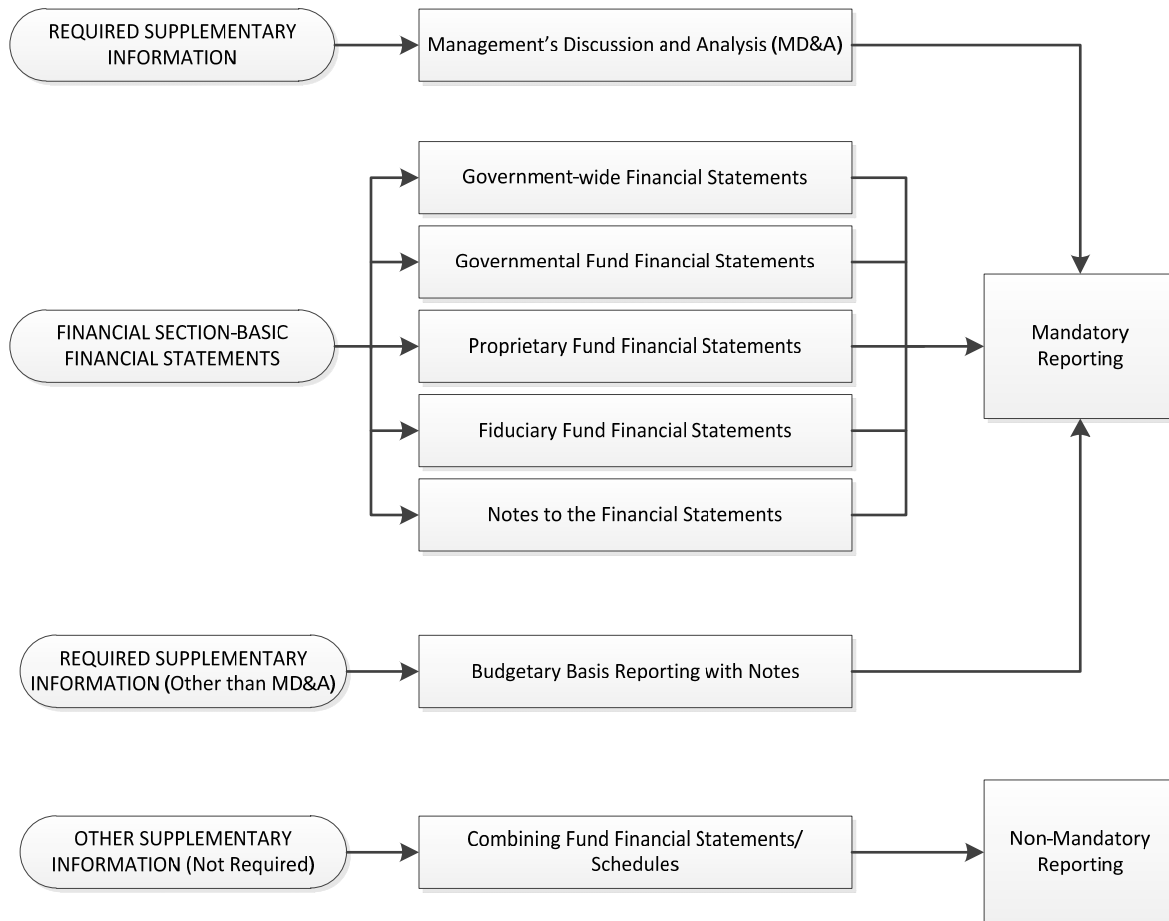
Overview of the Financial Statements

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

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

City of Las Cruces
Management's Discussion and Analysis
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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 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
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The *Statement of Activities* presents information showing how the government's net position changed during fiscal year 2017. 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 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, Economic Development, Police, Fire, Quality of Life, Public Works, and Community & Cultural Services. Several notable changes occurred during the 2017 fiscal year in respects to the governmental activities as reported. The Economic Development activity is now being recorded independently of the General Government activity where it had been reported in prior years. This means that a restatement of actual amounts from 2016 as reported on page 39 the Statement of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual, was necessary. In line with this change the amount reported for the actual balance for 2016 in the current expenditures general government line item was restated as \$17,258,724 and Economic Development was restated for 2016 as \$2,545,555. The Community and Cultural Services activity reported in prior years has been renamed to Quality of Life in order to better describe the activity's impact on the community. The Transportation activity is no longer being reported as a separate activity but rather is now combined with the Public Works activity as that is the department that oversees the transportation activity, this had no effect on previous year values as reported as the transportation line item was left to show the values reported for 2016. 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.

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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 the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds. Fund financial statements allow the City to present information regarding fiduciary funds, since they are not reported in the government-wide financial statements.

Governmental Funds

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

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

The City maintains five governmental fund types for financial reporting purposes. The governmental fund types are General Fund, Special Revenue Funds, Capital Projects Funds, Debt Service Funds, and Fiduciary Funds. The City maintains one hundred and seven governmental funds, eight of which combine into the General Fund and thirty combine to make the Debt Service Fund. Information is presented separately in the Governmental Funds Balance Sheet and in the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances for the funds that comprise the General Fund, which is considered to be a major fund. Three other governmental funds, Sonoma Ranch, Telshor Facility, and Debt Service are also reported as major funds. The remaining sixty-seven 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.

City of Las Cruces

Management's Discussion and Analysis

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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 as major funds of the City. Data from the non-major enterprise funds, as well as all the internal service funds, are combined into single, aggregated presentations in the proprietary fund financial statements. Individual fund data for the non-major enterprise funds and the internal service funds is provided in the form of *combining statements* in the Combining Financial Statements section of this report.

Fiduciary Funds

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

Notes to the Financial Statements

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

Other Information

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

Statistics

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

City of Las Cruces
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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 \$380,687,282, at the close of the most recent fiscal year.

Net Position (in 000's)

Seventy-seven percent of the City's net position is investment in capital assets (i.e., land, land improvements, buildings, equipment, utility infrastructure), net of any related outstanding debt used to acquire those assets. This compares with sixty percent in fiscal year 2016. 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.

Thirty-five percent of the City's net position is resources that are subject to external restrictions on how they may be used. This amount increased by ten percent from 2016.

	Governmental Activities			Business - type Activities			Total		
	2017	2016	2015	2017	2016	2015	2017	2016	2015
Current and Other Assets	\$ 241,822	\$ 225,830	\$ 187,668	\$ 81,614	\$ 93,302	\$ 76,785	\$ 323,436	\$ 319,132	\$ 264,453
Capital Assets	390,520	374,118	362,515	247,093	217,727	214,557	637,613	591,845	577,072
Total Assets	<u>632,342</u>	<u>599,948</u>	<u>550,183</u>	<u>328,707</u>	<u>311,029</u>	<u>291,342</u>	<u>961,049</u>	<u>910,977</u>	<u>841,525</u>
Deferred Outflows of Resources	38,156	11,215	9,143	9,321	1,705	1,978	47,477	12,920	11,121
Total Assets and Deferred Outflows of Resources	<u>\$ 670,498</u>	<u>\$ 611,163</u>	<u>\$ 559,326</u>	<u>\$ 338,028</u>	<u>\$ 312,734</u>	<u>\$ 293,320</u>	<u>\$ 1,008,526</u>	<u>\$ 923,897</u>	<u>\$ 852,646</u>
Current and Other Liabilities	\$ 14,421	\$ 23,844	\$ 22,074	\$ 6,691	\$ 11,447	\$ 11,366	\$ 21,112	\$ 35,291	\$ 33,440
Long-term Liabilities	273,358	209,315	159,298	105,532	79,110	63,722	378,890	288,425	223,020
Total Liabilities	<u>287,779</u>	<u>233,159</u>	<u>181,372</u>	<u>112,223</u>	<u>90,557</u>	<u>75,088</u>	<u>400,002</u>	<u>323,716</u>	<u>256,460</u>
Deferred Inflow of Resources	2,032	2,152	21,645	409	628	3,253	2,441	2,780	24,898
Net Position:									
Net investment in capital assets	292,055	300,431	190,996	185,978	178,330	166,565	478,033	478,761	357,561
Restricted Net Position	133,723	116,782	80,631	28,393	29,918	26,407	162,116	146,700	107,038
Unrestricted Net Position	<u>(45,091)</u>	<u>(41,361)</u>	<u>84,682</u>	<u>11,025</u>	<u>13,301</u>	<u>22,007</u>	<u>(34,066)</u>	<u>(28,060)</u>	<u>106,689</u>
Total Net Position	<u>380,687</u>	<u>375,852</u>	<u>356,309</u>	<u>225,396</u>	<u>221,549</u>	<u>214,979</u>	<u>606,083</u>	<u>597,401</u>	<u>571,288</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 670,498</u>	<u>\$ 611,163</u>	<u>\$ 559,326</u>	<u>\$ 338,028</u>	<u>\$ 312,734</u>	<u>\$ 293,320</u>	<u>\$ 1,008,526</u>	<u>\$ 923,897</u>	<u>\$ 852,646</u>

Note:

* Reclassifications were made to prior year utility net positions.

City of Las Cruces
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Changes in net position during 2017 and comparative amounts for 2016 and 2015 were:

Summary of Changes in Position (in 000's)

	Governmental Activities			Business - type Activities			Total		
	2017	2016	2015	2017	2016	2015	2017	2016	2015
Revenues:									
Program Revenues:									
Charges for services	\$ 16,015	\$ 22,604	\$ 12,347	\$ 63,009	\$ 52,639	\$ 49,952	\$ 79,024	\$ 75,243	\$ 62,299
Operating grants and contributions	2,541	2,646	4,398	3,244	5,118	2,253	5,785	7,764	6,651
Capital grants and contributions	5,420	3,939	6,044	266	328	294	5,686	4,267	6,338
General Revenue:									
Taxes-GRT and property	114,951	114,456	108,145	-	-	-	114,951	114,456	108,145
Franchise fees/lodgers tax	2,809	2,873	2,438	-	-	-	2,809	2,873	2,438
Investment income (loss)	4,416	4,805	5,515	119	2,714	2,797	4,535	7,519	8,312
Gain on sale of capital assets	-	-	-	536	441	-	536	441	-
Total Revenue	<u>146,152</u>	<u>151,323</u>	<u>138,887</u>	<u>67,174</u>	<u>61,240</u>	<u>55,296</u>	<u>213,326</u>	<u>212,563</u>	<u>194,183</u>
Expenses:									
General government	31,464	29,352	17,464	-	-	-	31,464	29,352	17,464
Economic development	6,239	-	-	-	-	-	6,239	-	-
Police	27,973	26,784	26,926	-	-	-	27,973	26,784	26,926
Fire	14,618	14,247	13,828	-	-	-	14,618	14,247	13,828
Community development	4,953	5,214	4,859	-	-	-	4,953	5,214	4,859
Quality of life	9,489	9,553	9,273	-	-	-	9,489	9,553	9,273
Public Works	25,792	21,483	21,885	-	-	-	25,792	21,483	21,885
Information Technology	-	-	3,416	-	-	-	-	-	3,416
Transportation	2,906	8,042	8,161	-	-	-	2,906	8,042	8,161
Parks and Recreation	10,458	10,324	9,798	-	-	-	10,458	10,324	9,798
Gas	-	-	-	14,082	11,274	10,776	14,082	11,274	10,776
Water	-	-	-	18,702	15,994	15,009	18,702	15,994	15,009
Waste water	-	-	-	17,216	14,318	13,246	17,216	14,318	13,246
Solid waste	-	-	-	11,386	11,627	10,942	11,386	11,627	10,942
Other	-	-	-	5,249	4,625	4,393	5,249	4,625	4,393
Interest on long-term debt	4,117	3,613	3,071	-	-	-	4,117	3,613	3,071
Total Expenses	<u>138,009</u>	<u>128,612</u>	<u>118,681</u>	<u>66,635</u>	<u>57,838</u>	<u>54,366</u>	<u>204,644</u>	<u>186,450</u>	<u>173,047</u>
Increase (decrease) in net position before transfers	8,143	22,711	20,206	539	3,402	930	8,682	26,113	21,136
Transfers	(3,308)	(3,168)	(2,943)	3,308	3,168	2,943	-	-	-
Change in net position	4,835	19,543	17,263	3,847	6,570	3,873	8,682	26,113	21,136
Net Position - beginning	375,852	356,309	422,341	221,549	214,979	221,266	597,401	571,288	643,607
Restatement	-	-	(83,295)	-	-	(10,160)	-	-	(93,455)
Net Position - ending	<u>\$ 380,687</u>	<u>\$ 375,852</u>	<u>\$ 356,309</u>	<u>\$ 225,396</u>	<u>\$ 221,549</u>	<u>\$ 214,979</u>	<u>\$ 606,083</u>	<u>\$ 597,401</u>	<u>\$ 571,288</u>

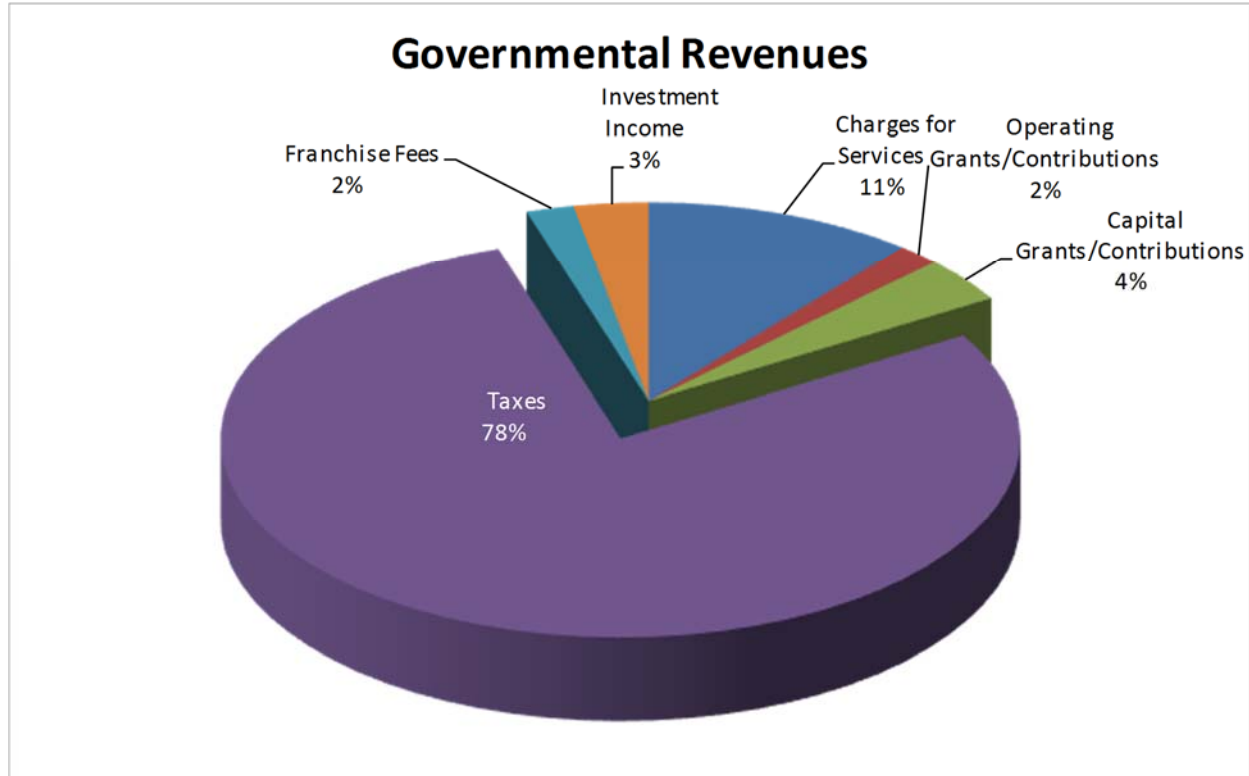
City of Las Cruces

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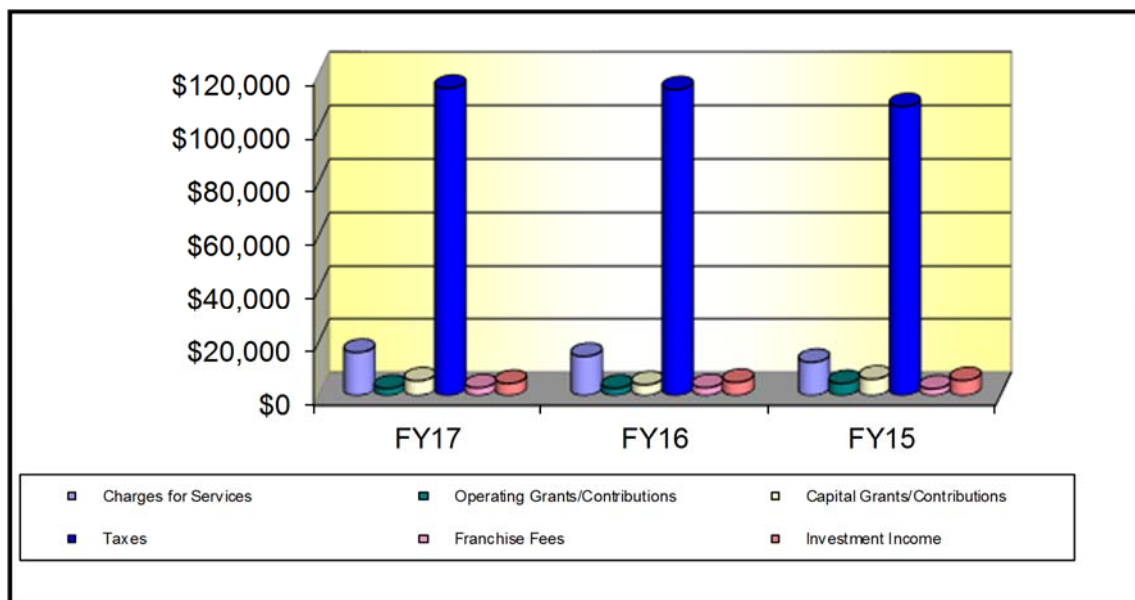
June 30, 2017

Governmental Activities

During the current fiscal year, net position for governmental activities increased \$4,834,968 from the prior fiscal year for an ending balance of \$380,687,282. Gross receipts tax, property tax, and franchise fees decreased from \$117.3 million in fiscal year 2016 to \$99.9 million in fiscal year 2017.



Revenue by Source – Governmental Activities



City of Las Cruces

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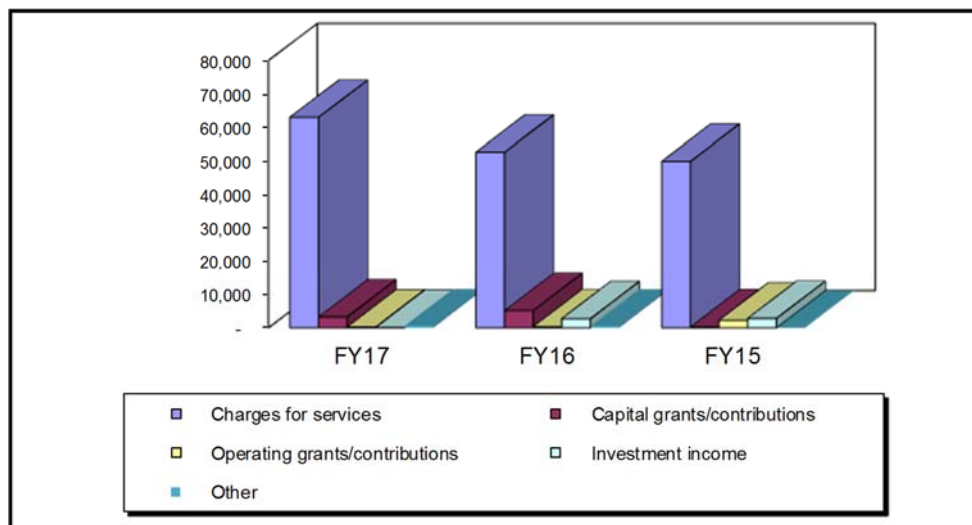
June 30, 2017

Expenses of the City's governmental activities increased from \$128.6 million in fiscal year 2016 to \$138.0 million in 2017 due to increased costs in general government.

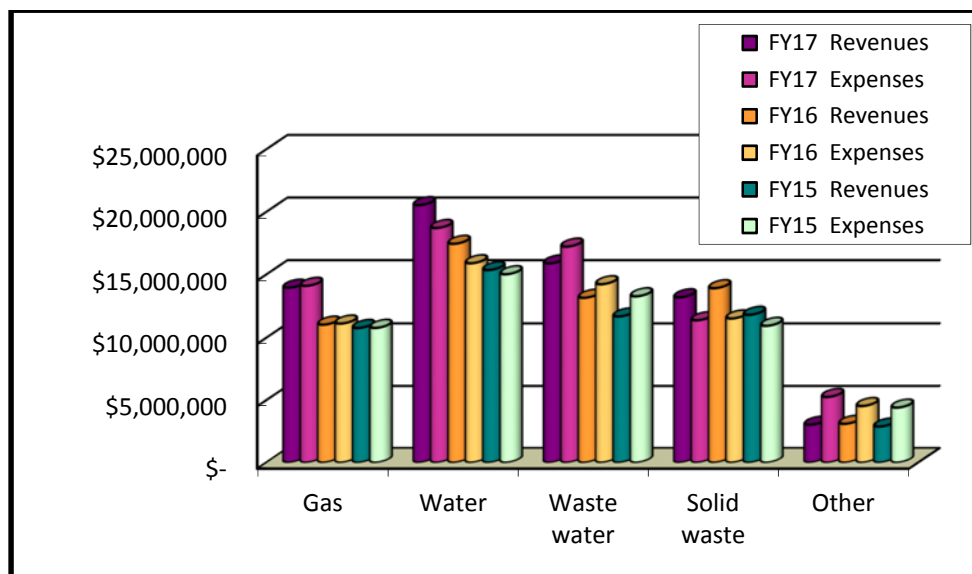
Business-type Activities

For the City's business-type activities, the net position increased by \$3,847,240 to reach an ending balance of \$225,396,342. Charges for services increased from \$52.6 million in 2016 to \$63 million in 2017. Gas increased by \$2.9 million due to the addition of Mesilla customers; Water increased by \$4.2 million due to the addition of Jornada customer's and Wastewater increased by \$3.4 million also due to additional customers. Operating grants and contributions decreased from \$5.1 million in fiscal year 2016 to \$3.2 million in fiscal year 2017.

Revenues by Source – Business-type Activities



Expenses and Program Revenues – Business-type Activities



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Financial Analysis of the City's Funds

Gross receipts tax, the largest revenue source in the general fund, increased by \$252 thousand from 2016 due to the increase in gross receipts tax authorized by the legislature to make up for the state funding reductions which occurred in 2016 and carried over into 2017. Operating and capital grants and contributions decreased by \$106 thousand due to a decrease in legislative funding.

Governmental Funds

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

The General Fund, Sonoma Ranch, and Telshor Facility funds are reported as major governmental funds. As of the end of fiscal year 2017, the City's governmental funds reported combined ending fund balances of \$193.15 million, an increase of \$15.15 million from the prior year due to more conservative spending efforts.

The fund balance of the General Fund is reported in the five categories defined by GASB 54. The non-spendable fund balance of \$1.76 million is for inventories. The restricted fund balance of \$1.73 million is for grants for general government, public safety programs, community development, parks and recreation, public works, and quality of life. The committed fund balance of \$8.25 million is for debt service. The assigned fund balance in the General Fund is \$4.48 million and is mainly for the acquisition of new vehicles and economic development. The allocation to each function is presented in the governmental funds balance sheet. The unassigned fund balance in the General Fund is \$39.77 million. The total fund balance in the General Fund is \$55.99 million.

Fund balances of other major governmental funds are committed and restricted. The fund balance in Sonoma Ranch of \$2.56 million is committed for public works. The Telshor Facility fund has \$40.51 million restricted for health-related programs. The fund balance in Debt Service of \$4.92 million is restricted for debt service funds. All other governmental funds are combined and reported as non-major governmental funds. Non-major governmental funds have a restricted fund balance of \$86.45 million for public safety, housing and community development, debt service, public works, quality of life, parks and recreation, and transportation. The committed fund balance of \$2.92 million is for debt service, public works, public safety programs, and health related programs.

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General Fund

The General Fund is the chief operating fund of the City. At the end of fiscal year 2017, unassigned fund balance of the general fund was \$39.77 million, while total fund balance was \$55.99 million. Of the \$39.77 million in unassigned fund balance, \$28.64 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 \$5.53 million during the current fiscal year, attributable to revenue over expenditures increasing slightly from the previous year and a decrease in transfers out of the general fund causing a similar net change to fund balance as the previous year with a slight increase.

Revenues - The difference between the original budget and the final amended budget for revenues is an increase of approximately \$2.79 million for the year. This reflects an increase in the budget of \$2.18 million for Gross Receipts, which was determined as part of a mid-year revenue review as well as an end-of-year revenue review, and a \$609 thousand increase from other sources of revenue due to the same mid-year and end-of-year revenue reviews.

Actual revenues for the fiscal year were approximately \$753 thousand more than the final budget. Actual revenues from Local Taxes exceeded budget by approximately \$1.53 million, which was due to gross receipts tax distributions from the State exceeding what was estimated throughout the year. Actual revenues for all other income sources were less than the final budget by approximately \$777 thousand, which was due primarily to less investment income, charges for services, and fees and fines collected than were expected.

Expenditures - Differences between the original expenditures budget and the final amended expenditures budget totaled approximately \$2.19 million and are briefly summarized as follows:

- The budget for general government decreased by \$2.74 million. \$2.67 million is attributable to budget being reclassified from expenditures to transfers out. \$70 thousand is attributable to the net effect from mid-year and end-of-year budget adjustments.
- The budget for economic development increased by \$597 thousand. \$325 thousand is attributable to the transfer for airport being covered by the general fund. \$272 thousand is attributable to the net effect from mid-year and end-of-year budget adjustments.
- The budget for police decreased by \$1.03 million which is the net effect of mid-year and end-of-year budget adjustments primarily attributable to the reclass of budget to the fleet fund for vehicle maintenance and fuel costs.
- The budget for fire decreased \$307 thousand which is the net effect of mid-year and end of year budget adjustments primarily attributable to the reclass of budget to the fleet fund for vehicle maintenance and fuel costs.
- The budget for community development increased by \$68 thousand which is attributable to the net effect of mid-year and end-of-year budget adjustments.

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- The budget for quality of life decreased by \$26 which is attributable to the net effect of mid-year and end-of-year budget adjustments.
- The budget for Parks and Recreation decreased by \$541 thousand which is the net effect of mid-year and end-of-year budget adjustments primarily attributable to necessary decreases in salary budgets.
- The budget for capital outlay increased by \$2.00 million which is the net effect of mid-year and end-of-year budget adjustments primarily attributable to several large projects being extended into the 2017 fiscal year rather than being completed in the 2016 fiscal year and an increase in costs of capital items.

Actual expenditures were approximately \$16.98 million less than the final expenditures budget. These variances can be briefly summarized as follows:

- The general government actual expenditures were approximately \$2.68 million less than the final budget. \$1.04 million is attributable to salary savings throughout the year. \$1.62 million is attributable to conservative spending on operating expenditures so that they were less than estimated.
- Actual expenditures for economic development were approximately \$8.02 million less than the final budget. \$7.54 million is attributable to careful utilization of planned contingency funds. \$27 thousand is attributable to salary savings throughout the year. \$21 thousand is attributable to conservative spending on operating expenditures so that they were less than estimated.
- Actual expenditures for police were \$1.07 million less than budget. \$703 thousand is attributable to salary savings throughout the year and \$367 thousand is attributable to conservative spending on operating expenditures so that they were less than estimated.
- Actual expenditures for fire were approximately \$494 thousand less than budget. \$411 thousand is attributable to salary savings throughout the year. \$83 thousand is attributable to conservative spending on operating expenditures so that they were less than estimated.
- Actual expenditures for community development were approximately \$664 thousand less than budget. \$210 thousand is attributable to salary savings throughout the year. \$454 thousand is attributable to conservative spending on operating expenditures so that they were less than estimated.
- Actual expenditures for quality of life were approximately \$442 thousand less than budget. \$252 thousand is attributable to salary savings throughout the year. \$190 thousand is attributable to conservative spending on operating expenditures so that they were less than estimated.
- Actual expenditures for public works were \$1.11 million less than budget. \$442 thousand is attributable to salary savings and \$668 thousand is attributable to conservative spending on operating expenditures so that they were less than estimated.

City of Las Cruces
Management's Discussion and Analysis
June 30, 2017

- Actual expenditures for parks and recreation were approximately \$617 thousand less than budget. \$195 thousand is attributable to salary savings and \$422 thousand is attributable to conservative spending on operating expenditures so that they were less than estimated.
- Actual expenditures for capital outlay were approximately \$1.90 million less than budget. This variance is caused by conservative spending on capital items so that expenditure was less than budgeted costs.

Long-Term Debt

At the end of fiscal year 2017, the City had total long-term debt outstanding of \$202,369,920 in bonds, notes and leases, with a net increase of \$25,268,518 over the prior year due to the issuance of new debt.

Outstanding Bonds and Liabilities to Financial Institutions

	Governmental		
	2017	2016	Change
Revenue Bonds: Outstanding	\$ 107,405,000	\$ 99,935,000	\$ 7,470,000
Notes Payable: Outstanding	153,225,802	8,605,230	144,620,572
Total Outstanding	\$ 260,630,802	\$ 108,540,230	\$ 152,090,572

	Business-type		
	2017	2016	Change
Revenue Bonds: Outstanding	\$ 77,230,000	\$ 65,445,000	\$ 11,785,000
Notes Payable: Outstanding	2,409,118	3,116,172	(707,054)
Total Outstanding	\$ 79,639,118	\$ 68,561,172	\$ 11,077,946

	Total		
	2017	2016	Change
Revenue Bonds: Outstanding	\$ 184,635,000	\$ 165,380,000	\$ 19,255,000
Notes Payable: Outstanding	155,634,920	11,721,402	143,913,518
Total Outstanding	\$ 340,269,920	\$ 177,101,402	\$ 163,168,518

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, 2017 amounts to \$637,613,230 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 increase in the City's investment in capital assets for the current fiscal year, net of accumulated depreciation, was 1.1 percent.

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

City of Las Cruces
Management's Discussion and Analysis
June 30, 2017

Economic Outlook

With an official end to the recent Great Recession, national economic expansion continues. The overall U.S. unemployment rate has fallen below 5%, down from the 10% experienced by the country in 2009. The U.S. job market has experienced growth with non-farm employment estimated to increase by 0.7% in 2017 and 1.4% in 2018. The average hourly earnings for all employees in the private sector have increased by 2.5% over the last 12 months.

The National GDP (Gross Domestic Product) is anticipated to rise to approximately 1.85% in the 2017-2018 fiscal year. This rise is influenced by consumer spending resulting from increases in employment and increases in the average hourly earnings for all employees.

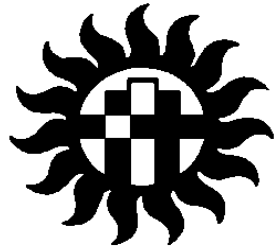
The economy of the City of Las Cruces is growing moderately and is forecasted to remain stable over the coming fiscal year. Non-farm employment is expected to grow at 0.6% for the 2017-2018 fiscal year. The majority of employment gains will be in the private sector, especially Health Care, Social Assistance, and Accommodation/Food Services industries. Employment growth in the public sector, however, is anticipated to remain flat.

Permitted valuation is anticipated to decrease in fiscal year 2017-2018. This is due to a reduction in commercial and residential construction and repairs. The construction market has been one market segment which has been greatly impacted over recent years, with slow and uneven recovery causing City staff to expect the issuance of new residential building permits to remain below 500 units for the 2017-2018 fiscal year. This will mark the seventh year in a row that new housing permits have fallen below 500 units.

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



City of Las Cruces

Government-Wide Financial Statements

City of Las Cruces
Statement of Net Position
June 30, 2017

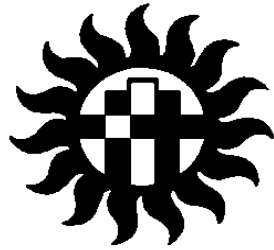
	Primary Government			South Central
	Governmental	Business-type	Total	Solid Waste
	Activities	Activities		Authority
Assets				
Cash and investments	\$ 112,335,497	\$ 43,600,095	\$ 155,935,592	\$ 3,719,609
Receivables, net	22,842,538	5,583,053	28,425,591	382,963
Other assets	2,130,116	2,440,751	4,570,867	-
Due from other governmental units	21,018,618	1,158,219	22,176,837	-
Due from South Central Solid Waste	1,394,170	-	1,394,170	-
Notes receivable	-	439,796	439,796	-
Restricted cash and investments	82,100,071	28,392,996	110,493,067	2,079,146
Capital assets:				
Land and construction in progress	48,929,726	16,004,442	64,934,168	1,516,151
Other capital assets, net of depreciation	341,590,937	231,088,125	572,679,062	8,414,290
Total capital assets	390,520,663	247,092,567	637,613,230	9,930,441
Total assets	632,341,673	328,707,477	961,049,150	16,112,159
Deferred Outflows of Resources				
Deferred amount from refundings	354,644	636,770	991,414	-
Deferred charges related to pensions	37,801,351	8,684,392	46,485,743	2,269,564
Total deferred outflows of resources	38,155,995	9,321,162	47,477,157	2,269,564
Liabilities				
Accounts payable and accrued liabilities	11,789,638	5,463,898	17,253,536	447,369
Unearned revenue	2,630,774	-	2,630,774	-
Customer deposits	-	1,226,901	1,226,901	-
Long-term liabilities:				
Net pension liability	128,688,336	19,458,806	148,147,142	4,466,252
Due within one year	13,485,493	6,226,893	19,712,386	218,979
Due in more than one year	131,184,365	79,846,631	211,030,996	3,248,704
Total liabilities	287,778,606	112,223,129	400,001,735	8,381,304
Deferred Inflows of Resources				
Deferred amount from investment earnings	9,258	-	9,258	-
Deferred gain of revenue for cost of gas	-	83,204	83,204	-
Deferred inflows related to pensions	2,022,522	325,964	2,348,486	78,182
Total deferred inflows of resources	2,031,780	409,168	2,440,948	78,182
Net Position				
Net investment in capital assets	292,055,210	185,978,639	478,033,849	8,446,284
Restricted for:				
General government	300,953	-	300,953	-
Public safety programs	2,185,630	-	2,185,630	-
Housing and community development	642,128	-	642,128	-
Debt service	5,701,855	22,885,649	28,587,504	-
Public works	77,802,802	4,280,446	82,083,248	-
Health-related programs	3,827,439	-	3,827,439	-
Community and cultural services	40,507,578	-	40,507,578	-
Parks and recreation	2,701,447	-	2,701,447	-
Transportation	53,049	-	53,049	-
Customer deposits	-	1,226,901	1,226,901	-
Curbside recycling program	-	-	-	-
Unrestricted	(45,090,809)	11,024,707	(34,066,102)	1,475,953
Total net position	\$ 380,687,282	\$ 225,396,342	\$ 606,083,624	\$ 9,922,237

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

City of Las Cruces
Statement of Activities
For the Year Ended June 30, 2017

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	\$ 31,463,373	\$ 3,837,966	\$ 238,206	\$ 5,069,800	\$ (22,317,401)	\$ -	\$ (22,317,401)	\$ -
Economic development	6,238,910	671,271	67,162	-	(5,500,477)	-	(5,500,477)	-
Police	27,973,272	4,094,675	470,233	-	(23,408,364)	-	(23,408,364)	-
Fire	14,617,823	2,287,792	130,859	-	(12,199,172)	-	(12,199,172)	-
Community development	4,953,404	574,556	305,372	350,447	(3,723,029)	-	(3,723,029)	-
Quality of life	9,489,099	934,159	581,969	-	(7,972,971)	-	(7,972,971)	-
Public works	25,792,319	2,000,164	402,493	-	(23,389,662)	-	(23,389,662)	-
Transportation	2,905,589	-	344,994	-	(2,560,595)	-	(2,560,595)	-
Parks and recreation	10,457,930	1,614,049	-	-	(8,843,881)	-	(8,843,881)	-
Interest on long-term debt	4,117,326	-	-	-	(4,117,326)	-	(4,117,326)	-
Total governmental activities	138,009,045	16,014,632	2,541,288	5,420,247	(114,032,878)	-	(114,032,878)	-
Business-type activities								
Gas	14,081,743	13,841,430	-	90,601	-	(149,712)	(149,712)	-
Water	18,702,718	19,961,149	462,575	101,609	-	1,822,615	1,822,615	-
Wastewater	17,216,150	15,173,000	627,987	73,773	-	(1,341,390)	(1,341,390)	-
Solid waste	11,386,149	13,169,287	-	-	-	1,783,138	1,783,138	-
Transit/other	5,249,143	864,306	2,153,824	-	-	(2,231,013)	(2,231,013)	-
Total business-type activities	66,635,903	63,009,172	3,244,386	265,983	-	(116,362)	(116,362)	-
Total primary government	\$ 204,644,948	\$ 79,023,804	\$ 5,785,674	\$ 5,686,230	(114,032,878)	(116,362)	(114,149,240)	-
Component units								
Solid waste	10,036,798	10,509,454	-	-	-	-	-	472,656
Total component units	\$ 10,036,798	\$ 10,509,454	\$ -	\$ -	-	-	-	472,656
General revenues								
Taxes:								
Gross receipts					99,865,613	-	99,865,613	-
Property					15,085,083	-	15,085,083	-
Franchise fees and lodgers taxes					2,809,073	-	2,809,073	-
Investment income					4,416,382	118,816	4,535,198	(13,531)
Gain (loss) on sale of capital assets					-	536,481	536,481	(13,932)
Other					-	-	-	(46,920)
Transfers					(3,308,305)	3,308,305	-	-
Total general revenues and transfers					118,867,846	3,963,602	122,831,448	(74,383)
Change in net position					4,834,968	3,847,240	8,682,208	398,273
Net position, beginning of year					375,852,314	221,549,102	597,401,416	9,523,964
Net position, end of year					\$ 380,687,282	\$ 225,396,342	\$ 606,083,624	\$ 9,922,237

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



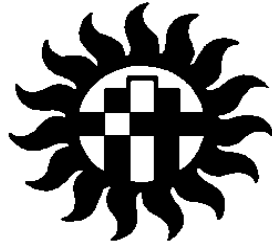
City of Las Cruces

Fund Financial Statements

City of Las Cruces
Balance Sheet—Governmental Funds
June 30, 2017

	General Fund	Debt Service	Sonoma Ranch	Telshor Facility	Other Governmental Funds	Total Governmental Funds
Assets						
Pooled cash and investments	\$ 39,354,604	\$ -	\$ 2,558,389	\$ -	\$ 56,184,758	\$ 98,097,751
Restricted cash and investments	-	5,718,526	-	40,527,103	35,854,442	82,100,071
Receivables, net	1,134,822	8,585,000	7,415,724	86,669	5,609,853	22,832,068
Due from other funds	3,631,367	-	-	-	-	3,631,367
Due from other governmental units	14,868,065	-	-	-	6,150,553	21,018,618
Inventories	1,747,278	-	-	-	-	1,747,278
Total assets	<u>60,736,136</u>	<u>14,303,526</u>	<u>9,974,113</u>	<u>40,613,772</u>	<u>103,799,606</u>	<u>229,427,153</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances						
Liabilities						
Accounts and contracts payable	\$ 2,437,760	\$ -	\$ -	\$ 106,194	\$ 5,038,127	\$ 7,582,081
Due to other funds	-	-	-	-	3,631,367	3,631,367
Accrued liabilities	2,042,022	-	-	-	70,843	2,112,865
Unearned revenue	153,709	350,000	-	-	4,907,844	5,411,553
Total liabilities	<u>4,633,491</u>	<u>350,000</u>	<u>-</u>	<u>106,194</u>	<u>13,648,181</u>	<u>18,737,866</u>
Deferred Inflows of Resources						
Deferred special assessment receipts	101,144	-	7,415,725	-	-	7,516,869
Deferred amount from investment earnings	9,258	-	-	-	-	9,258
Unavailable revenue	-	9,037,707	-	-	854,146	9,891,853
Total Deferred Inflows of Resources	<u>110,402</u>	<u>9,037,707</u>	<u>7,415,725</u>	<u>-</u>	<u>854,146</u>	<u>17,417,980</u>
Total Liabilities and Deferred Inflows of Resources	<u>4,743,893</u>	<u>9,387,707</u>	<u>7,415,725</u>	<u>106,194</u>	<u>14,502,327</u>	<u>36,155,846</u>
Fund Balances						
Non-spendable:						
Inventories	\$ 1,747,278	\$ -	\$ -	\$ -	\$ -	\$ 1,747,278
Restricted for:						
General government	300,953	-	-	-	-	300,953
Public safety programs	4,562	-	-	-	2,181,068	2,185,630
Housing and community development	81,193	-	-	-	560,935	642,128
Debt service funds	-	4,915,819	-	-	786,036	5,701,855
Public works	130,569	-	-	-	77,672,233	77,802,802
Quality of life	900,220	-	-	-	2,927,219	3,827,439
Health-related programs	-	-	-	40,507,578	-	40,507,578
Parks and recreation	311,667	-	-	-	2,389,780	2,701,447
Transportation	-	-	-	-	53,049	53,049
Committed for:						
Debt service	8,252,569	-	-	-	2,627,241	10,879,810
Health-related programs	-	-	-	-	69,384	69,384
Public safety programs	-	-	-	-	219,370	219,370
Public works	-	-	2,558,388	-	1,456	2,559,844
Assigned to:						
Public works	194,818	-	-	-	-	194,818
Economic development	1,876,732	-	-	-	-	1,876,732
Transportation	101,109	-	-	-	-	101,109
Vehicle acquisition fund	2,306,504	-	-	-	-	2,306,504
Unassigned:						
Unassigned	39,784,069	-	-	-	(190,492)	39,593,577
Total fund balances	<u>55,992,243</u>	<u>4,915,819</u>	<u>2,558,388</u>	<u>40,507,578</u>	<u>89,297,279</u>	<u>193,271,307</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 60,736,136</u>	<u>\$ 14,303,526</u>	<u>\$ 9,974,113</u>	<u>\$ 40,613,772</u>	<u>\$ 103,799,606</u>	<u>\$ 229,427,153</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, 2017

Total fund balances for governmental funds	\$ 193,271,307
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 \$133,091 that are reported in internal services funds)	390,387,572
Other assets are not available to pay for current-period expenditures and, therefore, are reported as unearned revenue in the funds	21,471,093
The contribution of certain capital assets is deferred in the statement of net position	(1,281,592)
Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period and, accordingly, are not reported in the funds (excludes long-term liabilities reported in internal services funds of \$6,607,196 and net pension liabilities of \$126,745,482)	(137,688,352)
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	1,394,170
Deferred outflows of pensions (excludes \$894,488 of deferred outflows from pensions of internal service funds reported below)	36,894,399
Net pension liabilities are not reported in governmental funds but reported on the statement of net position	(126,745,482)
Deferred inflows of pensions (excludes \$9,251 of deferred inflows from pensions of internal service funds reported below)	(2,019,309)
Assets and liabilities of internal service funds are included in net position of governmental activities	5,003,476
Net position of governmental activities	<u>\$ 380,687,282</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, 2017

	General Fund	Debt Service	Sonoma Ranch	Telshor Facility	Other Governmental Funds	Total Governmental Funds
Revenues						
Taxes	\$ 95,061,750	\$ -	\$ -	\$ -	\$ 19,888,946	\$ 114,950,696
Charges for services	2,917,887	-	-	-	118,644	3,036,531
Fees and fines	528,827	-	-	-	2,941,238	3,470,065
Investment income (loss)	113,036	50,766	(3,554)	3,976,577	291,328	4,428,153
Franchise fees	2,809,073	-	-	-	-	2,809,073
Licenses and permits	1,655,125	-	-	-	-	1,655,125
Intergovernmental:						
Federal	-	-	-	-	1,910,936	1,910,936
State	-	-	-	-	6,346,789	6,346,789
Local	28,803	-	-	-	49,338	78,141
Other	4,299,059	183,098	-	-	2,459,681	6,941,838
Total revenues	<u>107,413,560</u>	<u>233,864</u>	<u>(3,554)</u>	<u>3,976,577</u>	<u>34,006,900</u>	<u>145,627,347</u>
Expenditures						
Current						
General government	17,803,992	-	-	-	1,340,737	19,144,729
Economic development	3,778,231	-	-	-	378,022	4,156,253
Police	23,046,768	-	-	-	2,646,695	25,693,463
Fire	12,876,783	-	-	-	736,534	13,613,317
Community development	3,233,873	-	-	-	1,718,781	4,952,654
Quality of life	5,257,888	-	-	-	3,275,597	8,533,485
Public works	11,257,868	-	-	-	2,265,424	13,523,292
Transportation	-	-	-	-	1,941,788	1,941,788
Parks and recreation	9,084,634	-	-	-	414,075	9,498,709
Capital outlay	4,076,635	-	-	-	30,040,606	34,117,241
Debt service:						
Principal	-	9,697,955	-	-	-	9,697,955
Interest and other charges	-	4,097,624	-	-	-	4,097,624
Debt issuance costs	-	-	-	-	464,919	464,919
Total expenditures	<u>90,416,672</u>	<u>13,795,579</u>	<u>-</u>	<u>-</u>	<u>45,223,178</u>	<u>149,435,429</u>
Revenues over (under) expenditures	<u>16,996,888</u>	<u>(13,561,715)</u>	<u>(3,554)</u>	<u>3,976,577</u>	<u>(11,216,278)</u>	<u>(3,808,082)</u>
Other Financing Sources (Uses)						
Issuance of debt	-	1,638	-	-	23,886,890	23,888,528
Premiums on issuance of debt	-	376,240	-	-	1,280,008	1,656,248
Proceeds from sale of capital assets	90,230	-	-	-	11,232	101,462
Transfers in	3,906,120	12,762,093	-	-	8,232,122	24,900,335
Transfers out	(15,465,189)	(62,903)	-	(395,000)	(15,545,780)	(31,468,872)
Total other financing sources (uses)	<u>(11,468,839)</u>	<u>13,077,068</u>	<u>-</u>	<u>(395,000)</u>	<u>17,864,472</u>	<u>19,077,701</u>
Net change in fund balances	5,528,049	(484,647)	(3,554)	3,581,577	6,648,194	15,269,619
Fund balances, beginning of year	<u>50,464,194</u>	<u>5,400,466</u>	<u>2,561,942</u>	<u>36,926,001</u>	<u>82,649,085</u>	<u>178,001,688</u>
Fund balances, end of year	<u>\$ 55,992,243</u>	<u>\$ 4,915,819</u>	<u>\$ 2,558,388</u>	<u>\$ 40,507,578</u>	<u>\$ 89,297,279</u>	<u>\$ 193,271,307</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, 2017

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:

\$ 15,269,619

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	\$ 34,117,241	
Depreciation	(17,329,262)	
Difference in proceeds and net capital assets sold	(101,462)	
Disposal of capital assets not recorded in governmental funds	(328,621)	
Total		16,357,896

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	9,697,955	
Premiums on issuance of debt	(1,656,248)	
Proceeds from bonds and notes payable	(23,888,528)	
Interest expense related to bond refunding	(19,702)	
Amortization of premium/discount of bond and notes payable	62,581	
Total		(15,803,942)

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.

143,953

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.

676,742

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.

(140,000)

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.

(9,242,689)

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.

(2,426,611)

Change in net position of governmental activities

\$ 4,834,968

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, 2017
(With Comparative Actual Amounts for the Year Ended June 30, 2016)

	June 30, 2017			June 30, 2016	
	Budgeted Amounts			Variance with Final Budget - Positive (Negative)	Actual (Reclassified)
	Original	Final	Actual		
Revenues					
Local taxes					
Gross receipts	\$ 77,715,281	\$ 79,893,323	\$ 81,901,329	\$ 2,008,006	\$ 82,347,641
Property	11,791,662	11,791,662	11,494,458	(297,204)	11,299,666
Utility franchise	1,385,100	1,385,100	1,205,533	(179,567)	1,163,436
Total local taxes	90,892,043	93,070,085	94,601,320	1,531,235	94,810,743
State-shared taxes	481,889	481,889	460,430	(21,459)	502,942
Charges for services	3,158,405	3,150,666	2,917,887	(232,779)	2,842,674
Fees and fines	682,882	682,882	528,827	(154,055)	665,022
Investment income (loss)	533,704	689,854	113,036	(576,818)	1,512,627
Franchise fees	2,800,000	2,800,000	2,809,073	9,073	2,873,464
Licenses and permits	1,212,811	1,377,911	1,655,125	277,214	1,577,456
Operating grants and contributions	16,370	16,370	28,803	12,433	4,670
Other	4,096,137	4,391,318	4,299,059	(92,259)	3,972,073
	12,982,198	13,590,890	12,812,240	(778,650)	13,950,928
Total revenues	103,874,241	106,660,975	107,413,560	752,585	108,761,671
Expenditures					
Current					
General government	20,681,241	17,939,495	17,803,992	135,503	17,258,724
Economic development	11,196,323	11,793,404	3,778,231	8,015,173	2,545,555
Police	24,926,244	23,892,703	23,046,768	845,935	22,487,668
Fire	13,677,290	13,370,395	12,876,783	493,612	12,576,218
Community development	3,829,223	3,897,589	3,233,873	663,716	3,295,856
Quality of life	5,726,856	5,700,050	5,257,888	442,162	5,314,072
Public works	12,569,802	12,363,441	11,257,868	1,105,573	10,010,289
Parks and recreation	10,243,660	9,702,361	9,084,634	617,727	9,142,296
Capital outlay	3,977,150	5,974,952	4,076,635	1,898,317	5,852,903
Total expenditures	106,827,789	104,634,390	90,416,672	14,217,718	88,483,581
Revenues over (under) expenditures	(2,953,548)	2,026,585	16,996,888	14,970,303	20,278,090
Other Financing Sources (Uses)					
Proceeds from sale of capital assets	-	-	90,230	90,230	1,167,038
Transfers in	3,354,386	3,891,246	3,906,120	14,874	6,577,912
Transfers out	(10,773,176)	(18,230,438)	(15,465,189)	2,765,249	(22,861,277)
Total other financing sources (uses)	(7,418,790)	(14,339,192)	(11,468,839)	2,870,353	(15,116,327)
Net change in fund balance	(10,372,338)	(12,312,607)	5,528,049	17,840,656	5,161,763
Fund balance, beginning of year	50,464,194	50,464,194	50,464,194	-	45,302,431
Fund balance, end of year	\$ 40,091,856	\$ 38,151,587	\$ 55,992,243	\$ 17,840,656	\$ 50,464,194

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, 2017
(With Comparative Actual Amounts for the Year Ended June 30, 2016)

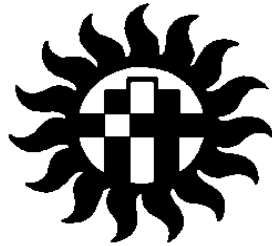
	June 30, 2017			June 30, 2016	
	Budgeted Amounts			Variance with Final Budget - Positive (Negative)	
	Original	Final	Actual		Actual
Revenues					
Investment income	\$ -	\$ -	\$ (3,554)	\$ (3,554)	\$ 90,563
Other	-	-	-	-	968,277
Total revenues	-	-	(3,554)	(3,554)	1,058,840
Net change in fund balance	-	-	(3,554)	(3,554)	1,058,840
Fund balance, beginning of year	2,561,942	2,561,942	2,561,942	-	1,503,102
Fund balance, end of year	\$ 2,561,942	\$ 2,561,942	\$ 2,558,388	\$ (3,554)	\$ 2,561,942

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, 2017
(With Comparative Actual Amounts for the Year Ended June 30, 2016)

	June 30, 2017			June 30, 2016	
	Budgeted Amounts			Variance with Final Budget - Positive (Negative)	Actual
	Original	Final	Actual		
Revenues					
Investment income	\$ -	\$ -	\$ 3,976,577	\$ 3,976,577	\$ 922,571
Total revenues	-	-	3,976,577	3,976,577	922,571
Other Financing Sources (Uses)					
Transfers out	(300,000)	(395,000)	(395,000)	-	(300,000)
Total other financing sources (uses)	(300,000)	(395,000)	(395,000)	-	(300,000)
Net change in fund balance	(300,000)	(395,000)	3,581,577	3,976,577	622,571
Fund balance, beginning of year	36,926,001	36,926,001	36,926,001	2,011,532	36,303,430
Fund balance, end of year	\$ 36,626,001	\$ 36,531,001	\$ 40,507,578	\$ 5,988,109	\$ 36,926,001

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, 2017

	Enterprise Funds						Internal Service Funds
	Gas	Water	Waste Water	Solid Waste	Other Enterprise Funds	Totals	
Assets							
Current assets							
Cash and investments	\$ 15,930,073	\$ 6,207,683	\$ 12,506,863	\$ 9,608,083	\$ (652,607)	\$ 43,600,095	\$ 14,237,746
Accounts receivable, net of allowance for uncollectible accounts	1,119,433	1,943,892	1,280,662	1,049,519	189,547	5,583,053	10,470
Due from other governments	-	9,756	-	-	1,148,463	1,158,219	-
Inventories	880,195	556,001	388,033	616,522	-	2,440,751	382,838
Total current assets	17,929,701	8,717,332	14,175,558	11,274,124	685,403	52,782,118	14,631,054
Non-current assets							
Restricted cash and investments	3,879,478	13,777,052	9,756,709	979,757	-	28,392,996	-
Notes receivable	-	236,966	202,830	-	-	439,796	-
Advance to other funds	-	-	2,166,714	-	-	2,166,714	-
Capital assets	71,641,120	162,158,321	144,500,591	13,948,091	13,319,007	405,567,130	2,359,815
Less accumulated depreciation	(42,888,075)	(45,938,051)	(56,228,226)	(7,128,518)	(6,291,693)	(158,474,563)	(2,226,724)
Net capital assets	28,753,045	116,220,270	88,272,365	6,819,573	7,027,314	247,092,567	133,091
Total non-current assets	32,632,523	130,234,288	100,398,618	7,799,330	7,027,314	278,092,073	133,091
Total assets	50,562,224	138,951,620	114,574,176	19,073,454	7,712,717	330,874,191	14,764,145
Deferred outflows of resources							
Deferred amount from refundings	-	285,630	351,140	-	-	636,770	-
Deferred charges related to pensions	2,065,464	1,641,393	1,581,841	1,671,767	1,723,927	8,684,392	906,952
Total deferred outflows of resources	2,065,464	1,927,023	1,932,981	1,671,767	1,723,927	9,321,162	906,952
Liabilities							
Current liabilities							
Accounts and contracts payable	1,099,962	948,002	2,406,432	54,277	33,997	4,542,670	2,061,068
Accrued liabilities	185,744	331,879	219,827	118,113	65,665	921,228	33,624
Current portion of non-current liabilities	219,731	3,126,065	2,061,703	788,864	30,530	6,226,893	1,962,520
Total current liabilities	1,505,437	4,405,946	4,687,962	961,254	130,192	11,690,791	4,057,212
Non-current liabilities							
Customer deposits	659,069	215,942	156,519	195,371	-	1,226,901	-
Revenue bonds payable	3,867,007	46,168,843	26,394,960	-	-	76,430,810	-
Notes payable	-	-	-	1,689,765	-	1,689,765	-
Compensated absences	256,675	235,347	189,867	102,045	122,122	906,056	63,112
Claims	-	-	-	-	-	-	4,601,230
Accrued landfill closure cost	-	-	-	820,000	-	820,000	-
Advance from other funds	-	2,166,714	-	-	-	2,166,714	-
Net pension liability	5,008,997	3,712,207	3,756,157	3,234,810	3,746,635	19,458,806	1,942,854
Total non-current liabilities	9,791,748	52,499,053	30,497,503	6,041,991	3,868,757	102,699,052	6,607,196
Total liabilities	11,297,185	56,904,999	35,185,465	7,003,245	3,998,949	114,389,843	10,664,408
Deferred inflows of resources							
Deferred gain of revenue for cost of gas	83,204	-	-	-	-	83,204	-
Deferred inflows related to pensions	-	11,136	48,013	253,731	13,084	325,964	3,213
Total deferred inflows of resources	83,204	11,136	48,013	253,731	13,084	409,168	3,213
Net Position							
Net investment in capital assets	27,924,151	78,042,489	68,509,159	4,475,526	7,027,314	185,978,639	133,091
Restricted for customer deposits	659,069	215,942	156,519	195,371	-	1,226,901	-
Restricted for capital projects	-	2,801,959	759,172	719,315	-	4,280,446	-
Restricted for debt service	3,220,409	10,759,151	8,841,018	65,071	-	22,885,649	-
Unrestricted	9,443,670	(7,857,033)	3,007,811	8,032,962	(1,602,703)	11,024,707	4,870,385
Total net position	\$ 41,247,299	\$ 83,962,508	\$ 81,273,679	\$ 13,488,245	\$ 5,424,611	\$ 225,396,342	\$ 5,003,476

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, 2017

	Enterprise Funds						Internal Service Funds
	Gas	Water	Waste Water	Solid Waste	Other Enterprise Funds	Totals	
Operating Revenues							
Sales/charges	\$ 21,330,824	\$ 17,031,481	\$ 12,200,693	\$ 13,044,383	\$ 855,883	\$ 64,463,264	\$ 14,951,252
Provision for uncollectible accounts	229,164	103,288	111,819	188,409	-	632,680	-
Net sales/charges	21,559,988	17,134,769	12,312,512	13,232,792	855,883	65,095,944	14,951,252
Utility extension/service fee	310,375	107,597	20,346	-	-	438,318	-
Rentals	-	769	-	-	-	769	317,257
Other	2,647,090	2,830,423	2,840,142	(63,505)	8,423	8,262,573	-
Total operating revenues	24,517,453	20,073,558	15,173,000	13,169,287	864,306	73,797,604	15,268,509
Cost of gas, water and services, respectively	(10,676,023)	(112,409)	-	-	-	(10,788,432)	(2,368,321)
Gross Margin	13,841,430	19,961,149	15,173,000	13,169,287	864,306	63,009,172	12,900,188
Operating Expenses							
Personnel services	5,019,205	4,655,119	4,204,345	2,352,655	2,889,214	19,120,538	1,504,793
Supplies	519,035	645,446	1,268,814	272,709	268,617	2,974,621	325,199
Utilities	44,782	1,694,140	842,567	27,780	33,390	2,642,659	27,719
Professional services	825,000	2,088,907	1,974,509	4,706,384	275,266	9,870,066	1,201,009
Motor pool charges	-	-	-	-	354,740	354,740	-
Motor fuel	-	-	-	-	588,716	588,716	-
Repairs and maintenance	1,032,315	1,790,635	983,691	963,461	12,600	4,782,702	73,143
Rent	9,405	52,662	7,768	-	-	69,835	-
Depreciation and amortization	2,263,923	2,578,612	3,617,394	1,286,461	527,076	10,273,466	26,491
Payment in lieu of taxes	579,794	634,435	516,112	302,079	-	2,032,420	-
Administrative charges from other funds	3,178,969	2,912,165	2,753,406	2,137,841	-	10,982,381	-
Customer service	-	-	-	-	-	-	-
Closure/post-closure costs	-	-	-	(999,477)	-	(999,477)	-
Claims and judgments	-	-	-	-	-	-	15,267,686
Insurance	137,130	107,324	113,700	76,596	103,783	538,533	-
Pension expenses	295,788	236,721	225,224	199,098	145,945	1,102,776	20,264
Other	64,575	31,552	21,677	6,427	49,796	174,027	128,956
Total operating expenses	13,969,921	17,427,718	16,529,207	11,332,014	5,249,143	64,508,003	18,575,260
Operating income (loss)	(128,491)	2,533,431	(1,356,207)	1,837,273	(4,384,837)	(1,498,831)	(5,675,072)
Non-operating Revenues (Expenses)							
Gain (loss) on sale of capital assets	76,531	53,666	13,047	392,610	627	536,481	-
Investment (loss) income	118,811	(39,233)	44,792	(14,942)	9,388	118,816	(11,771)
Grants	-	462,575	-	-	2,153,824	2,616,399	-
Grants - state	-	-	627,987	-	-	627,987	-
Interest expense	(111,822)	(1,275,000)	(686,943)	(54,135)	-	(2,127,900)	-
Total non-operating revenues (expenses)	83,520	(797,992)	(1,117)	323,533	2,163,839	1,771,783	(11,771)
Income (loss) before capital	(44,971)	1,735,439	(1,357,324)	2,160,806	(2,220,998)	272,952	(5,686,843)
Capital contributions	90,601	101,609	73,773	-	-	265,983	-
Transfers							
Transfers in	888,539	4,122,195	2,166,501	-	1,933,053	9,110,288	3,260,232
Transfers out	(816,667)	(3,576,212)	(1,409,104)	-	-	(5,801,983)	-
Change in net position	117,502	2,383,031	(526,154)	2,160,806	(287,945)	3,847,240	(2,426,611)
Net position, beginning of year	41,129,797	81,579,477	81,799,833	11,327,439	5,712,556	221,549,102	7,430,087
Net position, end of year	<u>\$ 41,247,299</u>	<u>\$ 83,962,508</u>	<u>\$ 81,273,679</u>	<u>\$ 13,488,245</u>	<u>\$ 5,424,611</u>	<u>\$ 225,396,342</u>	<u>\$ 5,003,476</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, 2017

	Enterprise Funds						Internal
	Gas	Water	Waste Water	Solid Waste	Other Enterprise Funds	Totals	Service Funds
Cash flows from operating activities							
Cash received from customers	\$ 21,156,961	\$ 16,873,373	\$ 11,804,954	\$ 12,984,137	\$ 805,830	\$ 63,625,255	\$ 15,267,039
Cash paid to suppliers	(16,720,374)	(10,915,916)	(7,061,767)	(7,703,032)	(1,885,486)	(44,286,575)	(4,102,108)
Cash paid to employees	(4,829,041)	(3,596,578)	(3,904,191)	(2,181,637)	(2,619,687)	(17,131,134)	(1,504,793)
Claims paid	-	-	-	-	-	-	(15,231,435)
Other receipts	2,647,090	2,830,423	2,840,142	(63,505)	8,423	8,262,573	-
Net cash provided (used) by operating activities	2,254,636	5,191,302	3,679,138	3,035,963	(3,690,920)	10,470,119	(5,571,297)
Cash flows from non-capital financing activities							
Grants and contributions	-	462,575	-	-	2,153,824	2,616,399	-
Transfers in	888,539	4,122,195	2,166,501	-	1,933,053	9,110,288	3,260,232
Transfers out	(816,667)	-	-	-	-	(816,667)	-
Additions and (payments) from loans for development impact fees	-	28,351	(11,127)	-	-	17,224	-
Advance to/from other funds	-	(3,889,497)	(1,095,818)	-	-	(4,985,315)	-
Net cash provided (used) by non-capital financing activities	71,872	723,624	1,059,556	-	4,086,877	5,941,929	3,260,232
Cash flows from capital and related financing activities							
Purchase of capital assets	(3,930,957)	(25,497,735)	(8,150,937)	(1,197,650)	(877,571)	(39,654,850)	(71,225)
Grants and contributions	-	-	627,987	-	-	627,987	-
Proceeds from revenue bonds and notes payable	-	17,500,192	-	-	-	17,500,192	-
Principal paid: revenue bonds/lease purchase/advances	(155,562)	(2,687,020)	(2,014,237)	(707,054)	-	(5,563,873)	-
Interest paid: revenue bonds/lease purchase/advances	(111,822)	(1,275,000)	(667,436)	(54,135)	-	(2,108,393)	-
Net cash provided (used) by capital and related financing activities	(4,198,341)	(11,959,563)	(10,204,623)	(1,958,839)	(877,571)	(29,198,937)	(71,225)
Cash flows from investing activities							
Cash interest received	118,811	(39,233)	44,792	(14,942)	10,015	119,443	(11,771)
Net cash provided (used) by investing activities	118,811	(39,233)	44,792	(14,942)	10,015	119,443	(11,771)
Net increase (decrease) in pooled cash and investments	(1,753,022)	(6,083,870)	(5,421,137)	1,062,182	(471,599)	(12,667,446)	(2,394,061)
Cash and investments, beginning of year	21,562,573	26,068,605	27,684,709	9,525,658	(181,008)	84,660,537	16,631,807
Cash and investments, end of year	\$ 19,809,551	\$ 19,984,735	\$ 22,263,572	\$ 10,587,840	\$ (652,607)	\$ 71,993,091	\$ 14,237,746
Cash and investments at June 30 consisted of:							
Current assets							
Cash and investments	\$ 15,930,073	\$ 6,207,683	\$ 12,506,863	\$ 9,608,083	\$ (652,607)	\$ 43,600,095	\$ 14,237,746
Non-current assets							
Restricted cash and investments	3,879,478	13,777,052	9,756,709	979,757	-	28,392,996	-
Total cash and investments, June 30	\$ 19,809,551	\$ 19,984,735	\$ 22,263,572	\$ 10,587,840	\$ (652,607)	\$ 71,993,091	\$ 14,237,746

(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, 2017

	Enterprise Funds					Totals	Internal Service Funds
	Gas	Water	Waste Water	Solid Waste	Other Enterprise Funds		
Reconciliation of operating income to net cash provided (used) by operating activities							
Operating income (loss)	\$ (128,491)	\$ 2,533,431	\$ (1,356,207)	\$ 1,837,273	\$ (4,384,837)	\$ (1,498,831)	\$ (5,675,072)
Adjustments to reconcile operating income to net cash provided by operating activities:							
Depreciation and amortization	2,263,923	2,578,612	3,617,394	1,286,461	527,076	10,273,466	26,491
Provision for uncollectible accounts	(229,164)	(103,288)	(111,819)	(188,409)	-	(632,680)	-
Increase in liability for landfill closure costs	-	-	-	(36,000)	-	(36,000)	-
Change in assets, deferred outflows, liabilities, and deferred inflows:							
Accounts receivable	(154,288)	(269,736)	(422,664)	(66,827)	(50,053)	(963,568)	(1,471)
Inventories	(64,868)	(46,699)	18,639	14,291	-	(78,637)	17,592
Due from other governmental agencies	-	480,519	603,238	-	-	1,083,757	143
Accounts and contracts payable	355,223	(1,043,340)	1,023,823	10,050	(52,633)	293,123	(84,309)
Wages payable and accrued liabilities	17,299	792,307	74,930	(29,098)	19,800	875,238	16,371
Deferred gain of revenue	(87,183)	(1,471,224)	(1,427,847)	-	-	(2,986,254)	-
Unearned revenue	(1,875,204)	-	-	-	249,727	(1,625,477)	-
Net pension liability	2,203,205	1,763,238	1,677,599	223,601	-	5,867,643	-
Deferred inflows related to pensions	(32,213)	(25,780)	(24,528)	(21,959)	-	(104,480)	128,958
Customer deposits	(13,603)	3,262	6,580	6,580	-	2,819	-
Total adjustments	<u>2,383,127</u>	<u>2,657,871</u>	<u>5,035,345</u>	<u>1,198,690</u>	<u>693,917</u>	<u>11,968,950</u>	<u>103,775</u>
Net cash provided (used) by operating activities	<u>\$ 2,254,636</u>	<u>\$ 5,191,302</u>	<u>\$ 3,679,138</u>	<u>\$ 3,035,963</u>	<u>\$ (3,690,920)</u>	<u>\$ 10,470,119</u>	<u>\$ (5,571,297)</u>
Non-cash investing/financing activities							
Advances to (from) other funds	\$ -	\$ -	\$ (1,409,104)	\$ -	\$ -	\$ (1,409,104)	\$ -
Capital contributions of capital assets	90,601	101,609	73,773	-	-	265,983	-
Total non-cash investing/financing activities	<u>\$ 90,601</u>	<u>\$ 101,609</u>	<u>\$ (1,335,331)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,143,121)</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, 2017

Assets

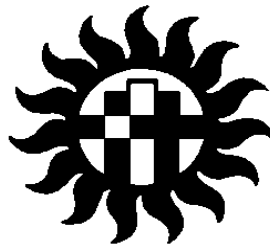
Restricted pooled cash and investments	\$ 5,378,412
Accounts receivable	106,867
Receivable from other government agencies	<u>575,969</u>
Total Assets	<u><u>\$ 6,061,248</u></u>

Liabilities

Accounts and contracts payable	\$ 289,803
Accrued wages payable	238,221
Due to fiscal agent	-
Revenue collected in advance	84,375
Funds held for others	<u>5,448,849</u>
Total Liabilities	<u><u>\$ 6,061,248</u></u>

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

City of Las Cruces
Notes to Basic Financial Statements
June 30, 2017



City of Las Cruces

City of Las Cruces

Notes to Basic Financial Statements

June 30, 2017

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 Statement No. 61, the SCSWA qualifies as a discretely presented component unit, due to the following reasons. There is a joint powers agreement (JPA) between the City of Las Cruces and SCSWA and the City of Las Cruces is still considered one of the largest customers for SCSWA. If SCSWA ever defaults, then the City of Las Cruces will take over the organization and pledged EGRT to cover the outstanding debt/loan/leases. The criteria of equity interest also exists and the City of Las Cruces will receive any assets if the component unit ever decides to dissolve.	Separate financial statements are available for SCSWA at 700 N. Main St., Las Cruces, New Mexico 88001.
Downtown Tax Increment Development District (TIDD)	The Board members for the TIDD are also the City Councilors, which allows the City to impose its will. According to GASB Statement No. 61, the TIDD qualifies as a blended component unit. Mainly due to management having operational responsibility for the blended component unit.	Presented as a blended component unit of the City.

City of Las Cruces
Notes to Basic Financial Statements
June 30, 2017

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 assets 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 Basic Financial Statements
June 30, 2017

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.

Debt Service Fund

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

Special Revenue Funds

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

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

The City reports the following major enterprise funds:

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

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

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

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

The City also reports the following fund types:

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

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.

City of Las Cruces
Notes to Basic Financial Statements
June 30, 2017

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

Measurement Focus, Basis of Accounting

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

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

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

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets 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.

City of Las Cruces
Notes to Basic Financial Statements
June 30, 2017

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

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 assets. 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 Assets—Propriety Funds*. Also, certain proceeds of joint utility revenue bonds, as well as resources set aside for their repayment, and resources set aside to fund capital asset replacements and landfill closure obligations, are classified as restricted as their use is limited.

Receivables

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

City of Las Cruces
Notes to Basic Financial Statements
June 30, 2017

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

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

Inventories and Prepaid Items

Inventories are valued at cost using the weighted average cost method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

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

Capital Assets

Capital assets are defined as assets with an initial individual cost or fair value of more than \$5,000 and an estimated useful life in excess of one year. Purchased and constructed capital assets are reported at cost or estimated historical cost. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value. 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.), as individual assets versus collections and, therefore, they are not capitalized. Museum collections and exhibits are considered a collection but are not capitalized as allowed by GASB 34. Also, the initial purchase of software meeting the City's capital asset definition is capitalized; however, periodic costs for software upgrades are not capitalized due to the rapid change in technology.

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

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

City of Las Cruces
Notes to Basic Financial Statements
June 30, 2017

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

Compensated Absences

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

Pollution Remediation

The City has implemented the provisions of Government Accounting Standards Board Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation*, obligations. Accordingly, liabilities are accrued in government-wide and proprietary fund financial statements when certain obligating events occur. Accrued pollution remediation costs are expensed unless they meet the criteria for capitalization in GASB Statement No. 49.

Fund Balance

Prior to FY2011, the City reported the governmental fund balances as reserved and unreserved. Effective FY2011, the City implemented GASB 54 and reports the governmental fund balances in five categories, which include:

- 1) Non-spendable fund balance – amounts that are not in a spendable form or are required to be maintained intact. Examples are inventory or long-term receivables.
- 2) Restricted fund balance – amounts that can be spent only for the specific purposes imposed by creditors, grantors, contributors, or laws and regulations of other governments. An example is federal grants.
- 3) Committed fund balance – amounts to be used for specific purposes as determined by Council resolution, a formal action of the City's highest level of decision-making authority. Commitments established by the City Council may be changed or lifted only by an action of the City Council through resolution, taking the same formal action that imposed the original constraint.
- 4) Assigned fund balance – comprises amounts *intended* to be used by the City for specific purposes. Intent can be expressed by the City Council, or by an official or body to which the City Council delegates the authority. In governmental funds other than the General Fund, assigned fund balance represents the amount that is not restricted or committed but has been earmarked by the governing body by accounting them in these funds.

City of Las Cruces
Notes to Basic Financial Statements
June 30, 2017

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

- 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. Only the General Fund may report “positive” amounts of unassigned Fund Balance. General Fund types other than the general fund are permitted to report “negative” amounts of unassigned fund balance and is not appropriate to report a positive unassigned balance. However, in governmental funds other than the general fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed, or assigned for those purposes, it may be necessary to report a negative unassigned fund balance in that fund.

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

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

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

City of Las Cruces
Notes to Basic Financial Statements
June 30, 2017

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

	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
Non-spendable:			
Inventories	\$ 1,747,278	\$ -	\$ 1,747,278
Restricted:			
General Government			
Economic Development	200,953	-	200,953
Office of Emergency Management	100,000	-	100,000
Public Safety			
Police	4,562	1,477,834	1,482,396
Fire	-	240,897	240,897
Municipal	-	462,337	462,337
Housing and community development			
MPO Planning	81,193	-	81,193
Affordable Housing Trust	-	527,100	527,100
Housing & Community Development	-	33,835	33,835
Debt Service	-	5,701,855	5,701,855
Public Works			
Streets Maintenance & Operations	-	42,096,850	42,096,850
Flood Control	130,569	10,585,407	10,715,976
Downtown	-	9,672,684	9,672,684
Griggs & Walnut	-	3,322,591	3,322,591
Facilities Maintenance	-	12,138,990	12,138,990
Convention Center	-	(144,289)	(144,289)
Quality of Life	900,220	2,927,219	3,827,439
Health Related Programs	-	40,507,578	40,507,578
Parks and recreation	311,667	2,389,780	2,701,447
Transportation	-	53,049	53,049
Committed:			
Debt Service	8,252,569	2,627,241	10,879,810
Health-related programs	-	69,384	69,384
Public Safety			
Police	-	219,370	219,370
Public Works	-	2,559,844	2,559,844
Subtotal	<u>11,729,011</u>	<u>137,469,556</u>	<u>149,198,567</u>

City of Las Cruces
Notes to Basic Financial Statements
June 30, 2017

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

	<u>General Fund</u>	<u>Other Funds</u>	<u>Total</u>
Assigned to:			
Public works	194,818	-	194,818
Economic development	1,876,732	-	1,876,732
Transportation	101,109	-	101,109
Vehicle Acquisition Fund			
Parks & Recreation Vehicle	372,000	-	372,000
Quality of Life Replacement	154,000	-	154,000
Economic Development Replacement	35,000	-	35,000
Replacement	97,000	-	97,000
Public Works Vehicle Replacement	383,000	-	383,000
Fire Vehicle Replacement	228,000	-	228,000
Police Vehicle Replacement	873,000	-	873,000
Vehicle Replacement Reserve	164,504	-	164,504
Unassigned	<u>39,784,069</u>	<u>(190,492)</u>	<u>39,593,577</u>
Total fund balance	<u>\$ 55,992,243</u>	<u>\$ 137,279,064</u>	<u>\$ 193,271,307</u>

Budgets

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

Adoption of New Accounting Pronouncements

GASB Statement No. 77, *Tax Abatement Disclosures*, is effective for years beginning after December 15, 2015. This statement requires governments that enter into tax abatement agreements to disclose (1) brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients, (2) the gross dollar amount of taxes abated during the period, and (3) commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. The provisions of GASB Statement No. 77 have been implemented for the year ended June 30, 2017. City's financial statements and note disclosures reflect any required changes.

City of Las Cruces
Notes to Basic Financial Statements
June 30, 2017

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

New Accounting Pronouncements

The following accounting pronouncements have been recently issued, but not yet adopted by the City. Management anticipates that, upon adoption by the City, none of these statements will have a significant impact on the City's financial position or results of operations. Pronouncements that are not applicable to the City have been omitted.

- ◆ Statement No. 75: *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- ◆ Statement No. 83: *Certain Asset Retirement Obligations*
- ◆ Statement No. 84: *Fiduciary Activities*
- ◆ Statement No. 85: *Omnibus 2017*
- ◆ Statement No. 86: *Certain Debt Extinguishment Issues*
- ◆ Statement No. 87: *Leases*

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	\$ 112,335,497
Business-type activities	<u>43,600,095</u>
Total primary government	155,935,592
South Central Solid Waste Authority	<u>3,719,609</u>
	<u>159,655,201</u>

Restricted cash and investments

Governmental activities	82,100,071
Business-type activities	<u>28,392,996</u>
Total primary government	110,493,067
Fiduciary funds	5,378,412
South Central Solid Waste Authority	<u>2,079,146</u>
Total Cash and Investments	<u><u>\$ 277,605,826</u></u>

City of Las Cruces
Notes to Basic Financial Statements
June 30, 2017

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	\$ (278,158)	\$ 71,162,535	\$ 70,884,377
Investments	142,922,868	54,289,895	197,212,763
Cash with fiscal agent	-	8,822,854	8,822,854
Cash on hand	-	14,507	14,507
Accrued interest	671,325	-	671,325
Total Cash and Investments	<u>\$ 143,316,035</u>	<u>\$ 134,289,791</u>	<u>\$ 277,605,826</u>

Bank Balance of Deposits

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City's investment ordinance requires collateralization of 100% of the uninsured portion of the City's deposits with financial institutions. Securities pledged by financial institutions are accepted at market value, except obligations of the state of New Mexico and its subdivisions, which are accepted at par value. As of June 30, 2017, the City's deposits, totaling \$73,503,732 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 Investment 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 Basic Financial Statements
June 30, 2017

3) Cash and Investments (continued)

As of June 30, 2017, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted-Avg Maturity (Yrs)</u>
Pooled Investments:		
Overnight repurchase agreement	\$ 16,674,840	0.00
U.S. agency coupon bonds	129,245,167	12.81
U.S. agency treasury bills	<u>9,962,980</u>	0.82
	<u>155,882,987</u>	
Telshor Facility Fund:		
U.S. agency coupon bonds	14,150,360	8.86
External investment equity pools	<u>24,789,088</u>	N/A
Total Telshor Facility Fund	<u>38,939,448</u>	
Water and Wastewater Funds:		
U.S. agency coupon bonds	<u>2,390,328</u>	9.00
Total Investments	<u>\$ 197,212,763</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 \$111,943,960 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, 2017, the City's investments in coupon bonds of U.S. agencies were rated AA+ or better by Standard & Poor's and Aaa by Moody's Investors Service. The external investment pools of the NM State Investment Council are not rated.

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, 2017, 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.

City of Las Cruces
Notes to Basic Financial Statements
June 30, 2017

3) Cash and Investments (continued)

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, 2017, 47% of the City's investment pool was in Fannie Mae (FNMA), 36% was in Federal Home Loan Mortgage Corporation (FHLMC), 10% in Federal Home Loan Bank (FHLB), 6% was in Federal Farm Credit Bank (FFCB), and 1% in U.S. Treasury Bills. Of the Telshor Fund, 34% was in FHLB and 66% was in FFCB. Of the Water and Wastewater Funds portfolio, 100% was in FHLB.

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

The City has the following recurring fair value measurements as of June 30, 2017:

Investment Type	Level 1	Level 2
New Mexico State Investment Council Pools	\$ 5,041,738	\$ 19,507,615
U.S. Agency Securities	-	145,785,857
U.S. Treasury Securities	-	9,962,980
Stagecoach Sweep Repo	-	16,674,840
Total Pooled Investments	<u>\$ 5,041,738</u>	<u>\$ 191,931,292</u>

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

The City's investment in pools at June 30, 2017 are shown below:

	Reported Amount	Fair Value	Weighted Average Maturity
Overnight Repurchase Agreement	\$ 16,674,840	\$ 16,674,840	N/A
State Investment Council Large Cap Active Equity Pool	9,447,002	9,447,002	N/A
State Investment Council Large Cap Index Equity Pool	5,041,738	5,041,738	N/A
State Investment Council Non-U.S. Developed Equity Pool	2,549,161	2,549,161	N/A
State Investment Council Mid/Small Cap Equity Pool	7,751,186	7,751,186	N/A

City of Las Cruces
Notes to Basic Financial Statements
June 30, 2017

4) Capital Assets

Primary Government

Capital asset activity for the City for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Governmental activities					
<i>Capital assets not being depreciated</i>					
Land and land rights	\$ 22,600,493	\$ 4,440,121	\$ -	\$ -	\$27,040,614
Land improvements	19,125,120	-	-	-	19,125,120
Construction in progress	<u>8,441,979</u>	<u>7,112,673</u>	<u>-</u>	<u>(12,790,660)</u>	<u>2,763,992</u>
Total capital assets not being depreciated	<u>50,167,592</u>	<u>11,552,794</u>	<u>-</u>	<u>(12,790,660)</u>	<u>48,929,726</u>
<i>Other capital assets</i>					
Buildings and building improvements	135,009,904	3,141,554	-	12,790,660	150,942,118
Airport runways	28,001,225	106,205	-	-	28,107,430
Park improvements	22,378,272	1,725,723	-	-	24,103,995
Land improvement remediation	1,633,551	-	-	-	1,633,551
Machinery and equipment	48,414,633	4,543,621	(1,867,790)	-	51,090,464
Roads network	324,785,919	14,087,933	(1,094,120)	-	337,779,732
Flood control network	<u>35,149,256</u>	<u>387,681</u>	<u>(907)</u>	<u>-</u>	<u>35,536,030</u>
Total other capital assets at cost	<u>595,372,760</u>	<u>23,992,717</u>	<u>(2,962,817)</u>	<u>12,790,660</u>	<u>629,193,320</u>
<i>Less accumulated depreciation for</i>					
Buildings and building improvements	(36,959,706)	(4,246,415)	-	-	(41,206,121)
Airport runway	(10,273,905)	(850,215)	-	-	(11,124,120)
Park improvements	(5,496,711)	(443,516)	-	-	(5,940,227)
Land improvement remediation	(163,355)	(326,710)	-	-	(490,065)
Machinery and equipment	(37,906,428)	(3,234,563)	1,844,956	-	(39,296,035)
Roads network	(169,446,728)	(9,073,264)	1,123,751	-	(177,396,241)
Flood control network	<u>(11,175,486)</u>	<u>(974,995)</u>	<u>907</u>	<u>-</u>	<u>(12,149,574)</u>
Total accumulated depreciation	<u>(271,422,319)</u>	<u>(19,149,678)</u>	<u>2,969,614</u>	<u>-</u>	<u>(287,602,383)</u>
Total other capital assets at historic cost, net	<u>323,950,441</u>	<u>4,843,039</u>	<u>6,797</u>	<u>12,790,660</u>	<u>341,590,937</u>
Governmental activities capital assets, net	<u>\$ 374,118,033</u>	<u>\$ 16,395,833</u>	<u>\$ 6,797</u>	<u>\$ -</u>	<u>\$ 390,520,663</u>

Land and land rights was increased by approximately \$4.4 million with the purchase of land to build the Downtown Civic Plaza and the purchase of the Amador Hotel Site and land purchase.

Construction in Process decreased by approximately \$12.8 million due to completion of East Mesa Public Safety Complex. On-going projects include: Cinematic Theatre Project, Amador Hotel, and three fire trucks.

City of Las Cruces
Notes to Basic Financial Statements
June 30, 2017

4) Capital Assets (continued)

Airport PAPI Infra increased by approximately \$106 thousand due to the Airfield Electrical Vault Expansion. Parks Improvement increased by \$1.7 million which included Young Park playground equipment, Veterans Memorial plaques and bricks, Women Veterans Monument improvements, etc.

Roads increased by approximately \$14 million which included the ADA Improvements, Dam Trail improvements, Roadrunner Parkway expansion, paving and Streets for FY17, Sidewalks, Lighting, Traffic Safety Management control, etc.

The City spent approximately \$4.5 million for equipment purchases such as vehicles for Las Cruces Police and Fire Departments, Parks & Recreation. Decreases in machinery and equipment were due to the retirement of items sent to auction and donations made to outside agencies.

	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Business type activities					
<i>Capital assets not being depreciated</i>					
Land and land rights	\$ 7,743,482	\$ 7,700,000	\$ -	\$ -	\$ 15,443,482
Construction in progress	560,960	-	-	-	560,960
Total capital assets not being depreciated	<u>8,304,442</u>	<u>7,700,000</u>	<u>-</u>	<u>-</u>	<u>16,004,442</u>
<i>Other capital assets</i>					
Buildings and building improvements	10,875,728	275,603	-	-	11,151,331
Land improvements	335,172	-	-	-	335,172
Distribution and collection system	80,599,279	237,650	-	-	80,836,929
Utilities transmission	239,023,066	27,349,074	-	-	266,372,140
Machinery and equipment	<u>30,126,836</u>	<u>4,092,523</u>	<u>(3,631,295)</u>	<u>-</u>	<u>30,588,064</u>
Total other capital assets at historic cost	<u>360,960,081</u>	<u>31,954,850</u>	<u>(3,631,295)</u>	<u>-</u>	<u>389,283,636</u>
<i>Less accumulated depreciation for</i>					
Buildings and building improvements	(3,903,672)	(356,935)	-	-	(4,260,607)
Land improvements	(222,168)	(22,677)	-	-	(244,845)
Distribution and collection system	(39,800,694)	(1,443,198)	-	-	(41,243,892)
Utilities transmission	(88,244,176)	(5,710,722)	-	-	(93,954,898)
Machinery and equipment	<u>(19,366,725)</u>	<u>(2,739,934)</u>	<u>3,615,390</u>	<u>-</u>	<u>(18,491,269)</u>
Total accumulated depreciation	<u>(151,537,435)</u>	<u>(10,273,466)</u>	<u>3,615,390</u>	<u>-</u>	<u>(158,195,511)</u>
Total other capital assets at historic cost, net	<u>209,422,646</u>	<u>21,681,384</u>	<u>(15,905)</u>	<u>-</u>	<u>231,088,125</u>
Business type activities capital assets, net	<u>\$ 217,727,088</u>	<u>\$ 29,381,384</u>	<u>\$ (15,905)</u>	<u>\$ -</u>	<u>\$ 247,092,567</u>

City of Las Cruces
Notes to Basic Financial Statements
June 30, 2017

4) Capital Assets (continued)

Business Type Activities

Jornada Water Rights was acquired for \$7.7 million under Land Rights.

There was no change to construction in progress.

The Utilities transmission increased by \$27 million primarily due to gas infrastructure additions and donated subdivisions as well as adjustment costs for interest expense.

Machinery and equipment remained at \$4.1 million due to various purchases of machinery and equipment for Gas, Water, Wastewater, transit, and Solid Waste. Included in this was partial expense for the Munis reimplementation cost.

Depreciation expense was charged to functions as follows:

	Governmental Activities	Business- type Activities
General government	\$ 1,793,926	\$ -
Police	1,176,343	-
Fire	1,004,506	-
Community development	750	-
Public services	955,614	-
Public works	12,269,027	-
Transportation	963,800	-
Parks and recreation	959,221	-
Gas	-	2,263,923
Water	-	2,578,612
Wastewater	-	3,617,394
Solid waste	-	1,286,461
Other	-	527,076
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	26,491	-
Total depreciation expense	<u>\$ 19,149,678</u>	<u>\$ 10,273,466</u>

City of Las Cruces
Notes to Basic Financial Statements
June 30, 2017

4) Capital Assets (continued)

Component Unit

Capital asset activity for SCSWA for the year ended June 30, 2017 was as follows:

	Balances June 30, 2016	Additions	Dispositions	Transfer	Balances June 30, 2017
Capital assets not being depreciated					
Land	\$ 807,276	\$ -	\$ -	\$ -	\$ 807,276
Landfill cell/site - construction in progress	708,875	-	-	-	708,875
Construction in progress	196,826	995,249	-	(1,192,075)	-
Total	<u>1,712,977</u>	<u>995,249</u>	<u>-</u>	<u>(1,192,075)</u>	<u>1,516,151</u>
Capital assets being depreciated					
Buildings	5,142,099	32,472	-	1,192,075	6,366,646
Equipment	10,979,318	731,743	(624,675)	-	11,086,386
Infrastructure	1,056,988	-	-	-	1,056,988
Landfill cell/site	<u>7,413,352</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,413,352</u>
Total	<u>24,591,757</u>	<u>764,215</u>	<u>(624,675)</u>	<u>1,192,075</u>	<u>25,923,372</u>
Less accumulated depreciation					
Buildings	(2,606,267)	(106,498)	-	-	(2,712,765)
Equipment	(7,703,674)	(806,962)	539,899	-	(7,970,737)
Infrastructure	(845,110)	(10,090)	-	-	(855,200)
Landfill cell/site	<u>(5,913,464)</u>	<u>(56,916)</u>	<u>-</u>	<u>-</u>	<u>(5,970,380)</u>
Total accumulated depreciation	<u>(17,068,515)</u>	<u>(980,466)</u>	<u>539,899</u>	<u>-</u>	<u>(17,509,082)</u>
Total capital assets, net	<u>\$ 9,236,219</u>	<u>\$ 778,998</u>	<u>\$ (84,776)</u>	<u>\$ -</u>	<u>\$ 9,930,441</u>

5) Receivables and Payables

Governmental activities receivables were as follows at June 30, 2017:

	General Fund	Debt Service	Sonoma Ranch	Telshor Facility	Other Governmental Funds	Internal Service Funds	Total Governmental Activities
Accounts	\$ 1,198,292	\$ -	\$ -	\$ -	\$ 3,955,847	\$ 10,470	\$ 5,164,609
Dockets	5,162,507	-	-	-	-	-	5,162,507
Interest	-	-	2,441,385	86,669	395,701	-	2,923,755
Contracts	-	-	-	-	4,062,502	-	4,062,502
Special assessments	-	8,585,000	4,974,339	-	468,391	-	14,027,730
Less: allowance for doubtful accounts	<u>(5,225,977)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(3,272,588)</u>	<u>-</u>	<u>(8,498,565)</u>
Total governmental receivables	<u>\$ 1,134,822</u>	<u>\$ 8,585,000</u>	<u>\$ 7,415,724</u>	<u>\$ 86,669</u>	<u>\$ 5,609,853</u>	<u>\$ 10,470</u>	<u>\$ 22,842,538</u>

City of Las Cruces
Notes to Basic Financial Statements
June 30, 2017

5) Receivables and Payables (continued)

Governmental Activities

Special assessments receivables of \$4,974,339 and related interest receivable of \$2,441,385 represent amounts due from local developers to reimburse the City for the construction of subdivisions or other improvements for residential development. Though a majority of special assessments are not scheduled for collection within the next fiscal year, amounts are expected to be fully collected. The receivables are deferred and reported in the Sonoma Ranch Fund.

Business-type activities receivables were as follows at June 30, 2017:

	<u>Accounts Receivable</u>	<u>Allowance for Doubtful Accounts</u>	<u>Accounts Receivable, Net</u>
Gas	\$ 2,082,446	\$ (963,013)	\$ 1,119,433
Water	2,472,568	(528,676)	1,943,892
Wastewater	1,697,272	(416,610)	1,280,662
Solid waste	1,512,620	(463,101)	1,049,519
Other enterprise funds	<u>189,547</u>	<u>-</u>	<u>189,547</u>
Total business-type activities	<u>\$ 7,954,453</u>	<u>\$ (2,371,400)</u>	<u>\$ 5,583,053</u>

Business-type Activities

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

City of Las Cruces
Notes to Basic Financial Statements
June 30, 2017

5) Receivables and Payables (continued)

Governmental activities accounts payable and accrued liabilities at June 30, 2017 were as follows:

	Vendors	Salaries and Benefits	Total Accounts Payable and Accrued Liabilities
<i>Governmental activities</i>			
General Fund	\$ 2,437,760	\$ 2,042,022	\$ 4,479,782
Telshor Facility	106,194	-	106,194
Other governmental	5,038,127	70,843	5,108,970
Internal service funds	<u>2,061,068</u>	<u>33,624</u>	<u>2,094,692</u>
Total governmental activities	<u>\$ 9,643,149</u>	<u>\$ 2,146,489</u>	<u>\$ 11,789,638</u>

Business-type activities accounts payable and accrued liabilities at June 30, 2017 were as follows:

	Vendors	Salaries and Benefits	Accrued Interest	Taxes Payable	Total Accounts Payable and Accrued Liabilities
<i>Business-type activities</i>					
Gas	\$ 1,099,962	\$ 116,218	\$ 12,074	\$ 57,452	\$ 1,285,706
Water	948,002	112,482	134,873	84,524	1,279,881
Wastewater	2,406,432	95,727	79,369	44,731	2,626,259
Solid waste	54,277	53,529	7,298	57,286	172,390
Other enterprise funds	<u>33,997</u>	<u>65,665</u>	<u>-</u>	<u>-</u>	<u>99,662</u>
Total business-type activities	<u>\$ 4,542,670</u>	<u>\$ 443,621</u>	<u>\$ 233,614</u>	<u>\$ 243,993</u>	<u>\$ 5,463,898</u>

City of Las Cruces
Notes to Basic Financial Statements
June 30, 2017

6) Interfund Assets, Liabilities and Transfers

Primary Government

Governmental interfund receivables and interfund payables as of June 30, 2017 were as follows:

	Interfund Receivables	Interfund Payables	Total
Governmental activities			
<i>General fund</i>			
Nonmajor governmental funds	\$ 3,631,367	\$ -	\$ 3,631,367
<i>Nonmajor governmental funds</i>			
General fund	-	(3,631,367)	(3,631,367)
Total governmental activities	<u>\$ 3,631,367</u>	<u>\$ (3,631,367)</u>	<u>\$ -</u>

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

Business-type Activities

Business-type activities receivables and payables as of June 30, 2017 were as follows:

	Interfund Receivables	Interfund Payables	Total
Business-type activities			
<i>Major enterprise funds</i>			
Water Development Fund	\$ -	\$ (2,166,714)	\$ (2,166,714)
Wastewater Development Fund	2,166,714	-	2,166,714
Total business-type activities	<u>\$ 2,166,714</u>	<u>\$ (2,166,714)</u>	<u>\$ -</u>

Business-type Activities

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

City of Las Cruces
Notes to Basic Financial Statements
June 30, 2017

6) Interfund Assets, Liabilities and Transfers (continued)

Interfund Transfers

Interfund transfers for the fiscal year ended June 30, 2017 consisted of the following:

Transfers From	Transfers To	Amount		Purpose
		2017	2016	
BETWEEN GOVERNMENTAL AND BUSINESS-TYPE COLUMNS:				
Operating or Debt Subsidy				
General Fund	Transit Funds	1,252,200	1,125,000	Operating subsidy for transit fund
Gasoline Tax Fund	Transit Funds	680,853	720,674	Operating subsidy for transit fund
Nonmajor governmental funds	Transit Funds	-	200,000	Operating subsidy for transit fund
Revenue Allocation:				
Environmental gross receipts tax fund	Wastewater fund	685,525	685,525	Transfer share of tax revenue
Environmental gross receipts tax fund	Water fund	474,111	436,375	Transfer share of tax revenue
Environmental gross receipts tax fund	Solid waste fund	-	-	Transfer share of tax revenue
BETWEEN FUNDS WITHIN GOVERNMENTAL OR BUSINESS-TYPE COLUMNS				
Operating or Debt Subsidy:				
General fund	Debt service funds	8,300,949	7,690,007	Debt Service for subsidy from pledged revenues
General fund	Nonmajor governmental funds	290,000	4,163,799	Transfer to prisoner care and affordable housing
General Fund	Internal service funds	625,000	140,775	Funding for City fleet and insurance funds
Debt service funds	Debt service funds	11,400	9,884	Transfer excess reserves to debt service funds
Debt service funds	General fund	-	278,597	Transfer excess debt service funds to general fund
Nonmajor governmental funds	Debt service funds	4,502,299	4,130,373	Debt service subsidy from pledged revenues
Nonmajor governmental funds	General fund	2,054,126	8,778,482	Transfers for administrative and engineering costs
Internal service funds	General fund	2,930,849	-	Move services to general fund, administrative fees
Clean Communities fund	Gas fund	-	-	Transfer operation of natural gas fuel pumps
Water fund	Wastewater fund	-	-	Water borrowed cash in 2012 with a 10 year repayment
Nonmajor governmental funds	Nonmajor governmental funds	-	-	Transfer from Court Award
Capital Contributions:				
Nonmajor governmental funds	Nonmajor governmental funds	6,748,887	6,112,885	Transfer to capital projects
General fund	Nonmajor governmental funds	363,532	330,000	Transfer to capital improvement reserves
Revenue Allocation:				
Telshor Facility fund	Nonmajor governmental funds	395,000	300,000	Recurring allocation of special revenue
Environmental gross receipts tax fund	Nonmajor governmental funds	388,733	388,733	Transfer share of tax revenue

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

City of Las Cruces
Notes to Basic Financial Statements
June 30, 2017

7) Long-term Liabilities

Primary Government

Changes in long-term liabilities are as follows:

	Primary Government				Amount
	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Tax revenue bonds	\$ 99,935,000	\$ 15,570,000	\$ 8,100,000	\$ 107,405,000	\$ 7,560,000
Unamortized premium/discount					
on sales tax revenue bonds	4,884,608	1,656,248	355,259	6,185,597	451,049
Notes payable	8,605,230	8,318,527	1,597,955	15,325,802	2,768,470
Pollution remediation	5,411,307	-	-	5,411,307	-
Claims and judgements	6,548,467	-	-	6,548,467	1,947,237
Compensated absences	3,649,732	5,317,065	5,173,112	3,793,685	758,737
	<u>129,034,344</u>	<u>30,861,840</u>	<u>15,226,326</u>	<u>144,669,858</u>	<u>13,485,493</u>
Business-type Activities					
Utility revenue bonds	65,445,000	16,375,000	4,590,000	77,230,000	4,965,000
Unamortized discount / premium					
on utility revenue bonds	3,579,463	1,125,192	266,819	4,437,836	272,026
Notes payable	3,116,172	-	707,054	2,409,118	719,353
Landfill closure and post-closure costs (Note 9)	900,000	-	36,000	864,000	44,000
Compensated absences	1,057,882	1,495,291	1,420,603	1,132,570	226,514
	<u>74,098,517</u>	<u>18,995,483</u>	<u>7,020,476</u>	<u>86,073,524</u>	<u>6,226,893</u>
Total long-term liabilities	<u>\$ 203,132,861</u>	<u>\$ 49,857,323</u>	<u>\$ 22,246,802</u>	<u>\$ 230,743,382</u>	<u>\$ 19,712,386</u>

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

City of Las Cruces
Notes to Basic Financial Statements
June 30, 2017

7) Long-term Liabilities (continued)

Description of Bonds

In 2010, Municipal Gross Receipts Revenue Refunding Bonds, Series A and B, were issued to refund the 1999 A and B Gross Receipts Tax Bonds and the 2006 Street Improvement and Flood Control NMFA notes. The bonds are secured by a pledge of certain future gross receipts tax through maturity. For the current year, such pledged revenues totaled \$14.1 million. Principal payments on the bonds for the current year for the Series A and Series B bonds were \$695,000 and \$180,000, respectively. Interest payments were \$84,450 and \$28,650, 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 and lodger's tax revenues. Such revenues totaled \$39.2 million in 2017. For the current year, principal and interest paid was \$630,000 and \$956,856, 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 \$35.9 million in 2017. Series 2011B bonds are secured by certain future gross receipts tax through maturity. In fiscal year 2017, such pledged revenues totaled \$7.0 million. Principal payments on the bonds for the current year for the Series A and Series B bonds were \$885,000 and \$100,000, respectively. Interest payments were \$249,775 and \$15,969, respectively.

State-shared Gross Receipts Tax Revenue Bonds, Series 2014, were issued to fund roadway construction and facility construction and equipment. The bonds are secured through maturity by state-shared gross receipts tax revenues. Such revenues totaled \$35.9 million in 2017. For the current year, principal and interest paid was \$2,190,000 and \$301,950, respectively.

In 2014, Municipal Gross Receipts Revenue Bonds, Series 2014A and 2014B were issued to fund street improvements and improve flood control. Series 2014A bonds are secured by certain future gross receipts tax through maturity. For the current year, such pledged revenues totaled \$7.0 million. Series 2014B bonds are secured by certain future gross receipts tax through maturity. In fiscal year 2017, such pledged revenues totaled \$7.0 million. Principal payments on the bonds for the current year for the Series A and Series B bonds were \$1,085,000 and \$150,000, respectively. Interest payments were \$176,419 and \$28,200 respectively.

City of Las Cruces
Notes to Basic Financial Statements
June 30, 2017

7) Long-term Liabilities (continued)

The City issued \$19,195,000 bond par amount in State-shared Gross Receipts Tax Refunding Bonds, Series 2015 to defease and refund the Series 2005 State-shared Gross Receipts tax bonds and pay the costs of issuance. The proceeds for the advance refunding were deposited in an irrevocable trust and the associated debt was defeased and subsequently called on June 1, 2015. The true interest cost on the new bond series is 2.73 percent with a final maturity of June 1, 2035. The net present value savings resulting from this refunding is \$2,724,805. The difference in cash flow requirements to service the old debt of \$29,526,983 and the cash flows to service the debt of \$26,014,758 is \$3,512,225. The bonds are secured through maturity by state-shared gross receipts tax revenues. Such revenues totaled \$35.9 million in 2017. For the current year, principal and interest paid was \$615,000 and \$574,488, respectively.

In 2015, Hold Harmless Gross Receipts Revenue Bonds, Series 2015A and 2015B were issued to fund street and facility improvements and economic development projects. The Series 2015A and 2015B bonds are secured by certain future gross receipts tax through maturity. For the current year, such pledged revenues totaled \$9.7 million. Principal payments on the bonds for the current year for the Series A and Series B bonds were \$790,000 and \$145,000, respectively. Interest payments were \$811,925 and \$151,579, respectively.

Taxable Subordinate Lien State-shared Gross Receipts Improvement Revenue Bonds, Series 2016 were issued to fund street and infrastructure improvements in the Metro Verde development area. The Series 2016 bonds are secured by a subordinate lien on certain future gross receipts tax through maturity. For the current year, such pledged revenues totaled \$35.9 million. The City expects to be reimbursed for costs of the project through the Metro Verde Voluntary Assessment District. Principal and interest payments on the bonds for the current year were \$0 and \$298,503, respectively.

The City issued \$5,000,000 bond par amount in Flood Control Municipal Gross Receipts Tax Bonds, Series 2016. The bonds were issued to fund various flood control projects within the City. The Series 2016 bonds are secured by the fifth one-quarter of one percent municipal gross receipts tax revenues. For fiscal year 2017, such pledged revenues totaled \$7.0 million. Principal and interest payments on the Series 2016 bonds in the current year were \$635,000 and \$170,586, respectively.

In 2017, State-Shared Gross Receipts Tax Revenue Bonds, Series 2017 were issued to fund street and facility construction and improvement projects. The Series 2017 bonds are secured through maturity by state-shared gross receipts tax revenues. For the current year, such pledged revenues totaled \$35.9 million. There were no principal and interest payments on the bonds in the current year.

City of Las Cruces
Notes to Basic Financial Statements
June 30, 2017

7) Long-term Liabilities (continued)

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	July 13, 1905	\$ 12,255,000	\$ 2,120,000	2.5-3.0
Gross receipts tax refunding	Flood control refunding	9/28/2010	July 13, 1905	4,390,000	775,000	2.5-3.0
Gross receipts tax refunding	Convention center refunding	9/28/2010	July 29, 1905	24,330,000	20,430,000	2.0-5.0
Gross receipts tax revenue	Facilities and improve streets	7/19/2011	July 15, 1905	9,640,000	5,980,000	3.0-4.0
Gross receipts tax revenue	Flood control	7/19/2011	July 13, 1905	1,530,000	395,000	2.0-3.625
Gross receipts tax revenue	Facilities and improve streets	7/29/2014	July 18, 1905	10,000,000	7,245,000	2.0-4.0
Gross receipts tax revenue	Street improvement	7/29/2014	July 20, 1905	8,000,000	4,855,000	2.0-4.0
Gross receipts tax revenue	Flood control	7/29/2014	July 16, 1905	1,500,000	990,000	2.0-3.0
Gross receipts tax refunding	City Hall refunding	3/11/2015	July 27, 1905	19,195,000	16,235,000	2.25-4.0
Gross receipts tax revenue	Facilities and improve streets	11/27/2015	July 27, 1905	23,075,000	21,070,000	3.0-5.0
Gross receipts tax revenue	Economic Development	10/27/2015	July 27, 1905	4,020,000	3,790,000	3.0-4.125
Gross receipts tax revenue	Streets in assessment district	4/5/2016	July 23, 1905	8,585,000	8,585,000	3.1-3.75
Gross receipts tax revenue	Flood control	8/24/2016	July 20, 1905	5,000,000	4,365,000	2.0-5.0
Gross receipts tax revenue	Facilities and improve streets	6/22/2017	July 21, 1905	10,570,000	10,570,000	3.0-5.0
				<u>\$ 142,090,000</u>	<u>\$ 107,405,000</u>	

Future debt service requirements for governmental activities revenue bonds are:

Years ending June 30,	Principal	Interest	Total
2018	\$ 7,560,000	\$ 4,088,841	\$ 11,648,841
2019	8,330,000	3,841,163	12,171,163
2020	8,790,000	3,497,269	12,287,269
2021	7,205,000	3,128,794	10,333,794
2022	6,580,000	2,842,643	9,422,643
2023-2027	29,925,000	10,399,021	40,324,021
2028-2032	23,290,000	5,463,165	28,753,165
2033-2037	15,725,000	1,568,464	17,293,464
	<u>\$ 107,405,000</u>	<u>\$ 34,829,360</u>	<u>\$ 142,234,360</u>

City of Las Cruces
Notes to Basic Financial Statements
June 30, 2017

7) Long-term Liabilities (continued)

Defeased Bonds

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

As of June 30, 2017, no defeased bonds are outstanding.

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. For a description of the related tax abatement, see Note 21.

As of June 30, 2017, one Industrial Revenue bond is outstanding to F&A Dairy Products, with an aggregate principal amount payable of \$7,900,000.

F&A Dairy Products, Inc.	\$ 7,900,000
	<u>\$ 7,900,000</u>

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, 2017.

City of Las Cruces
Notes to Basic Financial Statements
June 30, 2017

7) Long-term Liabilities (continued)

Governmental Activities Notes Payable

Details of governmental activities notes payable are:

Type	Purpose	Original Date	Due Date	Original Issue	Outstanding	Interest Rates %
2009 NMFA Note	Parking deck	1/23/2009	2021	\$ 4,999,890	\$ 1,250,000	3.25-5.50
2010 NMFA Note	Fire apparatus	7/30/2010	2020	938,875	378,361	0.59-3.34
2010 NMFA Note	Griggs Walnut	1/18/2008	2012	1,478,799	1,190,411	2.00
2010 HUD Loan	Facilities	7/21/2010	2030	2,000,000	1,586,000	2.00
2011 NMFA Note	Gas tax refunding	10/14/2011	2016	2,045,000	115,786	0.270-1.260
2011 NMFA Note	Fire apparatus	11/18/2011	2019	964,250	263,137	0.230-1.830
2012 NMFA Note	2003 SSGRT refunding	6/1/2012	2018	2,280,000	315,000	0.210-1.380
2014 NMFA Note	SCSWA projects	6/20/2014	2023	2,780,000	1,715,000	0.250-3.310
2014 NMFA Note	Fire apparatus	12/12/2014	2022	443,325	300,145	0.210-1.860
2015 Estate Loan	Land Purchase	4/16/2015	2020	104,500	26,125	0.00
2016 NMFA Note	Various heavy equipment	2/24/2017	2023	3,203,527	3,070,837	1.050-2.050
2016 NMFA Note	Street improvements	6/9/2017	2030	5,115,000	5,115,000	0.940-2.590
				<u>\$ 26,353,166</u>	<u>\$ 15,325,802</u>	

The 2010 NMFA-Fire apparatus loan is secured through maturity by fire protection fund revenues which totaled \$742,698 in 2017. The 2010 NMFA Griggs Walnut Plume note is secured by the 1995 environmental gross receipts tax revenues which totaled \$1,811,504 in 2017. The 2010 HUD loan is secured by property. The 2011 Gas Tax Refunding loan is secured by gasoline tax revenues which totaled \$1,403,313 in 2017. The 2014 SCSWA Projects loan is secured by the SCSWA operating revenues and City and County Environmental Gross Receipts taxes. The 2016 NMFA streets improvement is secured by the first 1/4% increment of the municipal gross receipts tax revenues which totaled \$7.0 million in 2017.

The remaining notes payable in the table above are secured through maturity by the state-shared gross receipts tax which totaled \$35.9 million in 2017.

Principal and interest paid on the outstanding notes in the current year was \$1,597,955 and \$274,400, respectively.

City of Las Cruces
Notes to Basic Financial Statements
June 30, 2017

7) Long-term Liabilities (continued)

Debt Service Requirements

Future debt service requirements for governmental activities notes payable are:

<u>Years ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 2,768,470	\$ 350,032	\$ 3,118,502
2019	2,271,323	296,448	2,567,771
2020	2,172,480	252,832	2,425,312
2021	1,383,125	206,412	1,589,537
2022	1,155,740	171,057	1,326,797
2023-2027	3,628,988	537,678	4,166,666
2028-2032	1,945,676	110,801	2,056,477
	<u>\$ 15,325,802</u>	<u>\$ 1,925,260</u>	<u>\$ 17,251,062</u>

Joint Utility Revenue Bonds

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

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

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

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

City of Las Cruces
Notes to Basic Financial Statements
June 30, 2017

7) Long-term Liabilities (continued)

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

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

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

In 2016, the City issued 16.3 million in joint utility improvement revenue bonds (Series 2016). The proceeds of these bonds were used to expand and improve the City's joint utility system. The requirement for reserve account was satisfied with a surety bond insurance.

Joint utility revenue bonds are summarized as follows as of June 30, 2017:

Purpose	Issue Date	Due Date	Original Issued	Outstanding	Interest Rates %
Series 2010 refunding bond	9/14/2010	2027	\$ 24,840,000	\$ 21,570,000	2.0-4.0
Series 2014A refunding bond	8/26/2014	2025	7,125,000	5,355,000	2.0-4.0
Series 2014B system improvement bond	8/26/2014	2034	3,425,000	3,055,000	3.0-5.0
Series 2015 refunding and rehabilitation bond	5/12/2015	2035	16,895,000	14,745,000	2.0-5.0
Series 2015A improvement bond	12/16/2015	2035	17,065,000	16,475,000	2.375-5.0
Series 2016 Improvement Revenue Bond	10/19/2016	2036	16,375,000	16,030,000	2.125 - 5.0
			<u>\$ 85,725,000</u>	<u>\$ 77,230,000</u>	

City of Las Cruces
Notes to Basic Financial Statements
June 30, 2017

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
2018	\$ 4,965,000	\$ 2,715,788	\$ 7,680,788
2019	5,110,000	2,560,188	7,670,188
2020	5,255,000	2,396,438	7,651,438
2021	5,440,000	2,215,688	7,655,688
2022	5,665,000	1,991,188	7,656,188
2023-2027	29,025,000	6,376,601	35,401,601
2028-2032	12,740,000	2,522,143	15,262,143
2033-2036	9,030,000	629,268	9,659,268
	<u>\$ 77,230,000</u>	<u>\$ 21,407,302</u>	<u>\$ 98,637,302</u>

The 2009, 2010, 2014A, 2014B, and 2015 JU revenue bond ordinances provide that the net revenue of the City's utility systems shall be at least 125% of the maximum outstanding debt requirements for the utility system. These bonds are not a general obligation to the City, but are payable and collectible solely out of the net revenues of the systems. Net revenue as defined in the bond ordinances means the revenue after deducting operation and maintenance expenses. Operation and maintenance expenses include all reasonable and necessary current expenses of the City, paid or accrued, for operating, maintaining, and repairing the system; and shall include, without limiting the generality of the foregoing, legal and overhead expenses of the various City departments directly related and reasonably allocable to the administration of the system, insurance premiums, the reasonable charge of depository banks and paying agents, contractual services, professional services required by this ordinance, salaries and administrative expenses, labor, and the cost of materials and supplies used for current operation; but shall not include any allowance for depreciation, payments in lieu of taxes, liabilities incurred by the City as a result of its negligence in the operation of the system, improvements, extension, enlargements or betterment, or any charges for the accumulation of reserves for capital replacements. The net revenue for the fiscal year ended June 30, 2017 exceeded the maximum annual debt service requirement. Bond reserve accounts have been established to accumulate funds.

City of Las Cruces
Notes to Basic Financial Statements
June 30, 2017

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, 2017:

	Water	Wastewater	Gas	Solid Waste
Residential	30,746	30,662	37,331	32,144
Commercial/other	4,353	3,386	3,060	2,700
Total	<u>35,099</u>	<u>34,048</u>	<u>40,391</u>	<u>34,844</u>

Business-type Activities Notes Payable

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

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

Details of business-type activities notes payable are:

Type	Purpose	Original Date	Due Date	Original Issued	Outstanding	Interest Rates %
2008 NMFA Note	Vehicle Maintenance Shop	9/12/2008	2018	\$ 1,708,755	\$ 204,012	1.9-3.85
2011 NMFA Note	Solid Waste Vehicles	12/16/2011	2019	1,016,561	284,861	0.32-2.11
2015 NMFA Note	Solid Waste Equipment	1/9/2015	2022	2,775,819	1,920,245	0.21-2.01
				<u>\$ 5,501,135</u>	<u>\$ 2,409,118</u>	

City of Las Cruces
Notes to Basic Financial Statements
June 30, 2017

7) Long-term Liabilities (continued)

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

<u>Year ending December 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 719,353	\$ 43,886	\$ 763,239
2019	521,704	29,669	551,373
2020	382,858	21,761	404,619
2021	388,945	15,673	404,618
2022	396,258	8,361	404,619
	<u>\$ 2,409,118</u>	<u>\$ 119,350</u>	<u>\$ 2,528,468</u>

Changes in long-term liabilities of SCSWA for the year ended June 30, 2017 are as follows:

	<u>Balances</u>			<u>Balances</u>	<u>Amount</u>
	<u>June 30, 2016</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2017</u>	<u>Due Within</u>
					<u>One Year</u>
Long-term debt					
Due to City of Las Cruces	\$ 1,534,170	\$ -	\$ 140,000	\$ 1,394,170	\$ 140,000
Capital lease	\$139,605	-	49,618	89,987	50,629
Other non-current liabilities					
Estimated landfill closure/ post-closure liability	1,717,341	124,434	-	1,841,775	-
Compensated absences	141,893	221,994	222,138	141,749	28,350
	<u>\$ 3,533,009</u>	<u>\$ 346,428</u>	<u>\$ 411,756</u>	<u>\$ 3,467,681</u>	<u>\$ 218,979</u>

City of Las Cruces
Notes to Basic Financial Statements
June 30, 2017

8) Landfill Closure and Post-Closure Care Cost

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

The City's landfill closure and post-closure care liability is reported as \$864,000 as of the year ended June 30, 2017. Actual closure and post-closure care costs may be higher due to inflation, changes in technology, or changes in regulations. The liability reported reflects a decrease in the estimate of total closure and post-closure costs of \$36,000 during the fiscal year ended June 30, 2017. The Foothills landfill is at 100% capacity and closed.

SCSWA's landfill closure and post-closure care liability is reported as \$1,841,775 as of the fiscal year ended June 30, 2017. 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 \$124,434 during the fiscal year ended June 30, 2017.

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

City of Las Cruces
Notes to Basic Financial Statements
June 30, 2017

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. As of June 30, 2017, the City's outstanding pollution remediation obligation was \$5,411,307.

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, 2017, all \$243,000 was applied to design and engineering costs. Construction on the project was 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 \$110,680 less than operating costs. EGRT funds were used to cover the City's share of the operating loss of \$55,340.

City of Las Cruces
Notes to Basic Financial Statements
June 30, 2017

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 719 active participants in the plan as of June 30, 2017.

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 Basic Financial Statements
June 30, 2017

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 a 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 Basic Financial Statements
June 30, 2017

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:

2017	\$ 928,780
2016	907,011
2015	847,444
2014	831,594
2013	854,248

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. According to the Department of Finance and Administration (DFA), 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 the cost-sharing multiple employer defined benefit pension plan administered by the PERA. Disclosure requirements for governmental funds apply to the primary government as a whole, and as such, this information will be presented in the Component Appropriation Funds Annual Financial Report (General Fund) and the CAFR of the State of New Mexico. Information concerning the net pension liability, pension expense, and pension related deferred inflows and outflows of resources of the primary government will be contained in the General Fund and the CAFR and will be available, when issued, from the Office of Santa Fe Controller, Room 166, Bataan Memorial Building, 407 Galisteo Street, Santa Fe, New Mexico, 87501.

City of Las Cruces
Notes to Basic Financial Statements
June 30, 2017

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

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

Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for TIER I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members. Generally, the amount of retirement pension is based on final average salary, which is defined under Tire I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivor's annuities are also available.

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, 2016 available at <http://www.nmpera.org/financial-overview>.

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.

City of Las Cruces
Notes to Basic Financial Statements
June 30, 2017

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

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 FY16 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 31 through 32 of the PERA FY16 annual audit report at

http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/2016-CAFR_12.22.2016_FINAL-with-corrections.pdf.

The PERA coverage options that apply to City of Las Cruces are: General Municipal, Police and Fire. Statutorily required contributions to the pension plan from the City of Las Cruces were \$7,698,013 and employer paid member benefits that were “picked up” by the employer were \$2,938,156 for the year ended June 30, 2017. These contributions by the City include 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, 2015. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2016, using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2015.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The City of Las Cruces proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity’s percentage of that membership group’s total employer contributions for the fiscal year ended June 30, 2016. Only employer contributions for the pay period end dates that fell within the period of July 1, 2015 to June 30, 2016 were included in the total contributions for a specific employer.

Regular and any adjustment contributions that applied to fiscal year ended June 30, 2016 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.

City of Las Cruces
Notes to Basic Financial Statements
June 30, 2017

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

For PERA Fund Division: General Municipal, at June 30, 2017, the City of Las Cruces reported a liability of \$73,329,081, which excludes the City's fiduciary funds and discretely presented component units, for its proportionate share of the net pension liability. At June 30, 2017, the Municipal's proportion was 5.0145 percent, which was unchanged from its proportion measured as of June 30, 2016, due to the insignificance of the difference.

For the year ended June 30, 2017, the City of Las Cruces recognized PERA Fund Division Municipal's pension expense of \$8,380,443, which excludes the City's fiduciary funds and discretely presented component units. At June 30, 2017, 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	\$ 4,149,924	\$ 11,768
Differences between expected and actual experience	3,536,039	690,689
Net difference between projected and actual earnings on pension plan investments	13,021,837	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	250,310	88,641
SCSWA's contributions subsequent to the measurement date	<u>3,748,220</u>	<u>-</u>
Total	<u>\$ 24,706,330</u>	<u>\$ 791,098</u>

The City made contributions subsequent to the measurement date, June 30, 2016, in the amount of \$3,748,220. The subsequent contributions are reported as deferred outflows of resources related to pensions and will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. 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:		
2018	\$	5,041,753
2019		5,041,753
2020		5,041,753
2021		5,041,753

City of Las Cruces
Notes to Basic Financial Statements
June 30, 2017

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

For PERA Fund Division: Police, at June 30, 2017, the City of Las Cruces reported a liability of \$36,200,879 for its proportionate share of the net pension liability. At June 30, 2017, the Police proportion was 4.9064 percent, which was unchanged from its proportion measured as of June 30, 2016, due to the insignificance of the difference.

For the year ended June 30, 2017, the City of Las Cruces recognized PERA Fund Division Police's pension expense of \$4,923,566. At June 30, 2017, 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	\$ 2,397,744	\$ 652,874
Differences between expected and actual experience	2,655,972	-
Net difference between projected and actual earnings on pension plan investments	5,725,377	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	599,689
City of Las Cruces contributions subsequent to the measurement date	<u>2,022,491</u>	<u>-</u>
Total	<u>\$ 12,801,584</u>	<u>\$ 1,252,563</u>

The City made contributions subsequent to the measurement date, June 30, 2016, in the amount of \$2,022,491. The subsequent contributions are reported as deferred outflows of resources related to pensions and will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. 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:		
2018	\$	2,381,633
2019		2,381,633
2020		2,381,633
2021		2,381,633

City of Las Cruces
Notes to Basic Financial Statements
June 30, 2017

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

For PERA Fund Division: Fire, at June 30, 2017, the City of Las Cruces reported a liability of \$38,617,182 for its proportionate share of the net pension liability. At June 30, 2017, the Fire proportion was 5.7888 percent, which was unchanged from its proportion measured as of June 30, 2016, due to the insignificance of the difference.

For the year ended June 30, 2017, the City of Las Cruces recognized PERA Fund Division Fire's pension expense of \$5,088,563. At June 30, 2017, 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	\$ 2,042,698	\$ -
Differences between expected and actual experience	1,748,774	-
Net difference between projected and actual earnings on pension plan investments	3,216,610	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	363,843	304,825
City of Las Cruces contributions subsequent to the measurement date	<u>1,605,904</u>	<u>-</u>
Total	<u>\$ 8,977,829</u>	<u>\$ 304,825</u>

The City made contributions subsequent to the measurement date, June 30, 2016, in the amount of \$1,605,904. The subsequent contributions are reported as deferred outflows of resources related to pensions and will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. 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:		
2018	\$	1,766,775
2019		1,766,775
2020		1,766,775
2021		1,766,775

City of Las Cruces
Notes to Basic Financial Statements
June 30, 2017

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

For the SCSWA at June 30, 2017, a liability of \$4,466,252 was recorded for its proportionate share of the net pension liability. At June 30, 2017, the SCSWA's proportion was 8.73 percent, which was unchanged from its proportion measured of June 30, 2016, due to the insignificance of the difference.

For the year ended June 30, 2017, SCSWA recognized pension expense of \$463,100. At June 30, 2017, SCSWA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of Assumptions	\$ 410,125	\$ 1,163
Differences between expected and actual experience	349,456	68,259
Net difference between projected and actual earnings on pension plan investments	1,286,909	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	24,737	8,760
SCSWA's contributions subsequent to the measurement date	<u>198,337</u>	<u>-</u>
Total	<u>\$ 2,269,564</u>	<u>\$ 78,182</u>

City of Las Cruces
Notes to Basic Financial Statements
June 30, 2017

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

SCSWA made contributions subsequent to the measurement date, June 30, 2016, in the amount of \$198,336. The subsequent contributions are reported as deferred outflows of resources related to pensions and will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. 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:

2018	\$	498,261
2019		498,261
2020		498,261
2021		498,261

Actuarial assumptions. The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2016. These assumptions were adopted by the Board for use in the June 30, 2015 actuarial valuation.

Actuarial valuation date	June 30, 2015
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, Open
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
· Investment rate of return	7.48% annual rate, net of investment expense
· Projected benefit payment	100 years
· Payroll growth	2.75% for first 10 years, then 3.25% annual rate
· Projected salary increases	2.75% to 14.00% annual rate
· Includes inflation at	2.25% annual rate first years, 2.75% all other years
· Mortality Assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirement, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA
· Experience Study Dates	July 1, 2008 to June 30, 2013 (demographic) and July 1, 2010 through June 30, 2015 (economic)

City of Las Cruces
Notes to Basic Financial Statements
June 30, 2017

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

Long-Term Expected Rate of Return. 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
Global Equity	43.5%	7.39%
Risk Reduction & Mitigation	21.5%	1.79%
Credit Oriented Fixed Income	15.0%	5.77%
Real Assets	20.0%	7.35%
Total	<u>100.0%</u>	

Discount rate: The discount rate used to measure the total pension liability was 7.75 percent. The equivalent blended rate is 7.48% and will be used as the discount rate to measure the total pension liability. 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 7.48% 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 (6.48%) or one percentage point higher (8.48%) than the single discount rate.

City of Las Cruces
Notes to Basic Financial Statements
June 30, 2017

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

PERA Fund Division - Municipal	<u>1% Decrease (6.48%)</u>	<u>Current Discount Rate (7.48%)</u>	<u>1% Increase (8.48%)</u>
City of Las Cruces' proportionate share of the net pension liability	<u>\$ 109,327,137</u>	<u>\$ 73,329,081</u>	<u>\$ 43,470,483</u>

PERA Fund Division - Police	<u>1% Decrease (6.48%)</u>	<u>Current Discount Rate (7.48%)</u>	<u>1% Increase (8.48%)</u>
City of Las Cruces' proportionate share of the net pension liability	<u>\$ 53,260,479</u>	<u>\$ 36,200,879</u>	<u>\$ 22,248,122</u>

PERA Fund Division - Fire	<u>1% Decrease (6.48%)</u>	<u>Current Discount Rate (7.48%)</u>	<u>1% Increase (8.48%)</u>
City of Las Cruces' proportionate share of the net pension liability	<u>\$ 50,511,075</u>	<u>\$ 38,617,182</u>	<u>\$ 28,847,591</u>

Sensitivity of the SCSWA's proportionate share of the net pension liability to changes in the discount rate - The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present SCSWA's net pension liability in each PERA Fund Division that SCSWA participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.48%) or one percentage point higher (8.48%) than the single discount rate.

PERA Fund Division - SCSWA	<u>1% Decrease (6.48%)</u>	<u>Current Discount Rate (7.48%)</u>	<u>1% Increase (8.48%)</u>
SCSWA's proportionate share of the net pension liability	<u>\$ 6,653,036</u>	<u>\$ 4,466,252</u>	<u>\$ 2,645,370</u>

City of Las Cruces
Notes to Basic Financial Statements
June 30, 2017

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

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY16 PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

13) Risk Management

The City is exposed to various risks of loss related to torts and civil rights claims (including law enforcement and employment related exposures); theft, damage and destruction of its real and personal assets; workers' compensation losses; errors and omissions of City officers and officials; and natural disasters. The City uses the insurance fund (an internal service fund) to account for and finance its uninsured risks of loss. At various periods in past years, certain risk exposures were insured and the City continues to benefit from case coverage on claims that were incurred during those claim years. As of fiscal year 2016, Employee healthcare benefits and premiums were moved from the General Fund to the Internal services funds which is the direct cause for increase in the amount reported for Health Programs.

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

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

City of Las Cruces
Notes to Basic Financial Statements
June 30, 2017

13) Risk Management (continued)

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

	2017		2016	
	Program Costs (Benefits)	Premiums	Program Costs (Benefits)	Premiums
Health program	\$ 11,755,224	\$ (12,403,638)	\$ 14,064,167	\$ (11,667,196)
Workers compensation	815,053	(232,909)	666,361	(149,148)
Liability insurance	2,639,987	(190,579)	4,215,215	(176,046)
Unemployment insurance	<u>57,422</u>	<u>(35,001)</u>	<u>91,253</u>	<u>(33,981)</u>
Total	<u>\$ 15,267,686</u>	<u>\$ (12,862,127)</u>	<u>\$ 19,036,996</u>	<u>\$ (12,026,371)</u>

In prior years, a reserve was established in the self-insurance fund's claims liability account for four wrongful death claims filed against the City. In 2013 two of these cases were dismissed and resulted in a significant reduction in the fund's claim liability. As of June 30, 2017, litigation is still pending on two claims. Both of which are alleged wrongful death. The City believes that the reserve funds will more than cover any potential liability from these cases.

Changes in the insurance fund's claims liability were:

	2017	2016
Claims liabilities, beginning of year	\$ 6,548,467	\$ 5,800,147
Current year claims and changes in estimates	15,267,686	19,511,543
Payment of claims liabilities	<u>(15,267,686)</u>	<u>(18,763,223)</u>
Claims liabilities, end of year	<u>\$ 6,548,467</u>	<u>\$ 6,548,467</u>

City of Las Cruces
Notes to Basic Financial Statements
June 30, 2017

14) Development Impact Fees

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

The expenditures of collected fees must improve the following facilities:

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

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

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

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

City of Las Cruces
Notes to Basic Financial Statements
June 30, 2017

14) Development Impact Fees (continued)

Development impact fee activity for the year ended June 30, 2017 is shown below. Unspent fees collected in previous years can be netted with overspent fees and are available for expenditure in the current fiscal year.

Parks Impact Fees

Impact fees collected	\$ 1,126,001
Investment gain	31,264
Expenditures	<u>1,183,316</u>
Net Parks Impact Fees	<u><u>\$ 2,340,581</u></u>

Public Safety Impact Fees

Impact fees collected	\$ 556,682
Investment gain	15,245
Expenditures	<u>601,818</u>
Net Public Safety Impact Fees	<u><u>\$ 1,173,745</u></u>

Water Impact Fees

Impact fees collected	\$ 1,293,002
Investment gain	16,490
Expenditures	<u>(992,478)</u>
Net Water Impact Fees	<u><u>\$ 317,014</u></u>

Wastewater Impact Fees

Impact fees collected	\$ 1,848,185
Investment gain	161,388
Expenditures	<u>(620,442)</u>
Net Wastewater Impact Fees	<u><u>\$ 1,389,131</u></u>

Total Impact Fees

Collections	\$ 4,823,870
Investment gain	224,387
Expenditures	<u>172,215</u>
Net Impact Fees	<u><u>\$ 5,220,472</u></u>

City of Las Cruces
Notes to Basic Financial Statements
June 30, 2017

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 Basic Financial Statements
June 30, 2017

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

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

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

The City and County did not receive distributions from the escrow accounts in FY17.

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 FY17 the City entered into an amended contract through June 30, 2017 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 FY17 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 FY17, the City provided funding of \$30,941.

City of Las Cruces
Notes to Basic Financial Statements
June 30, 2017

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 \$68,076 in FY17.

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, 2017. These projects are evidenced by contractual arrangements with construction contractors:

Commitments of Business-type Activities

Project	Fund	Contract Amount	Spent to Date	Commitment Remaining	Source of Payment
Joint Utilities					
Gas Infrastructure Rehabilitation	Gas Capital Improvements	\$ 449,057	\$ 205,523	\$ 243,534	Gas Utility Rates
Gas Street Improvements	Gas Capital Improvements	247,647	21,358	226,289	Gas Utility Rates
Gas Infrastructure Rehabilitation Phase I AMR	Gas Capital Improvements	830,109	468,822	361,287	Gas Utility Rates
Water Pavement Replacement	Water NMFA Loan Project	1,665,923	182,445	1,483,478	2015 Joint Utility Bond
Water Infrastructure Rehabilitation	Water Capital Improvements	79,821	9,319	70,502	Water Utility Rates
Water Line Rehabilitation	Water Capital Improvements	154,577	103,904	50,674	Water Utility Rates
Water 07 Project Infrastructure Rehabilitation	Water Capital Improvements	225,440	-	225,440	Water Utility Rates
Water Street Improvement Project	Water NMFA Loan Project	109,601	57,236	52,365	2014 Joint Utility Bond
Wastewater Infrastructure Development	Wastewater Capital Project	372,053	-	372,053	Wastewater Utility Rates
Wastewater WWTP Clarifiers	Wastewater NMFA Loan Project	1,396,976	582,867	814,109	2015 Joint Utility Bond
Wastewater EMWR Photovoltaic	Wastewater NMFA Loan Project	1,697,191	1,517,621	179,570	2015 Joint Utility Bond
Wastewater 15A Project Infrastructure	Wastewater NMFA Loan Project	2,854,055	358,580	2,495,475	2016 Joint Utility Bond
Wastewater Septic System Replacement	Wastewater NMFA Loan Project	540,000	127,474	412,526	2017 Joint Utility Bond
Total		\$ 10,622,450	\$ 3,635,149	\$ 6,987,302	

City of Las Cruces
Notes to Basic Financial Statements
June 30, 2017

18) Contingent Liabilities

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

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

19) Downtown Tax Increment Development District (TIDD)

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

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

20) Affiliated Organizations and Joint Powers Agreements

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

Mesilla Valley Regional Dispatch Authority

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

City of Las Cruces
Notes to Basic Financial Statements
June 30, 2017

20) Affiliated Organizations and Joint Powers Agreements (continued)

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

The City is the fiscal agent for the organization and accounts for its resources in an agency fund. Separate audited financial statements were prepared for the year ended June 30, 2017. Requests for copies of financial statements can be made to the City of Las Cruces' Assistant City Manager – Administration.

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, 2017. Request for copies of financial statements can be made to the City of Las Cruces' Assistant City Manager – Administration.

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.

City of Las Cruces
Notes to Basic Financial Statements
June 30, 2017

20) Affiliated Organizations and Joint Powers Agreements (continued)

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

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

South Central Solid Waste Authority

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

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

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

The City serves as the fiscal agent for the Authority for the term of the agreement. The fiscal agent is compensated for services rendered to the Authority in the amount of \$85,000 per year base rate. The base rate increases each year by the Consumer Price Index.

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

In 2017, the City of Las Cruces and Doña Ana County paid approximately \$2.7 million and \$599,378, respectively, to SCSWA for solid waste services provided.

City of Las Cruces
Notes to Basic Financial Statements
June 30, 2017

20) Affiliated Organizations and Joint Powers Agreements (continued)

Animal Service Center of the Mesilla Valley

Animal Service Center of the Mesilla Valley was formed through a joint powers agreement (JPA) between the City of Las Cruces and 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.

It is the mission of the center to provide safe shelter for all lost, mistreated, and abandoned animals of the Mesilla Valley and surrounding communities. The operations of the Authority began in February 2009. ASCMV receives funding from members of the joint powers agreement. During fiscal year 2017, 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, 2017. Request for copies of financial statements can be made to the City of Las Cruces' Assistant City Manager – Administration.

21) Tax Abatement

The City enters into property tax abatement agreements with new local businesses under the Community Development Incentive Act NMSA 1978 3-64-1 through 3-64-5, the Industrial Revenue Bond Act NMSA 1978 3-32-1 through 3-32-16 and the Tax Increment for Development Act NMSA 1978 5-15-1 through 5-15-28. Under these Acts, municipalities may grant tax abatements for the purpose of attracting or retaining businesses and economic development within their jurisdictions.

For the fiscal year ended June 30, 2017, the City abated property taxes totaling \$78,582 under the Community Development Incentive Act. A property tax abatement of 100% of the Commercial / Personal property tax for ten years was given to an energy company for constructing and operating a new photovoltaic generating facility in the City.

City of Las Cruces
Notes to Basic Financial Statements
June 30, 2017

21) Tax Abatement (continued)

Under the Industrial Revenue Bond Act, municipalities may grant property tax abatements for the purpose of inducing manufacturing, industrial and commercial enterprises to locate or expand in the state. A property tax abatement of 100% of the Commercial / Personal property tax was granted to F&A Dairy Products manufacturing company by means of issuing an industrial revenue bond.

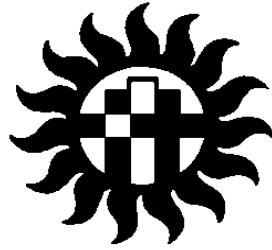
The industrial revenue bond provided the company funds to purchase equipment enabling them to meet environmental regulations and remain operating in the City. The abatement in fiscal year 2017 amounted to \$22,224.

The City entered into a gross receipts tax abatement agreement and property tax abatement agreement with the Las Cruces Tax Increment Development District (TIDD) under the Tax Increment for Development Act. This agreement specifies that the City will contribute 75% of the increment since 2006 of the City's share of the gross receipts taxes and property taxes inside the TIDD for downtown revitalization and economic development purposes. For the fiscal year ended June 30, 2017, the City abated gross receipts taxes totaling \$516,196 and property taxes totaling \$20,502

22) Subsequent Events

The City is in the process of issuing \$5,135,000 of Joint Utility System Improvement Revenue Bonds Series 2017 in a private placement with the New Mexico Finance Authority. The bonds will have a net effective interest rate of 2.96 percent and a final maturity date of June 1, 2028. These bonds are designated to acquire, extend, enlarge, better, repair or otherwise improve the City's Joint utility system. The targeted closing date is December 1, 2017.

City of Las Cruces
Required Supplementary Information
June 30, 2017



City of Las Cruces

City of Las Cruces
Schedule of the City's Proportionate Share of the Net Pension Liability
Public Employees Retirement Association (PERA)
Last 10 Fiscal Years*

	2017	2016	2015
City of Las Cruces proportion of the net pension liability (asset)			
Municipal	5.01%	5.03%	4.64%
Police	4.91%	5.01%	5.10%
Fire	5.79%	5.87%	5.72%
City of Las Cruces proportionate share of the net pension liability (asset)			
Municipal	\$ 73,329,081	\$ 49,796,563	\$ 36,171,147
Police	36,200,879	23,390,154	16,640,441
Fire	38,617,182	29,442,649	23,884,004
City of Las Cruces covered-employee payroll			
Municipal	\$ 42,932,089	\$ 38,628,050	\$ 37,425,872
Police	11,333,930	10,991,888	11,050,695
Fire	7,417,574	6,733,578	6,694,291
City of Las Cruces proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll			
Municipal	170.80%	128.91%	96.65%
Police	319.40%	212.79%	150.58%
Fire	520.62%	437.25%	356.78%
Plan fiduciary net position as a percentage of the total pension liability	69.18%	76.99%	81.29%

The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City of Las Cruces will present information for those years for which information is available. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30 of the previous year.

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

City of Las Cruces
Schedule of the City's Contributions
Public Employees Retirement Association (PERA)
Last 10 Fiscal Years*

	2017	2016	2015
Municipal			
Contractually required contribution	\$ 4,008,076	\$ 3,983,174	\$ 6,016,189
Contributions in relation to the contractually required contribution	<u>4,008,076</u>	<u>3,983,174</u>	<u>6,016,189</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>
City of Las Cruces covered-employee payroll	\$ 42,932,089	\$ 38,628,050	\$ 37,425,872
Contributions as a percentage of covered-employee payroll	9.34%	10.31%	16.07%
Police			
Contractually required contribution	\$ 1,340,980	\$ 2,180,472	\$ 1,740,991
Contributions in relation to the contractually required contribution	<u>1,340,980</u>	<u>2,180,472</u>	<u>1,740,991</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>
City of Las Cruces covered-employee payroll	\$ 11,333,930	\$ 10,991,888	\$ 11,050,695
Contributions as a percentage of covered-employee payroll	11.83%	19.84%	15.75%
Fire			
Contractually required contribution	\$ 1,094,091	\$ 1,659,724	\$ 1,323,824
Contributions in relation to the contractually required contribution	<u>1,094,091</u>	<u>1,659,724</u>	<u>1,323,824</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>
City of Las Cruces covered-employee payroll	\$ 7,417,574	\$ 6,733,578	\$ 6,694,291
Contributions as a percentage of covered-employee payroll	14.75%	24.65%	19.77%

The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City of Las Cruces will present information for those years for which information is available.

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

City of Las Cruces
Notes to Required Supplementary Information
June 30, 2017

- 1) *Changes of benefit terms* The Public employee Retirement Association (PERA) Fund, COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY16 audit available at
http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/2016-CAFR_12.22.2016_FINAL-with-corrections.pdf.

For details about the changes of benefit terms, see pages 44 through 50.

- 2) *Changes of assumptions* The PERA of New Mexico Annual Actuarial Valuation as of June 30, 2016 report is available at
http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/2016-CAFR_12.22.2016_FINAL-with-corrections.pdf.

For details about Summary of Assumptions and Methods, see pages 131 through 132.

Combining Balance Sheet—Nonmajor Governmental Funds

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

City of Las Cruces

Combining Balance Sheet—Nonmajor Governmental Funds

June 30, 2017

	Special Revenue Fund						
	Community Development	Court Awarded Funds	Fire	Police Protection	Emergency Medical Services	Traffic Safety	Safe Traffic Operations Program
Assets							
Pooled cash and investments	\$ -	\$ 120,243	\$ -	\$ -	\$ -	\$ -	\$ 51,998
Restricted cash and investments	153,810	124,574	573,548	274,478	1,645	70,741	-
Receivables, net	4,062,502	-	-	-	-	-	-
Due from other governmental units	36,565	-	-	64,699	-	-	-
Total assets	\$ 4,252,877	\$ 244,817	\$ 573,548	\$ 339,177	\$ 1,645	\$ 70,741	\$ 51,998
Liabilities, Deferred Inflows and Fund Balances							
Liabilities							
Accounts and contracts payable	\$ 34,450	\$ 112,681	\$ 65,730	\$ 10,233	\$ -	\$ 300	\$ -
Due to other funds	116,551	-	-	45,660	-	-	-
Accrued liabilities	5,670	-	-	981	-	-	-
Unearned revenue	4,062,371	-	268,033	27,699	533	-	-
Total liabilities	4,219,042	112,681	333,763	84,573	533	300	-
Deferred inflows of resources:							
Deferred special assessment receipts	-	-	-	-	-	-	-
Total liabilities and deferred inflows of resources	4,219,042	112,681	333,763	84,573	533	300	-
Fund balances							
Restricted for:							
Public safety programs	-	132,136	239,785	254,604	1,112	70,441	51,998
Housing and community development	33,835	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-
Quality of life	-	-	-	-	-	-	-
Committed for:							
Debt service	-	-	-	-	-	-	-
Public safety programs	-	-	-	-	-	-	-
Health-related programs	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-	-
Assigned to:							
Software fund	-	-	-	-	-	-	-
Office of Emergency Management Reserve	-	-	-	-	-	-	-
Vehicle acquisition fund	-	-	-	-	-	-	-
Public safety programs	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
Total fund balances	33,835	132,136	239,785	254,604	1,112	70,441	51,998
Total liabilities, deferred inflows and fund balances	\$ 4,252,877	\$ 244,817	\$ 573,548	\$ 339,177	\$ 1,645	\$ 70,741	\$ 51,998

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

City of Las Cruces
Combining Balance Sheet—Nonmajor Governmental Funds
(Continued)
June 30, 2017

	Special Revenue Fund						
	Court Automation	Prisoner Care	Juvenile Recreation	Convention & Visitors Bureau	DWI Prevention	Judicial Education	Environmental Gross Receipts Tax
Assets							
Pooled cash and investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted cash and investments	447,516	458,125	61,181	2,713,444	10,319	9,970	260,815
Receivables, net	-	-	-	348,231	-	-	-
Due from other governmental units	-	-	-	-	-	-	320,338
Total assets	<u>\$ 447,516</u>	<u>\$ 458,125</u>	<u>\$ 61,181</u>	<u>\$ 3,061,675</u>	<u>\$ 10,319</u>	<u>\$ 9,970</u>	<u>\$ 581,153</u>
Liabilities, Deferred Inflows and Fund Balances							
Liabilities							
Accounts and contracts payable	\$ 5,023	\$ 238,755	\$ -	\$ 118,610	\$ 72	\$ 2,019	\$ -
Due to other funds	-	-	-	-	-	-	-
Accrued liabilities	-	-	-	16,319	-	-	-
Unearned revenue	-	-	-	-	-	-	-
Total liabilities	<u>5,023</u>	<u>238,755</u>	<u>-</u>	<u>134,929</u>	<u>72</u>	<u>2,019</u>	<u>-</u>
Deferred inflows of resources:							
Deferred special assessment receipts	-	-	-	-	-	-	-
Total liabilities and deferred inflows of resources	<u>5,023</u>	<u>238,755</u>	<u>-</u>	<u>134,929</u>	<u>72</u>	<u>2,019</u>	<u>-</u>
Fund balances							
Restricted for:							
Public safety programs	442,493	-	61,181	-	10,247	7,951	-
Housing and community development	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	581,153
Public works	-	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-
Quality of life	-	-	-	2,926,746	-	-	-
Committed for:							
Debt service	-	-	-	-	-	-	-
Public safety programs	-	219,370	-	-	-	-	-
Health-related programs	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-	-
Assigned to:							
Software fund	-	-	-	-	-	-	-
Office of Emergency Management Reserve	-	-	-	-	-	-	-
Vehicle acquisition fund	-	-	-	-	-	-	-
Public safety programs	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>442,493</u>	<u>219,370</u>	<u>61,181</u>	<u>2,926,746</u>	<u>10,247</u>	<u>7,951</u>	<u>581,153</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 447,516</u>	<u>\$ 458,125</u>	<u>\$ 61,181</u>	<u>\$ 3,061,675</u>	<u>\$ 10,319</u>	<u>\$ 9,970</u>	<u>\$ 581,153</u>

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

City of Las Cruces
Combining Balance Sheet—Nonmajor Governmental Funds
(Continued)
June 30, 2017

	Special Revenue Fund						
	Health Care Services From MMCI Lease	Special Revenue Grants	Gasoline Tax Street Maintenance Fund	Keep Las Cruces Beautiful	Older Americans Act Programs	Affordable Housing Trust	Alarm Fines and Fees
Assets							
Pooled cash and investments	\$ 83,688	\$ -	\$ -	\$ -	\$ 8,195	\$ -	\$ -
Restricted cash and investments	-	-	453,228	-	-	527,100	1,673
Receivables, net	-	60,533	-	-	97,045	-	-
Due from other governmental units	13,500	579,930	244,438	7,916	39,871	-	-
Total assets	<u>\$ 97,188</u>	<u>\$ 640,463</u>	<u>\$ 697,666</u>	<u>\$ 7,916</u>	<u>\$ 145,111</u>	<u>\$ 527,100</u>	<u>\$ 1,673</u>
Liabilities, Deferred Inflows and Fund Balances							
Liabilities							
Accounts and contracts payable	\$ 27,804	\$ 213,804	\$ 6,992	\$ 2,983	\$ 129,184	\$ -	\$ 1,200
Due to other funds	-	\$345,552	-	4,443	-	-	-
Accrued liabilities	-	5,620	8,982	-	15,927	-	-
Unearned revenue	-	74,031	-	286	-	-	-
Total liabilities	<u>27,804</u>	<u>639,007</u>	<u>15,974</u>	<u>7,712</u>	<u>145,111</u>	<u>-</u>	<u>1,200</u>
Deferred inflows of resources:							
Deferred special assessment receipts	-	-	-	-	-	-	-
Total liabilities and deferred inflows of resources	<u>27,804</u>	<u>639,007</u>	<u>15,974</u>	<u>7,712</u>	<u>145,111</u>	<u>-</u>	<u>1,200</u>
Fund balances							
Restricted for:							
Public safety programs	-	-	-	204	-	-	-
Housing and community development	-	-	-	-	-	527,100	-
Debt service	-	-	-	-	-	-	-
Public works	-	-	681,692	-	-	-	-
Parks and recreation	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-
Quality of life	-	-	-	-	-	-	473
Committed for:							
Debt service	-	-	-	-	-	-	-
Public safety programs	-	-	-	-	-	-	-
Health-related programs	69,384	-	-	-	-	-	-
Public works	-	1,456	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-	-
Assigned to:							
Software fund	-	-	-	-	-	-	-
Office of Emergency Management Reserve	-	-	-	-	-	-	-
Vehicle acquisition fund	-	-	-	-	-	-	-
Public safety programs	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
Total fund balances	<u>69,384</u>	<u>1,456</u>	<u>681,692</u>	<u>204</u>	<u>-</u>	<u>527,100</u>	<u>473</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 97,188</u>	<u>\$ 640,463</u>	<u>\$ 697,666</u>	<u>\$ 7,916</u>	<u>\$ 145,111</u>	<u>\$ 527,100</u>	<u>\$ 1,673</u>

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

City of Las Cruces
Combining Balance Sheet—Nonmajor Governmental Funds
(Continued)
June 30, 2017

	Special Revenue Fund						
	Street Maintenance Operations	Street Maintenance Transportation	Flood Control Operations	Flood Control Transportation	Special Assessments/ Northrise Morningstar	Downtown Revitalization	Valley View Heske Garden
Assets							
Pooled cash and investments	\$ -	\$ -	\$ -	\$ -	\$ 2,627,241	\$ -	\$ -
Restricted cash and investments	1,065,833	86	1,733,109	10	-	62,828	173,446
Receivables, net	-	-	-	-	854,146	300	-
Due from other governmental units	<u>1,278,238</u>	<u>-</u>	<u>35,230</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 2,344,071</u>	<u>\$ 86</u>	<u>\$ 1,768,339</u>	<u>\$ 10</u>	<u>\$ 3,481,387</u>	<u>\$ 63,128</u>	<u>\$ 173,446</u>
Liabilities, Deferred Inflows and Fund Balances							
Liabilities							
Accounts and contracts payable	\$ 434,192	\$ -	\$ 99,593	\$ -	\$ -	\$ 11,667	\$ -
Due to other funds	-	-	-	-	-	-	-
Accrued liabilities	6,253	-	11,091	-	-	-	-
Unearned revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>440,445</u>	<u>-</u>	<u>110,684</u>	<u>-</u>	<u>-</u>	<u>11,667</u>	<u>-</u>
Deferred inflows of resources:							
Deferred special assessment receipts	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>854,146</u>	<u>-</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>440,445</u>	<u>-</u>	<u>110,684</u>	<u>-</u>	<u>854,146</u>	<u>11,667</u>	<u>-</u>
Fund balances							
Restricted for:							
Public safety programs	-	-	-	-	-	-	-
Housing and community development	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
Public works	1,903,626	86	1,657,655	10	-	51,461	-
Parks and recreation	-	-	-	-	-	-	173,446
Transportation	-	-	-	-	-	-	-
Quality of life	-	-	-	-	-	-	-
Committed for:							
Debt service	-	-	-	-	2,627,241	-	-
Public safety programs	-	-	-	-	-	-	-
Health-related programs	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-	-
Assigned to:							
Software fund	-	-	-	-	-	-	-
Office of Emergency Management Reserve	-	-	-	-	-	-	-
Vehicle acquisition fund	-	-	-	-	-	-	-
Public safety programs	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>1,903,626</u>	<u>86</u>	<u>1,657,655</u>	<u>10</u>	<u>2,627,241</u>	<u>51,461</u>	<u>173,446</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 2,344,071</u>	<u>\$ 86</u>	<u>\$ 1,768,339</u>	<u>\$ 10</u>	<u>\$ 3,481,387</u>	<u>\$ 63,128</u>	<u>\$ 173,446</u>

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

City of Las Cruces
Combining Balance Sheet—Nonmajor Governmental Funds
(Continued)
June 30, 2017

	Special Revenue Fund				Capital Projects Fund		
	Griggs Walnut Plume	TIDD Dedicated Revenues	Las Cruces Convention Center	Public Safety Impact Fee	HUD Facilities	Public Parks	Street Improvement
Assets							
Pooled cash and investments	\$ -	\$ -	\$ 91,492	\$ -	\$ -	\$ 2,259,422	\$ 1,055,290
Restricted cash and investments	3,333,009	1,223,735	-	976,432	-	-	-
Receivables, net	-	-	113,391	7,536	-	-	-
Due from other governmental units	-	670,819	-	-	-	-	-
Total assets	<u>\$ 3,333,009</u>	<u>\$ 1,894,554</u>	<u>\$ 204,883</u>	<u>\$ 983,968</u>	<u>\$ -</u>	<u>\$ 2,259,422</u>	<u>\$ 1,055,290</u>
Liabilities, Deferred Inflows and Fund Balances							
Liabilities							
Accounts and contracts payable	\$ 10,418	\$ 1,045	\$ -	\$ 75,052	\$ -	\$ 43,088	\$ -
Due to other funds	-	-	-	-	-	-	-
Accrued liabilities	-	-	-	-	-	-	-
Unearned revenue	-	-	-	-	-	-	-
Total liabilities	<u>10,418</u>	<u>1,045</u>	<u>-</u>	<u>75,052</u>	<u>-</u>	<u>43,088</u>	<u>-</u>
Deferred inflows of resources:							
Deferred special assessment receipts	-	-	-	-	-	-	-
Total liabilities and deferred inflows of resources	<u>10,418</u>	<u>1,045</u>	<u>-</u>	<u>75,052</u>	<u>-</u>	<u>43,088</u>	<u>-</u>
Fund balances							
Restricted for:							
Public safety programs	-	-	-	908,916	-	-	-
Housing and community development	-	-	-	-	-	-	-
Debt service	-	-	204,883	-	-	-	-
Public works	3,322,591	1,893,509	-	-	-	-	1,055,290
Parks and recreation	-	-	-	-	-	2,216,334	-
Transportation	-	-	-	-	-	-	-
Quality of life	-	-	-	-	-	-	-
Committed for:							
Debt service	-	-	-	-	-	-	-
Public safety programs	-	-	-	-	-	-	-
Health-related programs	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-	-
Assigned to:							
Software fund	-	-	-	-	-	-	-
Office of Emergency Management Reserve	-	-	-	-	-	-	-
Vehicle acquisition fund	-	-	-	-	-	-	-
Public safety programs	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-
Total fund balances	<u>3,322,591</u>	<u>1,893,509</u>	<u>204,883</u>	<u>908,916</u>	<u>-</u>	<u>2,216,334</u>	<u>1,055,290</u>
Total liabilities, deferred inflows and fund balances	<u>\$ 3,333,009</u>	<u>\$ 1,894,554</u>	<u>\$ 204,883</u>	<u>\$ 983,968</u>	<u>\$ -</u>	<u>\$ 2,259,422</u>	<u>\$ 1,055,290</u>

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

City of Las Cruces
Combining Balance Sheet—Nonmajor Governmental Funds
(Continued)
June 30, 2017

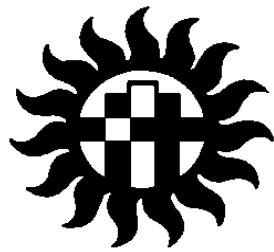
Capital Projects Fund								
	Capital Grant Projects	Sales Tax- Street Maintenance	VAD Street Project	Flood Control	Completed Debt Projects	2016 Flood	2003 Sales Tax Facilities and Parks	State Equipment Acquisition
Assets								
Pooled cash and investments	\$ -	\$ 7,353,233	\$ 7,340,941	\$ 3,931,687	\$ -	\$ 5,009,434	\$ 590,909	\$ -
Restricted cash and investments	-	-	-	-	-	-	-	3,163,647
Receivables, net	-	50,000	-	6,223	-	-	-	-
Due from other governmental units	2,859,009	-	-	-	-	-	-	-
Total assets	\$ 2,859,009	\$ 7,403,233	\$ 7,340,941	\$ 3,937,910	\$ -	\$ 5,009,434	\$ 590,909	\$ 3,163,647
Liabilities, Deferred Inflows and Fund Balances								
Liabilities								
Accounts and contracts payable	\$ 104,514	\$ 1,243,744	\$ -	\$ 15,228	\$ -	\$ -	\$ (1)	\$ 1,738,909
Due to other funds	2,295,816	-	-	4,374	184,563	-	-	456,714
Accrued liabilities	-	-	-	-	-	-	-	-
Unearned revenue	405,630	69,261	-	-	-	-	-	-
Total liabilities	2,805,960	1,313,005	-	19,602	184,563	-	(1)	2,195,623
Deferred inflows of resources:								
Deferred special assessment receipts	-	-	-	-	-	-	-	-
Total liabilities and deferred inflows of resources	2,805,960	1,313,005	-	19,602	184,563	-	(1)	2,195,623
Fund balances								
Restricted for:								
Public safety programs	-	-	-	-	-	-	-	-
Housing and community development	-	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-	-
Public works	-	6,090,228	7,340,941	3,918,308	-	5,009,434	590,910	968,024
Parks and recreation	-	-	-	-	-	-	-	-
Transportation	53,049	-	-	-	-	-	-	-
Quality of life	-	-	-	-	-	-	-	-
Committed for:								
Debt service	-	-	-	-	-	-	-	-
Public safety programs	-	-	-	-	-	-	-	-
Health-related programs	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-	-	-
Assigned to:								
Software fund	-	-	-	-	-	-	-	-
Office of Emergency Management Reserve	-	-	-	-	-	-	-	-
Vehicle acquisition fund	-	-	-	-	-	-	-	-
Public safety programs	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	(184,563)	-	-	-
Total fund balances	53,049	6,090,228	7,340,941	3,918,308	(184,563)	5,009,434	590,910	968,024
Total liabilities, deferred inflows and fund balances	\$ 2,859,009	\$ 7,403,233	\$ 7,340,941	\$ 3,937,910	\$ -	\$ 5,009,434	\$ 590,909	\$ 3,163,647

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

City of Las Cruces
Combining Balance Sheet—Nonmajor Governmental Funds
(Continued)
June 30, 2017

Capital Projects Fund									
	2003 Sales Tax Street Lights	2005 GRT Public Improvements	2017 FAC	Convention Center	2015B HHS	2015A HHS	2017 NMFA	TIDD Street Projects	Total
Assets									
Pooled cash and investments	\$ -	\$ -	\$ 655,483	\$ -	\$ 4,007,609	\$ 15,197,598	\$ -	\$ 5,800,295	\$ 56,184,758
Restricted cash and investments	-	-	10,960,680	-	-	-	5,020,020	1,999,440	35,854,442
Receivables, net	-	-	9,946	-	-	-	-	-	5,609,853
Due from other governmental units	-	-	-	-	-	-	-	-	6,150,553
Total assets	\$ -	\$ -	\$ 11,626,109	\$ -	\$ 4,007,609	\$ 15,197,598	\$ 5,020,020	\$ 7,799,735	\$ 103,799,606
Liabilities, Deferred Inflows and Fund Balances									
Liabilities									
Accounts and contracts payable	\$ -	\$ -	\$ 78,026	\$ -	\$ 7,780	\$ 154,859	\$ -	\$ 50,173	\$ 5,038,127
Due to other funds	5,929	5,627	-	144,289	-	-	-	21,849	3,631,367
Accrued liabilities	-	-	-	-	-	-	-	-	70,843
Unearned revenue	-	-	-	-	-	-	-	-	4,907,844
Total liabilities	5,929	5,627	78,026	144,289	7,780	154,859	-	72,022	13,648,181
Deferred inflows of resources:									
Deferred special assessment receipts	-	-	-	-	-	-	-	-	854,146
Total liabilities and deferred inflows of resources	5,929	5,627	78,026	144,289	7,780	154,859	-	72,022	14,502,327
Fund balances									
Restricted for:									
Public safety programs	-	-	-	-	-	-	-	-	2,181,068
Housing and community development	-	-	-	-	-	-	-	-	560,935
Debt service	-	-	-	-	-	-	-	-	786,036
Public works	-	(5,627)	11,548,083	(144,289)	3,999,829	15,042,739	5,020,020	7,727,713	77,672,233
Parks and recreation	-	-	-	-	-	-	-	-	2,389,780
Transportation	-	-	-	-	-	-	-	-	53,049
Quality of life	-	-	-	-	-	-	-	-	2,927,219
Committed for:									
Debt service	-	-	-	-	-	-	-	-	2,627,241
Public safety programs	-	-	-	-	-	-	-	-	219,370
Health-related programs	-	-	-	-	-	-	-	-	69,384
Public works	-	-	-	-	-	-	-	-	1,456
Parks and recreation	-	-	-	-	-	-	-	-	-
Assigned to:									
Software fund	-	-	-	-	-	-	-	-	-
Office of Emergency Management Reserve	-	-	-	-	-	-	-	-	-
Vehicle acquisition fund	-	-	-	-	-	-	-	-	-
Public safety programs	-	-	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-	-	-
Unassigned	(5,929)	-	-	-	-	-	-	-	(190,492)
Total fund balances	(5,929)	(5,627)	11,548,083	(144,289)	3,999,829	15,042,739	5,020,020	7,727,713	89,297,279
Total liabilities, deferred inflows and fund balances	\$ -	\$ -	\$ 11,626,109	\$ -	\$ 4,007,609	\$ 15,197,598	\$ 5,020,020	\$ 7,799,735	\$ 103,799,606

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



City of Las Cruces

Combining Statement of Revenues, Expenditures, and Changes in Fund
Balance—Nonmajor Governmental Funds

City of Las Cruces
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance—Nonmajor Governmental Funds
For the Year Ended June 30, 2017

	Special Revenue Fund						
	Community Development Block Grant	Court Awarded Funds	Emergency Medical Services	Fire	Traffic Safety	Gas Tax Street Maintenance	Police Protection
Revenues							
Taxes							
Gross receipts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Property	-	-	-	-	-	-	-
Lodgers	-	-	-	-	-	-	-
State-shared	-	-	-	-	-	1,403,313	-
Charges for services	6,235	-	-	-	-	-	-
Fees and fines	-	-	-	-	22,014	-	73,715
Investment income (loss)	19,612	(119)	(152)	(4,175)	(58)	741	(1,056)
Intergovernmental							
Federal	1,289,966	-	-	-	-	-	79,395
State	-	-	20,000	742,698	-	-	141,367
Local	-	-	-	-	-	-	-
Other	123,555	-	-	1,896	-	-	30,464
Total revenues	1,439,368	(119)	19,848	740,419	21,956	1,404,054	323,885
Expenditures							
Current							
General government	-	-	-	-	-	-	-
Police	-	157,677	-	-	12,229	-	320,776
Fire	-	-	20,000	520,837	-	-	-
Community development	1,322,935	-	-	-	-	-	-
Quality of life	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	465,902	-
Parks and recreation	-	-	-	-	-	-	-
Capital outlay	169,353	-	-	223,757	-	-	-
Debt service							
Debt issuance cost	-	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-	-
Total expenditures	1,492,288	157,677	20,000	744,594	12,229	465,902	320,776
Revenues over (under) expenditures	(52,920)	(157,796)	(152)	(4,175)	9,727	938,152	3,109
Other Financing Sources (Uses)							
Issuance of debt	-	-	-	-	-	-	-
Premium on issuance of debt	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	4,175	-
Transfers out	-	-	-	-	-	(602,000)	-
Total other financing sources (uses)	-	-	-	-	-	(597,825)	-
Net change in fund balances	(52,920)	(157,796)	(152)	(4,175)	9,727	340,327	3,109
Fund balances, beginning of year	86,755	289,932	1,264	243,960	60,714	341,365	251,495
Fund balances, end of year	\$ 33,835	\$ 132,136	\$ 1,112	\$ 239,785	\$ 70,441	\$ 681,692	\$ 254,604

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

City of Las Cruces
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance—Nonmajor Governmental Funds
(Continued)
For the Year Ended June 30, 2017

	Special Revenue Fund						
	Convention and Visitors Bureau	Safe Traffic Operations Program	Court Automation	Keep Las Cruces Beautiful	Older Americans Act Program	Prisoner Care	Juvenile Recreation
Revenues							
Taxes							
Gross receipts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Property	-	-	-	-	-	-	-
Lodgers	2,042,693	-	-	-	-	-	-
State-shared	-	-	-	-	-	-	8,359
Charges for services	-	-	-	-	-	-	-
Fees and fines	-	-	93,424	-	-	187,643	-
Investment income (loss)	(6,144)	(1,372)	(1,284)	-	-	(11,067)	(31)
Intergovernmental							
Federal	-	-	-	-	284,929	-	-
State	-	-	-	17,985	585,231	-	-
Local	-	-	-	-	-	-	-
Other	2,920	-	25,154	-	206,138	-	-
Total revenues	<u>2,039,469</u>	<u>(1,372)</u>	<u>117,294</u>	<u>17,985</u>	<u>1,076,298</u>	<u>176,576</u>	<u>8,328</u>
Expenditures							
Current							
General government	-	-	-	-	-	-	-
Police	-	-	118,583	-	-	1,656,078	-
Fire	-	-	-	-	-	-	-
Community development	-	-	-	-	-	-	-
Quality of life	2,025,861	-	-	-	1,076,298	-	-
Economic development	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	-
Transportation	-	-	-	-	-	-	-
Parks and recreation	-	-	-	17,985	-	-	-
Capital outlay	-	6,449	40,000	-	-	-	-
Debt service							
Debt issuance cost	-	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-	-
Total expenditures	<u>2,025,861</u>	<u>6,449</u>	<u>158,583</u>	<u>17,985</u>	<u>1,076,298</u>	<u>1,656,078</u>	<u>-</u>
Revenues over (under) expenditures	<u>13,608</u>	<u>(7,821)</u>	<u>(41,289)</u>	<u>-</u>	<u>-</u>	<u>(1,479,502)</u>	<u>8,328</u>
Other Financing Sources (Uses)							
Issuance of debt	-	-	-	-	-	-	-
Premium on issuance of debt	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	290,000	-
Transfers out	(51,126)	-	-	-	-	-	-
Total other financing sources (uses)	<u>(51,126)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>290,000</u>	<u>-</u>
Net change in fund balances	(37,518)	(7,821)	(41,289)	-	-	(1,189,502)	8,328
Fund balances, beginning of year	<u>2,964,264</u>	<u>59,819</u>	<u>483,782</u>	<u>204</u>	<u>-</u>	<u>1,408,872</u>	<u>52,853</u>
Fund balances, end of year	<u>\$ 2,926,746</u>	<u>\$ 51,998</u>	<u>\$ 442,493</u>	<u>\$ 204</u>	<u>\$ -</u>	<u>\$ 219,370</u>	<u>\$ 61,181</u>

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

City of Las Cruces
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance—Nonmajor Governmental Funds
(Continued)
For the Year Ended June 30, 2017

	Special Revenue Fund						
	DWI Prevention	Judicial Education	Environmental Gross Receipts Tax	Valley View Heske Garden	Griggs Walnut Plume	Health Care Services From MMCI Lease	Special Revenue Grants
Revenues							
Taxes							
Gross receipts	\$ -	\$ -	\$ 1,811,504	\$ -	\$ -	\$ -	\$ -
Property	-	-	-	-	-	-	-
Lodgers	-	-	-	-	-	-	-
State-shared	-	-	-	-	-	-	-
Charges for services	-	-	-	-	112,409	-	-
Fees and fines	2,614	27,437	-	-	-	-	-
Investment income (loss)	172	-	-	(246)	(9,679)	130	-
Intergovernmental							
Federal	-	-	-	-	-	-	204,871
State	-	-	-	-	-	-	1,623,719
Local	-	-	-	-	-	-	49,338
Other	-	-	-	-	1,104,125	13,499	-
Total revenues	<u>2,786</u>	<u>27,437</u>	<u>1,811,504</u>	<u>(246)</u>	<u>1,206,855</u>	<u>13,629</u>	<u>1,877,928</u>
Expenditures							
Current							
General government	-	-	54,821	-	772,475	366,801	-
Police	1,480	20,309	-	-	-	-	359,563
Fire	-	-	-	-	-	-	195,697
Community development	-	-	-	-	-	-	271,317
Quality of life	-	-	-	-	-	-	173,118
Economic development	-	-	-	-	-	-	300,000
Public works	-	-	-	-	-	-	15,000
Transportation	-	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-	388,930
Capital outlay	-	-	-	-	-	-	174,302
Debt service							
Debt issuance cost	-	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-	-
Total expenditures	<u>1,480</u>	<u>20,309</u>	<u>54,821</u>	<u>-</u>	<u>772,475</u>	<u>366,801</u>	<u>1,877,927</u>
Revenues over (under) expenditures	<u>1,306</u>	<u>7,128</u>	<u>1,756,683</u>	<u>(246)</u>	<u>434,380</u>	<u>(353,172)</u>	<u>1</u>
Other Financing Sources (Uses)							
Issuance of debt	-	-	-	-	-	-	-
Premium on issuance of debt	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	388,733	395,000	-
Transfers out	-	-	(1,641,014)	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(1,641,014)</u>	<u>-</u>	<u>388,733</u>	<u>395,000</u>	<u>-</u>
Net change in fund balances	1,306	7,128	115,669	(246)	823,113	41,828	1
Fund balances, beginning of year	<u>8,941</u>	<u>823</u>	<u>465,484</u>	<u>173,692</u>	<u>2,499,478</u>	<u>27,556</u>	<u>1,455</u>
Fund balances, end of year	<u>\$ 10,247</u>	<u>\$ 7,951</u>	<u>\$ 581,153</u>	<u>\$ 173,446</u>	<u>\$ 3,322,591</u>	<u>\$ 69,384</u>	<u>\$ 1,456</u>

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

City of Las Cruces
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance—Nonmajor Governmental Funds
(Continued)
For the Year Ended June 30, 2017

	Special Revenue Fund						
	Affordable Housing Trust	Alarm Fines and Fees	Street Maintenance Operations	Street Maintenance Transportation	Flood Control Operations	Flood Control Transportation	Special Assessments/ Northrise Morningstar
Revenues							
Taxes							
Gross receipts	\$ -	\$ -	\$ 7,262,897	\$ -	\$ -	\$ -	\$ -
Property	-	-	-	-	4,343,184	-	-
Lodgers	-	-	-	-	-	-	-
State-shared	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fees and fines	-	146,640	-	-	-	-	-
Investment income (loss)	-	465	(15,119)	86	10,669	10	(2,784)
Intergovernmental							
Federal	-	-	-	-	-	-	-
State	-	-	-	-	-	-	-
Local	-	-	-	-	-	-	-
Other	16,476	-	-	-	-	-	73,307
Total revenues	16,476	147,105	7,247,778	86	4,353,853	10	70,523
Expenditures							
Current							
General government	-	146,640	-	-	-	-	-
Police	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-
Community development	-	-	-	-	-	-	-
Quality of life	320	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Public works	-	-	1,985,159	-	-	-	-
Transportation	-	-	-	-	1,475,886	-	-
Parks and recreation	-	-	-	-	-	-	-
Capital outlay	-	-	-	-	22,692	-	-
Debt service							
Debt issuance cost	-	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-	-
Total expenditures	320	146,640	1,985,159	-	1,498,578	-	-
Revenues over (under) expenditures	16,156	465	5,262,619	86	2,855,275	10	70,523
Other Financing Sources (Uses)							
Issuance of debt	-	-	-	-	-	-	-
Premium on issuance of debt	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-	-
Transfers out	-	-	(6,388,857)	-	(3,520,611)	-	-
Total other financing sources (uses)	-	-	(6,388,857)	-	(3,520,611)	-	-
Net change in fund balances	16,156	465	(1,126,238)	86	(665,336)	10	70,523
Fund balances, beginning of year	510,944	8	3,029,864	-	2,322,991	-	2,556,718
Fund balances, end of year	\$ 527,100	\$ 473	\$ 1,903,626	\$ 86	\$ 1,657,655	\$ 10	\$ 2,627,241

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

City of Las Cruces
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance—Nonmajor Governmental Funds
(Continued)
For the Year Ended June 30, 2017

	Special Revenue Fund				Capital Project Fund		
	Downtown Revitalization	TIDD Dedicated Revenues	Las Cruces Convention Center	Public Safety Impact Fee	HUD Facilities	Public Parks	Street Improvement
Revenues							
Taxes							
Gross receipts	\$ -	\$ 792,190	\$ -	\$ -	\$ -	\$ -	\$ -
Property	-	65,211	-	-	-	-	-
Lodgers	-	-	-	-	-	-	-
State-shared	-	2,159,595	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fees and fines	-	-	1,261,750	-	-	1,126,001	-
Investment income (loss)	(73)	18,701	(70)	(1,054)	-	2,223	18,270
Intergovernmental							
Federal	-	-	-	-	-	-	-
State	-	-	-	-	-	-	-
Local	-	-	-	-	-	-	-
Other	-	-	-	556,683	-	-	-
Total revenues	(73)	3,035,697	1,261,680	555,629	-	1,128,224	18,270
Expenditures							
Current							
General government	-	-	-	-	-	-	-
Police	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-
Community development	70,000	54,529	-	-	-	-	-
Quality of life	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Public works	-	-	-	-	-	-	43,787
Transportation	-	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	7,160	-
Capital outlay	-	4,200,000	-	676,870	-	1,176,156	-
Debt service							
Debt issuance cost	-	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-	-
Total expenditures	70,000	4,254,529	-	676,870	-	1,183,316	43,787
Revenues over (under) expenditures	(70,073)	(1,218,832)	1,261,680	(121,241)	-	(55,092)	(25,517)
Other Financing Sources (Uses)							
Issuance of debt	-	(2,500,000)	-	-	-	-	-
Premium on issuance of debt	-	-	-	-	-	-	-
Sale of capital assets	-	-	-	-	-	-	-
Transfers in	70,000	-	-	-	-	170,000	-
Transfers out	-	(1,600,000)	(1,236,015)	-	(430)	-	-
Total other financing sources (uses)	70,000	(4,100,000)	(1,236,015)	-	(430)	170,000	-
Net change in fund balances	(73)	(5,318,832)	25,665	(121,241)	(430)	114,908	(25,517)
Fund balances, beginning of year	51,534	7,212,341	179,218	1,030,157	430	2,101,426	1,080,807
Fund balances, end of year	\$ 51,461	\$ 1,893,509	\$ 204,883	\$ 908,916	\$ -	\$ 2,216,334	\$ 1,055,290

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

City of Las Cruces
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance—Nonmajor Governmental Funds
(Continued)
For the Year Ended June 30, 2017

	Capital Project Fund						
	Capital Grant Projects	Sales Tax- Street Maintenance	Flood Control	VAD Street Project	State Equipment Acquisition	2015A HHS	2015B HHS
Revenues							
Taxes							
Gross receipts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Property	-	-	-	-	-	-	-
Lodgers	-	-	-	-	-	-	-
State-shared	-	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-	-
Fees and fines	-	-	-	-	-	-	-
Investment income (loss)	-	75,808	52,022	36,980	9,944	33,626	6,008
Intergovernmental							
Federal	51,775	-	-	-	-	-	-
State	3,215,789	-	-	-	-	-	-
Local	-	-	-	-	-	-	-
Other	-	305,464	-	-	-	-	-
Total revenues	<u>3,267,564</u>	<u>381,272</u>	<u>52,022</u>	<u>36,980</u>	<u>9,944</u>	<u>33,626</u>	<u>6,008</u>
Expenditures							
Current							
General government	-	-	-	-	-	-	-
Police	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-
Community development	-	-	-	-	-	-	-
Quality of life	-	-	-	-	-	-	-
Economic development	76,747	-	-	-	-	-	-
Public works	4,138	51,772	41,387	30,472	-	-	20
Transportation	-	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-	-
Capital outlay	3,213,284	5,096,716	422,992	-	2,162,640	6,432,254	12,780
Debt service							
Debt issuance cost	-	-	-	-	74,026	-	-
Interest and other charges	-	-	-	-	-	-	-
Total expenditures	<u>3,294,169</u>	<u>5,148,488</u>	<u>464,379</u>	<u>30,472</u>	<u>2,236,666</u>	<u>6,432,254</u>	<u>12,800</u>
Revenues over (under) expenditures	<u>(26,605)</u>	<u>(4,767,216)</u>	<u>(412,357)</u>	<u>6,508</u>	<u>(2,226,722)</u>	<u>(6,398,628)</u>	<u>(6,792)</u>
Other Financing Sources (Uses)							
Issuance of debt	-	-	-	-	3,203,527	-	-
Premium on issuance of debt	-	-	-	-	-	-	-
Sale of capital assets	-	11,232	-	-	-	-	-
Transfers in	-	3,440,443	1,708,444	-	1,052	-	-
Transfers out	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>3,451,675</u>	<u>1,708,444</u>	<u>-</u>	<u>3,204,579</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(26,605)	(1,315,541)	1,296,087	6,508	977,857	(6,398,628)	(6,792)
Fund balances, beginning of year	<u>79,654</u>	<u>7,405,769</u>	<u>2,622,221</u>	<u>7,334,433</u>	<u>(9,833)</u>	<u>21,441,367</u>	<u>4,006,621</u>
Fund balances, end of year	<u>\$ 53,049</u>	<u>\$ 6,090,228</u>	<u>\$ 3,918,308</u>	<u>\$ 7,340,941</u>	<u>\$ 968,024</u>	<u>\$ 15,042,739</u>	<u>\$ 3,999,829</u>

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

City of Las Cruces
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance—Nonmajor Governmental Funds
(Continued)
For the Year Ended June 30, 2017

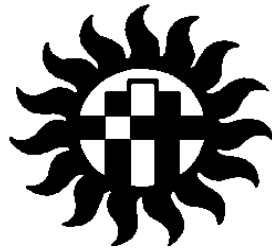
	Capital Project Fund					
	2017 NMFA	2016 Flood	Completed Debt Projects	2003 Sales Tax Facilities and Parks	2003 Sales Tax Street Lights	2005 GRT Public Improvements
Revenues						
Taxes						
Gross receipts	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Property	-	-	-	-	-	-
Lodgers	-	-	-	-	-	-
State-shared	-	-	-	-	-	-
Charges for services	-	-	-	-	-	-
Fees and fines	-	-	-	-	-	-
Investment income (loss)	2,831	6,497	-	1,797	-	-
Intergovernmental						
Federal	-	-	-	-	-	-
State	-	-	-	-	-	-
Local	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total revenues	<u>2,831</u>	<u>6,497</u>	<u>-</u>	<u>1,797</u>	<u>-</u>	<u>-</u>
Expenditures						
Current						
General government	-	-	-	-	-	-
Police	-	-	-	-	-	-
Fire	-	-	-	-	-	-
Community development	-	-	-	-	-	-
Quality of life	-	-	-	-	-	-
Economic development	-	-	-	-	-	-
Public works	-	-	-	30,991	-	-
Transportation	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-
Capital outlay	-	-	-	4,821,577	-	-
Debt service						
Debt issuance cost	96,174	127,582	-	-	-	-
Interest and other charges	-	-	-	-	-	-
Total expenditures	<u>96,174</u>	<u>127,582</u>	<u>-</u>	<u>4,852,568</u>	<u>-</u>	<u>-</u>
Revenues over (under) expenditures	<u>(93,343)</u>	<u>(121,085)</u>	<u>-</u>	<u>(4,850,771)</u>	<u>-</u>	<u>-</u>
Other Financing Sources (Uses)						
Issuance of debt	5,113,363	5,000,000	-	-	-	-
Premium on issuance of debt	-	130,519	-	-	-	-
Sale of capital assets	-	-	-	-	-	-
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses)	<u>5,113,363</u>	<u>5,130,519</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	5,020,020	5,009,434	-	(4,850,771)	-	-
Fund balances, beginning of year	<u>-</u>	<u>-</u>	<u>(184,563)</u>	<u>5,441,681</u>	<u>(5,929)</u>	<u>(5,627)</u>
Fund balances, end of year	<u>\$ 5,020,020</u>	<u>\$ 5,009,434</u>	<u>\$ (184,563)</u>	<u>\$ 590,910</u>	<u>\$ (5,929)</u>	<u>\$ (5,627)</u>

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

City of Las Cruces
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balance—Nonmajor Governmental Funds
(Continued)
For the Year Ended June 30, 2017

	Capital Project Fund			
	Convention Center	TIDD Street Projects	2017 FAC	Total
Revenues				
Taxes				
Gross receipts	\$ -	\$ -	\$ -	\$ 9,866,591
Property	-	-	-	4,408,395
Lodgers	-	-	-	2,042,693
State-shared	-	-	-	3,571,267
Charges for services	-	-	-	118,644
Fees and fines	-	-	-	2,941,238
Investment income (loss)	-	53,488	(4,269)	291,328
Intergovernmental		-		
Federal	-	-	-	1,910,936
State	-	-	-	6,346,789
Local	-	-	-	49,338
Other	-	-	-	2,459,681
Total revenues	-	53,488	(4,269)	34,006,900
Expenditures				
Current				
General government	-	-	-	1,340,737
Police	-	-	-	2,646,695
Fire	-	-	-	736,534
Community development	-	-	-	1,718,781
Quality of life	-	-	-	3,275,597
Economic development	-	1,275	-	378,022
Public works	-	62,698	-	2,265,424
Transportation	-	-	-	1,941,788
Parks and recreation	-	-	-	414,075
Capital outlay	-	1,188,784	-	30,040,606
Debt service				
Debt issuance cost	-	-	167,137	464,919
Interest and other charges	-	-	-	-
Total expenditures	-	1,252,757	167,137	45,223,178
Revenues over (under) expenditures	-	(1,199,269)	(171,406)	(11,216,278)
Other Financing Sources (Uses)				
Issuance of debt	-	2,500,000	10,570,000	23,886,890
Premium on issuance of debt	-	-	1,149,489	1,280,008
Sale of capital assets	-	-	-	11,232
Transfers in	-	1,764,275	-	8,232,122
Transfers out	(341,452)	(164,275)	-	(15,545,780)
Total other financing sources (uses)	(341,452)	4,100,000	11,719,489	17,864,472
Net change in fund balances	(341,452)	2,900,731	11,548,083	6,648,194
Fund balances, beginning of year	197,163	4,826,982	-	82,649,085
Fund balances, end of year	\$ (144,289)	\$ 7,727,713	\$ 11,548,083	\$ 89,297,279

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



City of Las Cruces

Nonmajor Enterprise Funds

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

City of Las Cruces
Combining Statement of Net Position—Nonmajor Enterprise Funds
June 30, 2017

	Transit	Alternative Fuel Station	Totals
Assets			
Current assets			
Pooled cash and investments	\$ (652,607)	\$ -	\$ (652,607)
Accounts receivable, net of allowance for uncollectible accounts	189,547	-	189,547
Due from other governments	<u>1,148,463</u>	<u>-</u>	<u>1,148,463</u>
Total current assets	<u>685,403</u>	<u>-</u>	<u>685,403</u>
Capital assets	12,921,900	397,107	13,319,007
Less: accumulated depreciation	<u>(5,963,019)</u>	<u>(328,674)</u>	<u>(6,291,693)</u>
Net capital assets	<u>6,958,881</u>	<u>68,433</u>	<u>7,027,314</u>
Total noncurrent assets	<u>6,958,881</u>	<u>68,433</u>	<u>7,027,314</u>
Total assets	<u>7,644,284</u>	<u>68,433</u>	<u>7,712,717</u>
Deferred outflows of resources			
Deferred charges related to pensions	<u>1,723,927</u>	<u>-</u>	<u>1,723,927</u>
Total deferred outflows of resources	<u>1,723,927</u>	<u>-</u>	<u>1,723,927</u>
Liabilities			
Current liabilities			
Accounts and contracts payable	33,997	-	33,997
Accrued liabilities	65,665	-	65,665
Current portion of non-current liabilities	<u>30,530</u>	<u>-</u>	<u>30,530</u>
Total current liabilities	<u>130,192</u>	<u>-</u>	<u>130,192</u>
Non-current liabilities			
Net pension liability	3,746,635	-	3,746,635
Compensated absences	<u>122,122</u>	<u>-</u>	<u>122,122</u>
Total non-current liabilities	<u>3,868,757</u>	<u>-</u>	<u>3,868,757</u>
Total liabilities	<u>3,998,949</u>	<u>-</u>	<u>3,998,949</u>
Deferred inflows of resources			
Deferred inflows related to pensions	<u>13,084</u>	<u>-</u>	<u>13,084</u>
Total deferred inflows of resources	<u>13,084</u>	<u>-</u>	<u>13,084</u>
Net Position			
Net investment in capital assets	6,958,881	68,433	7,027,314
Unrestricted	<u>(1,602,703)</u>	<u>-</u>	<u>(1,602,703)</u>
Total net position	<u>\$ 5,356,178</u>	<u>\$ 68,433</u>	<u>\$ 5,424,611</u>

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

City of Las Cruces
Combining Statement of Revenues, Expenses, and Changes in
Net Position—Nonmajor Enterprise Funds
For the Year Ended June 30, 2017

	Transit	Alternative Fuel Station	Totals
Operating Revenues			
Sales/charges	\$ 855,883	\$ -	\$ 855,883
Other	8,423	-	8,423
Total operating revenues	<u>864,306</u>	<u>-</u>	<u>864,306</u>
Operating Expenses			
Personnel services	2,889,214	-	2,889,214
Supplies	268,617	-	268,617
Utilities	33,390	-	33,390
Professional services	275,266	-	275,266
Motor pool charges	354,740	-	354,740
Motor fuel	588,716	-	588,716
Repairs and maintenance	12,600	-	12,600
Depreciation and amortization	522,383	4,693	527,076
Insurance	103,783	-	103,783
Pension expenses	145,945	-	145,945
Other	49,796	-	49,796
Total operating expenses	<u>5,244,450</u>	<u>4,693</u>	<u>5,249,143</u>
Operating income (loss)	<u>(4,380,144)</u>	<u>(4,693)</u>	<u>(4,384,837)</u>
Non-operating Revenues (Expenses)			
Investment income	9,388	-	9,388
Loss on disposition of assets	627	-	627
Grants	2,153,824	-	2,153,824
Total non-operating revenues (expenses)	<u>2,163,839</u>	<u>-</u>	<u>2,163,839</u>
Income (loss) before transfers	(2,216,305)	(4,693)	(2,220,998)
Transfers in	<u>1,933,053</u>	<u>-</u>	<u>1,933,053</u>
Increase (decrease) in fund net position	<u>(283,252)</u>	<u>(4,693)</u>	<u>(287,945)</u>
Net position, beginning of year	<u>5,639,430</u>	<u>73,126</u>	<u>5,712,556</u>
Total net position, end of year	<u><u>\$ 5,356,178</u></u>	<u><u>\$ 68,433</u></u>	<u><u>\$ 5,424,611</u></u>

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

City of Las Cruces
Combining Statement of Cash Flows—Nonmajor Enterprise Funds
For the Year Ended June 30, 2017

	Transit	Alternative Fuel Station	Totals
Cash flows from operating activities			
Cash received from customers	\$ 805,830	\$ -	\$ 805,830
Cash paid to suppliers	(1,885,486)	-	(1,885,486)
Cash paid to employees	(2,619,687)	-	(2,619,687)
Other receipts	<u>8,423</u>	-	<u>8,423</u>
Net cash (used by) operating activities	<u>(3,690,920)</u>	-	<u>(3,690,920)</u>
Cash flows from non-capital financing activities			
Operating grants	2,153,824	-	2,153,824
Transfers in	<u>1,933,053</u>	-	<u>1,933,053</u>
Net cash provided by non-capital financing activities	<u>4,086,877</u>	-	<u>4,086,877</u>
Cash flows from capital financing activities			
Sale (purchase) of capital assets	<u>(877,571)</u>	-	<u>(877,571)</u>
Net cash (used by) capital financing activities	<u>(877,571)</u>	-	<u>(877,571)</u>
Cash flows from investing activities			
Interest received (paid)	<u>10,015</u>	-	<u>10,015</u>
Net cash provided (used) by investing activities	<u>10,015</u>	-	<u>10,015</u>
Net increase (decrease) in pooled cash and investments	(471,599)	-	(471,599)
Pooled cash and investments, beginning of year	<u>(181,008)</u>	-	<u>(181,008)</u>
Pooled cash and investments, end of year	<u><u>\$ (652,607)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (652,607)</u></u>

(Continued)

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

City of Las Cruces
Combining Statement of Cash Flows—Nonmajor Enterprise Funds – continued
For the Year Ended June 30, 2017

	Transit	Alternative Fuel Station	Totals
Reconciliation of operating income to net cash provided (used) by operating activities			
Operating income (loss)	\$ (4,380,144)	\$ (4,693)	\$ (4,384,837)
Adjustments to reconcile operating income to net cash (used) by operating activities:			
Depreciation and amortization	522,383	4,693	527,076
Change in assets and liabilities			
Accounts receivable	(50,053)	-	(50,053)
Due from/(to) other funds	-	-	-
Unearned revenue	249,727	-	249,727
Accounts and contracts payable	(52,633)	-	(52,633)
Wages payable and accrued liabilities	19,800	-	19,800
Total adjustments	<u>689,224</u>	<u>4,693</u>	<u>693,917</u>
Net cash (used) by operating activities	<u>(3,690,920)</u>	<u>\$ -</u>	<u>\$ (3,690,920)</u>
Cash and investments at June 30 consisted of:			
Current assets:			
Cash and investments	\$ (652,607)	\$ -	\$ (652,607)
Non-current assets:			
Restricted cash and investments	<u>-</u>	<u>-</u>	<u>-</u>
Total cash and investments, June 30	<u>\$ (652,607)</u>	<u>\$ -</u>	<u>\$ (652,607)</u>

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

Internal Service Funds

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

City of Las Cruces
Combining Statement of Net Position—*Internal Service Funds*
June 30, 2017

	Internal Services	Self Insurance	Totals
Assets			
Current assets			
Pooled cash and investments	\$ 76,259	\$ 14,161,487	\$ 14,237,746
Accounts receivable, net of allowance for uncollectible accounts	2,400	8,070	10,470
Due from other governments	-	-	-
Inventories	382,838	-	382,838
Total current assets	<u>461,497</u>	<u>14,169,557</u>	<u>14,631,054</u>
Capital assets	2,319,705	40,110	2,359,815
Less accumulated depreciation	<u>(2,186,614)</u>	<u>(40,110)</u>	<u>(2,226,724)</u>
Capital assets, net	<u>133,091</u>	<u>-</u>	<u>133,091</u>
Total assets	<u>594,588</u>	<u>14,169,557</u>	<u>14,764,145</u>
Deferred outflows of resources			
Deferred charges related to pensions	<u>802,926</u>	<u>104,026</u>	<u>906,952</u>
Total deferred outflows of resources	<u>802,926</u>	<u>104,026</u>	<u>906,952</u>
Liabilities			
Current liabilities			
Accounts and contracts payable	225,471	1,835,597	2,061,068
Accrued liabilities	32,005	1,619	33,624
Current portion of non-current liabilities	<u>15,283</u>	<u>1,947,237</u>	<u>1,962,520</u>
Total current liabilities	<u>272,759</u>	<u>3,784,453</u>	<u>4,057,212</u>
Non-current liabilities			
Compensated absences	61,133	1,979	63,112
Estimated liability for insurance claims	-	4,601,230	4,601,230
Net pension liability	<u>1,691,997</u>	<u>250,857</u>	<u>1,942,854</u>
Total non-current liabilities	<u>1,753,130</u>	<u>4,854,066</u>	<u>6,607,196</u>
Total liabilities	<u>2,025,889</u>	<u>8,638,519</u>	<u>10,664,408</u>
Deferred inflows of resources			
Deferred inflows related to pensions	<u>-</u>	<u>3,213</u>	<u>3,213</u>
Total deferred inflows of resources	<u>-</u>	<u>3,213</u>	<u>3,213</u>
Net Position			
Invested in capital assets	133,091	-	133,091
Unrestricted	<u>(761,466)</u>	<u>5,631,851</u>	<u>4,870,385</u>
Total net position	<u>\$ (628,375)</u>	<u>\$ 5,631,851</u>	<u>\$ 5,003,476</u>

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

City of Las Cruces
Combining Statement of Revenues, Expenses, and Changes in
Fund Net Position—*Internal Service Funds*
For the Year Ended June 30, 2017

	Internal Services	Self Insurance	Totals
Operating Revenues			
Motor pool charges	\$ 2,279,704	\$ -	\$ 2,279,704
Rental charges and other	126,678	190,579	317,257
Charges for insurance	-	12,671,548	12,671,548
Total operating revenues	<u>2,406,382</u>	<u>12,862,127</u>	<u>15,268,509</u>
Cost of services	<u>(2,368,321)</u>	<u>-</u>	<u>(2,368,321)</u>
Gross margin	<u>38,061</u>	<u>12,862,127</u>	<u>12,900,188</u>
Operating Expenses			
Personnel services	1,364,209	140,584	1,504,793
Supplies	114,500	210,699	325,199
Utilities	27,719	-	27,719
Professional services	878,512	322,497	1,201,009
Repairs and maintenance	73,143	-	73,143
Depreciation	26,491	-	26,491
Claims and judgments (benefits)	-	15,267,686	15,267,686
Pension expense	114,445	14,511	128,956
Other	<u>18,784</u>	<u>1,480</u>	<u>20,264</u>
Total operating expenses	<u>2,617,803</u>	<u>15,957,457</u>	<u>18,575,260</u>
Operating income (loss)	<u>(2,579,742)</u>	<u>(3,095,330)</u>	<u>(5,675,072)</u>
Non-operating Revenues (Expenses)			
Investment income (loss)	<u>(1,202)</u>	<u>(10,569)</u>	<u>(11,771)</u>
Total non-operating revenues (expenses)	<u>(1,202)</u>	<u>(10,569)</u>	<u>(11,771)</u>
Income (loss) before transfers	<u>(2,580,944)</u>	<u>(3,105,899)</u>	<u>(5,686,843)</u>
Transfers in	<u>2,715,232</u>	<u>545,000</u>	<u>3,260,232</u>
Increase (decrease) in fund net position	134,288	(2,560,899)	(2,426,611)
Net position, beginning of year	<u>(762,663)</u>	<u>8,192,750</u>	<u>7,430,087</u>
Net position, end of year	<u><u>\$ (628,375)</u></u>	<u><u>\$ 5,631,851</u></u>	<u><u>\$ 5,003,476</u></u>

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

City of Las Cruces
Combining Statement of Cash Flows—*Internal Service Funds*
For the Year Ended June 30, 2017

	Internal Services	Self Insurance	Totals
Cash flows from operating activities			
Cash received from customers	\$ 2,406,382	\$ 12,860,657	\$ 15,267,039
Cash paid to suppliers	(3,565,068)	(537,040)	(4,102,108)
Cash paid to employees	(1,364,209)	(140,584)	(1,504,793)
Claims paid	<u>-</u>	<u>(15,231,435)</u>	<u>(15,231,435)</u>
Net cash provided (used) by operating activities	<u>(2,522,895)</u>	<u>(3,048,402)</u>	<u>(5,571,297)</u>
Cash flows from non-capital financing activities			
Transfers in	<u>2,715,232</u>	<u>545,000</u>	<u>3,260,232</u>
Net cash provided by non-capital financing activities	<u>2,715,232</u>	<u>545,000</u>	<u>3,260,232</u>
Cash flows from capital and related financing activities			
Transfer of capital assets	<u>(71,225)</u>	<u>-</u>	<u>(71,225)</u>
Net cash (used) by capital and related financing activities	<u>(71,225)</u>	<u>-</u>	<u>(71,225)</u>
Cash flows from investing activities			
Interest received (paid)	<u>(1,202)</u>	<u>(10,569)</u>	<u>(11,771)</u>
Net cash provided (used) by investing activities	<u>(1,202)</u>	<u>(10,569)</u>	<u>(11,771)</u>
Net increase (decrease) in cash and cash equivalents	119,910	(2,513,971)	(2,394,061)
Cash and cash equivalents, beginning of year	<u>(43,651)</u>	<u>16,675,458</u>	<u>16,631,807</u>
Cash and cash equivalents, end of year	<u><u>\$ 76,259</u></u>	<u><u>\$ 14,161,487</u></u>	<u><u>\$ 14,237,746</u></u>

(Continued)

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

City of Las Cruces
Combining Statement of Cash Flows—*Internal Service Funds* – continued
For the Year Ended June 30, 2017

	Internal Services	Self Insurance	Totals
Reconciliation of operating income to net cash provided (used) by operating activities			
Operating income (loss)	\$ (2,579,742)	\$ (3,095,330)	\$ (5,675,072)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:			
Depreciation	26,491	-	26,491
Change in assets and liabilities:			
Accounts receivables	-	(1,471)	(1,471)
Inventories	17,592	-	17,592
Due from other governments	143	-	143
Accounts and contracts payable	(120,561)	36,252	(84,309)
Deferred charges related to pensions	114,445	14,513	128,958
Wages payable and accrued liabilities	18,737	(2,366)	16,371
Total adjustments	<u>56,847</u>	<u>46,928</u>	<u>103,775</u>
Net cash provided (used) by operating activities	<u>(2,522,895)</u>	<u>(3,048,402)</u>	<u>(5,571,297)</u>
Cash and investments at June 30 consisted of:			
Current assets			
Cash and investments	76,259	14,161,487	14,237,746
Noncurrent assets			
Restricted cash and investments	<u>-</u>	<u>-</u>	<u>-</u>
Total cash and investments, June 30	<u>\$ 76,259</u>	<u>\$ 14,161,487</u>	<u>\$ 14,237,746</u>

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

Agency Funds

City of Las Cruces
Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2017

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
Mesilla Valley Regional Dispatch Authority				
Assets				
Pooled cash and investments	\$ 1,202,670	\$ 3,634,708	\$ 3,801,969	\$ 1,035,409
Accounts receivable	-	28,996	7,004	21,992
Receivable from other government agencies	16,682	1,812,603	1,664,447	164,838
Total Assets	<u>\$ 1,219,352</u>	<u>\$ 5,476,307</u>	<u>\$ 5,473,420</u>	<u>\$ 1,222,239</u>
Liabilities				
Accounts and contracts payable	\$ 32,452	\$ 807,788	\$ 834,547	\$ 5,693
Accrued wages payable	143,658	985,265	994,284	134,639
Revenue collected in advance	-	5,221	5,221	-
Funds held for others	1,043,242	1,038,332	999,667	1,081,907
Total Liabilities	<u>\$ 1,219,352</u>	<u>\$ 2,836,606</u>	<u>\$ 2,833,719</u>	<u>\$ 1,222,239</u>
Metro Narcotics Fund				
Assets				
Pooled cash and investments	\$ 643,611	\$ 1,122,756	\$ 1,137,312	\$ 629,055
Accounts receivable	10,000	68,000	73,000	5,000
Receivable from other government agencies	35,590	780,920	775,352	41,158
Total Assets	<u>\$ 689,201</u>	<u>\$ 1,971,676</u>	<u>\$ 1,985,664</u>	<u>\$ 675,213</u>
Liabilities				
Accounts and contracts payable	\$ 10,854	\$ 843,806	\$ 696,766	\$ 157,894
Accrued wages payable	6,518	47,038	51,431	2,125
Funds held for others	671,829	730,550	887,185	515,194
Total Liabilities	<u>\$ 689,201</u>	<u>\$ 1,621,394</u>	<u>\$ 1,635,382</u>	<u>\$ 675,213</u>
Branigan Estate Fund				
Assets				
Pooled cash and investments	\$ 2,267,690	\$ 92,731	\$ 285,491	\$ 2,074,930
Accounts receivable	78,375	-	-	78,375
Total Assets	<u>\$ 2,346,065</u>	<u>\$ 92,731</u>	<u>\$ 285,491</u>	<u>\$ 2,153,305</u>
Liabilities				
Accounts and contracts payable	\$ 79,490	\$ 239,117	\$ 317,550	\$ 1,057
Revenue collected in advance	-	78,375	-	78,375
Funds held for others	2,266,575	626,191	818,893	2,073,873
Total Liabilities	<u>\$ 2,346,065</u>	<u>\$ 943,683</u>	<u>\$ 1,136,443</u>	<u>\$ 2,153,305</u>

(Continued)

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

City of Las Cruces
Statement of Changes in Assets and Liabilities – continued
Agency Funds
For the Year Ended June 30, 2017

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
Gifts and Memorials Fund				
Assets				
Pooled cash and investments	\$ 800,393	\$ 55,916	\$ 32,578	\$ 823,731
Accounts receivable	1,500	-	-	1,500
Total Assets	<u>\$ 801,893</u>	<u>\$ 55,916</u>	<u>\$ 32,578</u>	<u>\$ 825,231</u>
Liabilities				
Accounts and contracts payable	\$ -	\$ 4,354	\$ 3,050	\$ 1,304
Revenue collected in advance	-	6,000	-	6,000
Funds held for others	801,893	73,253	57,219	817,927
Total Liabilities	<u>\$ 801,893</u>	<u>\$ 83,607</u>	<u>\$ 60,269</u>	<u>\$ 825,231</u>
Employee Benefits Committee				
Assets				
Pooled cash and investments	\$ 307	\$ -	\$ 307	\$ -
Total Assets	<u>\$ 307</u>	<u>\$ -</u>	<u>\$ 307</u>	<u>\$ -</u>
Liabilities				
Funds held for others	\$ 307	\$ -	\$ 307	\$ -
Total Liabilities	<u>\$ 307</u>	<u>\$ -</u>	<u>\$ 307</u>	<u>\$ -</u>
Veteran's Memorial Wall				
Assets				
Pooled cash and investments	\$ 22,250	\$ 1,378	\$ 1,783	\$ 21,845
Total Assets	<u>\$ 22,250</u>	<u>\$ 1,378</u>	<u>\$ 1,783</u>	<u>\$ 21,845</u>
Liabilities				
Accounts and contracts payable	\$ 468	\$ 1,285	\$ 1,753	\$ -
Funds held for others	21,782	2,050	1,987	21,845
Total Liabilities	<u>\$ 22,250</u>	<u>\$ 3,335</u>	<u>\$ 3,740</u>	<u>\$ 21,845</u>

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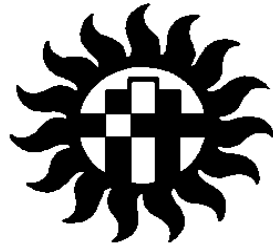
The accompanying notes are an integral part of these financial statements.

City of Las Cruces
Statement of Changes in Assets and Liabilities – continued
Agency Funds
For the Year Ended June 30, 2017

	Balance June 30, 2016	Additions	Deductions	Balance June 30, 2017
Animal Services of Mesilla Valley				
Assets				
Pooled cash and investments	\$ 1,004,040	\$ 1,976,264	\$ 2,035,157	\$ 945,147
Accounts receivable	4,290	21,835	26,125	-
Receivable from other government agencies	16,509	901,787	746,684	171,612
Total Assets	<u>\$ 1,024,839</u>	<u>\$ 2,899,886</u>	<u>\$ 2,807,966</u>	<u>\$ 1,116,759</u>
Liabilities				
Accounts and contracts payable	\$ 14,637	\$ 499,163	\$ 424,378	\$ 89,422
Accrued wages payable	88,592	469,612	469,414	88,790
Funds held for others	921,610	757,455	740,518	938,547
Total Liabilities	<u>\$ 1,024,839</u>	<u>\$ 1,726,230</u>	<u>\$ 1,634,310</u>	<u>\$ 1,116,759</u>
High Intensive Drug Trafficking Area				
Assets				
Pooled cash and investments	\$ -	\$ 951,819	\$ 1,103,524	\$ (151,705)
Accounts receivable	-	-	-	-
Receivable from other government agencies	236,295	892,290	930,224	198,361
Total Assets	<u>\$ 236,295</u>	<u>\$ 1,844,109</u>	<u>\$ 2,033,748</u>	<u>\$ 46,656</u>
Liabilities				
Accounts and contracts payable	\$ 8,669	\$ 338,390	\$ 312,626	\$ 34,433
Accrued wages payable	13,579	219,576	220,488	12,667
Due to fiscal agent	214,491	-	214,491	-
Funds held for others	(444)	616,745	616,745	(444)
Total Liabilities	<u>\$ 236,295</u>	<u>\$ 1,174,711</u>	<u>\$ 1,364,350</u>	<u>\$ 46,656</u>
Total - All Fiduciary Funds				
Assets				
Pooled cash and investments	\$ 5,940,961	\$ 7,835,572	\$ 8,398,121	\$ 5,378,412
Accounts receivable	94,165	118,831	106,129	106,867
Receivable from other government agencies	305,076	4,387,600	4,116,707	575,969
Total Assets	<u>\$ 6,340,202</u>	<u>\$ 12,342,003</u>	<u>\$ 12,620,957</u>	<u>\$ 6,061,248</u>
Liabilities				
Accounts and contracts payable	\$ 146,570	\$ 2,733,903	\$ 2,590,670	\$ 289,803
Accrued wages payable	252,347	1,721,491	1,735,617	238,221
Due to fiscal agent	214,491	-	214,491	-
Revenue collected in advance	-	89,596	5,221	84,375
Funds held for others	5,726,794	3,844,576	4,122,521	5,448,849
Total Liabilities	<u>\$ 6,340,202</u>	<u>\$ 8,389,566</u>	<u>\$ 8,668,520</u>	<u>\$ 6,061,248</u>

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

City of Las Cruces
Supplementary Information
June 30, 2017



City of Las Cruces

City of Las Cruces
Schedule of Insurance in Force
June 30, 2017

Named Insured	Coverage	Policy Term	Insurance Company & Policy Number	Limits	Deductible/Self-Insured Retention
City of Las Cruces	Airport Liability	7/1/17-7/1/18	Old Republic Insurance Company, PR00265202	Products-Completed Operations Aggregate Limit 10M Personal Injury and Advertising Injury Aggregate Limit 10M Malpractice Aggregate Limit 10M Each Occurrence Limit 10M Fire Damage Limit Any One Fire 100,000 Fire Medical Expense Limit Any One Person 10,000 Hangarkeepers Limit Any One Aircraft 10M Hangarkeepers Limit Any One Occurrence 10M	N/A
City of Las Cruces	Crime	7/1/17-7/1/18	National Union Fire Insurance Company of Pittsburgh, PA (AIG), 01-601-74-03	Employee Theft-Per Loss Coverage Forgery or Alteration Inside Premises Theft of Money and Securities Inside Premises Robbery and Safe Burglary Other Property Outside the Premises Computer Fraud Funds Transfer Fraud Money Orders and Counterfeit Paper Currency 10M All Lines of Coverage	\$50,000 All Lines Coverage
City of Las Cruces	Excess Workers Comp and Employers Liability	10/1/16 -7/1/18	Midwest Employers Casualty Company, EWC009334	Specific Limit Each Accident: (a) Policy Part One, Workers' Compensation: STATUTORY (b) Policy Part Two, Employers Liability: \$1,000,000 Specific Limit Each Employee for Disease: (a) Policy Part One, Workers' Compensation: STATUTORY (b) Policy Part Two, Employers Liability: \$1,000,000	\$750,000 Each Accident \$750,000 Each Employee for Disease
City of Las Cruces	Museum Collection and Temporary Loans Policy	7/1/17-7/1/18	Ironshore Indemnity Inc. HTB-002924-001	\$1,800,000 at the Insured's premises; as per the attached schedule of locations \$450,000 at any other location, worldwide \$450,000 in transit on any one conveyance, worldwide \$1,800,000 in any one loss or disaster, either in case of partial or total loss, or salvage charges, or expenses, or all combined. \$1,800,000 Terrorism Coverage Included Earthquake Coverage	\$1,000 each claim for loss or damage separately occurring
City of Las Cruces	Excess Public Entity Liability	7/1/17-7/1/18	Hallmark Specialty Insurance Company, 77PEF170030	\$2,000,000 Each Occurrence \$2,000,000 Aggregate	N/A
City of Las Cruces	Police Professional Liability	7/1/17-7/1/18	Indian Harbor Insurance Company, PPL0950493	\$3,000,000 Each Law Enforcement Occurrence Limit \$3,000,000 Policy Aggregate	\$1,500,000 Each Law Enforcement Occurrence
City of Las Cruces	Public Officials Liability	7/1/17-7/1/18	Ironshore Specialty Insurance Company 003213500	\$3,000,000 Aggregate \$25,000 Crisis Management Coverage Sublimit	\$1,000,000 Each Wrongful Act other than an Employment Practices Violation \$1,000,000 Each Employment Practices Violation
City of Las Cruces	Pollution	7/1/17-7/1/20	Indian Harbor Insurance Company, PEC003510502	\$5,000,000 each Pollution Condition \$5,000,000 Aggregate Liability Limit	\$250,000 Each Pollution Condition
City of Las Cruces	Property	7/1/17-7/1/18	Various 017471589/04 (Dec 04)	\$400,000,000 Occurrence Limit	\$10,000 Each Occurrence Limit
City of Las Cruces	General Liability, defense of civil rights litigation, foreign jurisdiction coverage	Perpetual	Self insured	Actual expense up to maximum allowable under State Tort Claims Act	N/A
City of Las Cruces	Workers' Compensation	Perpetual	CCMSI-TPA manages Workers' comp claims	Actual expense per NM Fee Schedule	N/A

The insurance in force covers all City of Las Cruces employees, boards, council members, and the Mayor. Ordinance No. 479 Section 24 requires inclusion of this schedule in the financial statements.

City of Las Cruces
Schedule of Pledged Collateral
June 30, 2017

DEPOSITS

Institution/Security	CUSIP #	Maturity Date	Safe Keeping Location	Market Value
Wells Fargo Bank, NA			BNY Mellon	
FNMA FGPC 2.500% 07/01/30	3128MMTS2	7/01/2030		\$ 4,354,351
FNMA FNMS 3.500% 09/01/42	3138M0CQ1	9/01/2042		23,518,868
FNMA FNMS 2.500% 7/01/31	3138WHJY9	7/01/2031		4,615,376
FNMA FNMS 3.000% 08/01/2042	31417CVE2	08/01/2042		28,079,922
FNMA FNMS 3.500% 03/01/2034	31418BA71	03/01/2034		18,694,187
				<u>\$ 79,262,704</u>

Summary of Collateralization

Wells Fargo Bank

Ending bank balance	\$ 73,503,732
Less: FDIC insurance	(250,000)
Total uninsured public funds	<u>\$ 73,253,732</u>
Pledged collateral held by the pledging bank's trust department in the City's name	\$ 79,262,704
100% collateral requirement	<u>73,253,732</u>
Pledged collateral in excess of requirement	<u>\$ 6,008,972</u>
Uninsured and uncollateralized	<u>\$ -</u>

City of Las Cruces
Schedule of Special Appropriations
June 30, 2017

Appropriation Number	Appropriation Description	Original Appropriation	Amended Appropriation	Appropriation Expiration	Expended as of June 30, 2017	Outstanding Encumbrances	Unencumbered Amount
13-1449	LC Sewer System Construct	\$ 321,000	\$ 321,000	6/30/2017	\$ 321,000	\$ -	\$ -
13-1844	Transit System Improvements	80,000	80,000	6/30/2017	80,000	-	-
14-1137	Munson Senior Ctr Renovate	141,000	1,410	6/30/2018	32,198	1,703	(32,490)
14-1624	Septic System Remediation	2,250,000	2,250,000	6/30/2018	1,128,642	477,577	643,781
14-1737	Water System & Wells	2,000,000	2,000,000	6/30/2018	1,569,967	-	430,033
14-1910	Klein Park Improve	141,000	141,000	6/30/2018	125,720	15,280	-
14-1912	St. Lukes Health Facility -- Comm of Hope	295,850	2,959	6/30/2018	20,211	264,415	(281,667)
14-1913	Traffic Signal Mgmt Control Ctr	725,000	7,250	6/30/2018	571,087	144,187	(708,024)
14-1914	Women's Veterans Monument	406,500	406,500	6/30/2018	277,399	3,271	125,830
14-2062	Alameda Depot Neighborhood Lighting	100,000	100,000	6/30/2018	-	-	100,000
14-2063	Mesquite Historic Dist Lighting	150,000	150,000	6/30/2018	87,874	26,227	35,899
14-2064	Streets Improvements	1,036,000	1,036,000	6/30/2018	1,036,000	-	-
14-2065	Transit System Improvements	50,000	50,000	6/30/2018	50,000	-	-
14-2271	St. Lukes Health Facility -- Comm of Hope	138,600	138,600	6/30/2017	138,600	-	-
15-0501	Septic System Remediation	170,000	170,000	6/30/2019	-	170,000	-
15-0754	La Clinica Cervantes Complex Equip	643,000	643,000	6/30/2018	459,983	158,071	24,947
15-0761	Amador Hotel Improvements	195,000	195,000	6/30/2019	98,767	93,132	3,101
15-0762	Cinematic Infrastructure	402,000	402,000	6/30/2019	4,441	379,450	18,109
15-0763	Cnty Competition Pool	220,000	220,000	6/30/2019	-	202,053	17,947
15-0764	St. Lukes Health Facility -- Comm of Hope	505,000	505,000	6/30/2019	14,554	479,750	10,696
15-0765	Downtown Electrical Infrastructure	25,000	25,000	6/30/2019	2,590	21,276	1,134
15-0767	Jardin Homeless Daycare Ctr Improve	50,000	50,000	6/30/2019	16,999	2,472	30,529
15-0768	MV Animal Service Ctr Phase I	40,000	40,000	6/30/2019	-	-	40,000
15-0769	Museums Improvement	25,000	25,000	6/30/2019	-	1	24,999
15-0772	Veterans Park Plaques	40,000	40,000	6/30/2018	39,751	1,459	(1,210)
15-0773	Young Park Playground Equip	75,000	75,000	6/30/2019	66,667	-	8,333
15-1122	Cinematic Infrastructure	555,000	555,000	6/30/2018	15,305	503,785	35,909
15-1123	St. Luke's Health Facility Renov & Equip	50,000	50,000	6/30/2018	-	40,522	9,478
16-A2001	LC Senior Centers Improvements	80,000	80,000	6/30/2020	5,994	74,006	-
16-A2258	LC Septic Systems Replacement	540,000	540,000	6/30/2020	-	-	540,000
16-A2421	LC Amador Hotel Hazardous Abatement	100,000	100,000	6/30/2020	-	79,529	20,471
16-A2422	LC Behavioral Health Record Program	280,735	280,735	6/30/2020	-	280,735	-
16-A2423	East Mesa Public Safety Complex Equip	50,000	50,000	6/30/2018	48,886	1,114	-
16-A2424	LC Fire Dept. Equipment	250,000	250,000	6/30/2018	250,000	-	-
16-A2425	LC Fire Station Kitchen Improve	20,000	20,000	6/30/2020	20,000	-	-
16-A2426	Klein Park Improve	100,000	100,000	6/30/2020	-	40,137	59,863
16-A2427	Branigan Library	40,000	40,000	6/30/2018	11,574	28,426	-
16-A2562	Harrelson St ROW & Rd Improvements	300,000	300,000	6/30/2020	37,985	210,423	51,591
16-A2563	Las Cruces Ave. Improvements	75,000	75,000	6/30/2020	-	30,101	44,899
16-A2564	LC ROW/Roads/Flood Control	766,000	766,000	6/30/2020	254,085	388,098	123,817
16-A2565	LC Traffic System Network Improvement	100,000	100,000	6/30/2020	5,385	-	94,615
16-A2566	University Ave. Pedestrian Crosswalk	260,000	260,000	6/30/2020	11,685	219,199	29,117

City of Las Cruces

Schedule of Deposit Accounts and Investments

June 30, 2017

Account	Type of Account	Fair Value Level	Pooled Cash & Investments	Other Cash and Investments	Total Reconciled Balance	On Deposit 6/30/2017
DEPOSIT ACCOUNTS						
<i>Wells Fargo Bank</i>						
Community Development	Checking		\$ -	\$ 128,011	\$ 128,011	\$ 129,111
Community Development Home Rehab	Checking		-	25,309	25,309	25,309
Community Development Home Program	Checking		-	490	490	490
Metro Narcotics Agency	Savings		-	90,646	90,646	90,646
2006 Water Projects	Savings		-	22,005,217	22,005,217	22,005,217
Revenue Bonds Proceeds	Savings		-	48,912,862	48,912,862	48,912,862
Treasury Fund - Operating	Checking		2,325,358	-	2,325,358	2,325,084
Payroll Direct Deposit Account	Checking		(885,218)	-	(885,218)	-
Accounts Payable	Checking		(1,848,612)	-	(1,848,612)	-
On Demand	Checking		5,044	-	5,044	15,013
Depository	Checking		50,202	-	50,202	-
Credit Card	Checking		32,720	-	32,720	-
Electronic	Checking		42,348	-	42,348	-
TOTAL DEPOSIT ACCOUNTS			(278,158)	71,162,535	70,884,377	73,503,732
INVESTMENTS						
<i>Wells Fargo Bank</i>						
Stagecoach Sweep Repo	Sweep	2	16,674,840	-	16,674,840	-
<i>First Tennessee</i>						
FFCB 2.09 9/8/2026	Investment	2	-	9,391,900	9,391,900	-
FHLB 2.05 9/29/2026-18	Investment	2	-	3,789,560	3,789,560	-
FHLB 2.35 12/27/2024-16	Investment	2	-	968,900	968,900	-
FHLB 2.35 12/27/2024-16	Investment	2	792,736	-	792,736	-
FHLB 0 8/8/2017	Investment	2	-	1,997,960	1,997,960	-
FHLB 0 9/22/2017	Investment	2	-	997,680	997,680	-
T-Note 0.75 4/30/2018	Investment	2	-	7,965,040	7,965,040	-
FHLB 0 7/13/2017	Investment	2	-	1,999,440	1,999,440	-
FHLB 2.2 10/13/2026-17	Investment	2	-	1,447,209	1,447,209	-
FHLB 2.2 10/13/2026-17	Investment	2	-	943,119	943,119	-
FHLB 2.2 10/13/2026-17	Investment	2	962	-	962	-
FFCB 2.24 11/10/2027-16	Investment	2	4,707,100	-	4,707,100	-
FFCB 2.24 7/6/2027-17	Investment	2	2,814,390	-	2,814,390	-
FHLB 0 11/24/2017	Investment	2	1,991,440	-	1,991,440	-
FHLB 0 7/12/2017	Investment	2	1,999,500	-	1,999,500	-
FHLB Step 5/9/2031-16	Investment	2	7,370,850	-	7,370,850	-
FHLMC Step 2/23/2031-16	Investment	2	10,650,090	-	10,650,090	-
FHLMC Step 4/20/2032-17	Investment		4,970,200	-	4,970,200	-
FHLMC Step 5/23/2031-16	Investment		17,724,850	-	17,724,850	-
FHLMC Step 5/23/2031-16	Investment		11,841,480	-	11,841,480	-
FNMA Step 2/10/2031-17	Investment		13,722,100	-	13,722,100	-
FNMA Step 2/20/2031-17	Investment		7,847,120	-	7,847,120	-
FNMA Step 2/24/2031-17	Investment		7,914,880	-	7,914,880	-
FNMA Step 3/10/2031-17	Investment	2	14,303,670	-	14,303,670	-
FNMA Step 4/7/2031-17	Investment	2	15,598,720	-	15,598,720	-
T-Bill 0 7/27/2017	Investment	2	999,450	-	999,450	-
T-Bill 0 8/31/2017	Investment	2	998,490	-	998,490	-
<i>NM State Investment Council</i>						
Large Cap Active Equity Pool	Investment	1	-	9,447,002	9,447,002	-
Large Cap Index Equity Pool	Investment	2	-	5,041,738	5,041,738	-
Non-U.S. Developed Equity Pool	Investment	1	-	2,549,161	2,549,161	-
Mid/Small Cap Equity Pool	Investment	1	-	7,751,186	7,751,186	-
TOTAL INVESTMENTS			142,922,868	54,289,895	197,212,763	-
TOTAL DEPOSITS AND INVESTMENTS			142,644,710	125,452,430	268,097,140	73,503,732

City of Las Cruces
Schedule of Deposit Accounts and Investments (continued)
June 30, 2017

Account	Type of Account	Pooled Cash & Investments	Other Cash and Investments	Total Reconciled Balance	On Deposit 6/30/2017
<i>Other Cash:</i>					
Petty Cash & Change Funds	Cash	\$ -	\$ 14,507	\$ 14,507	\$ -
<i>New Mexico Finance Authority</i>					
JB DW-1974	Debt Service	-	11	11	-
2008 JB PP-2186	Debt Service	-	172,897	172,897	-
JB PP-2248	Debt Service	-	77	77	-
RPL-2472	Debt Service	-	24	24	-
ZD PP-2618	Debt Service	-	19	19	-
ZD PP-2634	Debt Service	-	102,741	102,741	-
ZD PP-2711	Debt Service	-	44	44	-
ZS PP-3116	Debt Service	-	281,277	281,277	-
D. MST PP-3228	Debt Service	-	9	9	-
D. MST PP-3252	Program Funds	-	80,429	80,429	-
PP-3661 VAF Loan	Debt Service	-	3,163,668	3,163,668	-
PP-3712	Debt Service	-	5,021,658	5,021,658	-
Accrued Interest - Pooled Investments	Accrued Int	671,325	-	671,325	-
TOTAL CASH AND INVESTMENTS		\$ 143,316,035	\$ 134,289,791	\$ 277,605,826	\$ 73,503,732

City of Las Cruces

Schedule of Joins Powers Agreements

June 30, 2017

Participants	Responsible Party for Operations	Description	Beginning Date	Ending Date	Project Amount	Current Year Contributions	Audit Responsibility
City of Las Cruces	ASCMV	Provide financing, operation, and maintenance of the Center	1/29/2008	Perpetual	50%	\$901,787.00	City of Las Cruces
Dona Ana County	ASCMV	Provide financing, operation, and maintenance of the Center	1/29/2008	Perpetual	50%	\$901,787.00	City of Las Cruces
City of Anthony	ASCMV	Provide assistance with off-site animal shelter services	3/13/2014	March 13, 2018	\$35 per animal	\$1,750	City of Las Cruces
City of Sunland Park	ASCMV	Provide assistance with off-site animal shelter services	11/1/2015	October 31, 2017	\$50 per animal	\$2,250	City of Las Cruces
White Sands Missile Range	ASCMV	Provide assistance with off-site animal shelter services	10/20/2014	60 day notice	\$35 per animal	\$0.00	City of Las Cruces
Village of Hatch	ASCMV	Provide assistance with off-site animal shelter services	10/20/2014	60 day notice	\$35 per animal	\$140.00	City of Las Cruces
Dona Ana County	Both Parties	Griggs Walnut Groundwater Joint Superfund Site	11/22/2004	not specified	not specified	\$103,169.00	Both Parties
New Mexico State University	Both Parties	Supplemental Agreement Concerning the Delivery and Sale of Water by NMSU to the City of Las Cruces	3/12/2007	December 31, 2018	not specified	\$0.00	Both Parties
F&A Dairy Products/Shell Energy North America	Both Parties	Agreement for Sale and Purchase of Natural Gas Energy-Positive Urban	9/1/2008	August 30, 2016	\$2.92 per dth	\$10,687,719.00	City of Las Cruces
New Mexico State University	CLC	Wastewater Treatment and Nutrient Recovery	2/1/2015	30/16 with option to rer	not specified	\$0.00	City of Las Cruces
Dona Ana County/ Town of Mesilla/ City of Las Cruces	CLC	Metropolitan Planning Organization - transportation planning	7/1/2013	90 days notice	Proportionally to the required local match for Section 112 Planning Funds	\$15,843.00	City of Las Cruces
Federal Bureau of Investigation (FBI)	LCPD	The Safe Streets Violent Gang Task Force will enhance the effectiveness of federal/state/local law enforcement resources through a well coordinated initiative seeking the most effective investigative / prosecutive avenues by which to convict and incarcerate dangerous offenders	6/13/2013	Perpetual	not specified	\$15,000.00	Both Parties
United States Marshals Service	LCPD	To investigate and arrest persons who have active state and federal warrants for their arrest, thereby improving public safety and reducing violent crime	9/7/2010	9/30/2016	not specified	\$15,000	United States Marshals Service

City of Las Cruces
Schedule of Joins Powers Agreements (continued)
June 30, 2017

Participants	Responsible Party for Operations	Description	Beginning Date	Ending Date	Project Amount	Current Year Contributions	Audit Responsibility
Immigration and Customs Enforcement	LCPD	The reimbursement of certain overtime expenses and other law enforcement expenses pursuant to 31 USC 9703	6/11/2010	Perpetual	not specified	not specified	Immigration and Customs Enforcement
Federal Bureau of Investigation (FBI)	Metro	Investigate/prosecute avenues by which to convict and incarcerate dangerous offenders	6/12/2013	30 days notice	\$20,000.00	\$2,682.00	City of Las Cruces
Dona Ana County	Metro	Investigate/prosecute avenues by which to convict and incarcerate dangerous offenders	10/1/2001	Perpetual	\$225,543.00	\$225,543.00	City of Las Cruces
City of Las Cruces	Metro	Investigate/prosecute avenues by which to convict and incarcerate dangerous offenders	10/1/2001	Perpetual	\$225,543.00	\$225,543.00	City of Las Cruces
City of Las Cruces	MVRDA	Operate a combined communications center	9/5/2006	Perpetual	\$1,654,053.00	\$1,654,053.00	City of Las Cruces
Dona Ana County	MVRDA	Operate a combined communications center	9/5/2006	Perpetual	\$1,466,802.00	\$1,466,802.00	City of Las Cruces
Town of Mesilla	MVRDA	Operate a combined communications center	9/5/2006	Perpetual	\$52,704.00	\$52,704.00	City of Las Cruces
Village of Hatch	MVRDA	Operate a combined communications center	9/5/2006	Perpetual	\$39,541.00	\$39,541.00	City of Las Cruces
City of Sunland Park	MVRDA	Operate a combined communications center	9/5/2006	Perpetual	\$163,887.00	\$163,887.00	City of Las Cruces
City of Anthony	MVRDA	Operate a combined communications center	11/1/2011	Perpetual	\$72,857.00	\$72,857.00	City of Las Cruces
City of Las Cruces	SCSWA	Designing, constructing, financing, operating, and maintaining regional solid waste landfills and related facilities	12/13/1994	Perpetual	1/16% Municipal Environmental Services Gross Receipts Tax (tax revenue)	\$2,722,783.00	City of Las Cruces
Dona Ana County	SCSWA	Designing, constructing, financing, operating, and maintaining regional solid waste landfills and related facilities	12/13/1994	Perpetual	1/8% County Environmental Services Gross Receipts Tax (tax revenue)	\$599,378.00	City of Las Cruces
United States Geological Survey	USGS	Monitoring Network of the Groundwater-flow System and Stream-aquifer Relations in the Mesilla Basin, Dona Ana County, NM and El Paso County, TX	7/1/2016	June 30, 2017	\$22,000.00	\$16,500.00	USGS

City of Las Cruces

Statistical Section Table of Contents

June 30, 2017

This part of the City of Las Cruces' comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

GASB 44 provides the requirements for the schedules contained in this section of the City's CAFR.

Content

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source; the sales tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

City of Las Cruces
Net Position by Category (in 000's)
Last Ten Fiscal Years
(Unaudited)

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Governmental activities										
Net invest in capital assets	\$ 146,327	\$ 199,706	\$ 258,566	\$ 276,355	\$ 251,703	\$ 277,394	\$ 275,761	\$ 190,995	\$ 300,431	\$ 292,055
Restricted	32,766	32,625	33,168	34,983	58,634	58,994	62,860	80,631	116,782	133,723
Unrestricted	<u>126,919</u>	<u>82,891</u>	<u>57,690</u>	<u>64,435</u>	<u>76,973</u>	<u>70,628</u>	<u>83,720</u>	<u>84,682</u>	<u>(41,361)</u>	<u>(45,091)</u>
Subtotal governmental activities net position	279,187	306,012	315,222	349,424	375,773	387,310	422,341	356,308	375,852	380,687
Business-type activities										
Net invest in capital assets	103,498	126,330	140,672	152,923	153,707	155,584	158,115	166,565	178,330	185,978
Restricted	49,377	30,498	22,870	21,757	18,590	15,846	13,718	26,407	29,918	28,393
Unrestricted	<u>41,540</u>	<u>43,807</u>	<u>39,193</u>	<u>38,198</u>	<u>42,696</u>	<u>46,459</u>	<u>49,433</u>	<u>22,007</u>	<u>13,301</u>	<u>11,025</u>
Subtotal business-type activities net position	184,128	194,415	200,635	212,878	214,993	217,889	221,266	214,979	221,549	225,396
Primary government										
Net invest in capital assets	249,825	326,036	399,238	429,278	405,410	432,979	433,876	357,560	504,567	478,033
Restricted	82,143	63,123	56,038	56,740	77,224	74,841	76,578	107,038	146,700	162,116
Unrestricted	<u>168,459</u>	<u>126,698</u>	<u>96,883</u>	<u>102,633</u>	<u>119,669</u>	<u>117,087</u>	<u>133,153</u>	<u>106,689</u>	<u>(53,866)</u>	<u>(34,066)</u>
Total primary government net position	<u>\$ 463,315</u>	<u>\$ 500,427</u>	<u>\$ 515,857</u>	<u>\$ 588,651</u>	<u>\$ 602,303</u>	<u>\$ 624,907</u>	<u>\$ 643,607</u>	<u>\$ 571,287</u>	<u>\$ 597,401</u>	<u>\$ 606,083</u>

Note:

* Reclassifications were made to prior year utility net positions.

City of Las Cruces

Changes in Net Position (in 000's)

Last Ten Fiscal Years

(Unaudited)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Expenses										
Governmental activities:										
General government	\$ 16,560	\$ 30,359	\$ 16,101	\$ 16,667	\$ 18,105	\$ 13,125	\$ 16,476	\$ 17,465	\$ 29,352	\$ 31,464
Facilities	9,857	9,518	13,629	13,242	-	-	-	-	-	-
Police	23,814	26,944	26,886	26,628	26,719	27,744	28,115	26,926	26,783	27,973
Fire	11,290	10,611	11,155	11,339	11,984	12,408	12,733	13,828	14,247	14,618
Community development	5,047	4,574	7,586	5,830	4,743	4,394	4,593	4,859	5,214	4,953
Quality of life	-	-	-	-	9,033	9,011	9,315	9,273	9,553	9,489
Public services	12,525	11,524	10,506	9,833	-	-	-	-	-	-
Public works	19,728	11,083	19,728	20,285	26,085	20,184	21,168	21,885	21,483	25,792
Information technology	-	-	-	3,245	2,948	3,638	3,341	3,416	-	-
Transportation	-	-	-	-	4,045	10,448	8,159	8,161	8,042	2,906
Economic development	-	-	-	-	-	-	-	-	-	6,239
Parks and recreation	-	-	-	-	9,214	8,482	9,120	9,798	10,325	10,458
Interest on long-term debt	4,003	4,307	4,564	3,862	3,844	3,469	3,158	3,071	3,613	4,117
Subtotal governmental activities expenses	102,824	108,920	110,155	110,931	116,720	112,903	116,178	118,682	128,612	138,009
Business-type activities										
Gas	30,478	25,095	25,834	25,500	24,045	24,105	10,957	10,776	11,273	14,082
Water	11,679	14,787	14,474	13,997	14,194	14,607	14,306	15,009	15,994	18,703
Wastewater	8,767	10,878	11,217	11,212	11,832	12,383	12,536	13,246	14,318	17,216
Solid waste	10,905	10,534	10,431	10,151	11,145	11,399	11,438	10,942	11,627	11,386
Transit	-	4,167	4,310	4,363	4,370	4,450	4,632	4,393	4,625	5,249
Other	4,185	107	-	-	-	-	-	-	-	-
Interest on long-term debt	3,422	-	-	-	-	-	-	-	-	-
Subtotal business-type activities expenses	69,436	65,568	66,266	65,223	65,586	66,944	53,869	54,366	57,837	66,636
Total primary government expenses	\$ 172,260	\$ 174,488	\$ 176,421	\$ 176,154	\$ 182,306	\$ 179,847	\$ 170,047	\$ 173,048	\$ 186,449	\$ 204,645
Program Revenues										
Governmental activities:										
Charges for services										
General Government	4,676	3,184	3,736	4,793	1,793	1,871	1,905	1,463	11,406	3,838
Facilities	-	340	340	987	-	-	-	-	-	-
Police	2,041	4,639	3,544	3,405	4,282	4,441	4,523	3,472	4,008	4,095
Fire	161	-	1	146	1,889	1,971	2,007	1,541	2,242	2,288
Community development	3,644	2,618	2,615	2,889	790	4,560	807	869	587	575
Quality of life	3,942	1,920	610	409	1,363	1,378	1,404	1,077	947	935
Public works	2,249	1,986	1,491	2,711	2,444	1,468	1,495	1,147	934	2,000
Information Technology	-	-	-	929	487	604	615	472	-	-
Transportation	-	-	-	-	534	1,617	1,647	1,264	850	-
Economic development	-	-	-	-	-	-	-	-	-	671
Parks and recreation	-	-	-	-	1,435	1,334	1,358	1,043	1,630	1,614
Operating Grants and Contributions										
General Government	540	29	1,701	102	973	898	915	702	260	238
Facilities	-	-	-	-	-	-	-	-	-	-
Police	1,669	955	839	1,269	1,668	1,549	1,578	1,211	453	470
Fire	440	381	392	308	736	688	700	537	110	131
Community development	2,410	1,369	4,768	320	308	258	263	202	341	305
Quality of life	1,262	1,221	1,290	789	531	481	490	376	598	582
Public works	11	(23)	2,909	7,290	952	512	521	400	464	402
Information Technology	-	-	-	-	190	211	215	165	-	-
Transportation	-	-	-	-	208	564	574	441	353	345
Economic development	-	-	-	-	-	-	-	-	-	67
Parks and recreation	-	-	-	-	559	465	474	364	67	-
Capital Grants and Contributions										
General Government	2,531	3,350	15,129	4,226	-	3,155	549	5,672	3,682	5,070
Facilities	-	-	-	-	-	-	-	-	-	-
Police	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-
Community development	-	-	-	2,905	3,943	7,257	7,390	372	258	350
Quality of life	-	-	-	-	-	-	-	-	-	-
Public works	11,508	11,515	10,857	2,524	650	476	485	-	-	-
Subtotal governmental activities revenues	37,084	33,484	50,222	36,002	25,735	35,758	29,915	22,790	29,190	23,976

(Continued)

City of Las Cruces

Changes in Net Position (in 000's) – continued

Last Ten Fiscal Years

(Unaudited)

	Fiscal Year									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Business-type activities:										
Charges for services										
Gas	31,991	23,880	24,693	24,498	24,150	24,243	10,932	10,736	10,873	13,841
Water	13,941	13,182	13,231	14,501	15,379	15,388	14,701	15,207	15,706	19,961
Waste water	10,910	10,793	10,822	10,897	11,599	12,004	11,970	11,570	11,767	15,173
Solid waste	10,194	9,710	10,204	10,361	11,050	11,735	11,589	11,818	13,525	13,169
Transit	-	-	564	640	660	637	737	620	768	864
Other	325	420	-	-	-	-	-	-	-	-
Operating Grants and Contributions										
Gas	-	-	-	-	-	-	-	-	-	-
Water	-	-	8	-	1	241	-	-	1,537	463
Waste water	-	-	-	-	-	-	-	-	1,256	628
Solid waste	-	-	-	-	-	-	-	-	-	-
Transit	-	-	1,368	1,614	1,765	3,185	2,459	2,253	2,325	2,154
Other	1,188	2,789	-	-	-	-	-	-	-	-
Capital Grants and Contributions										
Gas	335	333	50	4,570	-	97	-	33	73	91
Water	1,263	1,968	1,069	2,548	-	602	-	139	168	102
Waste water	1,926	2,383	531	2,034	-	590	-	122	87	74
Solid waste	-	-	-	-	-	-	-	-	-	-
Transit	-	-	626	58	-	-	-	-	-	-
Other	118	-	-	-	-	-	-	-	-	-
Subtotal business-type activities revenues	72,191	65,458	63,166	71,721	64,604	68,722	52,388	52,498	58,085	66,520
Total primary government revenues	109,275	98,942	113,388	107,723	90,339	104,480	82,303	75,288	87,275	90,496
Net (Expense)/Revenue										
Governmental activities	(75,436)	(59,933)	(74,929)	(90,985)	(77,145)	(86,263)	(95,892)	(99,422)	(99,422)	(114,033)
Business-type activities	6,624	(807)	(2,057)	6,135	(2,340)	14,853	(1,978)	(5,339)	248	(116)
Total primary government net expense	(68,812)	(60,740)	(76,986)	(84,850)	(79,485)	(71,410)	(97,870)	(104,761)	(99,174)	(114,149)
*General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes										
Gross receipts	77,080	88,372	75,230	76,793	82,112	83,312	81,882	93,684	99,614	99,866
Property	10,891	-	13,216	13,904	13,281	13,972	14,265	14,461	14,841	15,085
Franchise	2,985	-	2,739	2,952	2,743	2,691	2,701	2,438	2,873	2,809
Investment income (loss)	3,842	(1,720)	3,569	3,462	4,172	(545)	5,892	5,515	4,805	4,416
Hospital net assets received	-	-	-	-	-	-	-	-	-	-
Telshor Facility income	267	278	139	5,473	-	-	-	-	-	-
Other	-	-	2,683	2,878	-	365	11	-	-	-
Donated capital assets	-	-	-	443	1,044	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-	-
Fees, fines, franchise fees	-	-	-	-	-	-	-	-	-	-
Other	2,835	3,091	-	-	-	-	-	-	-	-
Gain(loss) on disposal of fixed assets/sale of investments	-	-	-	-	-	-	-	-	-	-
Transfers	(4,083)	(4,232)	(3,442)	(3,697)	(830)	(2,945)	(3,161)	(2,943)	(3,168)	(3,308)
Total governmental activities	93,817	85,789	94,134	102,208	102,522	96,850	101,590	113,155	118,965	118,868
Business-type activities:										
Investment income	3,408	1,597	1,302	306	2,258	(1,827)	1,465	2,797	2,714	119
Other	40	698	457	10	38	-	-	-	-	-
Gain(loss) on disposal of capital assets/sale of investments	-	-	-	(443)	46	-	-	-	441	536
Capital contributions	-	-	-	-	-	-	231	-	-	-
Transfers	4,083	4,232	3,442	3,697	830	2,945	3,161	2,943	3,168	3,308
Total business-type activities	7,531	6,527	5,201	3,570	3,172	1,118	4,857	5,740	6,323	3,963
Total primary government	101,348	92,316	99,335	105,778	105,694	97,968	106,447	118,895	125,288	122,831
*Change in Net Position										
Governmental activities	18,380	25,855	19,205	11,223	25,377	10,587	5,698	13,733	19,543	4,835
Business-type activities	14,156	5,721	3,144	9,705	832	15,971	2,879	401	6,571	3,847
Total primary Government	\$ 32,536	\$ 31,576	\$ 22,349	\$ 20,928	\$ 26,209	\$ 26,558	\$ 8,577	\$ 14,134	\$ 26,114	\$ 8,682

* In FY 2013 "Net Assets" changed to "Net Position". GASB Statement No. 63.

City of Las Cruces

Fund Balances – Governmental Funds

(Unaudited)

	2017	2016	2015	2014	2013	2012	2011
General Fund							
Non-spendable	\$ 1,747,278	\$ 1,820,976	\$ 1,431,060	\$ 1,607,029	\$ 1,732,121	\$ 1,531,425	\$ 1,330,306
Restricted	1,729,164	49,695	87,037	26,654	109,896	43,994	853,513
Committed	8,252,569	8,034,176	5,937,791	7,464,550	6,120,361	5,142,436	5,809,607
Assigned	4,479,163	5,831,716	3,063,748	4,651,973	6,634,296	4,817,723	4,185,702
Unassigned	39,784,069	34,727,631	31,379,100	22,243,480	20,665,163	25,898,101	21,718,500
General fund subtotal	<u>55,992,243</u>	<u>50,464,194</u>	<u>41,898,736</u>	<u>35,993,686</u>	<u>35,261,837</u>	<u>37,433,679</u>	<u>33,897,628</u>
All Other Governmental Funds							
Restricted	131,993,717	116,732,589	80,544,450	61,250,466	58,884,597	58,590,185	34,129,396
Committed	5,475,839	11,010,857	20,493,179	16,309,303	19,566,873	21,284,190	33,900,122
Unassigned	(190,492)	(205,952)	-	(3,102)	-	(5,166)	-
All other governmental funds subtotal	<u>137,279,064</u>	<u>127,537,494</u>	<u>101,037,629</u>	<u>77,556,667</u>	<u>78,451,470</u>	<u>79,869,209</u>	<u>68,029,518</u>
	<u>\$ 193,271,307</u>	<u>\$ 178,001,688</u>	<u>\$ 142,936,365</u>	<u>\$ 113,550,353</u>	<u>\$ 113,713,307</u>	<u>\$ 117,302,888</u>	<u>\$ 101,927,146</u>

Notes:

*The requirement for statistical data is ten years. GASB 54 was implemented in 2011, therefore, only data from 2011-2017 are shown.
Prior years' data is available upon request.

City of Las Cruces
Changes in Fund Balances – Governmental Funds
Last Ten Fiscal Years
(Unaudited)

	Fiscal Years									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Revenues										
Taxes	\$ 90,955,351	\$ 88,372,353	\$ 91,184,536	\$ 93,649,128	\$ 95,393,242	\$ 97,283,814	\$ 96,147,228	\$ 108,144,911	\$ 114,455,163	\$ 114,950,696
Charges for services	1,359,566	2,038,227	1,639,472	1,693,974	2,748,831	2,621,870	2,978,651	2,871,940	2,957,652	3,036,531
Fees and fines	1,935,093	2,975,920	3,313,826	3,242,061	3,094,954	4,223,526	3,601,721	2,960,103	3,238,041	2,208,315
Franchise fees	2,677,024	2,772,546	2,683,038	2,877,685	2,742,676	2,691,014	2,700,727	2,438,470	2,873,464	2,809,073
Investment income	3,580,256	(1,909,490)	3,371,641	3,413,172	3,561,376	181,900	5,502,991	4,632,666	4,021,081	4,428,153
Licenses and permits	1,963,361	1,340,840	1,240,495	1,358,315	1,278,941	1,266,098	1,090,909	1,072,697	1,577,456	1,655,125
Operating grants and contributions	-	-	-	-	-	-	-	-	-	-
Grants and contracts	-	-	-	-	-	-	-	-	-	-
Special assessment	-	-	-	-	-	1,846,289	-	-	-	-
Intergovernmental	12,566,035	13,083,996	35,021,604	12,021,639	10,717,386	13,359,243	6,219,035	7,265,804	6,784,524	8,335,866
Other	12,030,681	7,805,665	6,780,990	9,661,224	8,601,347	6,168,354	8,237,485	8,798,356	7,211,763	8,203,588
Contributions from other governments	-	-	-	-	-	-	-	-	-	-
Total revenues	127,067,367	116,480,057	145,235,602	127,917,198	128,138,753	129,642,108	126,478,747	138,184,947	143,119,144	145,627,347
Expenditures										
Current										
General government	16,096,382	15,763,301	15,499,329	14,007,817	14,943,693	15,244,156	15,309,810	15,540,303	21,270,277	19,370,272
Facilities	9,029,214	9,475,716	12,899,522	12,419,508	-	-	-	-	-	-
Development services	-	-	-	-	-	-	-	-	-	-
Police	22,887,190	26,930,951	25,629,244	25,131,037	25,616,229	26,298,016	26,682,809	25,964,438	25,031,978	25,467,920
Fire	10,620,627	10,611,882	10,461,299	10,704,845	11,300,825	11,670,358	11,960,199	13,231,354	13,190,791	13,613,317
Community development	5,005,801	4,574,265	7,541,002	5,797,178	4,724,846	4,384,737	4,590,232	4,855,907	5,210,672	4,952,654
Quality of life	11,437,702	11,527,609	9,085,863	8,331,342	8,153,572	8,161,447	8,470,577	8,408,291	8,669,918	8,533,485
Public works	10,909,474	11,037,538	10,260,104	10,401,815	14,620,521	11,027,114	9,516,062	10,113,065	7,842,112	13,523,292
Information Technology	-	-	-	2,795,580	2,913,463	3,575,895	3,261,809	3,307,482	-	-
Transportation	-	-	-	-	3,192,467	7,227,168	7,124,350	7,050,236	6,748,867	1,941,788
Economic development	-	-	-	-	-	-	-	-	-	4,156,253
Parks and recreation	-	-	-	-	8,582,487	7,910,542	8,487,589	9,096,141	9,516,112	9,498,709
Capital outlay	32,342,749	52,120,555	60,876,060	25,235,059	16,511,279	20,881,103	16,053,786	16,407,438	30,391,233	34,117,241
Debt service										
Principal	7,260,878	8,298,537	7,554,567	48,897,966	13,058,688	8,843,242	9,313,208	9,418,765	10,705,464	9,697,955
Interest and other charges	4,003,447	4,307,153	4,194,303	4,244,129	4,040,062	3,391,926	3,158,108	3,485,553	3,592,138	4,097,624
Bond issuance costs	-	-	-	-	-	-	100,850	612,093	625,648	464,919
Total expenditures	129,593,464	154,647,507	164,001,293	167,966,276	127,658,132	128,615,704	124,029,389	127,491,066	142,795,210	149,435,429
Excess of rev over (under) exp	(2,526,097)	(38,167,450)	(18,765,691)	(40,049,078)	480,621	1,026,404	2,449,358	10,693,881	323,934	(3,808,082)

(Continued)

City of Las Cruces
Changes in Fund Balances – Governmental Funds – continued
Last Ten Fiscal Years
(Unaudited)

	Fiscal Years									
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Other Financing Sources (Uses)										
Issuance of debt	32,184,395	9,749,434	187,874	46,400,106	17,462,973	44,638	2,780,000	44,042,825	35,680,000	23,888,528
Bond premium (discount)	-	-	-	-	536,733	-	-	1,834,877	1,152,703	1,656,248
Hospital netposition received	-	-	-	-	-	-	-	-	-	-
Capital leases	-	-	-	-	-	-	-	-	-	-
Proceeds of notes payable	-	-	-	-	-	-	-	-	-	-
Gain on capital assets	157,755	587,667	28,308	575,764	812,621	1,043,557	251,515	122,895	1,197,843	101,462
Escrow refund	-	-	-	4,097,607	-	-	(1,590,000)	(19,545,000)	-	-
Payment to agency	-	-	-	-	-	-	(1,680,000)	-	-	-
Transfers in	25,472,862	21,088,190	19,719,483	26,035,390	22,493,222	20,070,575	20,982,459	21,933,451	34,732,300	24,900,335
Transfers out	(29,827,582)	(25,797,583)	(24,029,943)	(31,065,247)	(26,410,428)	(25,774,755)	(23,356,286)	(29,677,725)	(38,040,649)	(31,468,872)
Total other financing sources (uses)	27,987,430	5,627,708	(4,094,278)	46,043,620	14,895,121	(4,615,985)	(2,612,312)	18,711,323	34,722,197	19,077,701
Net change in fund balances	\$ 25,461,333	\$ (32,539,742)	\$ (22,859,969)	\$ 5,994,542	\$ 15,375,742	\$ (3,589,581)	\$ (162,954)	\$ 29,405,204	\$ 35,046,131	\$ 15,269,619
Debt service as a percentage of non-capital expenditures	11.58%	12.30%	11.39%	37.23%	15.38%	11.36%	11.64%	12.17%	13.28%	12.37%

Notes:

- * The substantial increase from FY05 to FY06 was primarily due to the issue of \$33,000,000 in sales tax bonds for a new City Hall and other public improvements.
- * The substantial increase in debt service expenditures from FY10 to FY11 is due to the refunding of two bonds and three loans.
- * FY 2017 Transporation split into two separate departments/ Transportation and Economic Development
- * FY 2017 Name change from Community and Cultural Services to Quality of Life

City of Las Cruces
Taxable and Assessed Value of Property
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Real Property		Personal Property		Exemptions Real/Personal Property	Total		Ratio of Total Taxable Value
	Taxable Value	Assessed Value	Taxable Value	Assessed Value		Taxable Value	Assessed Value	To Total Assessed Value
2008	1,727,610,513	5,182,831,539	80,241,171	240,723,513	170,687,030	1,637,164,654	4,911,493,962	33%
2009	1,997,809,308	5,730,625,452	87,600,824	262,802,472	176,456,635	1,908,953,497	5,726,860,491	33%
2010	2,106,691,015	6,320,073,045	57,474,536	172,423,608	196,456,064	1,967,709,487	5,903,128,461	33%
2011	2,177,020,916	6,531,062,748	58,320,048	174,960,144	203,413,980	2,031,926,984	6,095,780,952	33%
2012	2,151,439,907	6,454,319,721	54,925,488	164,776,464	202,125,710	2,004,239,685	6,012,719,055	33%
2013	2,125,289,873	6,375,869,619	59,624,489	178,873,467	200,707,966	1,984,206,396	5,952,619,188	33%
2014	2,155,885,195	6,467,655,585	61,581,848	184,745,544	208,357,576	2,009,109,467	6,027,328,401	33%
2015	2,183,225,521	6,549,676,563	(60,724,499)	(182,173,497)	209,457,558	1,913,043,464	5,739,130,392	33%
2016	4,334,489,601	13,003,468,803	(108,098,881)	(324,296,643)	541,083,663	3,685,307,057	11,055,921,171	33%
2017	4,454,534,347	13,363,603,041	(110,661,888)	(331,985,664)	535,801,047	3,808,071,412	11,424,214,236	33%

Source: Dona Ana County Property Abstract

City of Las Cruces
Property Tax Rates Per \$1,000 Assessed Valuation
Both Residential and Non-Residential—Overlapping Governments
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	<u>Residential</u>					Total Residential
	<u>City</u>	<u>State</u>	<u>County</u>	<u>School District</u>	<u>Other</u>	
2008	5.960	1.250	8.029	9.809	1.936	26.984
2009	6.136	1.150	8.249	9.807	1.961	27.303
2010	6.155	1.530	8.388	9.818	1.977	27.868
2011	6.452	1.362	8.736	9.831	2.000	28.381
2012	6.614	1.360	8.989	9.840	2.000	28.803
2013	6.757	1.360	9.202	9.851	2.000	29.170
2014	6.801	1.360	9.255	9.853	2.000	29.269
2015	6.806	1.360	9.267	9.852	2.000	29.285
2016	6.699	1.360	9.152	9.920	2.000	29.131
2017	6.702	1.360	9.163	9.920	1.600	28.745

Fiscal Year	<u>Non-Residential</u>					Total Non- Residential
	<u>City</u>	<u>State</u>	<u>County</u>	<u>School District</u>	<u>Other</u>	
2008	7.120	1.250	11.992	10.014	2.000	32.376
2009	7.120	1.150	12.001	10.004	2.000	32.275
2010	7.120	1.530	12.002	10.014	2.000	32.666
2011	7.120	1.362	12.000	10.014	2.000	32.496
2012	7.120	1.360	11.995	10.014	2.000	32.489
2013	7.120	1.360	11.949	10.014	2.000	32.443
2014	7.120	1.360	11.935	10.013	2.000	32.428
2015	7.120	1.360	11.964	10.013	2.000	32.457
2016	7.120	1.360	11.959	10.116	2.000	32.555
2017	7.120	1.360	11.959	10.109	1.600	32.148

Source: New Mexico Department of Finance & Administration, Local Government Division
Dona Ana County

City of Las Cruces
Principal Property Taxpayers
June 30, 2017
Last Ten Fiscal Years
(Unaudited)

<u>Taxpayer</u>	<u>Type of Business</u>	FY2017			FY2016			FY2015			FY2014			FY2013		
		<u>Taxable Value</u>	<u>Percentage of Total Taxable Value</u>	<u>Rank</u>	<u>Taxable Value</u>	<u>Percentage of Total Taxable Value</u>	<u>Rank</u>	<u>Taxable Value</u>	<u>Percentage of Total Taxable Value</u>	<u>Rank</u>	<u>Taxable Value</u>	<u>Percentage of Total Taxable Value</u>	<u>Rank</u>	<u>Taxable Value</u>	<u>Percentage of Total Taxable Value</u>	<u>Rank</u>
EL PASO ELECTRIC COMPANY	ELECTRICITY	\$ 75,051,914	1.89%	1	\$ 78,255,738	1.97%	1	\$ 96,539,781	4.59%	1	\$ 88,614,513	4.27%	1	\$ 83,788,517	4.09%	1
LAS CRUCES MEDICAL CENTER LLC	MEDICAL CENTER	54,590,000	1.38%	2	54,590,000	1.38%	2	65,093,288	3.10%	2	68,342,933	3.29%	2	67,806,108	3.31%	2
MEMORIAL MEDICAL CENTER	MEDICAL CENTER	35,960,393	0.91%	3	54,042,000	1.36%	3	50,676,800	2.41%	3	50,853,900	2.45%	3	66,381,142	3.24%	3
SUNE SPS1 LLC	ELECTRICITY							31,984,810	1.52%	5	36,200,000	1.74%	4	40,632,555	1.99%	4
MESILLA VALLEY MALL LLC	SHOPPING CENTERS	35,248,800	0.89%	4	35,248,800	0.89%	4	35,116,500	1.67%	4	32,181,500	1.55%	5	32,181,500	1.57%	5
COMCAST CABLEVISION OF NM/PA INC	TELEVISION SERVICES	22,277,725	0.56%	7	21,760,209	0.55%	7	21,612,820	1.03%	8	23,280,858	1.12%	6	24,909,411	1.22%	6
QWEST CORPORATION	COMMUNICATIONS	22,031,097	0.55%	6	22,407,480	0.56%	6	22,846,665	1.09%	7	22,328,470	1.08%	8	23,149,114	1.13%	7
COPPERSTONE LLC	REAL ESTATE	17,829,900	0.45%	5	25,604,957	0.64%	5	23,522,866	1.12%	6	23,258,900	1.12%	7	17,869,700	0.87%	8
DUKE REALTY LAS CRUCES MOB LLC	REAL ESTATE													14,780,000	0.72%	9
LAS CRUCES MADISON OWNERSHIP CO. LLC	REAL ESTATE													14,697,557	0.72%	10
CASA BANDERA TIC LLC	REAL ESTATE	14,148,500	0.36%	10	14,148,500	0.36%	10									
LAS CRUCES - TMB LLC	REAL ESTATE															
FS LAGUNA SECA I LLC	SHOPPING CENTERS															
PUBLIC SERVICE CO OF NM	ELECTRICITY															
UNION PACIFIC RAIL ROAD COMPANY	RAILROAD															
EL PASO NATURAL GAS CO	GASOLINE															
LAS UVAS VALLEY DAIRY	AGRICULTURE															
BURLINGTON NORTHERN & SANTA FE RAILROAD	RAILROAD															
NEW MEXICO MALL PARTNERS LP	SHOPPING CENTERS															
MY WAY OF HOLDINGS LLC	CASINO															
SONOMA SPRINGS PARTNERS LP	REAL ESTATE															
PARK PLACE PERIDOT LLC	BUSINESS COMPLEX															
SOUTHWEST MALLS REAL ESTATE	SHOPPING CENTERS															
LAS CRUCES APARTMENT Co. LLC	PROPERTY DEVELOPMENT															
LAS CRUCES LAGUNA SECA LTD	SHOPPING CENTERS															
CMAT 1999-CI TOWN CENTER LLC	BUSINESS COMPLEX															
SAMS EAST, INC.	DISCOUNT STORES															
ANTHEM PARK PLACE LP	BUSINESS COMPLEX															
WAL-MART STORES, INC.	DISCOUNT STORES										16,442,600	0.79%	9			
LAS CRUCES INVESTCO LLC	REAL ESTATE							14,689,139	0.70%	10	14,345,600	0.69%	10			
SONOMA PALMS APTS LOUISIANA LLC	APARTMENTS	14,781,437	0.37%	9	14,871,437	0.37%	9	15,646,000	0.74%	9						
CLEAR SKY CAPITAL CASAS DE SOLEDAD		15,580,539	0.39%	8	15,126,762	0.38%	8									
			<u>7.75%</u>			<u>8.46%</u>			<u>17.97%</u>			<u>18.10%</u>			<u>18.86%</u>	

Source: Dona Ana County Property Abstract - County Assessors Office

(Continued)

City of Las Cruces
Principal Property Taxpayers – continued
June 30, 2017
Last Ten Fiscal Years
(Unaudited)

		FY2012			FY2011			FY 2010			FY 2009			FY 2008		
		Taxable Value	Percentage of Total Taxable Value	Rank	Taxable Value	Percentage of Total Taxable Value	Rank	Taxable Value	Percentage of Total Taxable Value	Rank	Taxable Value	Percentage of Total Taxable Value	Rank	Taxable Value	Percentage of Total Taxable Value	Rank
Taxpayer	Type of Business															
EL PASO ELECTRIC COMPANY	ELECTRICITY	\$ 83,900,940	4.19%	1	\$ 75,082,228	3.70%	1	\$ 74,944,703	3.81%	1	\$ 67,831,036	3.72%	1	\$ 64,345,540	3.93%	1
LAS CRUCES MEDICAL CENTER LLC	MEDICAL CENTER	68,328,088	3.41%	2	65,207,949	3.21%	3	56,276,100	2.86%	3	18,758,700	1.03%	4	19,334,467	1.18%	4
MEMORIAL MEDICAL CENTER	MEDICAL CENTER	66,824,652	3.33%	3	67,263,063	3.31%	2	74,406,896	3.78%	2	17,287,000	0.95%	6	17,169,067	1.05%	5
SUNE SPS1 LLC	ELECTRICITY	18,908,564	0.94%	7												
MESILLA VALLEY MALL LLC	SHOPPING CENTERS	31,562,620	1.57%	4	31,160,200	1.53%	5	31,422,000	1.60%	5						
COMCAST CABLEVISION OF NM/PA INC	TELEVISION SERVICES	25,781,160	1.29%	6	27,078,136	1.33%	6	24,878,595	1.26%	6						
QWEST CORPORATION	COMMUNICATIONS	26,808,806	1.34%	5	39,753,714	1.96%	4	39,251,670	1.99%	4	19,977,512	1.10%	3	26,869,586	1.64%	3
COPPERSTONE LLC	REAL ESTATE															
DUKE REALITY LAS CRUCES MOB LLC	REAL ESTATE															
LAS CRUCES MADISON OWNERSHIP CO. LLC	REAL ESTATE	14,277,800	0.71%	10	14,277,800	0.70%	10	15,833,100	0.80%	7	9,171,319	0.50%	9	9,007,400	0.55%	10
CASA BANDERA TIC LLC	REAL ESTATE	14,303,200	0.71%	9	14,450,000	0.71%	9	15,454,200	0.79%	8						
LAS CRUCES - TMB LLC	REAL ESTATE	14,780,000	0.74%	8	15,300,000	0.75%	7	15,300,000	0.78%	9						
FS LAGUNA SECA I LLC	SHOPPING CENTERS							13,160,400	0.67%	10						
PUBLIC SERVICE CO OF NM	ELECTRICITY										34,621,991	1.90%	2	34,744,992	2.12%	2
UNION PACIFIC RAIL ROAD COMPANY	RAILROAD										17,964,050	0.99%	5	15,951,623	0.97%	6
EL PASO NATURAL GAS CO	GASOLINE										12,938,360	0.71%	8	12,558,435	0.77%	7
LAS UVAS VALLEY DAIRY	AGRICULTURE													11,841,705	0.72%	8
BURLINGTON NORTHERN & SANTA FE RAILROAD	RAILROAD										13,413,383	0.74%	7	11,487,369	0.70%	9
NEW MEXICO MALL PARTNERS LP	SHOPPING CENTERS										8,309,100	0.46%	10			
MY WAY OF HOLDINGS LLC	CASINO															
SONOMA SPRINGS PARTNERS LP	REAL ESTATE															
PARK PLACE PERIDOT LLC	BUSINESS COMPLEX				15,131,252	0.74%	8									
SOUTHWEST MALLS REAL ESTATE	SHOPPING CENTERS															
LAS CRUCES APARTMENT Co. LLC	PROPERTY DEVELOPMENT															
LAS CRUCES LAGUNA SECA LTD	SHOPPING CENTERS															
CMAT 1999-CI TOWN CENTER LLC	BUSINESS COMPLEX															
SAMS EAST, INC.	DISCOUNT STORES															
ANTHEM PARK PLACE LP	BUSINESS COMPLEX															
WAL-MART STORES, INC.	DISCOUNT STORES															
LAS CRUCES INVESTCO LLC	REAL ESTATE															
SONOMA PALMS APTS LOUISIANA LLC	APARTMENTS															
CLEAR SKY CAPITAL CASAS DE SOLEDAD																
			18.23%			17.94%			18.34%			12.10%			13.63%	

Source: Dona Ana County Property Abstract - County Assessors Office

City of Las Cruces
Property Tax Levies and Collections
Last Ten Fiscal Years
(Unaudited)

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections To Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2008	10,576,136	10,126,626	95.7%	11,543	10,564,593	99.9%
2009	11,806,587	11,249,267	95.3%	25,002	11,781,585	99.8%
2010	12,713,979	12,103,053	95.2%	46,031	12,667,948	99.6%
2011	13,128,983	12,566,172	95.7%	72,289	13,056,694	99.4%
2012	13,345,937	12,823,300	96.1%	204,850	13,141,087	98.5%
2013	13,802,013	13,312,600	96.5%	489,413	13,312,600	96.5%
2014	14,200,416	13,740,560	96.8%	459,856	13,740,560	96.8%
2015	14,434,851	13,982,535	96.9%	452,316	13,982,535	96.9%
2016	14,878,291	14,361,584	96.5%	857,048	14,361,584	96.5%
2017	15,112,697	14,614,744	96.7%	916,402	14,614,744	96.7%

Source: Dona Ana County Treasurer's Office
Property Tax Schedule

City of Las Cruces

Ratio of Outstanding Debt by Type

Last Ten Fiscal Years

Governmental Activities					Business-Type Activities					Total Primary Government	Percentage of Personal Income *	Per Capita *
Fiscal Year	Sales Tax Revenue Bonds	Unamortized Premium on Sales Tax Revenue Bonds	Notes Payable	Capital Lease	Utility Revenue Bonds	Unamortized Discount on Utility Revenue Bonds	Capital Leases	Notes Payable				
2008	54,125,000	208,925	42,333,919	554,258	50,200,000	(99,490)	74,147	26,069,790	173,466,549	7.96%	1,933	
2009	48,950,000	346,679	49,003,451	324,909	44,635,000	27,375	65,147	27,486,462	170,839,023	7.84%	1,824	
2010	44,145,000	298,717	46,441,758	81,822	41,225,000	30,003	-	27,046,304	159,268,604	2.73%	1,700	
2011	73,335,000	2,400,558	12,521,411	-	61,980,000	677,189	-	1,904,310	152,818,468	2.63%	1,561	
2012	73,385,000	2,761,500	16,875,696	-	58,060,000	639,532	-	2,558,421	154,280,149	2.47%	1,548	
2013	67,580,000	2,585,708	13,882,092	-	54,015,000	601,874	-	2,101,541	140,766,215	6.98%	1,400	
2014	59,350,000	2,409,916	13,988,884	-	49,865,000	563,895	-	1,632,909	127,810,604	5.96%	1,261	
2015	72,015,000	4,041,329	11,576,819	-	53,050,000	2,658,905	-	3,812,635	147,154,688	6.76%	1,451	
2016	99,935,000	4,884,608	8,605,230	-	65,445,000	3,584,671	-	3,116,172	185,570,681	8.69%	1,826	
2017	107,405,000	6,185,598	15,325,802	-	77,230,000	4,437,833	-	2,409,118	212,993,351	9.46%	2,093	

Notes:

Details regarding the city's outstanding debt-can be found in the note 7 to the financial statements.

* See Schedule 14 for the personal income and population data. These ratios are calculated using personal income and population for the prior fiscal year.

City of Las Cruces
Ratio of Net General Obligation Debt to
Taxable Value and Net General Obligation Bonded Debt Per Capita
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Population	Taxable Value	General Obligation Bonded Debt Outstanding	Less Debt Service Fund	Net Bonded Debt	Ratio of Net Bonded Debt To Taxable Value	Net Bonded Debt Per Capita
2008	89,722	1,637,164,654	-	-	-	N/A	N/A
2009	93,680	1,821,352,673	-	-	-	N/A	N/A
2010	93,452	1,921,638,946	-	-	-	N/A	N/A
2011	97,906	2,031,926,984	-	-	-	N/A	N/A
2012	99,665	2,004,239,685	-	-	-	N/A	N/A
2013	100,557	2,046,371,786	-	-	-	N/A	N/A
2014	101,324	2,076,068,745	-	-	-	N/A	N/A
2015	101,408	2,102,950,157	-	-	-	N/A	N/A
2016	101,643	2,181,741,246	-	-	-	N/A	N/A
2017	101,759	2,288,261,977	-	-	-	N/A	N/A

Source: Dona Ana County Property Abstract
U.S. Census Bureau

City of Las Cruces
Computation of Direct and Overlapping Debt
June 30, 2017
(Unaudited)

<u>Jurisdiction</u>	<u>Total General Debt Outstanding As of 6/30/2017</u>	<u>Percentage Applicable To City of Las Cruces</u>	<u>City of Las Cruces Share of Debt</u>
Direct:			
City of Las Cruces	\$ 128,916,399	100.00%	\$ 113,424,838
Overlapping :			
Dona Ana County	6,145,000	78.27%	4,809,692
Las Cruces School District	167,852,583	116.65%	195,800,038
Dona Ana Community College	<u>15,045,500</u>	45.18%	<u>6,797,557</u>
Total Overlapping	189,043,083		207,407,287
Total Direct And Overlapping General Obligation Bonded Debt	<u>\$ 317,959,482</u>		<u>\$ 320,832,125</u>

Note:

Overlapping rates are those of local and county governments that apply to the property owners of the City of Las Cruces. The percentage applicable to the City was determined by calculating the amount of property tax levied by the jurisdictions in the City divided by the total property taxes levied by the jurisdictions.

Source: City of Las Cruces; State of New Mexico; Dona Ana County; Las Cruces School District; Dona Ana Branch Community College

City of Las Cruces
Computation of Legal Debt Margin
Last Ten Fiscal Years
June 30, 2017
(Unaudited)

	<u>FY 2017</u>
Taxable Valuation	\$ 2,288,261,977
Legal Debt Limit- 4% of Assessed Valuation	91,530,479
Amount of Long-Term Debt Subject To Legal Debt Limit: General Obligation Debt Outstanding	<u>-</u>
Legal Debt Margin	<u>\$ 91,530,479</u>

	<u>Fiscal Year</u>									
	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	
Debt Limit	\$ 65,486,586	\$ 72,854,107	\$ 76,865,558	\$ 81,277,079	\$ 80,169,587	\$ 81,854,871	\$ 83,042,750	\$ 84,118,006	\$ 87,269,650	
Total net debt applicable to limit	-	-	-	-	-	-	-	-	-	
Total debt margin	\$ 65,486,586	\$ 72,854,107	\$ 76,865,558	\$ 81,277,079	\$ 80,169,587	\$ 81,854,871	\$ 83,042,750	\$ 84,118,006	\$ 87,269,650	
Total debt applicable to the limit as a percentage of debt limit	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	

Source: Dona Ana County Property Abstract

City of Las Cruces
Pledged-Revenue Bond/Note Coverage
Last Ten Fiscal Years
(Unaudited)
June 30, 2017

Gross Receipts Tax Revenue Bonds/Notes					Utility Revenue Bonds/Notes						Environmental Gross Receipts Tax Bonds			
Fiscal Year	Pledged Revenues	Debt Service		Coverage	Utility Service Charges	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage	Pledged Revenues	Debt Service		Coverage
		Principal	Interest					Principal	Interest			Principal	Interest	
2008	52,160,180	6,149,329	3,470,509	5.42	56,842,630	(45,125,377)	11,717,253	2,390,701	2,980,463	2.18	1,616,819	625,000	217,516	1.92
2009	49,211,512	7,084,187	3,931,990	4.47	47,854,543	(40,565,130)	7,289,413	2,967,453	3,342,628	1.16	1,519,556	640,000	198,766	1.81
2010	50,704,723	6,529,567	3,844,737	4.89	48,746,903	(41,635,816)	7,111,087	3,556,476	2,765,451	1.12	1,559,777	660,000	179,566	1.86
2011	50,412,206	7,131,321	2,828,948	5.06	49,896,286	(40,638,076)	9,258,210	4,085,000	2,101,594	1.50	1,555,093	680,000	159,766	1.85
2012	51,730,477	7,215,472	3,370,997	4.89	51,128,443	(40,127,838)	11,000,605	3,920,000	2,205,491	1.80	1,585,138	705,000	149,567	1.85
2013	52,346,775	7,388,465	3,117,693	4.98	51,635,196	(41,403,992)	10,231,204	4,045,000	2,075,941	1.67	1,605,605	751,279	137,985	1.81
2014	51,493,059	7,783,439	2,912,096	4.81	52,409,657	(42,485,209)	9,924,448	4,150,000	1,953,660	1.63	1,578,684	813,594	121,142	1.69
2015	52,842,407	8,146,612	3,301,885	4.62	50,011,524	(41,273,716)	8,737,808	4,420,000	1,796,217	1.41	1,616,984	534,866	71,740	2.67
2016	57,727,707	9,425,619	3,421,436	4.49	47,909,593	(40,862,240)	7,047,353	4,670,000	2,101,424	1.04	1,773,442	521,163	71,717	2.99
2017	57,222,365	9,229,689	3,971,998	4.33	59,888,381	(48,525,008)	11,363,373	4,590,000	2,650,452	1.57	1,756,683	207,486	68,255	6.37

Gas Tax Notes					Fire Protection Fund					Lodger's Tax and Convention Center Fees Bonds/Notes			
Fiscal Year	Pledged Revenues	Debt Service		Coverage	Pledged Revenues	Debt Service		Coverage		Pledged Revenues	Debt Service		Coverage
		Principal	Interest			Principal	Interest				Principal	Interest	
2008	1,439,465	330,000	192,568	2.75	416,741	99,929	27,942	3.26		2,894,472	327,038	738,163	2.72
2009	1,500,597	345,000	176,398	2.88	359,453	201,746	76,637	1.29		2,796,277	678,338	1,184,922	1.50
2010	1,523,173	365,000	159,148	2.91	371,065	208,969	51,045	1.43		2,872,180	703,976	1,159,349	1.54
2011	1,537,530	385,000	140,533	2.93	285,715	219,316	65,387	1.00		3,057,756	365,000	704,831	2.86
2012	1,541,617	410,000	9,338	3.68	628,710	227,216	61,790	2.18		3,297,396	550,000	1,036,894	2.08
2013	1,546,274	405,000	13,703	3.69	418,242	235,498	53,522	1.45		3,169,736	565,000	1,023,144	2.00
2014	1,476,335	405,000	12,042	3.54	689,916	244,175	44,854	2.39		3,004,138	580,000	1,009,019	1.89
2015	1,502,770	410,000	9,288	3.58	609,873	256,287	35,754	2.09		3,127,447	595,000	991,619	1.97
2016	1,547,856	415,000	5,229	3.68	725,117	268,682	28,332	2.44		3,351,562	615,000	973,769	2.11
2017	1,403,313	-	-	-	742,698	157,655	19,922	4.18		3,304,443	630,000	956,856	2.08

Hold Harmless Gross Receipts Tax Revenue Bonds/Notes					Solid Waste Revenue Notes					
Fiscal Year	Pledged Revenues	Debt Service		Coverage	Utility Service Charges	Less Operating Expenses	Net Available Revenue	Debt Service		Coverage
		Principal	Interest					Principal	Interest	
2008	-	-	-	-	10,194,037	(10,238,849)	(44,812)	89,791	33,090	(0.36)
2009	-	-	-	-	10,267,228	(9,733,870)	533,358	229,627	72,597	1.76
2010	-	-	-	-	10,204,248	(9,578,086)	626,162	293,682	86,309	1.65
2011	-	-	-	-	10,360,956	(9,202,975)	1,157,981	302,457	77,522	3.05
2012	-	-	-	-	11,049,646	(10,366,503)	683,143	362,450	72,549	1.57
2013	-	-	-	-	11,735,393	(10,563,465)	1,171,928	456,880	69,828	2.23
2014	-	-	-	-	11,589,136	(10,680,237)	908,899	468,632	58,065	1.73
2015	8,740,534	-	-	-	11,740,390	(9,976,506)	1,763,884	596,093	56,472	2.70
2016	9,470,898	1,300,000	596,438	4.99	13,525,241	(10,485,014)	3,040,227	696,463	64,114	4.00
2017	9,683,178	935,000	963,504	5.10	13,169,287	(9,743,474)	3,425,813	707,054	56,185	4.49

Notes:

Details regarding the City's outstanding debt can be found in Note 7 of the financial statements.

Operating expenses do not include interest, depreciation, or amortization expenses.

The 2010 Convention Center bonds are pledged first with the lodger's tax and convention center fees and then by the state shared gross receipts taxes

City of Las Cruces
Demographic Data
Last Ten Fiscal Years
June 30, 2017
(Unaudited)

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income</u> <u>(thousands of dollars)</u>	<u>Per Capita</u> <u>Income</u>	<u>Median</u> <u>Age</u>	<u>School</u> <u>Enrollment</u>	<u>Unemployment</u> <u>Rate %</u>
2008	89,722	2,179,617	24,293	32.5	23,747	4.5%
2009	93,680	1,784,791	19,052	31.0	24,530	7.2%
2010	93,452	2,640,112	28,251	31.0	24,400	7.9%
2011	97,906	2,757,522	28,165	35.8	24,706	6.9%
2012	99,665	2,959,453	29,694	33.0	24,534	6.8%
2013	100,557	2,015,363	20,042	33.2	24,495	6.9%
2014	101,324	2,145,941	21,179	32.4	24,516	6.6%
2015	101,408	2,176,216	21,460	31.1	24,191	8.2%
2016	101,643	2,155,848	21,210	33.6	24,613	7.2%
2017	101,759	2,252,130	22,132	31.7	24,627	7.5%

Sources:

U.S. Census Bureau

Las Cruces Public Schools

City of Las Cruces
Principal Employers
Last Ten Fiscal Years
June 30, 2017
(Unaudited)

2017	2016	2015	2014	2013
New Mexico State University	New Mexico State University	New Mexico State University	New Mexico State University	New Mexico State University
White Sands Missile Range	Las Cruces Public Schools	Las Cruces Public Schools	Las Cruces Public Schools	Las Cruces Public Schools
Las Cruces Public Schools	Peak Behavioral Health Services	City of Las Cruces	City of Las Cruces	City of Las Cruces
NASA	Memorial Medical Center	Memorial Medical Center	Memorial Medical Center	Memorial Medical Center
City of Las Cruces	Wal-mart	Wal-mart	Wal-mart	Wal-mart
Memorial Medical Center	Mountain View Regional Medical Center	Mountain View Regional Medical Center	Mountain View Regional Medical Center	Mountain View Regional Medical Center
Wal-Mart	Dona Ana County Administration	Dona Ana County	Dona Ana County	Dona Ana County
Allied Signal Aerospace	Dona Ana Branch Community College	Dona Ana Branch Community College	Dona Ana Branch Community College	Dona Ana Branch Community College
Excel Agent Services	Addus Health Care	Addus Healthcare (formerly Coordinated)	Coordinated Care Corp.	Coordinated Care Corp.
National Aeronautics & Space	National Aeronautics & Space	National Aeronautics & Space	National Aeronautics & Space	National Aeronautics & Space
2012	2011	2010	2009	2008
New Mexico State University	New Mexico State University	Border Foods Inc.	Border Foods Inc.	Advanced Care Hospital Of SNM
Las Cruces Public Schools	Las Cruces Public Schools	Dona Ana Branch Community College	Dona Ana Branch Community College	Border Foods Inc.
City of Las Cruces	Memorial Medical Center	Dona Ana County	Dona Ana County	Coordinated Care Corp.
Memorial Medical Center	Coordinated Care Corp.	Las Cruces Public Schools	Las Cruces Public Schools	Dona Ana Branch Community College
Dona Ana Branch Community College	Dona Ana Branch Community College	Memorial Medical Center	Memorial Medical Center	Dona Ana County Administration
Dona Ana County	Wal-Mart	Mountain View Regional Medical Center	Mountain View Regional Medical Center	Las Cruces Public Schools
Mountain View Regional Medical Center	Dona Ana County	National Aeronautics & Space	National Aeronautics & Space	Memorial Medical Center
Wal-Mart	Mountain View Regional Medical Center	New Mexico State University	New Mexico State University	Mountain View Regional Medical Center
Coordinated Care Corp.	City of Las Cruces	Tyson Prepared Foods	Tyson Prepared Foods	National Aeronautics & Space
National Aeronautics & Space	National Aeronautics & Space	Wal-Mart	Wal-Mart	New Mexico State University

Note:

By law, the New Mexico Department of Labor may not release the number of employees.

For further information, contact Ms. Rachel Moscovitz at the New Mexico Department of Labor at (505) 383-2722.

Source: New Mexico Department of Labor, Bureau of Labor & Statistics

City of Las Cruces

City Government Employees by Function/Program

Last Ten Fiscal Years

June 30, 2017

(Unaudited)

<u>Function/program</u>	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government										
City Administration	8	15	18	22	28	21	20	23	24	25
Financial Services	62	59	58	58	42	42	38	42	42	46
Human Resources	14	14	15	14	15	15	15	15	13	14
Legal	46	35	22	26	22	25	25	25	28	36
Risk Management**	7	7	7	9	0	0	0	0	0	4
Facilities**										
Administration**	12	12	10	10	0	0	0	0	0	0
Airport Operations**	4	4	4	4	0	0	0	0	0	0
Building Services**	38	35	34	37	0	0	0	0	0	0
Fleet Services**	24	23	27	31	0	0	0	0	0	0
Parks**	58	58	72	70	0	0	0	0	0	0
Police										
Administration	56	56	64	65	52	64	61	61	66	79
Officers	204	209	213	241	209	202	192	198	184	224
Fire										
Administration	12	13	13	11	13	14	13	13	13	16
Firefighters and Officers	116	108	104	116	122	123	122	118	118	134
Community Development										
Administration	22	21	21	19	11	17	16	16	16	16
Neighborhood Development	15	16	16	21	17	13	5	6	7	14
Permits and Inspections	21	22	23	21	23	25	24	19	20	14
Community and Cultural Services (PS)**										
Administration	0	0	0	0	0	10	18	24	21	34
Convention & Visitors' Bureau	10	10	10	10	9	10	11	11	11	12
Library	36	43	40	36	38	26	24	27	27	34
Museum Systems	18	21	19	31	18	13	13	11	12	21
Parks & Recreation**	26	41	43	47	0	0	0	0	0	0
Public Information	7	7	7	7	6	6	6	6	5	5
Senior Programs	34	59	51	56	45	17	8	7	9	22
Transit**	49	50	49	60	0	0	0	0	0	0
Public Works										
Administration	3	3	3	3	8	9	9	9	11	11
Building Services	0	0	0	0	38	43	42	45	45	46
Engineering	53	50	44	38	34	36	33	35	35	39
Street Systems**	58	53	53	57	0	0	0	0	0	56
Support Services										
Document Services	2	2	2	2	2	2	2	2	2	2
Information Tech. & Comm.	32	27	19	24	24	25	23	23	21	27
Transportation**										
Administration**	0	0	0	0	8	7	8	8	11	27
Airport Operations**	0	0	0	0	4	3	3	3	3	3
Fleet Services**	0	0	0	0	24	26	23	25	27	31
Street Systems**	0	0	0	0	46	54	46	44	46	0
Transit**	0	0	0	0	48	41	43	41	43	55
Parks and Recreation**										
Administration**	0	0	0	0	7	9	15	17	17	27
Aquatics**	0	0	0	0	44	10	11	39	11	33
Parks**	0	0	0	0	52	53	49	51	39	55
Recreation and Athletic Programs**	0	0	0	0	31	18	19	17	13	36
Utilities										
Administration**	0	0	0	0	19	26	29	30	38	46
Gas	77	69	61	64	62	68	62	62	64	71
Solid Waste	74	67	53	39	42	43	41	42	47	49
Wastewater	81	73	71	75	66	81	89	84	82	85
Water	37	33	46	51	50	42	34	40	37	47
Total Employees	1,316	1,315	1,292	1,375	1,279	1,239	1,192	1,239	1,208	1,496

*The requirement for statistical data is ten years. GASB 34 was implemented in 2002. Data from 2008 to 2017 is shown.

**These are changes due to 2012 Reorganization

Data for this schedule was obtained from the 2017-2018 Adopted Budget Book pages 141 to 179 which was compiled from Human Resources Reports.

City of Las Cruces

Operating Indicators by Function/Program

Last Ten Fiscal Years

June 30, 2017

(Unaudited)

Function/program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
General Government										
Number of newsletters printed and mailed	231,100	232,000	222,000	232,800	-	-	172,000	164,000	164,000	161,996
Number of newsletters produced					4	75	4	4	16	4
Cost per newsletter	\$ 0.26	\$ 0.26	\$ 0.26	\$ 0.23	\$ 88.00	\$ 132.29	\$ 371.00	\$ 6.34	\$ 0.58	\$ 0.59
Average number of days from position postings to position hires	39	80	79	76.5	78.0	74.5			50.0	51.0
Operating and maintenance cost per work station	<\$3500	<\$3,600	<\$3,600	<\$3800	<4000	<3800	<3800	<3800	<3800	<3600
Public Works/Building Services										
Dollar amount of projects managed per employee	10.49M	8.94	10.4	4.1 M	2.2M	3.79M	2.69M	2.67M	5.90M	4.25M
Number of project work orders (over \$10,000) requested	79	70	43	31	39	40	60	32	29	38
Total number of facilities operated and maintained	96	97	99	99	106	112	107	106	104	105
Conduct park safety and maintenance inspections	147/qtr	148/qtr	150/qtr	153/qtr	153/qtr	154/qtr	153/qtr	154/qtr	154/qtr	159/qtr
Number of clean up events	141	132	146	223	287	371	27	25	47	171
Police										
Number of citations issued	33,810	30,109	47,193	21,869	24,238	20,014	15,968	15,968	17,660	17,159
Number of codes violations addressed	30,944	20,082	23,064	30,399	32,000	37,742	38,919	32,333	32,749	30,597
Fire										
Number of building inspections	3,400	1,449	2,279	2,796	2,162	3,339	2,152	3,240	3,525	2,400
Number of citizens who receive safety education	2,224	1,556	2,150	3,150	3,691	3,663	5,700	5,739	7,950	11,018
Community Development										
Number of affordable rental and owner occupied housing using CDBG and HOME funds	71	67	96	53	58	66	56	61	62	56
Miles of bicycle facility lane installed	-	2.2	4.0	3.0	3.1	1.3	1.4	13.0	0.4	-
Number of special events hosted in downtown area	21	15	25	14	15	15	35	39	58	61
Number of vendors participating in the Farmer's and Crafts Market	255	295	275	300	340	285	-	-	-	-
Number of residential building permits issued (Res New SFD & Res New Townhouses 7/1/13-6/30/14)	1,158	490	468	475	396	417	343	315	379	480
Amount collected for residential permits	\$ 2,948,042	\$ 1,370,971	\$ 1,272,140	\$ 1,447,377	\$ 1,443,350	\$ 1,672,730	\$ 1,680,579	\$ 1,519,102	\$ 1,783,294	\$ 2,555,158
Number of commercial building permits issued (New Commercial Const includes New multi-family 7/1/13-6/30/14)	125	22	17	21	45	25	38	14	26	31
Amount collected for commercial permits	\$ 367,385	\$ 156,315	\$ 83,232	\$ 64,748	\$ 408,195	\$ 928,059	\$ 680,075	\$ 242,413	\$ 737,098	\$ 951,694

(Continued)

City of Las Cruces
Operating Indicators by Function/Program – continued
Last Ten Fiscal Years
June 30, 2017
(Unaudited)

Function/program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Community & Cultural Services										
Request for visitor information at Convention & Visitor's Bureau (CVB)	27,315	26,426	30,657	20,832	21,215	20,602	21,612	6,777	5,426	3,605
Walk-in visitors to CVB office	5,464	4,834	3,332	1,660	1,710	1,313	1,123	727	587	642
Number of congregate meals served to seniors	88,215	95,192	87,017	85,715	88,000	90,879	87,847	87,824	98,479	100,775
Number of home-delivered meals served to seniors	192,192	156,828	135,014	130,587	136,000	156,034	176,689	189,274	186,829	190,729
Number of homemaker units	10,103	10,027	8,235	3,164	4,000	4,584	4,246	4,535	4,547	5,084
Museum visitors	301,318	270,512	291,232	269,260	249,000	158,845	137,779	112,838	78,952	84,782
Museum exhibit openings attendance	18,056	16,415	16,345	18,876	17,000	23,244	20,320	6,340	3,286	3,766
Museum program participants	19,494	31,550	26,436	26,409	31,000	29,862	30,331	24,568	18,482	17,537
Fixed Route ridership	671,727	656,590	601,782	637,797	696,580	759,653	735,238	735,862	667,736	539,143
Cost per trip on fixed route	\$ 3.85	\$ 3.81	\$ 4.13	\$ 4.00	\$ 3.73	\$ 3.54	\$ 3.67	est. \$3.56	\$ 3.95	\$ 4.88
Total library circulations	540,936	550,687	583,892	566,302	577,657	554,009	478,675	455,560	431,060	409,838
Total number of library sponsored programs	971	676	665	887	880	850	943	630	613	525
Computer sessions at library	106,539	100,428	97,058	95,780	89,447	73,497	97,897	77,733	61,746	50,491
Public Works										
Percent of potholes patched within 24 hours of report	76.0%	59.0%	75.5%	63.9%	88.0%	89.2%	100.0%	66.7%	68%	76%
Maintain major arterials and intersections through routine striping program	3/yr	3/yr	2/yr	2/yr	2/yr	3/yr	3/yr	3/yr	2/yr	1/yr
Utilities										
Meter reading complaints	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%	<1%
Metering operating cost per customer	\$ 0.61	\$ 0.61	\$ 0.67	\$ 0.77	\$ 0.64	\$ 0.67	\$ 0.69	\$ 0.70	\$ 0.70	\$ 0.64
Operating and maintenance cost per dekatherm (Gas)	\$ 2.05	\$ 2.37	\$ 1.83	\$ 1.76	\$ 1.72	\$ 1.74	\$ 1.88	\$ 1.78	\$ 2.61	\$ 2.80
Operating and maintenance cost per 1,000 gallons produced (Water)	\$ 1.23	\$ 1.20	\$ 1.13	\$ 1.06	\$ 1.17	\$ 1.27	\$ 1.24	\$ 1.37	\$ 1.94	\$ 1.64
Operating and maintenance cost per 1,000 gallons treated (Wastewater)	\$ 1.97	\$ 1.80	\$ 1.73	\$ 1.44	\$ 1.85	\$ 2.09	\$ 1.98	\$ 2.04	\$ 2.94	\$ 2.94
Total operating cost per ton collected (Solid Waste)	\$ 57.82	\$ 77.43	\$ 60.06	\$ 66.09	\$ 61.32	\$ 69.03	\$ 71.25	\$ 61.20	\$ 71.36	\$ 73.46

City of Las Cruces
Capital Assets and Infrastructure Statistics by Function/Program
Last Ten Fiscal Years
June 30, 2017
(Unaudited)

Function/program	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
Area in square miles	76.38	76.38	76.99	76.99	76.99	76.99	77.20	76.99	77.00	76.99	LC Website
Government facilities and services:											
Miles of streets	556	558	563	564	565	575.68	602	496	483	483	Willie Roman
Number of street lights	6,641	7,138	7,360	7,458	7,488	7,533	7,790	7,914	7,463	7,959	Willie Roman
Culture and Recreation:											
Community centers	5	5	5	5	5	4	5	5	6	6	Sonya Delgado
Lakes	1	1	1	1	1	1	1	1	1	1	Sonya Delgado
Pond	1	1	1	1	1	1	2	2	2	2	Sonya Delgado
Parks	80	80	82	84	84	85	86	92	93	92	Sonya Delgado
Park acreage	600	600	646	678	678	690	720	850	972	970	Sonya Delgado
Sports complex	13	13	13	13	13	13	13	13	16	16	Sonya Delgado
Swimming pools	4	4	4	4	4	4	4	4	4	4	Sonya Delgado
Shooting range	1	1	1	1	1	1	1	1	1	1	Sonya Delgado
Tennis courts	18	18	18	18	18	19	19	19	18	18	Sonya Delgado
Bike path	2	2	2	2	4	4	4	4	11	11	Sonya Delgado
Miles of bike paths	10	10	10	10	14	14	19	21	23	23	Sonya Delgado
Fire Protection:											
Number of stations	7	7	7	7	7	7	7	7	8	7	Eric Enriquez
Police Protection:											
Number of stations	1	1	1	1	1	1	1	1	2	1	Jaime Montoya
Sewerage Systems:											
Miles of sanitary sewers (est.)	507	525	530	530	536	536	533	550	550	550	Diana Montoya
Miles of storm sewers (mains)	17	17	17	17	17	17	74.7	74.7	85	74.7	Tony Trevino
Number of treatment plants	2	2	3	3	3	3	3	3	3	3	Diana Montoya
Number of service connections	28,323	29,329	30,866	31,734	32,094	32,394	32,767	33,098	34,048	33,518	Diana Montoya
Water System:											
Miles of water mains (est.)	525	547	558	558	573	580	600	600	704	600	Diana Montoya
Number of service connections	31,193	30,521	31,249	31,797	31,924	31,934	32,209	32,380	35,099	32,653	Diana Montoya
Transit Sytem:											
Miles of Bus Routes	125	133	133	133	133	133	133	133	115	133	M.Bartholomew
Number of Bus Stops	337	350	350	350	345	345	345	343	260	290	M.Bartholomew
Number of Buses	15	15	15	18	18	18	18	19	19	19	M.Bartholomew
Number of Dial-a-Ride Vehicles	17	17	17	23	21	21	21	20	20	2	M.Bartholomew

Sources: Various City departments.

City of Las Cruces
Sales Tax Revenue Payers by Industry
Last Ten Fiscal Years
(Unaudited)
June 30, 2017

Fiscal Year 2016					
Industry	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total	Tax Rate
Retail Trade	10,047	19.27%	\$ 71,172,263	34.01%	8.3130%
Construction	7,121	13.66%	25,155,891	12.02%	8.3130%
Other Services (except Public Admin)	10,746	20.61%	15,567,684	7.44%	8.3130%
Health Care and Social Assistance	6,157	11.81%	34,124,180	16.30%	8.3130%
Accommodation and Food Services	3,442	6.60%	23,038,391	11.01%	8.3130%
Professional, Scientific and Technical Svcs	6,217	11.92%	13,043,433	6.23%	8.3130%
Wholesale Trade	2,759	5.29%	3,833,924	1.83%	8.3130%
Unclassified Establishments	976	1.87%	852,162	0.41%	8.3130%
Utilities	105	0.20%	7,029,139	3.36%	8.3130%
Information and Cultural Industries	1,657	3.18%	12,054,208	5.76%	8.3130%
Real Estate and Rental and Leasing	2,915	5.59%	3,415,655	1.63%	8.3130%
Total	52,142	100%	\$ 209,286,930	100%	

Fiscal Year 2015					
Industry	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total	Tax Rate
Retail Trade	10,391	19.88%	\$ 59,497,466	34.44%	7.9375%
Construction	6,603	12.63%	16,725,866	9.68%	7.9375%
Other Services (except Public Admin)	11,172	21.37%	14,886,142	8.62%	7.9375%
Health Care and Social Assistance	5,936	11.36%	28,587,166	16.55%	7.9375%
Accommodation and Food Services	3,355	6.42%	18,940,642	10.96%	7.9375%
Professional, Scientific and Technical Svcs	6,509	12.45%	11,505,973	6.66%	7.9375%
Wholesale Trade	2,642	5.05%	3,287,094	1.90%	7.9375%
Unclassified Establishments	1,191	2.28%	1,028,970	0.60%	7.9375%
Utilities	108	0.21%	5,432,062	3.14%	7.9375%
Information and Cultural Industries	1,508	2.88%	10,304,240	5.96%	7.9375%
Real Estate and Rental and Leasing	2,860	5.47%	2,581,122	1.49%	7.9375%
Total	52,275	100%	\$ 172,776,743	100%	

Fiscal Year 2016					
Number of Filers	Percentage of Total	Tax Liability	Percentage of Total	Tax Rate	
9,926	18.71%	\$ 68,891,198	35.01%	8.3125%	
7,033	13.26%	22,175,727	11.27%	8.3125%	
11,136	20.99%	16,939,856	8.61%	8.3125%	
6,114	11.52%	25,132,273	12.77%	8.3125%	
3,420	6.45%	22,297,561	11.33%	8.3125%	
6,302	11.88%	13,652,053	6.94%	8.3125%	
2,587	4.88%	4,371,959	2.22%	8.3125%	
2,056	3.88%	1,805,892	0.92%	8.3125%	
100	0.19%	6,887,564	3.50%	8.3125%	
1,477	2.78%	11,442,374	5.81%	8.3125%	
2,900	5.47%	3,197,201	1.62%	8.3125%	
53,051	100%	\$ 196,793,658	100%		

Fiscal Year 2014					
Number of Filers	Percentage of Total	Tax Liability	Percentage of Total	Tax Rate	
10,233	21.06%	\$ 59,620,284	34.25%	7.5625%	
6,091	12.54%	13,971,810	8.03%	7.5625%	
10,842	22.32%	14,641,995	8.41%	7.5625%	
5,401	11.12%	24,712,320	14.19%	7.5625%	
3,198	6.58%	18,185,183	10.45%	7.5625%	
5,889	12.12%	11,317,346	6.50%	7.5625%	
2,299	4.73%	16,428,383	9.44%	7.5625%	
630	1.30%	783,553	0.45%	7.5625%	
40	0.08%	1,468,008	0.84%	7.5625%	
1,349	2.78%	10,090,255	5.80%	7.5625%	
2,607	5.37%	2,876,308	1.65%	7.5625%	
48,579	100%	\$ 174,095,445	100%		

(Continued)

City of Las Cruces
Sales Tax Revenue Payers by Industry – continued
Last Ten Fiscal Years
(Unaudited)
June 30, 2017

Fiscal Year 2013					
Industry	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total	Tax Rate
Retail Trade	9,837	20.07%	\$ 57,993,164	34.70%	7.5625%
Construction	6,298	12.85%	18,623,882	11.14%	7.5625%
Other Services (except Public Admin)	11,273	23.00%	15,198,000	9.09%	7.5625%
Health Care and Social Assistance	5,622	11.47%	24,356,642	14.57%	7.5625%
Accommodation and Food Services	3,119	6.36%	17,484,295	10.46%	7.5625%
Professional, Scientific and Technical Svcs	6,098	12.44%	10,836,410	6.48%	7.5625%
Wholesale Trade	2,377	4.85%	3,526,849	2.11%	7.5625%
Unclassified Establishments	409	0.83%	380,595	0.23%	7.5625%
Utilities	105	0.21%	6,332,123	3.79%	7.5625%
Information and Cultural Industries	1,335	2.72%	9,844,183	5.89%	7.5625%
Real Estate and Rental and Leasing	2,539	5.18%	2,570,936	1.54%	7.5625%
Total	49,012	100%	\$ 167,147,079	100%	

Fiscal Year 2011					
Industry	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total	Tax Rate
Retail Trade	10,210	19.50%	\$ 61,955,156	36.46%	7.5625%
Construction	7,036	13.44%	20,365,580	11.99%	7.5625%
Other Services (except Public Admin)	12,709	24.28%	16,542,853	9.74%	7.5625%
Health Care and Social Assistance	5,819	11.12%	22,565,074	13.28%	7.5625%
Accommodation and Food Services	3,221	6.15%	17,642,384	10.38%	7.5625%
Professional, Scientific and Technical Svcs	6,680	12.76%	10,532,343	6.20%	7.5625%
Wholesale Trade	2,383	4.55%	3,415,197	2.01%	7.5625%
Unclassified Establishments	565	1.08%	451,938	0.27%	7.5625%
Utilities	101	0.19%	6,184,660	3.64%	7.5625%
Information and Cultural Industries	1,316	2.51%	7,880,332	4.64%	7.5625%
Real Estate and Rental and Leasing	2,312	4.42%	2,384,331	1.40%	7.5625%
Total	52,352	100%	\$ 169,919,848	100%	

Fiscal Year 2012					
Number of Filers	Percentage of Total	Tax Liability	Percentage of Total	Tax Rate	
10,156	20.12%	\$ 59,170,981	35.70%	7.5625%	
6,614	13.10%	19,149,191	11.55%	7.5625%	
11,844	23.47%	13,943,584	8.41%	7.5625%	
5,752	11.40%	22,776,880	13.74%	7.5625%	
3,220	6.38%	16,810,873	10.14%	7.5625%	
6,407	12.69%	11,272,006	6.80%	7.5625%	
2,330	4.62%	3,558,828	2.15%	7.5625%	
293	0.58%	521,462	0.31%	7.5625%	
103	0.20%	6,391,697	3.86%	7.5625%	
1,374	2.72%	9,708,312	5.86%	7.5625%	
2,380	4.72%	2,445,620	1.48%	7.5625%	
50,473	100%	\$ 165,749,434	100%		

Fiscal Year 2010					
Number of Filers	Percentage of Total	Tax Liability	Percentage of Total	Tax Rate	
9,485	19.78%	\$ 57,662,658	35.71%	7.4375%	
5,972	12.45%	21,149,490	13.10%	7.4375%	
11,558	24.10%	14,829,585	9.18%	7.4375%	
5,683	11.85%	23,866,680	14.78%	7.4375%	
2,949	6.15%	15,363,382	9.52%	7.4375%	
6,023	12.56%	10,371,267	6.42%	7.4375%	
2,242	4.68%	3,178,722	1.97%	7.4375%	
665	1.39%	1,112,128	0.69%	7.4375%	
90	0.19%	5,903,990	3.66%	7.4375%	
1,264	2.64%	6,247,725	3.87%	7.4375%	
2,018	4.21%	1,773,614	1.10%	7.4375%	
47,949	100%	\$ 161,459,241	100%		

(Continued)

City of Las Cruces
Sales Tax Revenue Payers by Industry – continued
Last Ten Fiscal Years
(Unaudited)
June 30, 2017

Fiscal Year 2009						Fiscal Year 2008					
Industry	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total	Tax Rate	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total	Tax Rate	
Retail Trade	9,809	20.30%	\$ 57,692,756	36.81%	7.125% - 7.3750%	9,965	20.30%	\$ 56,577,965	36.24%	7.1250%	
Construction	6,859	14.20%	21,576,264	13.77%	7.125% - 7.3750%	7,028	14.32%	24,163,297	15.48%	7.1250%	
Other Services (except Public Admin)	11,074	22.92%	15,741,662	10.05%	7.125% - 7.3750%	11,465	23.36%	16,390,115	10.50%	7.1250%	
Health Care and Social Assistance	5,596	11.58%	20,425,524	13.03%	7.125% - 7.3750%	5,256	10.71%	18,227,889	11.68%	7.1250%	
Accommodation and Food Services	2,932	6.07%	14,315,226	9.13%	7.125% - 7.3750%	2,856	5.82%	13,777,131	8.82%	7.1250%	
Professional, Scientific and Technical Svcs	5,678	11.75%	10,649,058	6.80%	7.125% - 7.3750%	5,997	12.22%	9,941,355	6.37%	7.1250%	
Wholesale Trade	2,410	4.99%	3,571,603	2.28%	7.125% - 7.3750%	2,395	4.88%	3,968,200	2.54%	7.1250%	
Unclassified Establishments	682	1.41%	812,425	0.52%	7.125% - 7.3750%	558	1.14%	1,204,372	0.77%	7.1250%	
Utilities	94	0.19%	6,225,175	3.97%	7.125% - 7.3750%	98	0.20%	5,952,788	3.81%	7.1250%	
Information and Cultural Industries	1,114	2.31%	3,808,499	2.43%	7.125% - 7.3750%	1,390	2.83%	3,560,350	2.28%	7.1250%	
Real Estate and Rental and Leasing	2,064	4.27%	1,892,641	1.21%	7.125% - 7.3750%	2,081	4.24%	2,358,809	1.51%	7.1250%	
Total	48,312	100%	\$ 156,710,833	100%		49,089	100%	\$ 156,122,271	100%		

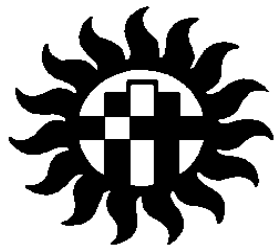
Source: State of New Mexico Taxation & Revenue

<http://www.taxnewmexico.gov/monthly-local-government-distribution-reports-rp-500.aspx>

* Due to confidentiality issues, the names of the ten largest revenue payers are not available. The categories presented are intended to provide alternative information regarding the sources of the City's revenue.

* The requirement for statistical data is ten years, however, no data is available prior to 2006.

* Gross receipts tax rates were incorporated into the schedule beginning in Fiscal Year 2017. Changes to the tax rates may occur twice a year in January or July.



City of Las Cruces

City of Las Cruces

Schedule of Expenditures of State Awards

For the Year Ended June 30, 2017

Grantor/Program Title	State Number	Program Period	Program or Award Amount	Life-to-Date Expenditures	Current - FY17 Expenditures as of 6/30/17
New Mexico Aging & Long Term Services Dept.					
Title IIIB, IIIC1, IIIC2, IIIE	2016-17- 64014	7/16 thru 6/17	\$ 346,346	\$ 342,969	\$ 342,969
Munson Recreation Area	A14-1137	08/5/2015 thru 6/30/18	139,590	49,654	32,198
Senior Center Improvements	16A-A2001	11/10/16 thru 6/30/20	80,000	-	5,937
Total NM Aging & Long Term Services			565,936	392,623	381,104
NM State Department of Transportation					
MPO Section 5303	M01395	07/15 thru 09/16	66,737	64,169	10,424
MPO Section 5303	M01395	10/16 thru 9/18	139,739	38,764	38,764
MPO FHWA	P114030	10/14 thru 9/16	304,683	304,683	138,292
MPO FHWA	P115120	10/15 thru 09/17	558,377	222,130	222,130
MPO FHWA	P117040	10/16 thru 9/18	303,848	320,455	-
Airport Action Plan	LRU	09/14 thru 02/16	20,078	17,547	3,757
Aiport Operations	LRU-16-02	8/15 thru 10/17	13,290	12,339	516
NMDOT Airport Maintenance Grant	LRU-17-01	9/16 thru 6/17	9,998	9,503	9,503
El Paseo Safety Improvements	LC00130	3/15 thru 9/17	396,300	396,000	285,073
Las Cruces Street Improvements	14-2064	10/14 thru 06/18	1,036,000	1,036,000	804,274
Mesquite Historic District Street Lighting	14-2063	09/14 thru 06/18	150,000	87,874	46,285
Las Cruces Dam Trail	D14713	12/14 thru 9/17	384,480	321,288	290,285
La Llorona Trail Improvements	D14525	8/14 thru 9/16	384,480	384,480	1,380
Las Cruces Row Roads Flood Control	A2564	11/16 thru 6/20	766,000	285,864	285,864
Solano Drive ADA Improvements	SP-1-16/ HW2 L100216	7/6/2015 thru 6/30/2017	44,793	44,793	44,793
Bus and Bus Facilities - Pass Thru NMDOT	MO1284/2	10/1/2013 thru 9/30/2017	379,153	379,153	37,855
Las Cruces Transit System Bus Shelters & ROW	13-1844	9/29/2014 thru 6/30/2017	80,000	80,000	80,000
Las Cruces Transit System Bus Shelters	14-2065	10/20/2014 thru 6/30/2018	50,000	50,000	50,000
Las Cruces Street Improvements	D15098/ 15-0918	11/25/15 thru 6/30/2019	65,000	65,000	65,000
Solano ADA (LG Road Fund) Improvements	-1-17(962) / CN (HW2 L10021	8/1/2016 thru	37,947	-	-
Amador-Melendres Rescontruction and Improvements	MAP-7613(910) L100296	9/6/2016 thru 6/30/2018	254,850	-	-
Harrelson St Road Improvements	16-A2562	11/3/16 thru 6/30/20	300,000	37,985	37,985
Las Cruces Traffic System Network	16-A2565	9/30/16 thru 6/30/20	100,000	5,385	5,385
University Avenue Crosswalk System	16-A2566	9/23/16 thru 6/30/20	260,000	11,685	11,685
Las Cruces Avenue Street Improvements	16-A2563	9/23/16 thru 6/30/20	75,000	-	-
Total NM State Dept of Transportation			6,180,753	4,175,097	2,469,250
Children, Youth and Families Department					
Juvenile Citation Program	17-690-19803	07/01/16 thru 06/30/17	309,086	297,709	297,709
Total Children, Youth and Families Department			309,086	297,709	297,709
New Mexico Environment Department					
WW Septic Systems (Sewer Systems Construction Project)	SAP 13-1449-STB	4/4/2014 thru 06/30/2017	321,000	321,000	4,472
Las Cruces Water System and Wells	SAP 14-1737-STB	12/2/2014 thru 6/30/2018	2,000,000	1,995,953	458,528
Las Cruces Septic System Remediation	SAP 14-1624-STB	12/2/2014 thru 6/30/2018	2,250,000	1,515,782	581,242
WW Septic Systems (Willow Glenn)	SAP 15-0501- STB	12/2/2014 thru 6/30/2018	170,000	-	-
Griggs Walnut Plume Site	SAP 16-A2258-STB	9/8/2016 thru 06/30/2020	540,000	46,745	46,745
Total New Mexico Environment Department			5,281,000	3,879,480	1,090,987
NM Tourism Department					
New Mexico Clean and Beautiful	17-418-6002-0029	7/1/2016-6/30/2017	21,500	17,986	17,986
Total New Mexico Tourism Department			\$ 21,500	\$ 17,986	\$ 17,986

(Continued)

See notes to schedule of expenditures of state and federal awards.

City of Las Cruces
Schedule of Expenditures of State Awards (continued)
For the Year Ended June 30, 2017

Grantor/Program Title	State Number	Program Period	Program or Award Amount	Life-to-Date Expenditures	Current - FY17 Expenditures as of 6/30/17
NM State Library					
NM State Library Aid Grant FY 16	1978 Section 18-2-4 B, NMA	11/1/15 - 6/30/16	\$ 15,054	\$ 15,053	\$ 15,053
Total New Mexico State Library			15,054	15,053	15,053
NM Finance Authority					
Water Trust Board Planning	235-WTB	08/12 - 08/15	100,620	109,411	58,569
Total New Mexico Finance Authority			100,620	109,411	58,569
NM Department of Health					
Emergency Medical Services Fund-FY17		7/1/2016 - 6/30/2017	20,000	18,977	18,977
Health Kids Health Communities FY16	MOA #0019473	3/17/16-9/30/16	50,000	46,839	46,839
Healthy Kids FY2017	MOA #0020442	10/01/16 thru 9/30/2017	50,000	5,363	5,363
Total NM Department of Health			120,000	71,179	71,179
New Mexico Public Regulation Commission					
Fire Protection Distribution Fund-FY17		7/1/2016 - 6/30/2017	786,263	723,642	723,642
FY17 LCFD Apparatus		11/17/2016 - 6/30/2017	100,000	100,000	100,000
Total New Mexico Public Regulation Commission			886,263	823,642	823,642
American Library Association					
Latino Americans : 500 years of History	LA104780	7/1/15 thru 6/30/16	10,000	10,000	1,640
Total American Library Association			10,000	10,000	1,640
Department of Finance and Administration					
Women's Vietnam War Memorial	14-L-1914	thru 06/18	406,500	282,083	260,932
Klein Park Improvements (2)	14-L-1910	9/14 thru 6/18	141,000	125,720	18,998
Traffic Safety Management Control Center	14-L-1913	09/14 thru 06/18	725,000	571,086	84,657
Fire Department Equipment	16-A2424	8/17/16 thru 6/30/18	250,000	250,000	250,000
Fire Station Kitchen Grant	16-A2425	8/17/16 thru 6/30/20	20,000	20,000	20,000
Law Enforcement Protection Fund	LEPF FY 17	7/1/16 thru 6/30/17	142,200	141,367	141,367
Police Equipment Grant	15-0770	3/28/16 thru 6/30/18	48,000	48,000	48,000
East Mesa Public Safety Complex	16-A2423	8/17/16 thru 6/30/18	50,000	48,886	48,886
LCPD Seized Assets-State	NM0070100	INDEFINITE	-	-	-
METRO Seized Assets-State	NM0070104	INDEFINITE	-	-	-
La Placita Electrical Infr	15-0765	11/15 thru 6/19	25,000	-	2,590
MVASC Design Phase 1	15-0768	11/15 thru 6/19	40,000	-	-
Cinematic Infr	05-0762	11/15 thru 6/19	402,000	4,441	4,441
Veterans Park Plaques	15-0772	1/15 thru 6/18	40,000	39,751	39,751
Community of Hope-Health	14-L-2271	3/15 thru 6/17	138,600	138,600	138,600
Community of Hope - Health Facility	14-L-1912	1/15 thru 6/18	292,892	20,211	20,211
Railroad Museum Impr	15-0769	11/15 thru 6/19	25,000	-	11,698
Amador Hotel	15-0761	2/16 thru 6/19	195,000	98,767	98,767
Alameda Depot Street Lighting	14-2062	10/15 thru 6/18	100,000	14,991	14,991
Young Park Play Area	15-0773	11/15 thru 6/19	75,000	66,667	66,667
Thomas Branigan Memorial Library GO Bond-2015	GOB15-14-1289	07/31/14-04/01/18	258,254	258,254	151,823
FY15 NMDFA Competition Pool	15-0763	11/17/15 thru 6/30/19	220,000	-	-
Cinematic Infr Project	15-1122	10/17/16 thru 6/30/18	550,000	15,305	15,305
Amador Hotel Hazardous Material	16-A2421	10/17/16 thru 6/30/20	100,000	-	-
Klein Park Improvements	16-A2426	10/17/16 thru 6/30/20	100,000	-	-
Thomas Branigan Memorial Library Equipment	16-A2427	10/17/16 thru 6/30/18	40,000	11,574	11,574
MV Community of Hope Health Facility	15-1123	9/13/16 thru 6/30/18	50,000	-	-
MC Community of Hope Health Facility (2)	15-0764	11/7/16 thru 6/30/19	505,000	14,554	14,554
La Clinica Cervantes Complex Equip	15-0754	10/3/16 thru 6/30/18	643,000	459,983	459,983
Jardin Kitchen - Laundry Improvements	15-0767	11/4/16 thru 6/30/19	50,000	16,999	16,999
Total Department of Finance and Administration			5,632,446	2,647,239	1,940,794
Total State Assistance			\$ 19,122,658	\$ 12,439,419	\$ 7,167,913

See notes to schedule of expenditures of state and federal awards.

City of Las Cruces

Schedule of Expenditures of Federal Awards

For the Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant no/ Pass-Through Identifying no.	Program Period	Program or Award Amount	Life-to-Date Expenditures	Current - FY17 Expenditures as of 6/30/17
U.S. Department of Housing and Urban Development						
Community Development Block Grant						
B-12-MC-35-0002	14.218	B-12-MC-35-0002	07/12 to Comp	\$ 745,651	\$ 770,670	\$ 5,778
B-13-MC-35-0002	14.218	B-13-MC-35-0002	07/13 to Comp	769,526	821,576	96,517
B-14-MC-35-0002	14.218	B-14-MC-35-0002	07/14 to Comp	763,886	745,661	108,284
B-15-MC-35-0002	14.218	B-15-MC-35-0002	07/15 to Comp	771,833	651,390	226,208
B-16-MC-35-0002	14.218	B-16-MC-35-0002	07/16 to Comp	773,328	615,829	615,829
Entitlement Grants Cluster				3,824,224	3,605,126	1,052,616
Home Program Grant						
M-14-MC-35-0222	14.239	M-14-MC-35-0222	07/14 to Comp	330,643	400,519	137,198
M-15-MC-35-0222	14.239	M-15-MC-35-0222	07/15 to Comp	289,953	147,433	102,723
M-16-MC-35-0222	14.239	M-16-MC-35-0222	07/16 to Comp	309,238	128,216	128,216
Total Home Program Grant				929,834	676,168	368,137
Special Needs Assistance Program (SNAP)						
NM0047L6B011501	14.267	NM0047L6B011501	10-1-2016 to 9-30-2017	70,702	51,331	51,331
NM0047C6B010900	14.238	NM0047C6B010900	8-1-2015 to 9-30-2016	88,815	45,620	20,205
Total Special Needs Assistance Program Grant				159,517	96,951	71,536
Total U.S. Department of Housing and Urban Development				4,913,575	4,378,245	1,492,289
U.S. Department of Justice						
Victim Assistance Unit	16.575	2016-VA-413	10/01/2015 thru 09/30/2016	41,494	35,450	9,583
Victim Assistance Unit	16.575	2016-VA-413	10/01/2016 thru 09/30/2017	41,494	31,401	31,401
<i>Subtotal CFDA 16.575</i>				<i>82,988</i>	<i>66,851</i>	<i>40,984</i>
FBI SNM Gang Task Force	16.U01	MOA	9/7/10-UNTIL RESCINDED	137,170	124,932	-
FBI Safe Streets Violent Gang Task Force FY 14	16.U01	MOA	07/13-Until Rescinded	86,011	72,847	2,594
FBI SNM Gang Task Force FY16	16.U01	MOA	07/01/2015-Until Rescinded	30,508	27,252	17,248
FBI Organized Crime Drug Enforcement Task Force - Busted and Blue	16.U01	MOA	10/01/2015-09/30/2016	54,600	51,460	51,460
US Marshals Service	16.U01	MOU	11/3/10-UNTIL RESCINDED	108,522	104,055	17,388
<i>Subtotal CFDA 16.U01</i>				<i>416,811</i>	<i>380,546</i>	<i>88,690</i>
COPS Hiring Program FY15	16.710	2015UMWX0052	9/1/2015 - 9/30/2018	1,125,000	18,113	18,113
BYRNE JAG FY17	16.738	2016-DJ-BX-0713	10/1/2015 - 09/30/2019	31,665	31,395	31,395
LCPD Seized Assets-DOJ	16.922	NM0070100	INDEFINITE	-	392,790	157,510
Total U.S. Department of Justice				1,656,464	889,695	336,692
U. S. Department of Transportation						
Airport Action Plan	20.106	20.106	09/14 thru 09/17	361,400	333,399	71,381
Airport Operations	20.106	LRU-16-02	8/15 thru 10/17	239,221	219,442	(4,136)
Total U.S DOT Airport Improvement				600,621	552,841	67,245
Federal Transportation Administration						
Section 5309	20.500	NM-03-0052	9/05 thru Completion	1,868,050	2,779	1,194
Las Cruces IMC construction#3	20.507	NM-90-X103	2012 thru Completion	394,000	369,467	34,874
LC Transit M&O Facility	20.500	NM-04-0023	1/11 thru Completion	617,500	448,770	-
Section 5307	20.507	NM-90-X129	9/14 thru Completion	1,920,435	2,283,873	334,015
Section 5307	20.507	NM-90-X135	7/15 thru 6/18	1,594,643	1,670,989	745,304
RoadRunner Transit	20.507	NM2017-002-00	7/1/2016 thru 5/31/2019	1,951,987	1,361,730	1,361,730
Pass thru New Mexico Department of Homeland Security and Emergency Management						
Federal Transit Administration						
Transit - ARRA	20.507	NM-96-X004-00	07/09 thru completion	1,713,911	1,625,094	-
Pass Thru New Mexico Department of Transportation						
Bus and Bus Facilities	20.526	5539	10-1-2013 - completion	379,153	379,153	37,855
Total Pass Thru New Mexico Department of Transportation				2,093,064	2,004,247	37,855
Total Federal Transit Cluster				10,439,679	8,141,855	2,514,972
Federal Highway Administration						
Pass through State Department of Transportation						
S.T.E.P. 100 DAYS & NIGHTS 2016	20.608	16-DS-RF-049	10/1/15-9/30/16	18,008	18,005	17,150
DNITX-Traffic Safety Bureau 2016	20.608	16-DD-02-049	10/1/15-9/30/16	13,008	13,005	3,248
OBD-Traffic Safety Bureau 2016	20.608	16-OP-RF-049	10/1/15-9/30/16	17,707	17,705	4,323
ODWI-Traffic Safety Bureau 2016	20.608	16-AL-64-049	10/1/15-9/30/16	102,780	102,759	27,966
ENDWI - Traffic Safety Bureau 2017	20.608	17-AL-64-049	10/1/2016 - 9/30/2017	102,763	46,701	46,701
BKLUP/CLOT - Traffic Safety Bureau 2017	20.608	17-OP-RF-049	10/1/2016 - 9/30/2017	12,073	8,479	8,479
STEP/DNOS - Traffic Safety Bureau 2017	20.608	17-ST-RF-049	10/1/2016 - 9/30/2017	25,611	1,587	1,587
Total Pass Through State Highway Department				291,950	208,241	109,454
Total U.S. Department of Transportation				\$ 11,332,250	\$ 8,902,937	\$ 2,691,671

(Continued)

See notes to schedule of expenditures of state and federal awards.

City of Las Cruces
Schedule of Expenditures of Federal Awards - continued
For the Year Ended June 30, 2017

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant no/ Pass-Through Identifying no.	Program Period	Program or Award Amount	Life-to-Date Expenditures	Current - FY17 Expenditures as of 6/30/17
U.S. Department of Health and Human Services						
National Family Caregivers Support - Title III-Part E	93.052	2016-17- 64014	7/16-6/17	\$ 35,774	\$ 35,774	\$ 35,774
Supportive Services & Senior Ctrs - Title III-Part B	93.044	2016-17- 64014	7/16-6/17	33,867	33,867	33,867
Meals/Transportation Grant - Title III-Part C1 & C2	93.045	2016-17- 64014	7/16-6/17	215,593	215,288	215,288
Nutrition Services Incentive Program - Title III	93.053	2016-17- 64014	7/16-6/17	233,475	233,475	233,475
Total Aging Cluster				482,935	482,630	482,630
Total U.S. Department of Health and Human Services				518,709	518,404	518,404
U.S. Dept. of Homeland Security						
Homeland Security-ICE	97.MOA	MOA	06/11/10-UNTIL RESCINDED	85,000	65,944	15,831
FEMA Las Cruces Flood Warning System	97.039	FEMA-4199-DR-NM	Begins on 11/16/2018	168,919	-	-
				253,919	65,944	15,831
Pass through OEM - Doña Ana County	97.067	DASO	9/1/2014 - 08/31/2016	58,350	53,642	9,619
Operation Stone Garden FY-16	97.067	EMW-2015-SS-00110-S01-OPSG-DASO	9/1/2016 - 8/31/2018	39,867	27,986	27,986
Operation Stone Garden FY-17				98,217	81,628	37,605
Total Pass-through OEM - Doña Ana County						
Total U.S. Department of Homeland Security				352,136	147,572	53,436
Executive Office of the President						
Office of National Drug Control Policy						
HIDTA-CLC FUND 7492	95.001	G15SN0006A	01/15 THRU 12/16	1,470,894	1,470,924	571,500
HIDTA-Metro	95.001	G16SN0006A	01/16 THRU 12/17	1,606,453	1,285,011	1,285,013
Total Office of National Drug Control Policy				3,077,347	2,755,935	1,856,513
US Department of the Interior- BLM						
Museum of Nature and Science (MONAS)	15.238	L12AC20088	09/12 thru 09/17	50,000	32,502	15,852
Total US Department of the Interior- BLM				50,000	32,502	15,852
Total Federal Awards				\$ 21,900,481	\$ 17,625,290	\$ 6,964,857

See notes to schedule of expenditures of state and federal awards.

City of Las Cruces
Notes to the Schedules of Expenditures of State and Federal Awards
June 30, 2017

1) General

The accompanying schedules of expenditures of state and federal awards (Schedules) presents the activity of all state and federal award programs for the City of Las Cruces, New Mexico, (the City”). The City’s reporting entity is defined in Note 1 to the City’s financial statements. The information in the Schedules is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The schedules is not intended to, and do not present the financial position, changes in net position or cash flows of the City.

2) Basis of Presentation

Expenditures reported in the accompanying Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available. The City has elected not to use the 10-percent de Minimis indirect cost rate allowed under the Uniform Guidance.

3) Federal Loans

On May 24, 2010, the City was awarded a promissory note from the U.S. Department of Housing and Urban Development in the amount of \$2,000,000. The note was awarded under the HUD Section 108 loan guarantee program for the purpose of constructing, rehabilitating, and improving the Museum of Nature and Science in the City. Land serves as collateral for the loan and interest is charged at a rate of 1.7 percent. As of the year ended June 30, 2017, the City expended the full \$2,000,000 of the proceeds. Payments on the loan for the year ended June 30, 2017 included \$77,000 in principal and \$63,572 in interest; leaving an outstanding balance of \$1,586,000. Proceeds of the loan, that were received and expended in prior years, impose no continuing compliance requirements. The proceeds of the loan are not reported in the schedules of expenditures of federal awards.

City of Las Cruces
Notes to the Schedules of Expenditures of State and Federal Awards (Continued)
June 30, 2017

4) Sub-recipients

Of the federal expenditures presented in the schedule of expenditures of state and federal awards, the City provided federal awards to sub-recipients as follows:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Amount Provided to Subrecipients</u>
14.218	Community Development Block Grant	\$ 116,632

5) Reconciliation of the Schedules of Expenditures of State and Federal Awards

The following is a reconciliation of the expenditures reported in the schedules of expenditures of state and federal awards to the expenditures reported in the financial statements for the City:

Expenditures in the schedule of expenditures of state awards	\$ 7,180,912
Expenditures in the schedule of expenditures of federal awards	6,964,857
Expenditures financed by other funding sources	<u>31,077,409</u>
Expenditures reported in the statement of revenues, expenditures, and changes in fund balance/net position—other governmental funds/Transit fund	<u><u>\$ 45,223,178</u></u>

Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with the 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, the 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, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents and have issued our report thereon dated November 22, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2017-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Moss Adams LLP". The signature is written in a cursive, flowing style.

Albuquerque, New Mexico
November 22, 2017

Report of Independent Auditors on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited the City of Las Cruces, New Mexico's ("the City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2017. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Moss Adams LLP

Albuquerque, New Mexico
November 22, 2017

City of Las Cruces
Schedule of Findings and Questioned Costs
June 30, 2017

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☒ Yes ☐ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? ☐ Yes ☒ No
- Significant deficiency(ies) identified? ☐ Yes ☒ None reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? ☐ Yes ☒ No

Identification of major federal programs and type of auditor's report issued on compliance for major federal programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>	<i>Type of Auditor's Report Issued on Compliance for Major Federal Programs</i>
20.500/20.507/20.526	Federal Transit Cluster	Unmodified
95.001	High Intensity Drug Trafficking Areas Program	Unmodified

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? ☐ Yes ☒ No

City of Las Cruces
Schedule of Findings and Questioned Costs - continued
June 30, 2017

Section II - Financial Statement Findings

FINDING 2017-001 – Schedule of Expenditures of Federal Awards – Significant Deficiency in Internal Control over Compliance

Criteria:

Title 2 of the Code of Federal Regulations, §200.510, requires the City to identify, in its accounts, all federal awards received and expended and the federal programs under which they were received and prepare appropriate financial statements, including a Schedule of Expenditures of Federal Awards (SEFA).

Condition:

The City initially submitted an incomplete SEFA, in which several grants included FY16 figures rather than FY17. It required a subsequent revision to properly reflect FY17 figures.

Questioned costs:

None.

Context:

Specifically, auditors noted the following errors:

- Federal award expenditures for the High Intensity Drug Trafficking Areas Program (CFDA 95.001) were misstated by approximately \$510,000.
- Federal award expenditures did not agree to the initial SEFA provided by the City for ten federal programs.

Effect:

Errors in the SEFA could misstate major programs and expenditures. The City adjusted its SEFA for these errors in the current period under audit.

Cause:

The City prepared its SEFA without fully implementing its policies and procedures requiring a thorough review and reconciliation of the SEFA to detect errors.

Repeat finding

This finding is not a repeat finding.

Recommendation:

The City should ensure that the SEFA is accurate and complete. The City should enforce its existing policies and procedures for preparing the SEFA. Specifically, the City should ensure that reported amounts reconcile to the financial records and comparing reported amounts with those reported in the previous reporting period for reasonability.

City of Las Cruces
Schedule of Findings and Questioned Costs - continued
June 30, 2017

Section II - Financial Statement Findings

FINDING 2017-001 – Schedule of Expenditures of Federal Awards – Significant Deficiency in Internal Control over Compliance (continued)

Management's Response:

The City will ensure that future reporting amounts accurately reflect to the current expenditures and comparing reported amounts with those reported in the previous reporting period.

Accounting will collaborate with the Grants Department on a quarterly basis to review and approve Federal Grant Expenditures reconciliations. The Grants Administrator and Accounting Manager will ensure that reported amounts reconcile to the financial records and grants.

City of Las Cruces
Schedule of Findings and Questioned Costs - continued
June 30, 2017

Section III - Federal Award Findings and Questioned Costs

None reported.

City of Las Cruces
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2017

<u>Prior Audit Findings</u>	<u>Current Status</u>
Financial Statement Findings	
2011-002 – Information Technology (Other Non-Compliance)	Resolved
2015-003 – Appropriation to Agencies (Other Non-Compliance)	Resolved
2016-001 – Procurement and Purchasing Cards (Significant Deficiency)	Resolved
Federal Award Findings	
None noted in prior audit	



City of Las Cruces
Corrective Action Plan
For the Year Ended June 30, 2017

Audit Finding	Corrective Action Plan	Person Responsible	Estimated Completion Date
2017-001 Schedule of Expenditures of Federal	See management's response.	Director of Financial Services	June 30, 2018

City of Las Cruces
Exit Conference and Financial Statement Preparation
For the Year Ended June 30, 2017

An exit conference was conducted on November 14, 2017, in a closed meeting pursuant to *Section 12-6-5 NMSA, 1978*, with the following individuals in attendance:

City of Las Cruces

Stuart Ed	City Manager
Ken Miyagishima	Mayor
Kasandra Gandara	Councilor
Gill Sorg	Councilor
Jennifer Vega-Brown	City Attorney
William Studer	Assistant City Manager
Rosie Duran	Director of Financial Services
Maria Villa	Accounting Manager
Maria Sanchez	Financial Reporting Analyst Senior
Audrey Evans	City Internal Audit Department
Viola Perea	City Internal Audit Department

Moss Adams LLP

Ryan Luetkemeyer	Senior Manager
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The City's accounting department and independent public accountants jointly prepared the accompanying financial statements. The City is responsible for the financial statement content.

APPENDIX D

FORM OF CONTINUING DISCLOSURE UNDERTAKING

CONTINUING DISCLOSURE UNDERTAKING

Section 1. Recitals. This Continuing Disclosure Undertaking (the “Undertaking”) is executed and delivered by the City of Las Cruces, New Mexico (the “City”) in connection with the issuance of its \$_____ Subordinate Lien Joint Utility System Improvement Revenue Bonds, Series 2018 (the “Bonds”). The Bonds are being issued pursuant to the general laws of the State, including Sections 3-31-1 to 3-31-12 of the New Mexico Statutes Annotated, 1978 Compilation, as amended and supplemented, the Charter of the City, other applicable New Mexico laws, Ordinance No. 1593 adopted on December 18, 1996, as amended by Ordinance No. 2750, adopted by the City Council on April 8, 2015 (the “Master Ordinance”) and Ordinance No. 2837 adopted on January 16, 2018 (the “2018 Ordinance” and, together with the Master Ordinance, the “Ordinance”). Pursuant to the Ordinance and to allow the purchaser of the Bonds to comply with the Rule (defined below), the City is required to make certain continuing disclosure undertakings for the benefit of owners (including beneficial owners) of the Bonds (the “Owners”). This Undertaking is intended to satisfy the requirements of the Rule.

Section 2. Definitions.

(a) “Annual Financial Information” means the financial information or operating data with respect to the City, delivered at least annually pursuant to Sections 3(a) and 3(b), consisting of information of the type set forth below as contained in the Official Statement:

(i) Table 1 – City of Las Cruces, New Mexico Debt Service Requirements for the Series 2018 Bonds (but only to the extent the debt service requirements may have changed);

(ii) Table 2 – City of Las Cruces, New Mexico Pro Forma Schedule of Net Revenues, Debt Service and Coverage;

(iii) Table 3 – City of Las Cruces, New Mexico Water Utility Five Largest Users of Water Utility;

(iv) Table 4 – City of Las Cruces, New Mexico Water Utility Consumption;

(v) Table 5 – City of Las Cruces, New Mexico Wastewater Utility Sewer Customers and Billing Units;

(vi) Table 6 – City of Las Cruces, New Mexico Wastewater Utility Five Largest Users of Wastewater Utility;

(vii) Table 7 – City of Las Cruces, New Mexico Natural Gas Utility Natural Gas Consumption;

(viii) Table 11 – City of Las Cruces, New Mexico Operating Results (Fiscal Year Ended June 30);

(ix) Table 12 – City of Las Cruces, New Mexico Water Utility Water Rates;

(x) Under the heading “Wastewater Utility-- *Residential*” – City of Las Cruces, New Mexico Wastewater Utility Residential Wastewater Rates (Fiscal Year); and

(xi) Table 16 – City of Las Cruces, New Mexico Natural Gas Utility Natural Gas Rates.

(b) “Audited Financial Statements” means the City’s annual financial statements prepared in accordance with generally accepted accounting principles, as in effect from time to time (“GAAP”), for governmental units as prescribed by the Governmental Accounting Standards Board (“GASB”), which financial statements have been prepared as may then be required or permitted by the laws of the State.

(c) “EMMA” means the MSRB’s Electronic Municipal Market Access system located on its website at emma.msrb.org.

(d) “Event” means the information or circumstances described in Section 3(d).

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

(f) “Official Statement” means the Official Statement dated _____, 2018, delivered in connection with the original issue and sale of the Bonds.

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

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

(i) “SEC” means the Securities and Exchange Commission.

(j) “State” means the State of New Mexico.

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

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

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

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

(d) This paragraph (d) shall govern the giving of notices of the occurrence of any of the following Events with respect to the Bonds:

1. principal and interest payment delinquencies;
2. non-payment related defaults, if material;
3. unscheduled draws on debt service reserves reflecting financial difficulties;
4. unscheduled draws on credit enhancements reflecting financial difficulties;
5. substitution of credit or liquidity providers, or their failure to perform;
6. adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issued (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security;
7. modifications to the rights of the security holders, if material;
8. bond calls, if material , or tender offers;
9. defeasances;
10. release, substitution or sale of property securing repayment of the securities, if material;
11. rating changes;
12. bankruptcy, insolvency, receivership or a similar event with respect to the City or an obligated person;
13. the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the

obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and

14. appointment of a successor or additional trustee, or a change of name of a trustee, if material.

(e) At any time the Bonds are outstanding, the City shall file, in a timely manner not in excess of ten (10) business days after the occurrence of an Event, a notice of such occurrence with EMMA.

(f) At any time the Bonds are outstanding, the City shall provide to EMMA, notice in a timely manner not in excess of ten (10) business days after the occurrence of any failure of the City to timely provide the Annual Financial Information and Audited Financial Statements as specified in Section 3 hereof.

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

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

Section 6. Term. The City's obligations under this Undertaking will be in effect from and after the issuance and delivery of the Bonds and will extend to the earliest of (i) the date all principal and interest on the Bonds has been paid or legally defeased pursuant to the terms of the Ordinance; (ii) the date on which the City is no longer an "obligated person" with respect to the Bonds within the meaning of the Rule; or (iii) the date on which those portions of the Rule which require this Undertaking are determined to be invalid or unenforceable by a court of competent jurisdiction in a non-appealable action, have been repealed retroactively or otherwise do not apply to the Bonds. The City shall file a notice of any such termination with EMMA.

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

(a) is made in connection with a change in circumstances that arises from a change in legal requirements, a change in law, a change in the identity, nature or status of the City or a change in the availability or character of financial information for the City;

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

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

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

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

Section 9. Special Funds. This Undertaking is subject to the availability of necessary funds from annual Pledged Revenues (as such term is defined in the Ordinance).

Section 10. Governing Law. This Undertaking is governed by and is to be construed in accordance with the law of the State.

Date: _____, 2018.

CITY OF LAS CRUCES, NEW MEXICO

By: _____
Mayor

[CITY SEAL]

Attest:

By: _____
City Clerk

APPENDIX E

DEFINITIONS FROM MASTER ORDINANCE AS AMENDED AND SUPPLEMENTED

“Accreted Value” means, unless stated otherwise in a Supplemental Ordinance, with respect to an Individual Capital Appreciation Bond, an amount equal to the original principal amount of that Capital Appreciation Bond plus the amount, assuming semiannual compounding of earnings, which would be produced on the investment of such original principal amount, beginning on the dated date of that Individual Capital Appreciation Bond and ending at the Accretion Term Date thereof, at an interest rate which, if continued until the Accretion Term Date, will produce the defined value of an Individual Capital Appreciation Bond at the Accretion Term Date. As of any Valuation Date, the Accreted Value of any Capital Appreciation Bond shall mean the amount set forth for such date in the applicable Supplemental Ordinance. As of any date other than a Valuation Date, the Accreted Value shall mean the sum of (a) the Accreted Value on the preceding Valuation Date and (b) the product of (i) a fraction, the numerator of which is the number of days having elapsed from the preceding Valuation Date and the denominator of which is the number of days between the preceding Valuation Date and the next succeeding Valuation Date, and (ii) the difference between the Accreted Values for such Valuation Dates.

“Accretion Term Date” means the maturity date of a Capital Appreciation Bond or the date on which a Capital Appreciation Bond converts to a Current Interest Bond.

“Acquisition Account” means an account of the Acquisition Fund to be established for each series of System Bonds issued to fund a Project for the purposes stated in Article XIV.

“Acquisition Fund” means the "City of Las Cruces Joint Utility System Revenue Bonds Project Acquisition Fund," established in Article XVII.

“Act” means Sections 3-31-1 to 3-31-12 NMSA, the Short-Term Interest Rate Act, the powers of the City under authority given by the Charter, the constitution and laws of the State and enactments of the Council relating to the issuance of System Bonds made by resolution or ordinance, including the Master Ordinance and, with respect to a particular series of System Bonds other than the Series 1997A Bonds, the Supplemental Ordinance pertaining to that series.

“Authenticating Agent” means the Registrar, or other Fiscal Agent if otherwise designated by the applicable Supplemental Ordinance, required to authenticate a series of System Bonds.

“Authorized Denominations” means:

(a) with respect to Current Interest Bonds, denominations of \$5,000 or integral multiples of \$5,000;

(b) with respect to Capital Appreciation Bonds, the original principal amount on an Individual Capital Appreciation Bond of a series of System Bonds or any integral multiple

of that amount unless otherwise specified for a series of System Bonds in the applicable Supplemental Ordinance; and

(c) with respect to Variable Rate Bonds, denominations of \$100,000 or integral multiples of \$100,000 unless otherwise specified for a series of System Bonds in the applicable Supplemental Ordinance.

“Authorized Officer” means the City's Mayor, Mayor Pro-Tem, Manager, Finance Director/Treasurer, or other officer or employee of the City when designated by a certificate signed by the Mayor of the City from time to time.

“Balloon Indebtedness” means, with respect to any series of System Bonds, twenty-five percent (25 %) or more of the principal of which matures on the same date or within a Fiscal Year, that portion of such series of System Bonds which matures on such date or within such Fiscal Year; provided, however, that to constitute Balloon Indebtedness the amount of System Bonds of a series maturing on a single date or within a Fiscal Year must equal or exceed 150% of the amount of such series which matures during any preceding Fiscal Year. For purposes of this definition, the principal amount maturing on any date shall be reduced by the amount of such System Bonds, scheduled to be amortized by prepayment or redemption prior to their stated maturity date.

“Bank” or “Insurer” means any bank, insurance company or other financial institution which provides a Credit Facility or Reserve Account Insurance Policy for a series of System Bonds.

“Bank Bond” means any System Bond purchased and held by or on behalf of a Bank pursuant to a Credit Facility.

“Bank Interest Rate” means the interest rate payable on Bank Bonds as set forth in an applicable Supplemental Ordinance for a series of System Bonds.

“Bond Counsel” means an attorney at law or a firm of attorneys, designated by the City, of nationally recognized standing in matters pertaining to the issuance of bonds by states and their political subdivisions.

“Bond Insurance Policy” means a municipal bond insurance policy issued by a Bond Insurer insuring the payment when due of the principal of and interest on Insured Bonds.

“Bond Insurer” means MBIA Insurance Corporation with respect to the Series 1997A Bonds and, with respect to any other Insured Bonds, any insurance company or financial institution issuing a Bond Insurance Policy and listed in a Supplemental Ordinance.

“Bond Ordinance” means, collectively, the Master Ordinance and the ordinance authorizing the issuance of additional system bonds.

“Bond Purchase Agreement” means the Bond Purchase Agreement between the City and the Underwriter.

“Bond Year” means, unless otherwise specified for a series of System Bonds in the applicable Supplemental Ordinance, the twelve-month period ending on July 1, except that the first Bond Year for each series of System Bonds shall be the period of time from the date of the System Bonds of that series until the next succeeding July 1.

“Business Day” means, for a series of System Bonds, any day during which any Bank, trustee, paying agent, remarketing agent and tender agent for that series, the offices of the City and the New York Stock Exchange are all open for business during normal business hours unless otherwise defined in the Supplemental Ordinance for a series of System Bonds.

“Capital Appreciation Bonds” means the System Bonds described in a Supplemental Ordinance on which the first scheduled date for payment of principal and/or interest is the Accretion Term Date. For the purposes of (a) receiving payment of the redemption price if a Capital Appreciation Bond is redeemed prior to maturity or (b) determining the principal amount of System Bonds held by the owner of a Capital Appreciation Bond in giving any notice, consent, request or demand pursuant to the Master Ordinance, Supplemental Ordinance or Related Documents for any purpose whatsoever, the principal amount of a Capital Appreciation Bond shall be deemed to be its Accreted Value. For the purpose of the definition of Debt Service Requirements, the Accreted Value of Capital Appreciation Bonds becoming due shall be included in the calculation of accrued and unpaid and accruing interest and principal only from and after the date which is one year prior to the date on which the Accreted Value becomes payable.

“Charter” means the home rule charter of the City submitted to the Las Cruces City Commission on January 7, 1985 and approved by the voters of the City on March 5, 1985, as amended and supplemented.

“City” means the City of Las Cruces in the State of New Mexico.

“Closing Date” means the date on which the City receives the purchase price for the Bonds from the Underwriter against delivery of the Bonds.

“Code” means the Internal Revenue Code of 1986, as amended, the federal income tax regulations of the Treasury Department (whether proposed, temporary or final) and any amendments of, or successor provision to, the foregoing and any official rulings, announcements, notices, procedures and judicial determinations regarding any of the foregoing, all as and to the extent applicable. Unless otherwise indicated, reference to a Section of the Code in the Master Ordinance means that Section of the Code and such applicable regulations, rulings, announcements, notice, procedures and determinations pertinent to that Section.

“Completion Date” means the date of completion of the acquisition, construction and installation of a Project as certified pursuant to Article XIV.

“Consultant” means any consultant, consulting firm, engineer, architect, engineering firm, financial advisor, investment banker, accountant or accounting firm or other expert independent and not under the domination of the City and which does not have any substantial interest, direct or indirect, with the City and is not connected with the City as an officer or employee, recognized to be well-qualified for work of the character required and retained by the City to perform acts and carry out the duties provided for such consultant in the Master Ordinance.

“Consulting Engineer” means any registered or licensed professional engineer or firm of engineers or Independent Accountant, entitled to practice and practicing as such under the laws of the State, retained and compensated by the City but not in the regular employ of the City; but, as to any construction drawings and specifications prepared for the System by City employees under the supervision of the City Engineer, this term may include the City Engineer.

“Continuing Disclosure Undertaking” means the Continuing Disclosure Undertaking with respect to the Bonds, if any, to be executed on the day of issuance and delivery of the Bonds to the Underwriter.

“Cost” or “cost” of a Project means the costs of the City properly attributable to the financing, acquisition, construction, modification or improvement of such Project, and all expenses preliminary and incidental thereto incurred by the City in connection therewith and in connection with the issuance of System Bonds to finance such Project, including but not limited to:

- (1) the costs of acquiring, constructing, modifying or improving such Project and placing the same in service;
- (2) the initial or acceptance fee of any Fiscal Agents in connection with the issuance of such System Bonds;
- (3) such amounts, if any, as shall be necessary to reimburse the City in full for advances and payments previously made or costs previously incurred by the City for any item of Cost of such Project;
- (4) the costs of obtaining insurance policies, surety bonds or similar devices with respect to such Project during the period of the acquisition and construction of the Project;
- (5) audit fees and expenses for maintenance of construction records kept with respect to such Project;
- (6) costs of litigation and costs of obtaining permits, licenses and rulings with respect to such Project;
- (7) expenses in connection with the issuance of such System Bonds;

(8) the amount, if any, to be deposited into the Acquisition Fund or a Debt Service Account to pay interest on the System Bonds to the Completion Date of the Project and for up to twenty-four months thereafter;

(9) the amounts, if any, to provide necessary working capital;

(10) the amount, if any, to be deposited into the Reserve Account to satisfy all or a portion of the Reserve Requirement; and

(11) any other expenses and costs related to such Project, including the fees and expenses of any Fiscal Agents during the acquisition, construction, modification or improvement of such Project.

“Costs of Issuance” means all costs relating to the issuance of the Bonds, including, without limitation, costs of advertising and publication, costs of preparing the Bonds, legal fees, financial advisor fees, expenses and applicable gross receipts taxes, costs of printing and distributing the Preliminary Official Statement and the Official Statement, rating fees, and other reasonable and necessary fees and costs related to the issuance of the Bonds.

“Council” means the governing body in which is vested the legislative power of the City.

“Counsel” means an attorney at law (who may be counsel to the City).

“Credit Facility” or “Credit Facilities” means a letter of credit, standby bond purchase agreement, line of credit, Bond Insurance Policy or Reserve Account Insurance Policy, guaranty or similar agreement provided by a Bond Insurer, Bank or Insurer which supports the payment of the purchase price of, or the payment when due of the principal of and interest on, System Bonds and (a) would not in and of itself adversely affect the rating on System Bonds by Moody’s or by S&P in effect at the time such instrument is initially acquired and (b) is approved in a Supplemental Ordinance for a series of System Bonds.

“Current Interest Bonds” means System Bonds on which interest is payable semiannually or at another regular interval stated in the Supplemental Ordinance for a series of System Bonds and which are not described as Capital Appreciation Bonds in that Supplemental Ordinance.

“Debt Service Account” means an account of the Debt Service Fund to be established for each series of System Bonds into which deposits are to be made of the payment of Debt Service Requirements on that series of System Bonds.

“Debt Service Fund” means the Debt Service Fund established in Article XVII.

“Debt Service Requirements,” for any given period, means the sum of: (a) the amount required to pay the interest becoming due on the applicable System Bonds during that period, or to make reimbursements for payments of interest; and (b) the amount required to pay the principal or Accreted Value becoming due on the applicable System Bonds during that period, whether at maturity, the Accreted Term Date or upon mandatory sinking fund redemption dates,

or to make reimbursements for payments of that principal or Accreted Value. For purposes of calculating the maximum annual Debt Service Requirements, the following assumptions shall be used:

(a) in determining the principal due in each year, payment shall (unless a different subsection of this definition applies for purposes of determining principal maturities or amortization) be assumed to be made on System Bonds in accordance with any amortization schedule established by the Supplemental Ordinance or Related Documents setting forth the terms of such System. Bonds, including, as a principal payment, the Accreted Value of any Capital Appreciation Bonds or Original Issue Discount Bonds maturing or scheduled for redemption in such year; in determining the interest due in each year, interest payable at a fixed rate shall (except to the extent subsection (b), (c), (d), (e) or (f) of this definition applies) be assumed to be made at such fixed rate and on the required payment dates;

(b) if all or any portion or portions of an Outstanding series of System Bonds constitute Balloon Indebtedness, or if all or any portion or portions of a series of System Bonds then proposed to be issued would constitute Balloon Indebtedness, then, for purposes of determining Debt Service Requirements, each maturity which constitutes Balloon Indebtedness shall, unless provision (c) of this definition then applies to such maturity, be treated as if it were to be amortized over a term of 20 years commencing in the year the stated maturity of such Balloon Indebtedness occurs and with substantially level annual debt service payments; the interest rate used for such computation shall be that rate determined by a Consultant to be a reasonable market rate for 20-year fixed-rate System Bonds issued under the Master Ordinance on the date of such calculation, with no credit enhancement and taking into consideration whether such System Bonds bear interest which is or is not excluded from gross income for federal income tax purposes; with respect to any series of System Bonds only a portion of which constitutes Balloon Indebtedness, the remaining portion shall be treated as described in (a) above or such other provision of this definition as shall be applicable and, with respect to any series or that portion of a series which constitutes Balloon Indebtedness, all payments of principal and interest becoming due prior to the year of the stated maturity of the Balloon Indebtedness shall be treated as described in (a) above or such other provision of this definition as shall be applicable;

(c) any maturity which constitutes Balloon Indebtedness as described in provision (b) of this definition and for which the stated maturity date occurs within 12 months from the date such calculation is made, shall be assumed to become due and payable on the stated maturity date and provision (b) above shall not apply thereto unless there is delivered to the entity making the calculation a certificate of an Authorized Officer stating that the City intends to refinance such maturity and stating the probable terms of such refinancing and that the debt capacity of the City is sufficient to successfully complete such refinancing; upon the receipt of such certificate, such Balloon Indebtedness shall be assumed to be refinanced in accordance with the probable terms set out in such certificate and such terms shall be used for purposes of calculating Debt Service Requirements, provided that such assumption shall not result in an amortization period longer than or an interest rate lower than that which would be assumed under provision (b) above;

(d) if any of the Outstanding series of System Bonds constitute Tender Indebtedness or if System Bonds then proposed to be issued would constitute Tender Indebtedness, then, for purposes of determining Debt Service Requirements, Tender Indebtedness shall be treated as if the principal amount of such System Bonds were to be amortized over a term of 25 years commencing in the year in which such series is first subject to tender and with substantially level annual debt service payments; the interest rate used for such computation shall be that rate determined by a Consultant to be a reasonable market rate for 25-year fixed-rate System Bonds issued under this Master Ordinance on the date of such calculation, with no credit enhancement and taking into consideration whether such System Bonds bear interest which is or is not excluded from gross income for federal income tax purposes; with respect to all principal and interest payments becoming due prior to the year in which such Tender Indebtedness is first subject to tender such payments shall be treated as described in (a) above unless the interest during that period is subject to fluctuation, in which case the interest becoming due prior to such first tender date shall be determined as provided in (e) or (f) below, as appropriate;

(e) if any Outstanding System Bonds constitute Variable Rate Bonds (except to the extent subsection (b) or (c) relating to Balloon Indebtedness or (d) relating to Tender Indebtedness applies), the interest rate on such System Bonds and the interest rate for funding any Reserve Requirement for such Variable Rate Bonds shall be assumed to be the lesser of the 30-year Revenue Bond Index (published by The Bond Buyer no more than two weeks prior to date of sale), as certified by the City's financial advisor, the Purchaser of the System Bonds or other investment banker, as designated by the City from time to time or the maximum allowable rate permitted under Section 6.03(b)(i) of this Master Ordinance. The prospective computations of interest payable on Variable Rate Bonds relating to the issuance of additional Parity Bonds required by Article XXIV shall be as described in Article XXIV, The prospective computations of interest payable on Variable Rate Bonds required by the Rate Covenant shall be made on the lesser of the maximum short-term rate prevailing in the preceding twelve months or the maximum allowable rate permitted under Section 6.03(b)(i) of the Master Ordinance;

(f) in any computation relating to the issuance of additional System Bonds or the Rate Covenant, there shall be deducted from the computation of the Debt Service Requirements amounts and investments (unless funded by Net Revenues during the applicable period) which are irrevocably committed to make designated payments on System Bonds during the applicable period, including, without limitation, money on deposit in a Debt Service Account for a series of System Bonds, amounts representing capitalized interest for a series of System Bonds and amounts on deposit in an escrow account irrevocably committed to make designated payments on System Bonds during the applicable period;

(g) interest or principal being paid for reimbursements of Debt Service Requirements made pursuant to a Credit Facility, if such obligations rank on a parity with the obligation to pay System Bonds, or if a System Bond is a Bank Bond on the date of computation, shall be considered in the computation of Debt Service Requirements; and

(h) should the City enter into an interest rate swap contract or its equivalent with respect to all or a portion of any series of System Bonds, the amount of interest required to be paid with respect to that series shall be the interest rate paid by the City under its interest rate swap contract, so as to properly reflect the actual savings of the swap. Any termination or similar fees which may become payable by the City pursuant to such swap contract or its equivalent shall not be considered in the computation of Debt Service Requirements. Such swap contract or its equivalent shall be approved by the New Mexico Board of Finance or any other governmental entity if required by State law.

“Defeasance Obligations” means to the extent permitted by the laws of the State, for defeasance of the System Bonds pursuant to Article XXXII:

(a) Cash

(b) U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series—“SLGS”)

(c) Direct obligations of the Treasury which have been stripped by the Treasury itself, CATS, TIGRS and similar securities

(d) Resolution Funding Corp, (REFCORP) Only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form are acceptable.

(e) Pre-refunded municipal bonds rated "Aaa" by Moody's and "AAA" by S&P. If, however, the System Bonds are only rated by S&P (e.g., there is no Moody's rating), then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or "AAA- rated" pre-refunded municipals to satisfy this condition.

(f) Obligations issued by the following agencies which are backed by the full faith and credit of the U.S.:

(i) U.S. Export-Import Bank (Eximbank)

Direct obligations or fully guaranteed certificates of beneficial ownership

(ii) Farmers Home Administration (FHA)

Certificates of beneficial ownership

(iii) Federal Financing Bank

(iv) General Services Administration

Participation certificates

(v) U.S. Maritime Administration

Guaranteed Title XI financing

(vi) U.S. Department of Housing and Urban Development (HUD)

Project Notes

Local Authority Bonds

New Communities Debentures - U.S. government guaranteed debentures

U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds

“Depository” means The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax (516) 227-4039 or 4190 or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other address and/or such other registered securities depositories as an Authorized Officer of the City may designate.

“DTC” means The Depository Trust Company, New York, New York, and its successors and assigns.

“DTC Participants” means brokers and dealers, banks, trust companies, clearing corporations and certain other organizations on whose behalf DTC was created to hold securities and to facilitate the clearance and settlement of securities among DTC Participants.

“Expenses” means the reasonable and necessary fees, costs and expenses incurred by the City with respect to System Bonds and Related Documents, including, without limitation, fees paid to the Credit Facility, Consultant fees, premiums for any Bond Insurance Policy and Reserve Account Insurance Policy, rating agency fees and expenses, the fees, compensation, costs and expenses to be paid to any Fiscal Agent and expenses incurred in connection with the sale, issuance, remarketing, payment and administration of any series of System Bonds, including attorneys' fees. Expenses do not include any swap termination payments, payment of or reimbursement for the payment of Debt Service Requirements or premiums on System Bonds.

“Fiscal Agent” means any trustee, paying agent, tender agent, registrar, remarketing agent, Bank, Insurer, Bond Insurer or other agent employed with respect to the sale, issuance, remarketing, payment, purchase, administration or otherwise in connection with any series of System Bonds.

“Fiscal Agreement” means any remarketing agreement, tender agreement, investment agreement, trust agreement, paying agent agreement, escrow agreement or other document required for the remarketing, purchase, payment, security or administration of any series of System Bonds. A copy of any Fiscal Agreement with respect to a series of Parity Bonds shall be

provided to Moody's with a reasonable time for its review, prior to execution and delivery of such Fiscal Agreement by the City.

“Fiscal Year” means the twelve-month period beginning on the first day of July of each year and ending on the last day of June of the next succeeding year, or any other twelve-month period which the City or other appropriate authority may establish as the fiscal year for the System.

“Fitch” means Fitch Investors Services, Inc., a corporation organized and existing under the laws of the State of New York, its successor and their assigns, and, if such corporation shall not provide a rating for a series of System Bonds, “Fitch” shall be deemed to refer to any other nationally recognized securities rating that series of System Bonds.

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

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

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

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

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

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

Gross Revenues do not include:

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

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

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

“Guaranteed Utility Savings Contract” means the guaranteed utility savings contract to be entered into by the City and the Qualified Provider pursuant to the Public Facility Energy Efficiency and Water Conservation Act, Sections 6-23-1 through 6-23-10, NMSA 1978.

“Historic Test Period” means any period of 12 consecutive months out of the 18 calendar months next preceding the delivery of additional Parity Bonds pursuant to Section 24.02.

“Income Fund” means the “City of Las Cruces Joint Utility System Gross Income Fund” which is authorized to be continued in Article XVII

“Independent Accountant” means (i) the State Auditor and any accountant working under the supervision and control of the State Auditor, and (ii) any certified public accountant, registered accountant or firm of accountants duly licensed to practice and practicing as such under the laws of the State, appointed and paid by the City who (a) is, in fact, independent and not under the domination of the City, (b) does not have any substantial interest, direct or indirect, with the City, and (c) is not connected with the City as an officer or employee of the City, but who may be regularly retained to make annual or similar audits of the books or records of the City.

“Individual Capital Appreciation Bond” means a Capital Appreciation Bond having an original principal amount which is payable as to principal and interest at the Accretion Term Date of that Capital Appreciation Bond in the amount of \$5,000 or other amount stated in a Supplemental Ordinance.

“Information Services” means Financial Information, Inc.'s “Daily Called Bond Service,” 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attn: Editor; Kenny Information Services “Called Bond Service,” 65 Broadway, 16th Floor, New York, New York 10006; Moody's “Municipal and Government,” 99 Church Street, 8th Floor, New York, New York 10007, Attn: Municipal News Reports; and Standard & Poor's “Called Bond Record,” 25 Broadway, 3rd Floor, New York, New York 10004; or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other address and/or such other services providing information with respect to called bonds or no such services, as an Authorized Officer may specify in writing.

“Insured Bank” means a bank insured by an agency of the United States.

“Insured Bonds” means the Series 1997A Bonds as designated in the Master Ordinance and other System Bonds insured by a Bond Insurance Policy as designated in a Supplemental Ordinance.

“Interest Payment Date” means January 1 and July 1 of each year (or if such day is not a Business Day, then the next succeeding Business Day) unless otherwise stated in a Supplemental Ordinance for a specified series of System Bonds.

“Interest Payment Date” means each June 1 and December 1, as provided in the final maturity schedule set forth in the Bond Purchase Agreement.

“Master Ordinance” means Ordinance No. 1593, as amended or supplemented by Ordinance Nos. 2750 and 2837 and as further amended or supplemented from time to time in accordance with its terms.

“Maturity Date” means with respect to any Bond, the date on which the principal amount thereof is due in accordance with its terms.

“Moody’s” means Moody’s Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if such corporation does not provide a rating for a series of System Bonds, “Moody’s” shall be deemed to refer to any other nationally recognized securities rating organization rating that series of System Bonds.

“Net Effective Interest Rate” means the interest rate based on the actual price paid to the City for the Bonds, calculated to maturity according to standard tables of bond values, as provided by Section 6-14-2(A) NMSA 1978.

“Net Revenues” means the Gross Revenues after deducting Operation and Maintenance Expenses.

“NMSA” means New Mexico Statutes Annotated, 1978 Compilation, as amended and supplemented.

“Official Statement” means the final disclosure document, if any, relating to the issuance and sale of the Bonds.

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

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

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

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

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

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

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

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

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

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

“Operation and Maintenance Fund” means the “City of Las Cruces Joint Utility System Operation and Maintenance Fund” which is authorized to be continued in Article XVII.

“Original Issue Discount Bonds” means System Bonds which are sold at an initial public offering price of less than 95% of their face value and which are specifically designated as Original Issue Discount Bonds by the Supplemental Ordinance under which such System Bonds are issued.

“Outstanding” or “outstanding” when used in reference to System Bonds means, on any particular date, the aggregate of all such System Bonds issued and delivered under the applicable Supplemental Ordinance authorizing the issuance of such bonds, except:

(a) those cancelled at or prior to such date or delivered to or acquired by the City at or prior to such date for cancellation;

(b) those which have been paid or are deemed to be paid in accordance with the City ordinance authorizing the issuance of the applicable bonds or otherwise relating thereto, provided that the payment of Insured Bonds with the proceeds of a Bond Insurance Policy shall not result in those Insured Bonds ceasing to be Outstanding;

(c) in the case of Tender Indebtedness, bonds deemed tendered but not yet presented for payment; and

(d) those in lieu of or in exchange or substitution for which other bonds shall have been delivered, unless proof satisfactory is presented to the City and the paying agent for the applicable bonds that any bond for which a new bond was issued or exchanged is held by a bona fide holder or in due course.

As used in this definition, the term “bond” includes System Bonds and any other evidence of a repayment obligation.

“Owner” means the registered owner or owners of any System Bond as shown on the registration books for the applicable series of System Bonds maintained by the Registrar for that series.

“Owners” means the registered owners of the Bonds issued pursuant to the terms of the Bond Ordinance.

“Parity Bonds” means System Bonds issued with a first lien on the Net Revenues on a parity with the Series 1997A Bonds.

“Paying Agent” means the City Finance Director/Treasurer or any trust company, national or state banking association or financial institution qualified to act and appointed as the paying agent for a series of System Bonds in a Supplemental Ordinance or by an Authorized Officer from time to time.

“Payment Date” means any date, including a date of prior redemption, if applicable, on which the Bonds are due and payable.

“Permitted Investments” means, unless otherwise stated in the applicable Supplemental Ordinance, any of the following which at the time are legal investments for the City for the money to be invested:

(a) Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

(b) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself);

(i) U.S. Export-Import Bank (Eximbank)

Direct obligations or fully guaranteed certificates of beneficial ownership.

(ii) Farmers Home Administration (FHA)

Certificates of beneficial ownership

- (iii) Federal Financing Bank
- (iv) Federal Housing Administration Debentures (FHA)
- (v) General Services Administration

Participation certificates

- (vi) Governmental National Mortgage Association (GNMA or “Ginnie Mae”)

GNMA - guaranteed mortgage-backed bonds

GNMA - guaranteed pass-through obligations

- (vii) U.S. Maritime Administration

Guaranteed Title XI financing

- (viii) U.S. Department of Housing and Urban Development (HUD)

Project Notes

Local Authority Bonds

New Communities Debentures - U.S. government guaranteed debentures

U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds

(c) Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

- (i) Federal Home Loan Bank System

Senior debt obligations

- (ii) Federal Home Loan Mortgage Corporation (FILMC or “Freddie Mac”)

Participation Certificates

Senior debt obligations

(iii) Federal National Mortgage Association (FNMA or “Fannie Mae”) Mortgage-backed securities and senior debt obligations

(iv) Student Loan Marketing Association (SLMA or “Sallie Mae”) Senior debt obligations

(v) Resolution Funding Corp. (REFCORP) obligations

(vi) Farm Credit System

Consolidated systemwide bonds and notes

(d) Money market funds registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of AAAm-G; AAAm; or AAm and if rated by Moody's rated Aaa, Aa1 or Aa2.

(e) Certificates of deposit secured at all times by collateral described in paragraphs (a) and/or (b) of this definition. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks. The collateral must be held by a third party and the Owners, or the City on behalf of the Owners, must have a perfected first security interest in the collateral.

(f) Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF.

(g) Investment agreements, including GIC's, acceptable to the Bond Insurer for the Series 1997A Bonds.

(h) Commercial paper rated, at the time of purchase, “Prime – 1” by Moody's and “A-1” or better by S&P.

(i) Bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies.

(j) Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of “Prime – 1” or “A3” or better by Moody's and “A-1” or “A” or better by S&P.

(k) Repurchase agreements for 30 days or less which provide for the transfer of securities from a dealer bank or securities firm (seller/ borrower) to the City (buyer/lender), and the transfer of cash from the City to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the City in exchange for the securities at a specified date. Repurchase agreements which exceed 30 days must be acceptable to the Bond Insurer for the Series 1997A Bonds, Repurchase agreements for 30 days or less must satisfy the following criteria or be acceptable to the Bond Insurer for the Series 1997A Bonds:

(i) Repurchase agreements must be between the City and dealer banks or securities firms which are (A) primary dealers on the Federal Reserve reporting dealer list which are rated “A” or better by S&P and Moody’s, or (B) banks rated “A” or above by S&P and Moody’s;

(ii) The written repurchase contract must include the following: (A) securities which are acceptable for transfer are (1) Direct U.S. governments, or (2) Federal agencies backed by the full faith and credit of the U.S. government (and FNMA & FHLMC) (13) the term of the repurchase agreement may be up to 30 days; (C) the collateral must be delivered to the City, Paying Agent (if Paying Agent is not supplying the collateral) or third party acting as agent for the Paying Agent (if the Paying Agent is supplying the collateral) before/simultaneous with payment (i.e., perfection by possession of certificated securities); (D) (1) the securities must be valued weekly, marked-to market at current market price plus accrued interest and (2) the value of collateral must be equal to 104% of the amount of cash transferred by the City to the dealer bank or security firm under the repurchase agreement plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by the City, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of collateral must equal 105%; and

(iii) a legal opinion must be delivered to the City to the effect that the repurchase agreement meets guidelines under State law for legal investment of public funds.

(1) The State Treasurer’s short-term investment fund created pursuant to Section 6-10-10.1, NMSA, and operated, maintained and invested by the State Treasurer.

(m) Such other investments as may be hereafter authorized as legal investments for the City by the legislature of the State under Section 6-10-10, NMSA, a similar statutory provision or the home rule powers of the City, provided that the issuer, form and substance of such investments are approved by the Bond Insurer for the Series 1997A Bonds.

“Person” means any natural person, corporation, partnership, joint stock company, joint venture, association, company, trust, bank, trust company, land trust, business trust or any other organization or entity, whether or not legal entities, and governments and agencies and political subdivisions thereof.

“Preliminary Official Statement” means the initial disclosure document, if any, relating to the issuance and sale of the Bonds.

“Project” means properties (real, personal or mixed), facilities, fixtures and equipment which are acquired, constructed, modified or improved to extend, enlarge, improve, repair,

replace or equip the System or any portion thereof, including the payment of working capital expenditures and the acquisition of supplies of natural gas or other commodities necessary for the System or the right to receive deliveries in future of supplies of natural gas or other commodities necessary for the System. Each project shall be designated as a “Project” by the City in a Supplemental Ordinance authorizing the issuance of System Bonds to finance the Cost of such Project.

“Purchaser” means the original purchasers of a series of System Bonds set forth in the Supplemental Ordinance for that series of System Bonds.

“Qualified Provider” means a person experienced in the design, implementation, and installation of energy or water conservation measures and who meets the experience qualifications developed by the energy, minerals and natural resources department for energy conservation measures or the office of the state engineer for water conservation measures. The Qualified Provider for the Series 2018 Project is Johnson Controls., LLC.

“Rate Covenant” means the covenant in Section 26.03(b) relating to charging rates for use of the System to pay Debt Service Requirements.

“Rate Stabilization Fund” means the Rate Stabilization Fund for System Bonds established in Article XVII.

“Rebate Fund” means the Rebate Fund for System Bonds established in Article XVII.

“Record Date” means, unless otherwise stated in a Supplemental Ordinance, (a) with respect to any System Bond with a term or tender period of less than one year, the first Business Day preceding each Interest Payment Date and (b) with respect to any System Bond with a term or tender period of one year or more, the fifteenth day of the calendar month (whether or not a Business Day) preceding each Interest Payment Date.

“Registrar” means the City Finance Director/Treasurer or any trust company, national or state banking association or financial institution qualified to act and appointed as the registrar for a series of System Bonds in a Supplemental Ordinance or by an Authorized Officer from time to time.

“Related Documents” means, collectively, the Bond Purchase Agreement, Continuing Disclosure Undertaking, Preliminary Official Statement, Official Statement, Guaranteed Utility Savings Contract and Debt Service Reserve Agreement.

“Replacement Fund” means the Replacement Fund established in Article XVII.

“Reserve Account” means each account of the Reserve Fund to be established for each series of outstanding System Bonds with a Reserve Requirement. “Reserve Requirement” means the Reserve Requirement (as defined in the Master Ordinance) for the Bonds, to be initially equal to the amount established in the Bond Purchase Agreement and to be funded in a manner set forth herein and in the Bond Purchase Agreement.

“Reserve Account Insurance Policy” means any policy of insurance, surety bond, letter of credit or other financial instrument issued to the City, the proceeds of which shall be used to prevent deficiencies in the payment of the principal of or interest on a series of System Bonds resulting from insufficient amounts being on deposit in the Debt Service Account for that series of System Bonds to make the payment of principal of and interest on that series as the same become due. Each Reserve Account Insurance Policy shall comply with the terms set forth herein. If the Reserve Account Insurance Policy is in the form of a surety bond, the surety bond must be from an insurance company experienced in insuring municipal bonds whose policies of insurance would not in and of itself adversely affect the rating on System Bonds by Moody’s or by S&P in effect at the time such policy is initially deposited in or credited to the reserve account of the applicable System Bonds.

“Reserve Account Insurer” means any Bond Insurer, Bank or Insurer listed in a Supplemental Ordinance which issues a Reserve Account Insurance Policy.

“Reserve Fund” means the Reserve Fund established in Article XVII.

“Reserve Requirement” means for the Series 1997A Bonds and, unless otherwise defined in a Supplemental Ordinance for a series of additional Parity Bonds, an amount equal to the lesser of (i) ten percent (10%) of the Outstanding principal amount of the Series 1997A Bonds or a series of additional Parity Bonds, (ii) the maximum annual Debt Service Requirements on the Series 1997A Bonds or that series of additional Parity Bonds or (iii) 125% of average annual Debt Service Requirements on the Series 1997A Bonds or that series of additional Parity Bonds, in each case calculated on the date of initial issuance of the series and recalculated on the date of any optional redemption, defeasance or purchase by the City for cancellation the Series 1997A Bonds or a series of additional Parity Bonds as if the Series 1997A Bonds or a series of additional Parity Bonds redeemed, defeased or purchased were never issued.

“Sale Price” means the amount paid by the Underwriter for its purchase of the Bonds, as set forth in the Bond Purchase Agreement.

“Series 2010 Bonds” means the City of Las Cruces, New Mexico Joint Utility Refunding Revenue Bonds, Series 2010 authorized pursuant to the Master Ordinance and City Ordinance No. 2584.

“Series 2014 Bonds” means, collectively, the City of Las Cruces, New Mexico Joint Utility Refunding Revenue Bonds, Series 2014A and the City of Las Cruces, New Mexico Joint Utility Improvement Revenue Bonds, Series 2014B authorized pursuant to the Master Ordinance and City Ordinance No. 2721.

“Series 2015 Bonds” means the City of Las Cruces, New Mexico Joint Utility Refunding and Improvement Revenue Bonds, Series 2015 authorized pursuant to the Master Ordinance and City Ordinance No. 2750.

“Series 2015A Bonds” means the City of Las Cruces, New Mexico Joint Utility Improvement Revenue Bonds, Series 2015A authorized pursuant to the Master Ordinance and City Ordinance No. 2766, as supplemented by Resolution No. 16-111.

“Series 2016 Bonds” means the City of Las Cruces, New Mexico Joint Utility Improvement Revenue Bonds, Series 2016 authorized pursuant to the Master Ordinance and City Ordinance No. 2789.

“Series 2017 Bonds” means the City of Las Cruces, New Mexico Joint Utility Improvement Revenue Bonds, Series 2017 authorized pursuant to the Master Ordinance and City Ordinance No. 2825.

“Series 2018 Acquisition Account” means the Series 2018 Improvement Project acquisition account created and maintained under Section 5.04 of Ordinance No. 2837.

“Series 2018 Bonds” or “Bonds” means the City of Las Cruces, New Mexico Subordinate Lien Joint Utility Improvement Revenue Bonds, Series 2018, authorized pursuant to Ordinance 2837.

“Series 2018 Debt Service Account” means the Debt Service Account for the Bonds created and maintained under Section 5.02 herein.

“Series 2018 Improvement Project” means acquiring, extending, enlarging, bettering, repairing or otherwise improving the System, including, but not limited to, acquiring, constructing, installing, and equipping energy and water conservation measures enumerated in the Guaranteed Utility Savings Contract.

“Series 2018 Paying Agent” means the City Treasurer, or its successor, as Paying Agent and, as applicable, as “Registrar,” with respect to the Series 2018 Bonds.

“Series 2018 Project” means, collectively, (i) the Series 2018 Improvement Project, (ii) purchasing a reserve fund surety bond or otherwise funding the Series 2018 Reserve Account in an amount equal to the Series 2018 Reserve Requirement, (iii) funding capitalized interest on the Series 2018 Bonds through December 1, 2018, and (iv) paying all Costs of Issuance and expenses pertaining to the issuance of the Series 2018 Bonds.

“Series 2018 Reserve Account” means the Reserve Account for the Bonds created and maintained under Section 5.03 of Ordinance No. 2837.

“Series 2018 Reserve Account Insurance Policy” means the debt service reserve fund insurance policy to be acquired from the Series 2018 Reserve Account Insurer, as provided herein to satisfy the Reserve Requirement for the Bonds.

“Series 2018 Reserve Account Insurer” means Build America Mutual Assurance Company, the issuer of the Series 2018 Reserve Account Insurance Policy.

“Service Area” means the customer service area that the City serves by the System.

“Short-Term Interest Rate Act” means Sections 6-18-1 to 6-18-16 NMSA, as amended.

“S&P” means Standard & Poor’s Ratings Group, a division of the McGraw-Hill Companies, Inc., its successors and assigns, and, if such entity shall not provide a rating for a series of System Bonds, “S&P” shall be deemed to refer to any other nationally recognized securities rating organization rating that series of System Bonds.

“State” means the State of New Mexico.

“Subordinated Bonds” means all bonds and other obligations of the City hereafter issued with a lien on the Net Revenues subordinate to the first lien of Parity Bonds on the Net Revenues.

“Supplemental Ordinance” means, except with respect to the Series 1997A Bonds which are authorized and issued pursuant to the terms of the Master Ordinance, an ordinance and all resolutions and amendments relating thereto of the Council adopted prior to the initial issuance and delivery of each series of System Bonds, authorizing the issuance of a series of System Bonds, the sale and administration thereof and approving specific terms with respect to that series of System Bonds.

“System” means the municipally owned public utility designated as the City’s joint water, sanitary sewer and natural gas utility system consisting of all properties, real, personal, mixed or otherwise, now owned or hereafter acquired by the City through purchase, condemnation, construction or otherwise, including all expansions, extensions, enlargements and improvements of or to the joint utility system, and used in connection therewith or relating thereto, and any other related activity or enterprise of the City designated by the Council as part of the joint utility system, whether situated within or without the limits of the City.

“System Bonds” means the Series 1997A Bonds, additional Parity Bonds, Subordinated Bonds and other similar obligations payable solely or primarily from Net Revenues which may from time to time be issued pursuant to the Master Ordinance.

“Tender Indebtedness” means any System Bonds or portions of System Bonds a feature of which is an option, on the part of the Owners, or an obligation, under the terms of such System Bonds, to tender all or a portion of such System Bonds to the City or to any Fiscal Agent or other fiduciary or agent or Credit Provider for payment or purchase and requiring that such Bonds or portions of Bonds be purchased if properly presented.

“Underwriter” means, collectively, Hilltop Securities Inc., and Robert W. Baird & Co., Inc.

“Valuation Date” means, unless stated otherwise in a Supplemental Ordinance, each January 1 and July 1 while Capital Appreciation Bonds are Outstanding, being the dates on

which the Accreted Value of Individual Capital Appreciation Bonds are listed in the applicable Supplemental Ordinance.

“Variable Rate Bonds” means System Bonds, including Bank Bonds, and reimbursement obligations pursuant to an advance or draw on a Credit Facility made to pay Debt Service Requirements on System Bonds the interest rate on which is subject to change from time to time.