OFFICIAL STATEMENT DATED OCTOBER 18, 2016

LAS CRUCES SCHOOL DISTRICT NO. 2 Doña Ana County, New Mexico

\$18,055,000 - General Obligation School Building Bonds, Series 2016C (the "Bonds")

NEW ISSUE

Book-Entry Only Moody's Rating: "Aa3" Underlying ("Aa1" Enhanced)

PURPOSES

Proceeds of the Bonds will be used for the purpose of (1) erecting, remodeling, making additions to and furnishing school buildings, purchasing and improving school grounds and purchasing computer software and hardware for student use in public school classrooms, providing matching funds for capital outlay projects funded pursuant to the Public School Capital Outlay Act, or any combination of those purposes within the District and (2) paying costs of issuance with such Bonds.

THE BONDS

The Bonds are issuable as fully registered bonds and when initially issued will be registered in the name of Cede & Co., as nominee of the Depository Trust Company, New York, New York ("DTC"). Purchases of the Bonds will be made in book-entry form only, in the principal amount of \$5,000 or any integral multiple thereof, through brokers and dealers who are, or who act through a DTC Participant. Beneficial owners of the Bonds will not be entitled to receive physical delivery of bond certificates so long as DTC or a successor securities depository acts as the securities depository with respect to the Bonds. Interest on the Bonds is payable on each February 1 and August 1, commencing February 1, 2017. As long as DTC or its nominee is the registered owner of the Bonds, reference in this Official Statement to registered owner will mean Cede & Co., and payments of principal of and interest on the Bonds will be made directly to DTC by the Paying Agent. Disbursements of such payments to DTC Participants is the responsibility of DTC. See "Book-Entry-Only System" in Appendix C. BOKF, N.A., Albuquerque, New Mexico (or successor) is the Registrar and Paying Agent for the Bonds.

OPTIONAL REDEMPTION

The Bonds are subject to redemption prior to maturity as provided herein.

SECURITY

The Bonds are general obligations of the District payable solely out of general ad valorem (property taxes) that are required to be levied against all taxable property in the District, without limitation as to rate or amount.

BOND AND TAX OPINION

The delivery of the Bonds is subject to the opinions of Cuddy & McCarthy, LLP, and McCall, Parkhurst & Horton L.L.P., Co-Bond Counsel, as to the validity of the Bonds, and the opinion of McCall, Parkhurst & Horton L.L.P., to the effect that interest on the Bonds is excludable from gross income for purposes of federal income taxation under existing statutes, regulations, published rulings, and court decisions, and that the Bonds will not be "specified private activity bonds". See "Legal Matters" and "Tax Matters" herein for a discussion of Co-Bond Counsels' opinions, including a description of certain collateral federal tax consequences.

DELIVERY

When, as, and if issued, through DTC's facilities, on or about November 22, 2016.

DATED DATE

Date of initial delivery expected to be November 22, 2016.

DUE DATE

August 1, as shown below:

\$18,055,000 - General Obligation School Bonds, Series 2016C									
Year	Principal	Interest Rate	Yield	Cusip #s 517534	Year	Principal	Interest Rate	Yield	Cusip #s 517534
2018	\$900,000	4.00%	0.970%	UL5	2027	\$900,000	3.25%	2.350%	UV3
2019	900,000	5.00%	1.080%	UM3	2028	900,000	3.50%	2.440%	UW1
2020	900,000	5.00%	1.190%	UN1	2029	1,625,000	4.00%	2.470%	UX9
2021	900,000	5.00%	1.290%	UP6	2030	1,625,000	4.00%	2.570%	UY7
2022	900,000	5.00%	1.390%	UQ4	2031	1,625,000	4.00%	2.650%	UZ4
2023	900,000	5.00%	1.530%	UR2	2032	1,640,000	4.00%	2.730%	VA8
2024	900,000	5.00%	1.670%	US0	2033	1,640,000	3.00%	3.155%	VB6
2025	900,000	5.00%	1.830%	UT8					
2026	900,000	3.00%	2.230%	UU5					

ISSUER

Las Cruces School District No. 2 Doña Ana County, New Mexico 505 South Main Las Cruces, New Mexico 88001 (575) 527-5830 (575) 527-5983 - Fax

BOARD OF EDUCATION

President: Maria A. Flores Vice-President: Chuck Davis Secretary: Barbara Hall Member: Maury Castro Member: Ed Frank

FINANCIAL ADVISOR

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PAYING AGENT/REGISTRAR

BOKF, N.A. 100 Sun Avenue NE, Suite 500 Albuquerque, New Mexico 87109 (505) 222-8447

DISTRICT ADMINISTRATION

Interim Superintendent: Dr. Steven A. Sanchez *CFO/COO:* Crystal Valdez

CO-BOND COUNSEL

Cuddy & McCarthy, LLP 1701 Old Pecos Trail Santa Fe, New Mexico 87505 (505) 988-4476

McCall, Parkhurst & Horton L.L.P. 600 Congress Avenue, Suite 1800 Austin, Texas 78701 (512) 478-3805

PURCHASER

J.P. Morgan Securities LLC 383 Madison Avenue, 8th Floor, New York, NY 10179 (212) - 834 7155

A Few Words About Official Statements

Official statements for municipal securities issues – like this one – contain the only "official" information about a particular issue of municipal securities. This Official Statement is not an offer to sell or solicitation of an offer to buy Bonds in any jurisdiction where it is unlawful to make such offer, solicitation, or sale and no unlawful offer, solicitation or sale of the Bonds may occur through this Official Statement or otherwise. This Official Statement isn't a contract and provides no investment advice. Investors should consult their advisors and legal counsel with their questions about this Official Statement, the Bonds, or anything else related to this issue.

MARKET STABILIZATION

In connection with this Official Statement, the initial purchaser of the Bonds may over-allot or effect transactions which stabilize and maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. The initial purchaser isn't obligated to do this and is free to discontinue it at any time.

The estimates, forecasts, projections and opinions in this Official Statement are not hard facts, and no one, including the District, guarantees them.

The information set forth or included in this Official Statement has been provided by the District and from other sources believed by the District 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 District 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.

Co-Bond Counsel, Cuddy & McCarthy, LLP, Santa Fe, New Mexico, and McCall, Parkhurst & Horton L.L.P., Austin, Texas, were not requested and did not take part in the preparation of the Official Statement, nor have these firms undertaken to independently verify any of the information contained herein. Such firms have no responsibility for the accuracy or completeness of any information furnished in connection with any offer or sale of the Bonds in the Official Statement or otherwise. The legal fees to be paid to Co-Bond Counsel for services rendered in connection with the issuance of the Bonds is contingent, in part, upon the sale and delivery of such Bonds, and all legal fees will be paid from bond proceeds.

Any part of this Official Statement may change at any time, without prior notice. Also, important information about the District and other relevant matters may change after the date of this Official Statement.

All document summaries are just that – they are not complete or definitive, and they may omit relevant information. Such documents are qualified in their entirety to the complete documents. Any investor who wishes to review the full text of documents may request them, at no cost, from the District or the Financial Advisor as follows:

District

Las Cruces School District No. 2 505 South Main Las Cruces, NM 88001 Attn: Crystal Valdez (575) 527-5830

Financial Advisor

RBC Capital Markets, LLC 6301 Uptown Blvd. NE, Suite 110 Albuquerque, NM 87110 Attn: Paul J. Cassidy (505) 872-5999

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Las Cruces School District No. 2 Doña Ana County, New Mexico

\$18,055,000 - General Obligation School Bonds, Series 2016C (the "Bonds")

INTRODUCTION

The Issuer

The District is a political subdivision of the State of New Mexico organized for the purpose of operating and maintaining an educational program for the school-aged children residing within its boundaries. The District encompasses approximately 1,458 square miles in southern New Mexico, and includes the City of Las Cruces, Town of Mesilla, and certain unincorporated portions of Doña Ana County, New Mexico (the "County").

Plan of Finance

Proceeds of the Bonds will be used for the purpose of (1) erecting, remodeling, making additions to and furnishing school buildings, purchasing and improving school grounds and purchasing computer software and hardware for student use in public school classrooms, providing matching funds for capital outlay projects funded pursuant to the Public School Capital Outlay Act, or any combination of those purposes within the District and (2) paying costs of issuance of the Bonds.

The Bonds represent the third series of \$65 million in bonds authorized by voters at an election held on February 4, 2014. After the issuance of the Bonds with an allocation of premium on the Bonds allocated to voted authorization, \$15 million in bonds authorized by the voters at such election shall remain unissued. See "Adjustment of the Bonds" in the "Official Notice of Bond Sale" for the Bonds.

THE BONDS

Authority

New Mexico law enables the District to issue the Bonds, (NMSA 1978, Sections 6-15-1 through 6-15-22). The New Mexico Attorney General will provide a written approving opinion with respect to the Bonds.

General Terms

The Bonds will bear interest at the rates and mature in the amounts and on the dates shown on the front cover of this Official Statement. All Bonds are fully registered in denominations of \$5,000 or multiples of \$5,000. Interest on the Bonds will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Bond payments will be made by the Paying Agent/Registrar to The Depository Trust Company ("DTC"), and DTC will then remit the payments to its participants for disbursement to the beneficial owners of the Bonds. See "Book-Entry-Only System" in Appendix C.

Security for the Bonds

The Bonds are general obligation bonds of the District and are payable from ad valorem taxes which shall be levied against all taxable property within the boundaries of the District without limitation as to rate or amount. The Bonds are additionally secured by the New Mexico Credit Enhancement Program as discussed in more detail under "NEW MEXICO CREDIT ENHANCEMENT PROGRAM," herein. The District will covenant in the respective bond resolution authorizing the Bonds (the "Bond Resolution") to levy, in addition to all other taxes, direct annual ad valorem taxes sufficient to pay the principal of and interest on the Bonds.

1

Bond Registrar, Paying Agent & Escrow Agent

BOKF, N.A., Albuquerque, New Mexico, will serve as Registrar, Paying Agent and Escrow Agent for the Bonds. In the Bond Resolution, the District covenants to provide a Paying Agent/Registrar at all times until the Bonds are paid, and any Paying Agent/Registrar selected by the District shall be a commercial bank, a trust company, a financial institution or any other entity, as provided by State law, duly qualified and legally authorized to serve and perform the duties of the Paying Agent/Registrar. The registration books for the Bonds will be maintained by the Paying Agent/Registrar containing the names and addresses of the registered owners of the Bonds. In the Bond Resolution, the District retains the right to replace the Paying Agent/Registrar. If the Paying Agent/Registrar is replaced by the District, such Paying Agent/Registrar, promptly upon the appointment of a successor, is required to deliver the Registration Books to the successor Paying Agent/Registrar. In the event there is a change in the Paying Agent/Registrar for the Bonds the District has agreed to notify each registered owner of the Bonds affected by the change by United States mail, first-class postage prepaid, at the address in the Registration Books, stating the effective date of the change and the mailing address of the successor Paying Agent/Registrar.

Payment of Principal and Interest; Record Date

The principal of the Bonds is payable to the registered owners of the Bonds at the principal office of the Paying Agent. Interest on the Bonds is payable by check or draft of the Paying Agent/Registrar mailed on or before each interest payment date to the registered owners of the Bonds as of the close of business on the fifteenth day of the month preceding the interest payment date (the "Regular Record Date") at the addresses appearing in the registration books maintained by the Registrar. In the event of a non-payment of interest on a scheduled payment date, and for 30 days thereafter, a new record date for such interest payment (a "Special Record Date") will be established by the Paying Agent/Registrar, if and when funds for the payment of such interest have been received from the District. Notice of the Special Record Date and of the scheduled payment date of the past due interest ("Special Payment Date," which shall be 15 days after the Special Record Date) shall be sent at least five business days prior to the Special Record Date by United States mail, first-class postage prepaid, to the address of each Owner of a Bond appearing on the registration books of the Paying Agent/Registrar at the close of business on the last business day next preceding the date of mailing of such notice.

Optional Prior Redemption

The Bonds maturing on or after August 1, 2026 may be redeemed prior to their scheduled maturities on August 1, 2025, or on any date thereafter, in whole or in part, at the option of the District, with funds derived from any available and lawful source, at the redemption price of par, plus accrued interest to the date fixed for redemption. If the District redeems only part of the Bonds of a given maturity, the Registrar will select those Bonds by lot.

With respect to any optional redemption of the Bonds, unless certain prerequisites to such redemption have been met and moneys sufficient to pay the principal of and interest on the Bonds to be redeemed shall have been received by the Paying Agent/Registrar prior to the giving of such notice of redemption, such notice shall state that said redemption may, at the option of the District, be conditional upon the satisfaction of such prerequisites and receipt of such moneys by the Paying Agent/Registrar on or prior to the date fixed for such redemption, or upon any prerequisite set forth in such notice of redemption. If a conditional notice of redemption is given and such prerequisites to the redemption and sufficient moneys are not received, such notice shall be of no force and effect, the District shall not redeem such Bonds and the Paying Agent/Registrar shall give notice, in the manner in which the notice of redemption was given, to the effect that the Bonds have not been redeemed.

Redemption Notices

The Registrar must, by first class mail, give redemption notices to the registered owners of the affected Bonds and to various securities depositories and information services not less than 30 days prior to the redemption date. *Please note that failure to give notice or any defect in such notice will effect the validity of the redemption for Bonds for which notice was properly given.* While the Bonds remain under the Book-Entry-

Only System, the Paying Agent/Registrar will send notices only to DTC. Any problems from DTC through its system to the beneficial owners of the Bonds will not affect the validity of the bond redemption or any other action based on the Paying Agent/Registrar's notice. Investors in the Bonds might consider arranging to receive redemption notices or other communications from DTC which affect them, including notice of interest payments. See "Book-Entry-Only System" in Appendix C.

If the Paying Agent/Registrar gives proper redemption notice and the Paying Agent/Registrar holds money to pay the redemption price of the affected Bonds, then on the redemption date the Bonds called for redemption will become due and payable. Thereafter, no interest will accrue on those Bonds, and their owners' only right will be to receive payment of the redemption price upon surrender of those Bonds to the Registrar.

Transfers and Exchanges

In the event the Book-Entry-Only System should be discontinued, the Bonds may be transferred and exchanged on the registration books of the Paying Agent/Registrar only upon presentation and surrender thereof to the Paying Agent/Registrar and such transfer or exchange will be without expense or service charge to the registered owner, except for any tax or other governmental charges required to be paid with respect to such registration, exchange and transfer. A Bond may be assigned by the execution of an assignment form on the Bond or by other instrument of transfer and assignment acceptable to the Paying Agent/Registrar. A new Bond or Bonds will be delivered by the Paying Agent/Registrar, in lieu of the Bond being transferred or exchanged, at the principal office of the Paying Agent/Registrar, or sent by United States mail, first-class, postage prepaid, to the new registered owner or his designee. To the extent possible, new Bonds issued in an exchange or transfer of Bonds will be delivered to the registered owner or assignee of the registered owner in not more than three business days after the receipt of the Bonds to be canceled, and the written instrument of transfer or request for exchange duly executed by the registered owner or his duly authorized agent, in a form satisfactory to the Paying Agent/Registrar. New Bonds registered and delivered in an exchange or transfer shall be in any integral multiple of \$5,000 for any one maturity and for a like Series, aggregate principal amount as the Bond or Bonds surrendered for exchange or transfer. See "Book-Entry-Only System" in Appendix C.

Limitation on Transfer of Bonds

Neither the District nor the Paying Agent/Registrar are required to transfer or exchange any Bond (i) during the period commencing at the close of business on the Record Date and ending at the opening of business on the next interest payment date and (ii) with respect to any C Bond called for redemption, in whole or in part, within 45 days of the date fixed for redemption; provided, however, such limitation of transfer will not be applicable to an exchange by the registered owner of the uncalled balance of a Bond.

Defeasance

General. The Bond Resolution provides for the defeasance of the Bonds and the termination of the pledge of taxes and revenues and all other general defeasance covenants in the Bond Resolution under certain circumstances. Any Bond and the interest thereon shall be deemed to be paid, retired and no longer outstanding (a "Defeased Bond") within the meaning of the Bond Resolution when the payment of all principal and interest payable with respect to such Bond to the due date or dates thereof (whether such due date or dates be by reason of maturity, upon redemption, or otherwise) either (1) shall have been made or caused to be made in accordance with the terms thereof (including the giving of any required notice of redemption) or (2) shall have been provided for on or before such due date by irrevocably depositing with or making available to the Paying Agent/Registrar or an eligible entity for such payment (a) lawful money of the United States of America sufficient to make such payment, (b) Defeasance Securities (defined below) that mature as to principal and interest in such amounts and at such times as will ensure the availability, without reinvestment, of sufficient money to provide for such payment and when proper arrangements have been made by the District with the Paying Agent/Registrar or an eligible entity for the payment of its services until after all Defeased Bonds shall have become due and payable or (c) any combination of (a) and (b). At such time as a Bond shall be deemed to be a

Defeased Bond, such Bond and the interest thereon shall no longer be secured by, payable from, or entitled to the benefits of, the ad valorem taxes or revenues levied and pledged as provided in the Bond Resolution, and such principal and interest shall be payable solely from such money or Defeasance Securities.

The deposit under clause (2) above shall be deemed a payment of a Bond when proper notice of redemption of such Bonds shall have been given, in accordance with the Bond Resolution. Any money so deposited with the Paying Agent/Registrar or an eligible entity may at the discretion of the District also be invested in Defeasance Securities, maturing in the amounts and at the times as set forth in the Bond Resolution, and all income from such Defeasance Securities received by the Paying Agent/Registrar or an eligible trust company or commercial bank that is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, shall be turned over to the District.

<u>Investments</u>. Any escrow agreement or other instrument entered into between the District and the Paying Agent/Registrar or an eligible entity pursuant to which money and/or Defeasance Securities are held by the Paying Agent/Registrar or an eligible trust company or commercial bank for the payment of Defeased Bonds may contain provisions permitting the investment or reinvestment of such moneys in Defeasance Securities or the substitution of other Defeasance Securities upon the satisfaction of certain requirements. All income from such Defeasance Securities received by the Paying Agent/Registrar or an eligible trust company or commercial bank which is not required for the payment of the Bonds and interest thereon, with respect to which such money has been so deposited, will be remitted to the District.

For the purposes of these provisions, "Defeasance Securities" means direct, noncallable obligations of the United States of America, including obligations that are unconditionally guaranteed by the United States of America.

Limited Book-Entry Responsibilities

While a book-entry only system is used for the Bonds, the Paying Agent/Registrar will send redemption and other notices only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any Beneficial Owner of any notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the Bond redemption or any other action based on the notice.

The District and the Financial Advisor have no responsibility or liability for any aspects of the records relating to or payments made on account of beneficial ownership, or for maintaining, supervising, or reviewing any records relating to beneficial ownership of interests in the Bonds.

The District and the Financial Advisor cannot and do not give any assurances that DTC will distribute payments to DTC Participants, that DTC Participants or others will distribute payments with respect to the Bonds received by DTC or its nominees as the holder or any redemption notices or other notices to the beneficial holders, or that they will do so on a timely basis, or that DTC will serve and act in the manner described in this Official Statement.

SECURITY AND REMEDIES

The Bonds are general obligations of the District payable from general (ad valorem) property taxes that may be levied against all taxable property within the District without limitation of rate or amount.

The District must use all of the property taxes collected for debt service, and any other legally available money, to pay the debt service on the Bonds and other outstanding general obligation debt.

Various New Mexico laws and constitutional provisions apply to the assessment and collection of ad valorem property taxes. There is no guarantee that there will not be any changes that would have a material effect on the District.

Limitations of Remedies

There is no provision for acceleration of maturity of the principal of the Bonds in the event of a default in the payment of principal of or interest on the Bonds. Consequently, remedies available to the owners of the Bonds, including mandamus, may have to be enforced from year to year.

The enforceability of the rights and remedies of the owners of the Bonds, and the obligations incurred by the District in issuing the Bonds, are subject to the following: the federal bankruptcy code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditor's rights generally, now or hereafter in effect; usual equity principles that may limit the specific enforcement under State law of certain remedies; the exercise by the United States of America of the powers delegated to it by the federal Constitution; and the reasonable and necessary exercise, in certain exceptional situations, of the police power inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or State government, if initiated, could subject the owners of the Bond to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

NEW MEXICO SCHOOL DISTRICT ENHANCEMENT PROGRAM

The New Mexico Legislature adopted Section 22-18-13, which provides that, if the school district indicates that it will not make the payment by the date on which it is due, the New Mexico Department of Finance and Administration ("DFA") shall forward the amount in immediately available funds necessary to make the payment due on the bonds to the paying agent from the current fiscal year's undistributed State Equalization Guarantee ("SEG") distribution to that school district and, if not otherwise repaid by the school district from other legally available funds, withhold the distributions from the school district until the amount has been recouped by the DFA, provided that, if the amount of the undistributed SEG distribution in the current fiscal year is less than the payment due on the bond, the DFA shall:

- (1) forward in immediately available funds to the paying agent an amount equal to the total amount of the school district's undistributed SEG distribution and, if not otherwise repaid by the school district from other legally available funds, withhold all distributions to the school district for the remainder of the fiscal year; and
- (2) on July 1 of the following fiscal year, forward in immediately available funds an amount equal to the remaining amount due to the paying agent from that year's SEG distribution and, if not otherwise repaid by the school district from other legally available funds, withhold an equal amount from the distribution to the school district until the amount paid has been recouped in full.

This provision applies to all New Mexico school districts.

Withholding of the SEG distribution may affect the District's ability to continue to operate.

The New Mexico School District Enhancement Program was initially put on watch list for possible downgrade on May 15, 2007 after the state adopted new legislation that altered the mechanics of the program. After a review of the law and policies regarding the implementation of the law, program ratings were bifurcated, with one rating applying to bonds issued prior to the March 30, 2007 effective date of the legislation and a second rating applying to bonds issued on or after the March 30, 2007 effective date. Under the new law, the State cannot immediately advance more than the remaining undistributed SEG payments for the fiscal year of default. As a result, those districts with principal and interest payments that fall in the latter part of the fiscal year or that are significant in amount relative to the district's total annual SEG distribution may not have sufficient undistributed SEG payments to cover debt service payments in the event of a default.

The rating for the New Mexico School District Enhancement Program is Aa1.

By request, Moody's will assign the Aa1 rating to school district bonds upon verification of a requirement in the authorizing bond resolution that an independent, third-party paying agent will be appointed and maintained. The District has qualified the Bonds under the New Mexico School District Enhancement Program.

DEBT AND OTHER FINANCIAL OBLIGATIONS

Article IX, Section 11 of the New Mexico Constitution limits the powers of a district to incur general obligation debt extending beyond the fiscal year. Subject to this limitation, Section 22-18-1 authorizes the District to incur such debt for the purpose of erecting, remodeling, making additions to and furnishing school buildings, purchasing or improving school grounds, purchasing computer software and hardware for student use in public schools, providing matching funds for capital outlay projects funded pursuant to the Public School Capital Outlay Act, or any combination of these purposes but only after the proposition to create any such debt has been submitted to a vote of the qualified electors of the District, and a majority of those voting on the question vote in favor of creating the debt. The total indebtedness of the District may not exceed 6% of the assessed valuation of the taxable property within the District as shown by the last preceding general assessment. Such limitation, however, does not apply to refunding bonds. The District also may create a debt by entering into a lease-purchase arrangement to acquire education technology equipment without submitting the proposition to a vote of the qualified electors of the District, but any such debt is subject to the 6% debt limitation.

The most recent preliminary assessed valuation of taxable property within the District is \$3,220,511,662 for tax year 2016. Therefore, the maximum general obligation debt may not exceed \$193,230,699.

After the Bonds are issued, the ratio of total net outstanding general obligation debt of the District to the 2016 Preliminary Assessed Valuation will be no greater than 3.61% as summarized:

2016 Preliminary Assessed Valuation	\$3,220,511,662
2016 Preliminary Estimated Actual Valuation	10,532,589,699 (1)
Donale d Dolet	
Bonded Debt	
Current Outstanding Debt (includes the Bonds)	\$117,840,000 ⁽²⁾
Less Debt Service Fund Balance	<u>(1,596,999)</u> ⁽³⁾
NET DEBT	\$ <u>116,243,001</u>
Ratio of Estimated Net Debt to 2016 Assessed Valuation:	3.61%
Ratio of Estimated Net Debt to 2016 Estimated Actual Valuation:	1.10%
Per Capita Net Bonded Debt:	\$960.69
Est. Population:	121,000

- (1) Actual valuation is computed by adding exemptions to the assessed valuation and multiplying the result by three.
- (2) Lease Purchase Agreements are not payable by the ad valorem property taxes levied against taxable property for General Obligation Bonds. See "Lease Purchase Arrangements".
- (3) The cash balance as of 9/21/2016 was \$2,308,318.71. The amount properly attributable to principal reduction is 69.2%

Outstanding Debt

The District has never defaulted in the payment of any of its debt or other obligations. Listed below is the District's total outstanding general obligation debt, including the Bonds.

	GENERAL OBLIGATION BONDS						
Series	C	Original Issue Amount	Final Maturity	C	Principal Outstanding		
2009	\$	18,750,000	08/01/2026	\$	14,100,000		
2011		25,000,000	08/01/2026		18,725,000		
2011A		30,000,000	08/01/2028		24,375,000		
2011B		5,220,000	08/01/2017		405,000		
2013		10,000,000	08/01/2029		7,275,000		
2015A		15,000,000	08/01/2030		12,525,000		
2015B		10,130,000	08/01/2019		8,020,000		
2016A		14,660,000	08/01/2033		11,785,000		
2016B		2,575,000	08/01/2022		2,575,000		
2016C		18,055,000	08/01/2033		18,055,000		
Total	\$	149,390,000		\$	117,840,000		

LEASE-PURCHASE ARRANGEMENTS (1)								
Original Issue Final Principal								
Series		Amount	Maturity	C	outstanding			
2010 Lease-Purchase	\$	18,000,000	08/01/2030	\$	14,914,438			
2013 Lease-Purchase		15,500,000	05/01/2033		14,251,296			
2014 Lease-Purchase		5,500,000	11/01/2034		5,296,019			
Total	\$	39,000,000		\$	34,461,752			

⁽¹⁾ Lease-Purchase Agreements are not payable by the ad valorem property taxes levied against taxable property for General Obligation Bonds. See "Lease Purchase Arrangements".

Debt Service Requirements to Maturity

The District schedules principal and interest payments at the time of the bond sales, with constraints being general obligation debt capacity and expected property tax revenues computed at the desired tax rate. Below is a summary of the currently scheduled principal and interest on the District's outstanding general obligation debt, as well as the proposed principal and interest payments on the Bonds.

		Cu	rrent	t Requireme	nts		G/	O School Bon	ds, Seri	es 2016C	Total Requirements					
Year	Pri	ncipal		Interest		Total		Principal		Interest		Principal		Interest		Total
2017	\$ 9,1	65,000	\$	3,564,438	\$ 1	2,729,438	\$	-	\$	517,747	\$	9,165,000	\$	4,082,185	\$	13,247,185
2018	8,4	00,000		3,308,438	1	1,708,438		900,000		748,550		9,300,000		4,056,988		13,356,988
2019	7,5	20,000		3,045,188	1	0,565,188		900,000		712,550		8,420,000		3,757,738		12,177,738
2020	7,1	50,000		2,809,288		9,959,288		900,000		667,550		8,050,000		3,476,838		11,526,838
2021	6,4	05,000		2,533,288		8,938,288		900,000		622,550		7,305,000		3,155,838		10,460,838
2022	6,3	45,000		2,278,288		8,623,288		900,000		577,550		7,245,000		2,855,838		10,100,838
2023	6,7	00,000		2,048,913		8,748,913		900,000		532,550		7,600,000		2,581,463		10,181,463
2024	6,9	00,000		1,783,313		8,683,313		900,000		487,550		7,800,000		2,270,863		10,070,863
2025	7,2	25,000		1,497,563		8,722,563		900,000		442,550		8,125,000		1,940,113		10,065,113
2026	7,4	50,000		1,197,313		8,647,313		900,000		397,550		8,350,000		1,594,863		9,944,863
2027	7,7	50,000		892,313		8,642,313		900,000		370,550		8,650,000		1,262,863		9,912,863
2028	8,0	75,000		609,313		8,684,313		900,000		341,300		8,975,000		950,613		9,925,613
2029	4,0	00,000		322,750		4,322,750		1,625,000		309,800		5,625,000		632,550		6,257,550
2030	3,2	00,000		201,000		3,401,000		1,625,000		244,800		4,825,000		445,800		5,270,800
2031	1,0	00,000		105,000		1,105,000		1,625,000		179,800		2,625,000		284,800		2,909,800
2032	1,0	00,000		75,000		1,075,000		1,640,000		114,800		2,640,000		189,800		2,829,800
2033	1,5	00,000		45,000		1,545,000		1,640,000		49,200		3,140,000		94,200		3,234,200
Total	\$ 99,7	85,000	\$	26,316,400	\$ 12	26,101,400	\$	18,055,000	\$	7,316,947	\$ 1	17,840,000	\$	33,633,347	\$ 1	51,473,347

Statement of Estimated Direct and Overlapping Debt

The following is a calculation that is useful to investors in assessing the debt load and per capita debt of the District payable from property taxes. In addition to outstanding debt of the District, the calculation takes into account debt attributable to taxing entities which is the responsibility of taxpayers within the boundaries of the District.

Municipal Entity	2016 Preliminary Valuation	G/O Debt Outstanding	Percent Applicable	Amount
State of New Mexico	\$58,412,964,620	\$389,270,000	5.51%	\$21,461,821
Doña Ana County	4,173,726,189	6,625,000	77.16%	5,111,952
Doña Ana Branch CC	4,223,756,547	18,890,000	76.25%	14,403,166
City of Las Cruces	2,165,733,246	-	100.00%	-
Town of Mesilla	62,605,412	-	100.00%	-
Las Cruces Schools	3,220,511,662	117,840,000	100.00%	117,840,000
Total Direct & Overlapping Debt				\$158,816,939

Ratio of Estimated Direct & Overlapping Debt to 2016 Preliminary Assessed Valuation:	4.93%
Ratio of Estimated Direct & Overlapping Debt to 2016 Preliminary Estimated Actual Valuation:	1.51%
Per Capita Direct & Overlapping Debt:	\$1,312.54

Selected Debt Ratios

2016 Preliminary Assessed Valuation	\$3,220,511,662
2016 Preliminary Estimated Actual Valuation	\$10,532,589,699 ⁽¹⁾
District Net Debt as a Percentage of	
Assessed Valuation	3.61%
Estimated Actual Valuation	1.10%
Direct and Overlapping Debt as a % of	
Assessed Valuation	4.93%
Estimated Actual Valuation	1.51%
Estimated Population	121,000
District General Obligation Debt	
Current Outstanding Debt (including the Bonds)	\$117,840,000
District Net General Obligation Debt	\$116,243,001
Estimated Direct & Overlapping G/O Debt	\$158,816,939
District Net Debt Per Capita	\$960.69
Direct & Overlapping Debt Per Capita	\$1,312.54

⁽¹⁾ Actual valuation is computed by adding exemptions to the assessed valuation and multiplying the result by three.

Lease-Purchase Agreements

Pursuant to NMSA 1978, Sections 22-26A-1, *et seq.*, the District entered into two lease-purchase agreements in the aggregate amount of \$33.5 million for the construction of two Early College High Schools ("ECHS") in the Research Park of New Mexico State University. In 2014, the District entered into a third lease-purchase agreement for \$5.5 million for the purpose of constructing a charter school building. Each lease is for a period of 20 years and the primary payment source is the District's HB33 (See "Tax Base" – School Tax Rates) special property tax levy or any and all legally available funds to the District appropriated for such purpose by the Board, including mill levy proceeds and special building funds. As related to ECHS, the District also entered into a land lease agreement with the Board of Regents of New Mexico State University for 40 years. Below is a summary of the currently scheduled principal and interest on the District's lease purchase obligations. Such agreements are <u>not</u> payable by the general ad valorem taxes levied against all taxable property without limit as to rate or amount that secures the Bonds.

\$18 Milli	ion Lease-Purc	hase Agreem	ent - 2010	\$15.5 Milli	on Lease-Pu	rchase Agree	ement - 2013	\$5.5 Millio	n Lease-Purc	hase Agreem	ent - 2014	Combined Debt Service
Date	Principal	Interest	Total	Date	Principal	Interest	Total	Date	Principal	Interest	Total	Total
02/01/2017	\$383,916	\$346,761	\$730,677	05/01/2017	\$325,555	\$242,272	\$567,827	05/01/2017	\$104,829	\$97,976	\$202,806	\$1,501,310
08/01/2017	392,842	337,835	730,677	11/01/2017	331,090	236,738	567,827	11/01/2017	106,769	96,037	202,806	1,501,310
02/01/2018	401,976	328,701	730,677	05/01/2018	336,718	231,109	567,827	05/01/2018	108,744	94,062	202,806	1,501,310
08/01/2018	411,321	319,355	730,677	11/01/2018	342,443	225,385	567,827	11/01/2018	110,756	92,050	202,806	1,501,310
02/01/2019	420,885	309,792	730,677	05/01/2019	348,264	219,563	567,827	05/01/2019	112,805	90,001	202,806	1,501,310
08/01/2019	430,670	300,006	730,677	11/01/2019	354,185	213,643	567,827	11/01/2019	114,892	87,914	202,806	1,501,310
02/01/2020	440,683	289,993	730,677	05/01/2020	360,206	207,622	567,827	05/01/2020	117,017	85,789	202,806	1,501,310
08/01/2020	450,929	279,747	730,677	11/01/2020	366,329	201,498	567,827	11/01/2020	119,182	83,624	202,806	1,501,310
02/01/2021	461,413	269,263	730,677	05/01/2021	372,557	195,271	567,827	05/01/2021	121,387	81,419	202,806	1,501,310
08/01/2021	472,141	258,535	730,677	11/01/2021	378,890	188,937	567,827	11/01/2021	123,632	79,173	202,806	1,501,310
02/01/2022	483,118	247,558	730,677	05/01/2022	385,331	182,496	567,827	05/01/2022	125,920	76,886	202,806	1,501,310
08/01/2022	494,351	236,326	730,677	11/01/2022	391,882	175,945	567,827	11/01/2022	128,249	74,557	202,806	1,501,310
02/01/2023	505,845	224,832	730,677	05/01/2023	398,544	169,283	567,827	05/01/2023	130,622	72,184	202,806	1,501,310
08/01/2023	517,606	213,071	730,677	11/01/2023	405,319	162,508	567,827	11/01/2023	133,038	69,768	202,806	1,501,310
02/01/2024	529,640	201,037	730,677	05/01/2024	412,210	155,618	567,828	05/01/2024	135,499	67,306	202,806	1,501,310
08/01/2024	541,954	188,723	730,677	11/01/2024	419,217	148,610	567,827	11/01/2024	138,006	64,800	202,806	1,501,310
02/01/2025	554,554	176,122	730,677	05/01/2025	426,344	141,483	567,827	05/01/2025	140,559	62,246	202,806	1,501,310
08/01/2025	567,448	163,229	730,677	11/01/2025	433,592	134,236	567,827	11/01/2025	143,160	59,646	202,806	1,501,310
02/01/2026	580,641	150,036	730,677	05/01/2026	440,963	126,865	567,827	05/01/2026	145,808	56,998	202,806	1,501,310
08/01/2026	594,141	136,536	730,677	11/01/2026	448,459	119,368	567,827	11/01/2026	148,506	54,300	202,806	1,501,310
02/01/2027	607,955	122,722	730,677	05/01/2027	456,083	111,744	567,827	05/01/2027	151,253	51,553	202,806	1,501,310
08/01/2027	622,090	108,587	730,677	11/01/2027	463,837	103,991	567,827	11/01/2027	154,051	48,755	202,806	1,501,310
02/01/2028	636,553	94,123	730,677	05/01/2028	471,722	96,106	567,827	05/01/2028	156,901	45,905	202,806	1,501,310
08/01/2028	651,353	79,324	730,677	11/01/2028	479,741	88,086	567,827	11/01/2028	159,804	43,002	202,806	1,501,310
02/01/2029	666,497	64,180	730,677	05/01/2029	487,897	79,931	567,827	05/01/2029	162,760	40,046	202,806	1,501,310
08/01/2029	681,993	48,684	730,677	11/01/2029	496,191	71,637	567,827	11/01/2029	165,771	37,035	202,806	1,501,310
02/01/2030	697,849	32,827	730,677	05/01/2030	504,626	63,201	567,827	05/01/2030	168,838	33,968	202,806	1,501,310
08/01/2030	714,074	16,602	730,677	11/01/2030	513,205	54,623	567,827	11/01/2030	171,961	30,844	202,806	1,501,310
02/01/2031				05/01/2031	521,929	45,898	567,827	05/01/2031	175,143	27,663	202,806	770,633
08/01/2031				11/01/2031	530,802	37,025	567,827	11/01/2031	178,383	24,423	202,806	770,633
02/01/2032				05/01/2032	539,826	28,002	567,827	05/01/2032	181,683	21,123	202,806	770,633
08/01/2032				11/01/2032	549,003	18,825	567,827	11/01/2032	185,044	17,762	202,806	770,633
02/01/2033				05/01/2033	558,336	9,492	567,827	05/01/2033	188,467	14,338	202,806	770,633
08/01/2033								11/01/2033	191,954	10,852	202,806	202,806
02/01/2034								05/01/2034	195,505	7,301	202,806	202,806
08/01/2034								11/01/2034	199,122	3,684	202,806	202,806
	\$14,914,438	\$5,544,506	\$20,458,944	02/17/6036	14,251,296	\$4,487,010	\$18,738,306	02/22/6439	\$5,296,019	\$2,004,987	\$7,301,006	\$46,498,256

TAX BASE

Analysis of Assessed Valuation

Assessed Valuation of property within the District is calculated as follows: Of the total estimated actual valuation of all taxable property in the District, 33 1/3% is legally subject to ad valorem taxes. This means the assessment ratio is 33 1/3%. After deduction of certain personal exemptions, the District's 2016 Preliminary Assessed Valuation is \$3,220,511,662. The actual value of personal property within the District (see "Assessments" below) is determined by the County Assessor.

The actual value of certain corporate property within the District (see "Centrally Assessed" below) is determined by the State of New Mexico, Taxation and Revenue Department, Property Tax Division. The analysis of Preliminary Assessed Valuation for 2016 and the previous four years follows:

	2016*	2015	2014	2013	2012
Assessments					
Value of Land		\$863,944,497	\$851,922,330	\$851,984,333	\$859,202,290
Improvements		2,339,907,342	2,266,501,787	2,190,819,849	2,193,856,328
Personal Property		72,650,644	72,689,409	73,038,830	71,117,832
Mobile Homes		53,135,712	53,371,736	53,183,253	53,026,312
Livestock		1,440,071	992,096	906,133	887,426
Assessors Total Taxable Value		\$3,331,078,266	\$3,245,477,358	\$3,169,932,398	\$3,154,304,815
Less Exemptions					
Head of Family		\$42,878,596	\$43,176,936	\$42,994,417	\$42,737,245
Veterans		56,600,765	54,804,626	28,584,505	28,623,957
Other		190,872,210	189,599,069	187,083,720	180,016,120
Total Exemptions		\$290,351,571	\$287,580,631	\$258,662,642	\$251,377,322
Assessors Net Taxable Value	\$3,109,782,597	\$3,040,726,695	\$2,957,896,727	\$2,911,269,756	\$2,902,927,493
Centrally Assessed	110,729,065	125,084,777	119,274,415	116,419,615	108,588,175
Total Assessed Valuation	\$3,220,511,662	\$3,165,811,472	\$3,077,171,142	\$3,027,689,371	\$3,011,515,668
	2016*	2015	2014	2013	2012
Residential	\$2,348,785,183	\$2,282,983,486	\$2,218,201,438	\$2,181,219,142	\$2,167,497,296
Non-Residential	871,726,479	882,827,986	858,969,704	846,470,229	844,018,372
Total	\$3,220,511,662	\$3,165,811,472	\$3,077,171,142	\$3,027,689,371	\$3,011,515,668

*Preliminary

Source: Doña Ana County Assessor's Office

History of Assessed Valuation

Listed below is a 5-year history of assessed valuation for the District, the City of Las Cruces and Doña Ana County. Over the past 5 years, the tax base of the District has increased 6.94% compared to the City's increase of 7.54%, and Doña Ana County's increase of 8.53%.

Tax Year	Las Cruces School District	City of Las Cruces	Dona Ana County
2016*	\$3,220,511,662	\$2,200,677,769	\$4,173,726,189
2015	3,165,811,472	2,165,733,245	4,106,398,168
2014	3,077,171,142	2,102,950,157	3,975,407,290
2013	3,027,689,371	2,079,745,949	3,891,775,511
2012	3,011,515,668	2,046,371,786	3,845,596,961
*Preliminary			

Source: Doña Ana County Assessor's Office.

Major Taxpayers

The following is a list of the ten largest taxpayers in the District, along with the 2015 assessed valuation for each. This table is useful in assessing the concentration risk of the tax base. The assessed valuation of the ten largest taxpayers' is 4.86% of the District's total 2015 assessed valuation.

Name	Business	2015 A.V.	% of AV
El Paso Electric	Electric Utility	\$55,322,453	1.75%
Las Cruces Medical Center	Healthcare	17,666,666	0.56%
Memorial Medical Center	Healthcare	16,892,000	0.53%
Mesilla Valley Mall	Retail	11,705,500	0.37%
Sune SPS1	Solar Power Plant	10,661,603	0.34%
Qwest	Telecommunications	9,962,161	0.31%
BN&SF	Railroad	9,849,894	0.31%
Copperstone	Real Estate	7,840,955	0.25%
Comcast of New Mexico	Cable TV	7,362,055	0.23%
Union Pacific	Railroad	6,670,060	0.21%
		\$153,933,347	4.86%

Source: Doña Ana County Assessor's Office

Tax Rates

Article VIII, Section 2, of the New Mexico Constitution limits the total ad valorem taxes for operational purposes levied by all overlapping governmental units within the District to \$20.00 per \$1,000 of assessed value. This limitation does not apply to levies for public debt and levies for additional taxes if authorized at an election by a majority of the qualified voters of the jurisdiction voting on the question. The following table summarizes the tax situation on residential property for the 2015 tax year and the previous four years. The District expects no change in the level of its taxes in the foreseeable future but is unable to predict what overlapping entities might do. A high level of taxation may impact the District's ability to repay bonds.

Within 20		General Pu			
	2014-15	2013-14	2012-13	2011-12	2010-11
State of New Mexico	\$0.000	\$0.000	\$0.000	\$0.000	\$0.000
Doña Ana County	9.170	9.103	8.844	8.586	8.236
City of Las Cruces	4.801	4.757	4.614	4.478	4.272
Las Cruces Schools	0.340	0.337	0.326	0.317	0.304
Total	\$14.311	\$14.197	\$13.784	\$13.381	\$12.812
Over 20 Mill Lim	it - Interest,	Principal, Ju	dgment, etc		
	2014-15	2013-14	2012-13	2011-12	2010-11
State of New Mexico	\$1.360	\$1.360	\$1.360	\$1.362	\$1.530
Doña Ana County	0.085	0.099	0.145	0.150	0.152
Doña Ana Community College	2.000	2.000	2.000	2.000	1.977
City of Las Cruces	2.000	2.000	2.000	1.974	1.883
Las Cruces Schools	9.513	9.514	9.514	9.514	9.514
Total	\$14.958	\$14.973	\$15.019	\$15.000	\$15.056
	Total L	evy			
	2014-15	2013-14	2012-13	2011-12	2010-11
State of New Mexico	\$1.360	\$1.360	\$1.360	\$1.362	\$1.530
Doña Ana County	9.255	9.202	8.989	8.736	8.388
Doña Ana Community College	2.000	2.000	2.000	2.000	1.977
City of Las Cruces	6.801	6.757	6.614	6.452	6.155
Las Cruces Schools	9.853	9.851	9.840	9.831	9.818
Total Residential in City of Las Cruces	\$29.269	\$29.170	\$28.803	\$28.381	\$27.868
Total Non-Residential in City of Las Cruces	\$32.428	\$32.443	\$32.489	\$32.496	\$32.666
Total Residential in Town of Mesilla	\$23.523	\$23.473	\$23.226	\$22.811	\$22.409
Total Non-Residential in Town of Mesilla	\$27.648	\$27.663	\$27.709	\$27.601	\$27.625

Source: New Mexico Department of Finance & Administration

School Tax Rates

The following table shows the historical school tax levies on residential property within the District since the 2012 tax year (2012-13 fiscal year). The Two Mill Levy, a public school capital improvements tax imposition not to exceed \$2.00 on each \$1,000 of net taxable value of property, is renewed every six years, most recently on February 2, 2016. In addition, the District authorized the imposition of a \$3.00 Public School Buildings tax levy pursuant to the Public School Buildings Act, Chapter 22, Article 26, NMSA 1978. The \$3.00 levy for public school buildings expenditures, including payments made with respect to lease-purchase arrangements was approved on February 4, 2014 for a six year period.

This table breaks down the District's total residential and non-residential tax rate shown in the previous table.

	Oper	Operational		Two Mill Levy		HB33 Mill Levv* Debt Service		HB33 Mill Levv*		Total	To	otal
Tax Year	Res.	Non-Res.	Res.	Non-Res.	Res.	Non-Res.	ETN	GO Bonds	Debt Service	Res.	Non-Res	
2016	\$0.336	\$0.500	\$2.000	\$2.000	\$2.968	\$3.000	\$0.000	\$4.616	\$4.616	\$9.920	\$10.116	
2015	0.340	0.500	1.999	2.000	3.000	3.000	0.000	4.513	4.513	9.852	10.013	
2014	0.340	0.500	2.000	2.000	3.000	3.000	0.000	4.513	4.513	9.853	10.013	
2013	0.337	0.500	2.000	2.000	3.000	3.000	0.000	4.514	4.514	9.851	10.014	
2012	0.326	0.500	2.000	2.000	3.000	3.000	0.000	4.514	4.514	9.840	10.014	

^{*} The HB33 Mill Levy is the source of revenue to pay debt service on the Lease-Purchase Arrangements.

Source: New Mexico Public Education Department

Yield Control Limitations

State law limits property tax increases from the prior property tax year. Specifically, no taxing entity may set a rate or impose a tax (excluding oil and gas production ad valorem and oil and gas production equipment ad valorem taxes) or assessment that will produce revenues that exceed the prior year's tax revenues from residential and non-residential property multiplied by a "growth control factor." The growth control factor is the percentage equal to the sum of (a) "percent change I" plus (b) the prior property tax year's total taxable property value, plus "net new value," as defined by statute, divided by such prior property tax year's total taxable property value. However, if that percentage is less than 100%, the growth control factor is (a) "percent change I" plus (b) 100%. "Percent change I" is based upon the annual implicit price deflator index for state and local government purchases of goods and services (as published in the United States Department of Commerce monthly publication, "Survey of Current Business," or any successor publication) and is a percent (not to exceed 5%) that is derived by dividing the increase in the prior calendar year (unless there was a decrease, in which case zero is used) by the index for such calendar year next preceding the prior calendar year. The growth control factor applies to authorized operating levies and to any capital improvements levies but does not apply to levies for paying principal and interest on public general obligation debt.

Developments Limiting Residential Property Tax Increases

In an effort to limit large annual increases in residential property taxes in some areas of the State (particularly the Santa Fe and Taos areas which have experienced large increases in residential property values in recent years), an amendment to the uniformity clause (Article VIII, Section 1) of the New Mexico Constitution was proposed during the 1997 Legislative Session. The amendment was submitted to voters of the State at the general election held on November 3, 1998 and was approved by a wide margin.

The amendment directs the Legislature to provide for valuation of residential property in a manner that limits annual increases in valuation. The limitation may be applied to classes of residential property taxpayers based on occupancy, age or income. Further, the limitations may be authorized statewide or at the option of a local jurisdiction and may include conditions for applying the limitations.

Bills implementing the constitutional amendment were enacted in 2001 and were codified as NMSA 1978, Sections 7-36-21.2 and 7-36-21.3.

NMSA 1978, Section 7-36-21.2, establishes a statewide limitation on residential property valuation increases beginning in tax year 2001 (the "Statutory Valuation Cap on Residential Increases"). Annual valuation increases are limited to 3% over the prior year's valuation or 6.1% over the valuation from two years prior. Subject to certain exceptions, these limitations do not apply:

- 1. To property that is being valued for the first time;
- 2. To physical improvements made to the property in the preceding year;
- 3. When the property is transferred to a person other than a spouse, or a child who occupies the property as his principal residence and who qualifies for the head of household exemption on the property under the Property Tax Code;
- 4. When a change occurs in the zoning or use of the property; and
- 5. To property that is subject to the valuation limitations under NMSA 1978, Section 7-36-21.3.
- 6. On March 28, 2012, the New Mexico Court of Appeals upheld the constitutionality of a law capping residential valuation increases until a home changes ownership. This decision was appealed to the New Mexico Supreme Court. The Supreme Court affirmed this decision on June 30, 2014. The New Mexico Legislature has brought up the issue of the disparity in valuations in the past several years, but has not enacted any of the bills into law. To the extent that court or legislative action is taken or a further constitutional amendment is passed amending the valuation provisions, it could have a material impact on the valuation of residential property within the boundaries of the District.

NMSA 1978, Section 7-36-21.3 places a limitation on the increase in value for property taxation purposes for single-family dwellings occupied by low-income owners who are 65 years of age or older or who are disabled. The statute fixes the valuation of the property to the valuation in the year that the owner turned 65 or became disabled. The NMSA 1978, Section 7-36-21.3 limitation does not apply to:

- Property that is being valued for the first time:
- A change in valuation resulting from physical improvements made to the property in the preceding year;
- A change in valuation resulting from a change in the zoning or permitted use of the property in the preceding year.

Tax Collections

The level of tax collections is an important component in the analysis of the ability to pay principal and interest on a timely basis. General property taxes, with the exception of those taxes on oil and gas production and equipment for all units of government, are collected by the County Treasurer and distributed monthly to the various political subdivisions to which they are due. Property taxes are due in two installments. The first half is due on November 10 and becomes delinquent on December 10. The second half installment is due on April 10 and becomes delinquent on May 10. Collection statistics for all political subdivisions for which the County Treasurer collects taxes are as follows:

	Current/Delinquent Property Tax Collections for Doña Ana County										
Tax Year	Fiscal Year	Net Taxes Charged to Treasurer	Current Tax Collections ⁽¹⁾	Current Collections as a percent of Net Levied	Current/ Delinquent Tax Collections (2)	Current/Delinquen Collections as a % of Net Levied					
2015	15/16	\$121,366,128	\$115,940,130	95.53%	\$115,940,130	95.53%					
2014	14/15	117,086,783	111,084,801	94.87%	115,325,782	98.50%					
2013	13/14	114,294,999	109,475,574	95.78%	113,723,806	99.50%					
2012	12/13	111,473,300	106,152,876	95.23%	111,250,832	99.80%					
2011	11/12	107,388,945	103,081,166	95.99%	107,040,525	99.68%					
2010	10/11	107,477,075	102,273,127	95.16%	107,186,681	99.73%					

⁽¹⁾ Collections through June 30 of each year.

Source: Doña Ana County Treasurer's Office.

Interest on Delinquent Taxes

Pursuant to NMSA 1978, Section 7-38-49, if property taxes are not paid for any reason within 30 days after the date they are due, interest on the unpaid taxes shall accrue from the 30th day after they are due until the date they are paid. Interest accrues at the rate of 1% per month or any fraction of a month.

Penalty for Delinquent Taxes

Pursuant to NMSA 1978, Section 7-38-50, if property taxes become delinquent, a penalty of 1% of the delinquent tax for each month, or any portion of a month, they remain unpaid must be imposed, but the total penalty shall not exceed 5% of the delinquent taxes. The minimum penalty imposed is \$5.00. A county can suspend application of the minimum penalty requirement for any tax year.

If property taxes become delinquent because of intent to defraud by the property owner, 50% of the property tax due or \$50.00, whichever is greater, shall be added as a penalty.

Remedies Available for Non-Payment of Taxes

Pursuant to NMSA 1978, Section 7-38-47, property taxes are the personal obligation of the person owning the property on the date upon which the property was subject to valuation for property taxation purposes. A personal judgment may be rendered against the taxpayer for payment of taxes that are delinquent, together with any penalty and interest on the delinquent taxes.

⁽²⁾ As of June 2016.

Taxes on real property are a lien against the real property. Pursuant to NMSA 1978, Section 7-38-65, delinquent taxes on real property may be collected by selling the real property on which taxes are delinquent.

Pursuant to NMSA 1978, Section 7-38-53, delinquent property taxes on personal property may be collected by asserting a claim against the owner(s) of the personal property upon which taxes are delinquent.

THE DISTRICT

The District is a political subdivision of the State organized for the purpose of operating and maintaining an educational program for school-age children residing within its boundaries. The District encompasses approximately 1,458 square miles in southern New Mexico. The Las Cruces/Doña Ana County area borders Texas and Mexico and has a rich and colorful history, ranging from 16th century Spanish exploration to the landing of the space shuttle. The District draws a substantial amount of its enrollment from the City of Las Cruces. The City is the second largest city in the State and is the commercial, service and cultural center of southern New Mexico.

The District has 41 schools; 25 elementary schools (kindergarten-5) one combined elementary and middle school (K-8) eight middle schools (6-8); and seven high schools (9-12). Two of the seven high schools are early college high schools and are located on the campus on New Mexico State University. The District also has a virtual learning academy, serving elementary through high school students. In addition, approximately 569 students are home schooled in the District.

Student enrollment is approximately 24,300 students. The District is the third largest employer in Doña Ana County with more than 3,100 employees.

School District Powers

The District's powers are subject to regulations adopted by the New Mexico Public Education Department ("PED"). Pursuant to an amendment to Article XII, Section 6 of the New Mexico Constitution, adopted at a special election held September 23, 2003, the Secretary of Education (the "Secretary") is the governing authority and has control, management, and direction of all public schools pursuant to power provided by law. The Secretary further exercises supervision and authority over the PED. Generally, the powers of the Secretary and the PED include determining policy regarding operations of all public schools, designating courses of instruction, adopting regulations, determining qualifications for teachers, counselors and their assistants, and prescribing minimum educational standards. The Secretary may order the creation or consolidation of school districts.

Management

The District Board (the "Board"), subject to regulations of the Secretary of the PED, develops educational policies for the District. The Board employs a superintendent of schools, delegates administrative and supervisory functions to the superintendent, including fixing the salaries of all employees, reviews and approves the annual District budget, has the capacity to sue and be sued, contracts, leases, purchases and sells for the District, acquires and disposes of all property, and adopts regulations pertaining to the administration of all powers or duties of the Board. Members serve without compensation for four-year terms of office in non-partisan elections held every two years on the first Tuesday in February.

The current District Board Members are:

Maria A. Flores, President, Term ends 2017 Chuck Davis, Vice President, Term ends 2017 Barbara Hall, Secretary, Term ends 2017 Maury Castro, Member, Term ends 2019 Ed Frank, Member, Term Ends 2019

Dr. Steven A. Sanchez, Interim Superintendent *Crystal Valdez*, CFO/COO

Insurance

The District is a member of the New Mexico Public School Insurance Authority (the "Insurance Authority"), which was established to provide a comprehensive insurance program for school districts, board members and retirees, and public school employees and retirees. The Insurance Authority provides risk related insurance to the District such as worker's compensation, property and casualty insurance, general automobile and fire insurance, and general liability insurance for the District, its property, its board members and employees. The Insurance Authority also provides health, dental, and vision insurance to the District.

Intergovernmental Agreements

The District has entered into various joint powers agreements with other governmental entities in the State that permit them to provide equipment purchases and other services jointly.

School Property

Currently, the District operates and maintains a variety of facilities in meeting its obligations to provide an educational program for the school-aged children residing within its boundaries. In addition to the school buildings and their contents, the District owns the land upon which school buildings and facilities are located, including the District Administration Building, a maintenance shop and custodial center, an instructional materials warehouse, and numerous vehicles. The District contracts buses which are used only to transport students to and from school and school activity events. As of June 30, 2015 the replacement value of buildings is \$665,293,184 and contents of \$69,610,879 for a total of \$734,904,063 estimated for insurance purposes.

In addition to the regular educational program of grades kindergarten through 12, the District offers vocational programs in auto mechanics, family and consumer science, computer technology, industrial arts, business education, and vocational agriculture.

Enrollment

The District's enrollment has increased 0.06% from 2014-15 to 2015-16. Set forth below is a five year history of the District's combined enrollment, including special education and bilingual students. For a discussion of the relationship between student enrollment and amounts of financial support provided by the State for public schools, see "FINANCES OF THE EDUCATIONAL PROGRAM - SOURCES OF REVENUES".

The District's full-time enrollment for the current and previous four years is as follows:

	2011-12	2012-13	2013-14	2014-15	2015-16
Elementary	11,627	11,816	11,637	11,856	11,755
Middle	5,460	5,408	5,391	5,415	5,533
High School	7,090	7,060	6,995	7,016	7,013
Total	24,177	24,284	24,023	24,287	24,301
Charter Schools	418	426	407	174	
Grand Total	24,595	24,710	24,430	24,461	24,301
Year over Year % Change					
without Charters	-2.14%	0.44%	-1.07%	1.10%	0.06%
Year over Year % Change					
with Charters	-2.12%	0.47%	-1.13%	0.13%	-0.65%

⁽¹⁾ The District no longer has any charter schools that have been chartered by the District.

Source: New Mexico Public Education Department and the District.

Accreditation

The District, as a whole, is accredited by the New Mexico Public Education Department. The most recent accreditation was granted in March 2014. The next accreditation will be in March 2019.

FINANCES OF THE DISTRCT

The basic format for the financial operation of the District is provided by the New Mexico Public Education Department ("PED") through the School Budget Planning Division, which is directed by State law to supervise and control the preparation of all budgets of all school districts. The District receives revenue from a variety of local, state, and federal sources, the most important of which are described below. New Mexico's public school finance laws are subject to review and examination through both the judicial and legislative processes. As a result, the District cannot anticipate with certainty all of the factors that may influence the financing of its future activities. There is no assurance that there will not be any change in, interpretation of, or additions to the applicable laws, provisions, and regulations that would have a material effect, directly or indirectly, on the affairs of the District.

Sources of Revenues for General Fund

The General Fund is the primary operating fund of the District, and accounts for all financial resources, except those required to be accounted for in other funds. The sources of revenue for the District's General Fund are:

<u>Local Revenues</u> - Local revenues are a minor source of revenue to the District composed, in part, by a property tax annually levied on and against all of the taxable property within the District for operational purposes. The levy is limited by State law to a rate of 50 cents for each \$1,000 of net taxable value of taxable property. Other sources of local revenues include interest income earned on the District's investments, rentals, and sale of property. In the fiscal year 2014-15, the District received \$1,188,724 from local sources.

<u>Federal Revenues</u> - Another minor source of annual revenue for the District's General Fund is derived from indirect costs of direct federal grant funds related to vocational, special education, and various other programs and P.L. 874 federal impact moneys paid to the District in lieu of taxes on federal land located in the District. In fiscal year 2014-15, the District received \$680,736 in federal revenues for its General Fund.

<u>State Revenues</u> - The District's largest source of annual revenue is derived from the State Equalization distribution described below. During fiscal year 2014-15, the District received \$184,604,801 from state sources. Such payments represented approximately 98.37% of actual fiscal year 2014-15 General Fund Revenues.

State Equalization Program

The State Legislature enacted New Mexico's current public school funding formula in 1974. Designed to distribute operational funds to local school districts in an objective manner, the funding formula is based upon the educational needs of individual students and costs of the programs designed to meet those needs. Program cost differentials are based upon nationwide data regarding the relative costs of various school programs, as well as data specific to New Mexico. The objectives of the formula are (1) to equalize educational opportunity statewide (by crediting certain local and federal support and then distributing state support in an objective manner) and (2) to retain local autonomy in actual use of funds by allowing funds to be used in local districts at the discretion of local policy making bodies. The formula is divided into three basic parts:

- 1. Educational program units that reflect the different costs of identified programs;
- 2. Training and experience units that attempt to provide additional funds so that districts may hire and retain better educated and more experienced instructional staff; and
- Size adjustment units that recognize local school and community needs, economies of scale, types of students, marginal cost increases for growth in enrollment from one year to the next, and adjustments for the creation of new districts.

SEG payments are made monthly and prior to June 30 each fiscal year. The calculation of the distribution is also based on the local and federal revenues received from July 1 of the previous fiscal year through May 31 of the fiscal year for which the State distribution is being computed. In the event that a district receives more SEG funds than its entitlement, that district must make a refund to the State's general fund.

Even though the current public school funding formula has been in place for more than two decades, some districts have indicated a concern about the fact that some districts receive less revenue per pupil compared to others. In response to these concerns, the Legislature, the Governor, and the State Board of Education authorized an independent, comprehensive study of the formula, that was conducted in 1996. In its principal finding the independent consultant concluded,"...When evaluated on the basis of generally accepted standards of equity, the New Mexico public school funding formula is a highly equitable formula. ...[S]pending disparities are less than in other states and statistically insignificant."

Despite the acknowledged equity of the formula, the independent consultant pointed out a strong perception of unfairness in the so-called "density" factor and in the training and experience computations of some districts. As a result, the Legislature enacted the following changes to the funding formula:

- Required that special education students be counted with regular students with "add-on" weights assigned depending upon the severity of the disability;
- Changed weights for special education ancillary services and included diagnosticians in ancillary services computations; and
- Repealed the so-called "density" factor and replaced it with an at-risk factor that is available to all school districts.

In addition, the equalization funding for a district is based on the previous year's enrollment rather than current year enrollment.

Historical SEG payments to the District are as follows:

	Program	Program	
Year	Unit Factor	Units	Amount
2016-17*	4,040.24	44,135.00	\$177,404,678
2015-16	4,027.75	44,880.44	180,767,184
2014-15	4,005.75	44,535.86	177,981,228
2013-14	3,817.55	44,862.29	170,417,587
2012-13	3,668.18	45,523.08	166,409,833
*Preliminary			

Source: New Mexico Public Education Department and the District.

The PED receives Federal mineral-leasing funds from which it makes annual allocations to school districts for purchasing textbooks. In 2014-15, the District received \$1,707,433 of cash and credit for the purchase of educational materials.

The District is also reimbursed by the State for the costs of transporting pupils to and from school. These payments are based upon a formula consisting of the number of students per mile that are transported. In 2014-15, the District received \$5,638,851 for transportation purposes.

Statement of Net Assets

The Statement of Net Assets is presented below. For a more detailed explanation of the District's basic financial statements, statement reconciliation, and Management's Discussion and Analysis, please contact the District's Assistant Superintendent for Finance. See financial statements for the fiscal year ending June 30, 2015 attached as Appendix B. The complete audit report for the fiscal year ending June 30, 2015 and the last four years can be downloaded from the State Auditor's website using the following link http://www.saonm.org/audit_reports.

STATEMEN	STATEMENT OF NET ASSETS - GOVERNMENTAL ACTIVITIES								
Assets	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>				
Current Assets									
Cash and cash equivalents	\$72,027,939	\$86,132,816	\$69,898,546	\$67,735,150	\$64,123,519				
Taxes receivable	8,783,009	10,513,846	9,663,724	10,868,504	9,839,188				
Inventory	648,885	598,176	589,407	574,976	660,042				
Total Current Assets	\$81,459,833	\$97,244,838	\$80,151,677	\$79,178,630	\$74,622,749				
Non current assets									
Capital assets	340,453,124	393,249,772	473,138,105	495,091,235	515,228,866				
Bond issuance costs	196,273	168,266	136,608	-	-				
Less: accumulated depreciation	(104,061,829)	(112,357,609)	(121,024,787)	(131,779,019)	(143,803,653)				
Total Noncurrent assets	236,587,568	281,060,429	352,249,926	363,312,216	371,425,213				
Total Assets	<u>\$318,047,401</u>	<u>\$378,305,267</u>	<u>\$432,401,603</u>	<u>\$442,490,846</u>	<u>\$446,047,962</u>				
Deferred Outflow of Resources									
Deferred outflow of resources related to pensions	<u> </u>	<u> </u>	<u> </u>		\$20,051,653				
Liabilities									
Current Liabilities									
Accounts payable	\$12,118,224	\$18,843,296	\$11,841,789	\$13,702,167	\$14,042,178				
Accrued expenses	869,635	1,788,324	1,551,214	1,597,651	1,562,680				
Accrued compensated absences	678,578	777,824	817,532	892,698	870,512				
Deferred revenue	2,471,702	2,638,413	2,431,741	1,913,664	1,937,311				
Due to other funds	586,693	3,620	1,454,281	393,156	269				
Current portion of long-term debt	10,140,000	11,001,611	10,576,323	11,271,759	11,923,591				
Total Current Liabilities	\$26,864,832	\$35,053,088	\$28,672,880	\$29,771,095	\$30,336,541				
Noncurrent Liabilities									
General Obligation bonds	\$81,005,000	\$118,798,389	\$108,222,066	\$122,450,307	\$131,206,716				
Bond underwriter premiums	1,518,619	1,972,072	1,617,284	1,747,529	1,945,414				
Net pension Liability					267,644,295				
Accrued compensated absences	263,892	302,486	317,929	347,160	338,533				
Total Noncurrent liabilities	\$82,787,511	\$121,072,947	\$110,157,279	\$124,544,996	\$401,134,958				
Total Liabilities	\$109,652,343	\$156,126,035	\$138,830,159	\$154,316,091	\$431,471,499				
Deferred Inflow of Resources									
Deferred inflow of resources related to premiums			_		<u>\$28,317.091</u>				
Net Assets									
Invested in capital assets, net of related debt	\$181,571,295	\$186,312,163	\$233,314,929	\$239,590,150	\$243,294,906				
Restricted for:									
Debt service	2,184,781	9,695,784	13,799,853	14,324,626	14,663,673				
Capital projects	20,709,075	16,066,763	37,234,379	30,065,306	10,542,184				
Other					13,540,987				
Unrestricted, undesignated	3,929,907	10,104,522	9,222,283	4,194,673	(275,730,725)				
Total Net Assets	\$208.395.058	\$222,179,232	<u>\$293.571.444</u>	<u>\$288,174,755</u>	<u>\$6.311.025</u>				

Statement of Activities

The Statement of Activities is presented below. For a more detailed explanation of the District's basic financial statements, statement reconciliation, and Management's Discussion and Analysis, please contact the District's Assistant Superintendent for Finance. See financial statements for the fiscal year ending June 30, 2015 attached as Appendix B. The complete audit report for the fiscal year ending June 30, 2015 and the last four years can be downloaded from the State Auditor's website using the following link http://www.saonm.org/audit_reports.

STATE	MEN	IT OF ACTIVITI	ES	- GOVERNMEN	TAL	ACTIVITIES				
Expenses:		2011		2012		2013		2014		2015
Instruction:		(400 540 550)		(100.045.007)		(10/ 574 (0/)		(111 110 100)		(115 000 101)
Direct Instruction	\$	(103,513,559)	\$	(103,245,227)	\$	(106,574,606)	\$	(111,148,480)	\$	(115,980,434)
Total Instruction		(103,513,559)		(103,245,227)		(106,574,606)		(111,148,480)		(115,980,434)
Support services:										
Student support services		(14,534,831)		(17,549,045)		(18,133,019)		(18,425,275)		(19,348,166)
Instruction support services		(7,587,567)		(7,822,139)		(8,322,901)		(8,506,155)		(8,493,092)
General administration		(2,012,544)		(2,010,724)		(1,984,921)		(2,597,635)		(2,807,048)
School administration		(7,989,754)		(6,150,347)		(6,413,323)		(7,436,329)		(7,542,992)
Other support services		(167,012)		(199,750)		(600,779)		(608,884)		(440,355)
Central services		(4,474,026)		(4,421,805)		(4,699,939)		(4,694,873)		(4,349,243)
Operation & maintenance of plant		(21,148,337)		(15,960,827)		(20,223,716)		(21,374,784)		(22,197,421)
Pupil Transportation		(2,010,738)		(619,325)		(1,267,800)		(1,403,297)		(889,872)
Food services		874,125		682,735		(113,248)		40,767		298,198
Community services		(418,294)		(572,092)		(62,438)		(65,793)		(45,816)
Amortization		-		-		-		-		-
Interest on long-term debt		(2,748,381)		(3,747,540)		(3,447,205)		(3,297,944)		(3,544,272)
Facilities, materials, supplies & other services		(7,283,635)		(12,708,542)		45,015,863		(25,397,605)		(28,045,211)
Depreciation	_	(8,308,315)		(7,495,129)		(894,148)		(593,683)		(473,659)
Total governmental activities	_	(181,322,868)	_	(181,819,757)	_	(127,722,180)	_	(205,509,970)	_	(213,859,383)
Revenues:										
Taxes										
Property Taxes for operating programs		1,000,438		1,065,359		1,156,827		1,174,912		1,188,724
Property Taxes for debt services		12,515,144		13,731,301		13,295,220		13,830,371		13,921,732
Property taxes for capital projects		13,995,548		14,475,275		15,413,776		15,306,445		15,179,284
Federal and state aid		165,229,959		165,645,675		167,774,355		169,923,611		177,186,544
Interest and investment earnings		164,353		163,654		102,997		72,645		69,263
Miscellaneous		79,343		545,833		1,536,996		59,089		59,693
Special item - loss on disposition of fixed assets		(50,670)		(23,166)		(155,735)		(102,248)		(35,925)
Special item - loss on defeasence on bonds		-		-		-		-		-
Transfers				-		(10,044)		14,936		
Subtotal, general revenues		192,934,115		195,603,931		199,114,392		200,279,761		207,569,315
Changes in net assets		11,611,247		13,784,174		71,392,212		(5,260,081)		10,714,159
Net assets, beginning	\$	193,796,761	\$	208,395,058	\$	222,179,232	\$	293,571,444	\$	288,174,755
GASB 68 implementation	_	-			_					(292,577,889)
Nets assets, ending		\$208,395,058		<u>\$222.179.232</u>		<u>\$293.571.444</u>		<u>\$288.174.755</u>		<u>\$6.311.025</u>

Balance Sheet - General Fund

Listed below is the Balance Sheet (General Fund only) for fiscal years 2011 through 2015. See financial statements for the fiscal year ending June 30, 2015 attached as Appendix B. The complete audit report for the fiscal year ending June 30, 2015 and the last four years can be downloaded from the State Auditor's website using the following link http://www.saonm.org/audit reports.

BALANCE SHEET - GENERAL FUND (1)								
Fiscal Year Ending June 30	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>			
ASSETS:	2011	2012	2013	2014	2013			
Cash & Investments	\$12,311,235	\$16,970,168	\$18,538,521	\$11,411,657	\$8,945,493			
Taxes receivable	118,847	114,500	395,081	106,418	95,017			
Internal balances	110,047	114,500	373,001	100,410	75,017			
Interfund receivable	3,554,947	7,443,398	5,344,654	7,749,661	7,472,858			
Interest receivable	5,554,747	-	-	7,747,001	7,472,030			
Inventory	648,885	598,176	425,576	328,533	306,024			
Unused instructional materials credit	040,003	370,170	423,370	320,333	300,024			
Due from other funds	541	247	214,169	2,224	2,781			
Total Assets	\$ <u>16,634,455</u>	\$25,126,489	\$ <u>24,918,001</u>	\$ <u>19,598,493</u>	\$ <u>16,822,173</u>			
LIABILITIES AND EQUITY:								
Accounts payable	\$0	\$80,282	\$29,464	\$221,521	\$17,241			
Accrued expenses	8,683,154	10,297,004	9,530,601	10,551,113	11,064,782			
Due to other govenments	-	- -	1,323,102	-	224			
Due to other funds	3,656	-	1,633	-	-			
Deferred revenue	93,543	114,500	91,021	75,216	71,004			
Total Liabilities	\$ <u>8,780,353</u>	\$ <u>10,491,786</u>	\$ <u>10,975,821</u>	\$ <u>10,847,850</u>	\$ <u>11,153,251</u>			
EQUITY:								
Fund balances:								
Nonspendable		\$598,176	\$425,576	\$328,533	\$306,024			
Restricted		415,845	349,090	367,750	1,367,141			
Reserved for inventory	1,113,110	2,651,150	-	-	-			
Unreserved, undesignated	6,740,992	10,969,532	13,167,514	8,054,360	3,995,757			
Total Equity	<u>\$7,854,102</u>	<u>\$14,634,703</u>	<u>\$13,942,180</u>	<u>\$8,750,643</u>	\$5,668,922			
Total Liabilities and Equity	\$ <u>16,634,455</u>	\$ <u>25,126,489</u>	\$ <u>24,918,001</u>	\$ <u>19,598,493</u>	\$ <u>16,822,173</u>			

⁽¹⁾ General Fund includes General, Pupil Transportation and Instructional Materials.

Statement of Revenues and Expenditures - General Fund

Listed below is the Statement of Revenues and Expenditures (General Fund only) for fiscal years 2011 through 2015. See financial statements for the fiscal year ending June 30, 2015 attached as Appendix B. The complete audit report for the fiscal year ending June 30, 2015 and the last four years can be downloaded from the State Auditor's website using the following link http://www.saonm.org/audit_reports.

STATEMENT OF REVENUES & EXPENDITURES - GENERAL FUND (1)								
Fiscal Year Ending June 30	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>			
Revenues:								
Local Sources	\$1,083,579	\$1,065,359	\$1,156,827	\$1,174,912	\$1,188,724			
State Sources	163,156,013	173,755,860	176,956,919	178,647,221	184,604,801			
Federal Sources	521,598	447,618	423,477	-	680,736			
Charges for services	-	-	249,016	31,615	51,490			
Earnings from Investments	63,079	60,165	41,507	29,820	24,881			
Miscellaneous	606,056	1,101,921	978,021	950,951	1,120,645			
Total Revenues	\$ <u>165,430,325</u>	\$ <u>176,430,923</u>	\$ <u>179,805,767</u>	\$ <u>180,834,519</u>	\$ <u>187,671,277</u>			
Expenditures:								
Administration	\$0							
General administration	\$1,262,996	\$1,360,622	\$1,312,028	\$1,929,149	\$1,840,180			
School administration	11,068,464	11,005,938	11,483,814	12,196,377	13,060,716			
Direct instruction	95,717,654	105,965,770	110,233,468	113,800,911	118,455,197			
Instructional support	-		-					
Student support services	15,579,369	16,466,911	16,292,226	16,179,916	16,709,494			
Instruction support services	5,754,182	6,273,381	6,831,989	6,735,523	6,801,914			
Central services	4,302,491	4,229,935	4,410,219	4,372,905	4,903,527			
Business/support service	-							
Pupil transportation	8,914,290	7,855,381	8,382,400	8,367,664	6,179,028			
Operation/plant maintenance	21,055,136	15,843,728	20,224,340	21,326,987	22,096,744			
Non-instructional support	167,012	199,750	600,779	608,884	440,355			
Community services	-	-	31,082	56,729	38,733			
Capital outlay	-	121,637	195,370	15,300	-			
Other operational	-	-	-	-	-			
Food services	372,747	327,269	332,581	353,099	119,559			
Athletic	-							
Total Expenditures	\$ <u>164,194,341</u>	\$ <u>169,650,322</u>	\$ <u>180,330,296</u>	\$ <u>185,943,444</u>	\$ <u>190,645,447</u>			
Excess (deficiency) of revenue								
over (under) expenditures	<u>\$1,235,984</u>	<u>\$6,780,601</u>	<u>(\$524,529)</u>	<u>(\$5,108,925)</u>	<u>(\$2,974,170)</u>			
<u>Fund Balance</u>								
Beginning of Year	\$6,622,488	\$7,854,102	\$14,634,703	\$13,942,180	\$8,750,643			
Inventory Adjustment Reclassification	<u> </u>	- -	- -	- -	-			
Fund Balance at Year End	\$ <u>7,854,102</u>	\$ <u>14,634,703</u>	\$ <u>13,942,180</u>	\$ <u>8,750,643</u>	\$ <u>5,668,922</u>			

⁽¹⁾ General Fund includes General, Pupil Transportation and Instructional Materials.

Special Revenue Funds

The Special Revenue Funds account is for specific revenue sources that are legally restricted expenditures for specified purposes.

Debt Service Fund

The Debt Service Fund account is for the services of long-term debt not being financed by proprietary or non-expendable trust funds.

Capital Projects Funds

The Capital Projects Funds account is for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or non-expendable trust funds.

Fiduciary Funds

Fiduciary Funds are used to account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, or student organizations.

District Budget Process

Each year, the District budget process begins with the educational appropriations passed by the Legislature and signed into law by the Governor. The actual budget process follows specific steps set forth in the Public School Finance Act:

- Before April 15 of each year, the District must submit an estimated budget for the next school year to the PED. If the District fails to submit a budget, the PED must prepare a District budget for the ensuing year.
- Before June 20 of each year, the District Board presents the budget of the District for the ensuing fiscal year
 at a public hearing. The operating budget includes proposed expenditures and the means of financing
 them.
- On or before July 1 of each year, the PED must approve and certify an approved operating budget for use by the District Board.

No school board, officer or employee of a school district may make an expenditure or incur any obligation for the expenditure of public funds unless that expenditure is made in accordance with an operating budget approved by the PED. This requirement, however, does not prohibit the transfer of funds between line items within a series of a budget. Final budgets may not be altered or amended after approval by the PED except upon the District's request to the PED. An instance in which such requests will be approved include a change within the budget that does not increase the total amount of the budget. Additional budget items may also be approved if the District is to receive unanticipated revenues. Finally, if it becomes necessary to increase the District's budget by more than \$1,000 for any reason other than those listed above, the PED may order a special public hearing to consider the requested increase.

Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, and Debt Service Fund with appropriations lapsing at year end. Total expenditures of any function category may not exceed categorical appropriations.

To conform with PED's requirements, budgets for all funds of the District are adopted on the cash basis of accounting with the following exception: Federal Projects – Federal categorical grants are budgets on the grant's project year rather than the District's fiscal year and, therefore, may not reflect cash basis budgeting. Unexpended portions of prior year's programs are rebudgeted into the subsequent year's program budget. Since the programs are incomplete at June 30, the schedules of budgeted and actual revenue and expenditures present unrealized revenue and expended budget, rather than budget savings.

Employees and Retirement Plan

The District employs 3173 permanent employees of which169 are administrators, 1692 are teachers and other professional instructional personnel, 432 are instructional assistants, and 880 are support and administrative staff.

Pension Plan

Plan Description. Substantially all of the District's full-time employees participate in an educational employee retirement system authorized under the Educational Retirement Act (NMSA 1978, Chapter 22, Article 11). The Educational Retirement Board ("ERB") is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of living adjustments to plan members (certified teachers, other employees of state public school districts, colleges and universities, and some state agency employees) and beneficiaries. The ERB issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may also be obtained by writing to the ERB, P.O. Box 26129, Santa Fe, New Mexico 87502. The report is also available on the ERB's website at www.nmerb.org.

Following is a partial history of employer and employee contributions statewide and average asset balance of the retirement fund:

Fiscal Year Ending June 30	Employer Employee Contributions Contributions		Net Assets Held in Trust
2011	\$308,367,952	\$247,407,988	\$9,642,229,673
2012	253,845,277	289,852,094	9,606,304,017
2013	299,657,530	248,785,187	10,358,058,861
2014	362,462,537	268,693,991	11,442,171,449
2015	395,129,621	294,560,840	11,642,543,051

Source: New Mexico Educational Retirement Board, Financial Report

Funding Policy

Member Contributions

Plan members whose annual salary is \$20,000 or less are required by statute to contribute 7.9% of their gross salary. Plan members whose annual salary is over \$20,000 are required to make the following contributions to the Plan: 9.40% of their gross salary in fiscal year 2013; 10.10% of their gross salary in fiscal year 2014; and 10.7% of their gross salary in fiscal year 2015.

Employer Contributions

The District contributed 13.15% of gross covered salary in fiscal year 2014. In fiscal year 2015, the District contributed 13.9% of gross covered salary.

The contribution requirements of plan members and the District are established in State statute under NMSA 1978, Chapter 22, Article 11. The requirements may be amended by acts of the legislature. The District's contributions to the ERB for the fiscal years ending June 30, 2015, 2014, and 2013 were \$18,673,497, \$17,398,692 and \$14,318,801, respectively, which equal the amount of the required contributions for each fiscal year.

The contribution requirements of plan members and the Charter School are established in State statute under NMSA 1978, Chapter 22, Article 11. The requirements may be amended by acts of the legislature. The Charter School's contributions to ERB for the fiscal years ending June 30, 2014, 2013, and 2012 were \$68,259, \$57,513, and \$50,146, respectively, which equal the amount of the required contributions for each fiscal year.

On June 25, 2012, the Governmental Accounting Standards Board approved Statement No. 68 which addresses accounting and financial reporting for pensions that are provided to employees of state and local government employers through pension plans that are administered through trusts and also establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. According to Statement No. 68, the District, as a contributor to ERB, is required to recognize its proportionate share of the collective net pension liability, pension expense, and deferred inflows or outflows of resources of the cost-sharing, multi-employer plan with ERB. The District is assessing the full extent of the effect of the new standards on the District's audited financial statements. Statement No. 68 is effective beginning with the fiscal year ending June 30, 2015 for the District.

In July 2012, the ERB adopted goals of achieving 95%, plus or minus 5% funded ratio by the year 2042. To achieve this goal, the New Mexico Legislature amended the Educational Retirement Act in the 2013 legislative session (Senate Bill 115; Chapter 61, Laws 2013). The amendments increased employee contributions for members whose salary exceeds \$20,000 per year to 10.1% in Fiscal Year 2014 and 10.7% in Fiscal Year 2015 (ERB members who make less than \$20,000 contribute 7.9% of their gross salary). The legislation also kept in place scheduled increases in employer contribution rates, created a new tier membership for persons who become members of the ERB Fund on or after July 1, 2013, created certain actuarial limitations on benefits of new tier members, placed limitations on future cost of living adjustments ("COLA") for current and future retirees which are tied to the future funded ratios of the Fund, and made certain other clarifying and technical changes.

In December 2013, the New Mexico Supreme Court, in *Barlett v. Cameron*, 316 P.3d 889 (N.M. 2013), rejected the claims of certain retired teachers, professors and other public education employees challenging the state constitutionality of Senate Bill 115 to the extent that it reduces the future amounts that all education retirees might receive as annual COLA. The Court held that Article XX, Section 22 of the New Mexico Constitution did not grant the retirees a right to an annual COLA based on the formula in effect on the date of their retirement for the entirety of their retirement. The Court held that in the absence of any contrary indication from the New Mexico Legislature, any future COLA to a retirement benefit is merely a year-to-year expectation that, until paid, does not create a property right under the New Mexico Constitution. Once paid, the COLA, by statute, becomes part of the retirement benefit, and a property right subject to those constitutional protections.

Post-Employment Benefits

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

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

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

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

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

The Retiree Health Care Act (NMSA 1978, Section 10-7C-15) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to NMSA 1978, Section 10-7C-15(G), at the first session of the Legislature following July 1, 2014, the legislature shall review and adjust the distributions pursuant to NMSA 1978, Section 7-1-6.1, and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The Las Cruces Public School District No. 2 contributions to the RHCA for the years ended June 30, 2015, 2014 and 2013 were \$2,690,534, \$2,585,713 and \$2,526,450, respectively, which equal the required contributions for each year.

TAX EXEMPTION

Federal Tax Opinion

On the date of initial delivery of the Bonds, McCall, Parkhurst & Horton L.L.P., Austin, Texas, will render its opinion that, in accordance with statutes, regulations, published rulings and court decisions existing on the date thereof ("Existing Law"), (1) interest on the Bonds for federal income tax purposes will be excludable from the "gross income" of the holders thereof and (2) the Bonds will not be treated as "specified private activity bonds" the interest on which would be included as an alternative minimum tax preference item under section 57(a)(5) of the Internal Revenue Code of 1986 (the "Code"). Except as stated in this subsection and the subsection "New Mexico Income Tax Opinion," McCall, Parkhurst & Horton L.L.P. will express no opinion as to any other federal, state, or local tax consequences of the purchase, ownership, or disposition of the Bonds. See Appendix D for the form of opinion of McCall, Parkhurst & Horton L.L.P.

In rendering its opinion, McCall, Parkhurst & Horton L.L.P. will rely upon (a) certain information and representations of the District, including those contained in the District's federal tax certificate; and (b) covenants of the District contained in the Bond documents relating to certain matters including arbitrage and the use of the proceeds of the Bonds. Failure of the District to comply with these representations or covenants could cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

The Code and the regulations promulgated thereunder contain a number of requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be, and to remain, excludable from gross income for federal income tax purposes. Failure to comply with such requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The opinion of McCall, Parkhurst & Horton L.L.P. is conditioned on compliance by the District with such requirements, and McCall, Parkhurst & Horton L.L.P. has not been retained to monitor compliance with these requirements subsequent to the issuance of the Bonds.

The opinions rendered by McCall, Parkhurst & Horton L.L.P. represents its legal judgment based upon its review of Existing Law and the reliance on the aforementioned information, representations, and covenants. The opinion rendered by McCall, Parkhurst & Horton L.L.P. is not a guarantee of a result. Existing Law is subject to change by the Congress and to subsequent judicial and administrative interpretation by the courts and the Department of the Treasury. There can be no assurance that Existing Law or the interpretation thereof will not be changed in a manner which would adversely affect the tax treatment of the purchase, ownership, or disposition of the Bonds.

A ruling was not sought from the Internal Revenue Service by the Issuer with respect to the Bonds or the property financed or refinanced with proceeds of the Bonds. No assurances can be given as to whether the Internal Revenue Service will commence an audit of the Bonds, or as to whether the Internal Revenue Service would agree with the opinion rendered by McCall, Parkhurst & Horton L.L.P. If an audit is commenced, under current procedures the Internal Revenue Service is likely to treat the District as the taxpayer and the Bondholders may have no right to participate in such procedure. No additional interest will be paid upon any determination of taxability.

New Mexico Income Tax Opinion

On the date of initial delivery of the Bonds, Cuddy & McCarthy, LLP and McCall, Parkhurst & Horton L.L.P. will render their opinions that interest on the Bonds will be excluded from net income for purposes of New Mexico state income tax. Cuddy & McCarthy, LLP expresses no opinion as to any other federal, state or local tax consequences, except as described in this subsection.

Federal Income Tax Accounting Treatment of Original Issue Discount

The initial public offering price to be paid for one or more maturities of the Bonds may be less than the principal amount thereof, or one or more periods for the payment of interest on the bonds may not be equal to the accrual period or be in excess of one year (the "Original Issue Discount Bonds"). In such event, the difference between (1) the stated redemption price at maturity of each Original Issue Discount Bond, and (2) the initial offering price to the public of such Original Issue Discount Bond would constitute original issue discount. The "stated redemption price at maturity" means the sum of all payments to be made on the bonds less the amount of all periodic interest payments. Periodic interest payments are payments which are made during equal accrual periods (or during any unequal period if it is the initial or final period) and which are made during accrual periods which do not exceed one year.

Under Existing Law, any owner who has purchased such Original Issue Discount Bond in the initial public offering is entitled to exclude from gross income (as defined in section 61 of the Code) an amount of income with respect to such Original Issue Discount Bond equal to that portion of the amount of such original issue discount allocable to the accrual period. For a discussion of certain collateral federal tax consequences, see the discussion set forth below.

In the event of the redemption, sale, or other taxable disposition of such Original Issue Discount Bond prior to stated maturity, however, the amount realized by such owner in excess of the basis of such Original Issue Discount Bond in the hands of such owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Original Issue Discount Bond was held by such initial owner) is includable in gross income.

Under existing law, the original issue discount on each Original Issue Discount Bond is accrued daily to the stated maturity thereof (in amounts calculated as described below for each six-month period ending on the date before the semiannual anniversary dates of the date of the Bonds and ratably within each such six-month period) and the accrued amount is added to an initial owner's basis for such Original Issue Discount Bond for purposes of determining the amount of gain or loss recognized by such owner upon the redemption, sale, or other disposition thereof. The amount to be added to basis for each accrual period is equal to (a) the sum of the issue price and the amount of original issue discount accrued in prior periods multiplied by the yield to stated maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) less (b) the amounts payable as current interest during such accrual period on such Original Issue Discount Bond.

The federal income tax consequences of the purchase, ownership, redemption, sale, or other disposition of Original Issue Discount Bonds, which are not purchased in the initial offering at the initial offering price, may be determined according to rules which differ from those described above. All owners of Original Issue Discount Bonds should consult their own tax advisors with respect to the determination for federal, state, and local income tax purposes of the treatment of interest accrued upon redemption, sale, or other disposition of such Original Issue Discount Bonds and with respect to the federal, state, local, and foreign tax consequences of the purchase, ownership, redemption, sale, or other disposition of such Original Issue Discount Bonds.

Collateral Federal Income Tax Consequences

The following discussion is a summary of certain collateral federal income tax consequences resulting from the purchase, ownership, or disposition of the Bonds. This discussion is based on existing statutes, regulations, published rulings, and court decisions, all of which are subject to change or modification, retroactively.

The following discussion is applicable to investors, other than those who are subject to special provisions of the Code, such as financial institutions, property and casualty insurance companies, life insurance companies, individual recipients of Social Security or Railroad Retirement benefits, individuals allowed an earned income credit, certain S corporations with accumulated earnings and profits and excessive passive investment income, foreign corporations subject to the branch profits tax, taxpayers qualifying for the health insurance premium assistance credit and taxpayers who may be deemed to have incurred or continued indebtedness to purchase tax-exempt obligations.

INVESTORS, INCLUDING THOSE WHO ARE SUBJECT TO SPECIAL PROVISIONS OF THE CODE, SHOULD CONSULT THEIR OWN TAX ADVISORS AS TO THE TAX TREATMENT WHICH MAY BE ANTICIPATED TO RESULT FROM THE PURCHASE, OWNERSHIP, AND DISPOSITION OF TAX-EXEMPT OBLIGATIONS BEFORE DETERMINING WHETHER TO PURCHASE THE BONDS.

Interest on the Bonds will be includable as an adjustment for "adjusted current earnings" to calculate the alternative minimum tax imposed on corporations by section 55 of the Code.

Under Section 6012 of the Code, holders of tax-exempt obligations, such as the Bonds, may be required to disclose interest received or accrued during each taxable year on their returns of federal income taxation.

Section 1276 of the Code provides for ordinary income tax treatment of gain recognized upon the disposition of a tax-exempt obligation, such as the Bonds, if such obligation was acquired at a "market discount" and if the fixed maturity of such obligation is equal to, or exceeds, one year from the date of issue. Such treatment applies to "market discount bonds" to the extent such gain does not exceed the accrued market discount of such bonds; although for this purpose, a de minimis amount of market discount is ignored. A "market discount bond" is one which is acquired by the holder at a purchase price which is less than the stated redemption price at maturity or, in the case of a bond issued at an original issue discount, the "revised issue price" (i.e., the issue price plus accrued original issue discount). The "accrued market discount" is the amount which bears the same ratio to the market discount as the number of days during which the holder holds the obligation bears to the number of days between the acquisition date and the final maturity date.

State, Local & Foreign Taxes

Investors should consult their own tax advisors concerning the tax implications of the purchase, ownership, or disposition of the Bonds under applicable state or local laws. Foreign investors should also consult their own tax advisors regarding the tax consequences unique to investors who are not United States citizens.

Information Reporting and Backup Withholding

Subject to certain exceptions, information reports describing interest income, including original issue discount, with respect to the Bonds will be sent to each registered holder and to the IRS. Payments of interest and principal may be subject to backup withholding under section 3406 of the Code if a recipient of the payments fails to furnish to the payor such owner's social security number or other taxpayer identification number ("TIN"), furnishes an incorrect TIN, or otherwise fails to establish an exemption from the backup withholding tax. Any amounts so withheld would be allowed as a credit against the recipient's federal income tax. Special rules apply to partnerships, estates and trusts, and in certain circumstances, and in respect of Non-U.S. Holders, certifications as to foreign status and other matters may be required to be provided by partners and beneficiaries thereof.

CONTINUING DISCLOSURE UNDERTAKING

In the Bond Resolution, the District has made the following agreement for the benefit of the holders and beneficial owners of the Bonds. The District is required to observe the agreement for so long as it remains obligated to advance funds to pay the Bonds. Under the agreement, the District will be obligated to provide certain updated financial information and operating data annually, and timely notice of specified material events, to the Municipal Securities Rulemaking Board (the "MSRB"). This information will be publicly available on the MSRB's website at www.emma.msrb.org.

Annual Report

The District will provide annually certain updated financial information and operating data to the MSRB. The information to be updated includes all quantitative financial information and operating data with respect to the District of the general type included in this Official Statement under the headings "DEBT AND OTHER FINANCIAL OBLIGATIONS", "TAX BASE", "THE DISTRICT - Enrollment" and "FINANCES OF THE DISTRICT - State Equalization Guarantee" Statement of Net Assets, Statement of Net Activities, Balance Sheet," and Statement of Revenues, Expenditures and Changes in Fund Balances" and "Appendix B." The District will update and provide this information by March 31 of each fiscal year beginning in 2017.

The District may provide updated information in full text or may incorporate by reference certain other publicly available documents on the MSRB 's website, as permitted by SEC Rule 15c2-12. The updated information will include audited financial statements, if the District commissions an audit and it is completed by the required time. If audited financial statements are not available by the required time, the District will provide unaudited financial statements by the required time and will provide audited financial statements when and if the audit report becomes available. Any such financial statements will be prepared in accordance with accounting principles described in the District's annual financial statements attached hereto or such other accounting principles as the District may be required to employ from time to time pursuant to state law or regulation.

The District's current fiscal year end is June 30. Accordingly, it must provide updated information by March 31 in each year, unless the District changes its fiscal year. If the District changes its fiscal year, it will notify the MSRB of the change.

Event Notices

The District shall notify the MSRB, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of ten business days after the occurrence of the event, of any of the following events with respect to the Bonds: 1) Principal and interest payment delinquencies; 2) Non-payment related defaults, if material within the meaning of the federal securities laws; 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 Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other events affecting the tax-exempt status of the Bonds; 7) Modifications to rights of holders of the Bonds, if material within the meaning of the federal securities laws; 8) Bond calls, if material within the meaning of the federal securities laws; 9) Defeasances; 10) Release, substitution, or sale of property securing repayment of the Bonds, if material within the meaning of the federal securities laws; 11) Rating changes; 12) Tender offers; 13) Bankruptcy, insolvency, receivership or similar event of the District; 14) The consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District, 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 within the meaning of the federal securities laws; and 15) Appointment of a successor or additional trustee or the change of name of a trustee, if material with the meaning of the federal securities laws.

In addition, the District will provide timely notice of any failure by the District to provide information, data, or financial statements in accordance with its agreement described above under "Annual Reports."

Availability of Information from the MSRB

The District has agreed to provide the foregoing information only to the MSRB. All documents provided by the District to the MSRB described under "Annual Reports" and "Material Event Notices" will be in an electronic format and accompanied by identifying information as prescribed by the MSRB.

The address of the MSRB is 1900 Duke Street, Suite 600, Alexandria, Virginia 22314 and its telephone number is (703) 797-6600.

Limitations and Amendments

The District has agreed to update information and to provide notices of material events only as described above. The District has not agreed to provide other information that may be relevant or material to a complete presentation of its financial results of operations, condition, or prospects or agreed to update any information that is provided, except as described above. The District makes no representation or warranty concerning such information or concerning its usefulness to a decision to invest in or sell bonds at any future date. The District disclaims any contractual or tort liability for damages resulting in whole or in part from any breach of its continuing disclosure agreement or from any statement made pursuant to its agreement, although holders of Bonds may seek a writ of mandamus to compel the District to comply with its agreement.

This continuing disclosure agreement may be amended by the District from time to time to adapt to changed circumstances that arise from a change in legal requirements, a change in law, or a change in the identity, nature, status, or type of operations of the District, but only if (1) the provisions, as so amended, would have permitted an underwriter to purchase or sell bonds in the primary offering of the Bonds in compliance with the Rule, taking into account any amendments or interpretations of the Rule since such offering as well as such changed circumstances and (2) either (a) the Holders of a majority in aggregate principal amount (or any greater amount required by any other provision of the Resolution that authorizes such an amendment) of the outstanding Bonds consent to such amendment or (b) a person that is unaffiliated with the District (such as nationally recognized bond counsel) determined that such amendment will not materially impair the interest of the Holders and beneficial owners of the Bonds. The District may also amend or repeal the provisions of this continuing disclosure agreement if the SEC amends or repeals the applicable provision of the Rule or a court of final jurisdiction enters judgment that such provisions of the Rule are invalid, but only if and to the extent that the provisions of this sentence would not prevent an underwriter from lawfully purchasing or selling bonds in the primary offering of the Bonds.

Compliance with Prior Undertakings

During the past five years, the District has made continuing disclosure agreements in accordance with SEC Rule 15c2-12 and is in material compliance with such agreements. The District notes that the District's Annual Reports filed for Fiscal Years 2014 and 2015 were made available to the Municipal Securities Rulemaking Board timely, and in accordance with the Rule, but were not properly attributed to each CUSIP number covered thereby. The filings have since been associated with all related CUSIP numbers.

LITIGATION

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

RATING

Moody's Investors Service has rated the Bonds "Aa1" with the understanding that the Bonds will qualify under the New Mexico School District Enhancement Program. See "New Mexico School District Enhancement Program" herein. The District's underlying rating is "Aa3" Underlying. An explanation of the significance of the rating given by Moody's Investors Service may be obtained from Moody's Investors Service at 99 Church Street, New York, New York 10007. There is no assurance that the rating will be obtained or will continue for any given period of time after received or that the rating will be revised downward or withdrawn entirely by the rating agency, if, in its judgment, circumstances so warrant. Any such downward revision or withdrawal of such rating may have effect on the market price of the Bonds.

THE FINANCIAL ADVISOR

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

LEGAL MATTERS

The legality of the Bonds, in addition, will be approved by Cuddy & McCarthy, LLP, Santa Fe, New Mexico and McCall, Parkhurst & Horton L.L.P., Austin, Texas, as Co-Bond Counsel, whose unqualified opinions with respect to the Bonds approving the legality of the Bonds will be furnished to the respective successful bidder at no cost to such successful bidder. See Appendix D for the forms of opinion of Co-Bond Counsel relative to each respective series of the Bonds.

In connection with the transactions described in this Official Statement, Co-Bond Counsel represents the District. The fee to be paid to Co-Bond Counsel is contingent upon the sale and delivery of the Bonds. The issuance, sale and delivery of the Bonds is subject to the approval of the New Mexico Attorney General.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. In rendering a legal opinion, the attorney does not become an insurer or guarantor of the expression of professional judgment of the transaction opined upon, or of the future performance of the parties to the transaction. Nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction

DISCLOSURE CERTIFICATE

The final certificates included in the transcript of legal proceedings will include the following: At closing, an appropriate officer of the District will sign a certificate stating, after reasonable investigation, that to the best of his/her knowledge (a) no action, suit, proceeding, inquiry, or investigation, at law or in equity, before or by any court, public board, or body, is pending, or, to the best of his/her knowledge, threatened in any way contesting the completeness or accuracy of the Final Official Statement, (b) the Final Official Statement, as it pertains to the District and the Bonds, does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements made therein, in the light of the circumstances under which they were made, not misleading, and (c) no event affecting the District has occurred since the date of the Final Official Statement, which should be disclosed therein for the purpose for which it is to be used or which it is necessary to disclose therein in order to make the statements and information therein not misleading in any respect; provided, however, that the District does not make any representation concerning the pricing information contained in the Final Official Statement.

ADDITIONAL MATTERS

All summaries of the statutes, resolutions, opinions, contracts, agreements, financial and statistical data, and other related reports described in this Official Statement are subject to the actual provisions of such documents. The summaries do not purport to be complete statements of such provisions and reference is made to such documents, copies of which are either publicly available or available for inspection during normal business hours at the offices of the District located at the School Administration Office, or at the offices of RBC Capital Markets, LLC, 6301 Uptown Boulevard NE, Suite 110, Albuquerque, New Mexico 87110.

A LAST WORD

Anything in this Official Statement involving matters of opinion or estimates – whether labeled as such or not – are just that. They are not representations of fact. They might not prove true. Neither this Official Statement nor any other written or oral information is to be construed as a contract with the registered owners of the Bonds.

The District has duly authorized the execution and delivery of this Official Statement.

lsl
Maria A. Flores, President, Board of Education
lal
<u>Isl</u>
Barbara Hall, Secretary, Board of Education

APPENDIX A

ECONOMIC & DEMOGRAPHIC INFORMATION

THE ECONOMY

The economy of the Las Cruces MSA (Metropolitan Statistical Area) is diversified with the major employers being government, primarily White Sands Missile Range, NASA, New Mexico State University, City/County government and the District.

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.

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: White Sands Missile Range (U.S. Army, private industry testing facility), Las Cruces Medical Center (hospital), NASA LBJ Test Facility (rocket testing), Honeywell Technology Solutions (aerospace services), Wal-Mart (retail), Tresco, Inc. (sheltered employment), ADC Telecommunications (telephone equipment manufacturer), IBP Prepared Foods (meat processor), NMSU Physical Science Laboratory (aerospace contractor), Multi-Plastics (Component Parts), Taylor Metro (Scales & Measurement), Calculex (Electronics), Smart Corp (computerized & home systems), Aldershot (wholesale nursery), Foamex, Inc. (packaging), Young Pecan (food processing), Sitel (call center) and Las Cruces Machine (machine parts).

Tourism

The tourism industry has an impact on the Las Cruces economy with over 6,000 persons employed in the industry. A number of recreation sites in the Las Cruces area, including Leasburg Dam State Park, Fort Selden State Monument, Aguirre Springs, and Dripping Springs, attract visitors to their facilities. The Las Cruces Farmers & Crafts Market, held each Wednesday and Saturday morning, is rated as one of the top ten open air markets in the United States. The New Mexico Farm & Ranch Heritage Museum, along with the University Art Gallery, the New Mexico State University Museum, the Las Cruces Museum of Natural History, and the Branigan Cultural Center give area visitors a glimpse into the life and culture of contemporary and historical New Mexico. The White Sands Missile Range, located in nearby Alamogordo, is the birthplace of the atomic age. It was established in 1945 and is operated by the United States Army. The Range is a major test facility for testing capabilities needed by the U. S. Army, Navy and Air Force, and by NASA. White Sands is the home of Trinity Site, where the first atomic bomb was detonated, and is open to the public on the first Saturday in April and October.

New Mexico State University

New Mexico State University (the "University"), the main campus of which is situated in Las Cruces, was originally founded in 1888, and in 1889 was established as a land grant college. The University had a Fall 2015 enrollment of 15,490. Twenty-four doctoral programs, 56 master's degree programs, and 89 bachelor's degree programs are available in the University's nine colleges (Agriculture, Consumer and Environmental Sciences; Arts and Sciences; Business; Education; Engineering; Extended Learning; Health and Social Services; Honors and the Graduate School.)

The University's main campus encompasses approximately 6,250 acres and consists of more than 210 academic, research, and auxiliary buildings, and over 400 housing buildings. There are more than 1,700 faculty members, and almost 4,000 staff. About 1,100 of the faculty and 3,400 staff members are located on the Las Cruces campus. The University's largest single research operation is the Physical Science Laboratory. Research for engineering, space technology, and farm production and related industries is also conducted by various University departments. During FY2014, the University's research expenditures exceeded \$128.78 million. 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 University's Doña Ana Branch, the area's occupational training school, offers more than 5,000 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. According to 2012 Census of Agriculture data the number of farms in Doña Ana County is 2,184 which is a 24% increase since the last Census conducted in 2007¹. 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. The New Mexico chile industry contributes about 400 million annually to the New Mexico economy; 66% of that industry is based in southern New Mexico and creates about 4,500 jobs annually.

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.

Military/Defense

Military installations in and around southern Doña Ana County have a significant impact on the regional economy. The employment of civilian personnel is substantial, and, combined with the military payrolls, has a pronounced effect on the level and stability of business volume.

Fort Bliss, historically important since its establishment as a post in 1848, is now the Army's Air Defense Training Center. Fort Bliss extends northward from El Paso to adjoin White Sands Missile Range ('WSMR'). The combined facilities represent an uninterrupted distance in excess of 100 miles dedicated to military and scientific pursuits.

WSMR has long played an important role in weapons testing. With increasing technology involved in modern weapons, the facility's activities continue to take on increased importance. It is the largest all-land missile range in the Western Hemisphere. Presently, the local area economic impact of WSMR is approximately \$1,800,000 per day².

Holloman Air Development Center, near Alamogordo, New Mexico, specializes in the testing and evaluation of new weapons for the Air Force. More than 25 electronic and aircraft companies operate at the Center.

2 "Las Cruces New Mexico - Military Installations / Bases - Las Cruces Magazine." Las Cruces New Mexico - Military Installations / Bases - Las Cruces Magazine.

¹US Department of Agriculture. "2012 Census of Agriculture. County Profile." USDA, National Agricultural Statistics Service, 2012.

Population

Based on information gained from the Bureau of Business & Economic Research, the following table shows both the historical and projected population data for the City of Las Cruces, Town of Mesilla, Doña Ana County, and the State of New Mexico.

Year	City of Las Cruces	Town of Mesilla	Doña Ana County	State of New Mexico
1960	29,367	N/A	59,948	951,023
1970	37,857	1,713	69,773	1,017,055
1980	45,086	2,029	96,340	1,303,143
1990	62,648	1,976	136,523	1,519,933
2000	74,267	2,180	175,524	1,821,078
2010	97,618	2,196	218,523	2,112,957
2015*	101,643	1,896	214,295	2,085,572
2016 ⁽¹⁾	101,612	2,077	214,063	2,088,585
2021 ⁽¹⁾	104,076	1,974	217,182	2,111,960
Growth 2016- 2021 (2)	1.97%	-4.96%	1.79%	1.52%

⁽¹⁾ Estimates. Source: The Nielsen Company, May 2016

Age Distribution

The following table sets forth a comparative age distribution profile for the City of Las Cruces, the State of New Mexico and the United States as of August 2016.

Age	Las Cruces	New	United
	MSA	Mexico	States
0 - 17	26.1%	24.2%	23.0%
18 - 24	13.8%	9.9%	9.8%
25 - 34	13.29%	13.3%	13.3%
35 - 44	10.90%	11.8%	12.6%
45 - 54	10.84%	12.2%	13.3%
55 and older	25.0%	28.6%	27.9%

Source: The Nielsen Company, August 2016

Effective Buying Income

The following table reflects the percentage of households by Effective Buying Income ("EBI") and a comparison of the estimated median household income as reported by The Nielsen Company. 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 City of Las Cruces, the State of New Mexico and the United States.

⁽²⁾ Projected. Source: UNM, Bureau of Business & Economic Research and Census Bureau and The Nielsen Company

Las Cruces MSA	New Mexico	United States
35.7%	29.2%	22.7%
11.95%	11.18%	9.97%
14.54%	13.88%	13.41%
14.58%	17.21%	17.60%
23.3%	28.6%	36.3%
\$34,983	\$41,958	\$49,58
\$35,981	\$43,273	\$49,29
\$39,347	\$44,292	\$51,57
\$40,884	\$45,633	\$53,70
\$37,471	\$45,445	\$55,55
	MSA 35.7% 11.95% 14.54% 14.58% 23.3% \$34,983 \$35,981 \$39,347 \$40,884	MSA Mexico 35.7% 29.2% 11.95% 11.18% 14.54% 13.88% 14.58% 17.21% 23.3% 28.6% \$34,983 \$41,958 \$35,981 \$43,273 \$39,347 \$44,292 \$40,884 \$45,633

Source: The Nielsen Company, August 2016

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 ten years. For the purposes of these tables, gross receipts means the total amount of money received from selling or leasing property in the State of New Mexico and from performing services in the State. Gross receipts includes, among other things, food sales and services such as legal and medical.

2014 1,434,463,630 5,123,830,072 24,395,913,091 107,3 2013 1,409,255,431 5,227,868,451 23,873,876,703 106,3 2012 1,430,446,622 5,324,304,225 23,914,774,137 104,2 2011 1,457,341,903 4,946,094,992 23,789,930,180 102,7 2010 1,401,251,647 4,764,363,661 24,608,799,717 94,7 2009 1,389,134,600 4,721,380,099 23,812,635,284 104,9 2008 1,488,177,478 4,868,400,324 25,711,762,198 110,7					
2015 \$1,666,269,610 \$5,848,494,815 \$27,481,308,742 \$119,7 2014 1,434,463,630 5,123,830,072 24,395,913,091 107,8 2013 1,409,255,431 5,227,868,451 23,873,876,703 106,6 2012 1,430,446,622 5,324,304,225 23,914,774,137 104,6 2011 1,457,341,903 4,946,094,992 23,789,930,180 102,7 2010 1,401,251,647 4,764,363,661 24,608,799,717 94,7 2009 1,389,134,600 4,721,380,099 23,812,635,284 104,8 2008 1,488,177,478 4,868,400,324 25,711,762,198 110,7		City of Las Cruces		as Cruces State of N	
2014 1,434,463,630 5,123,830,072 24,395,913,091 107,3 2013 1,409,255,431 5,227,868,451 23,873,876,703 106,3 2012 1,430,446,622 5,324,304,225 23,914,774,137 104,2 2011 1,457,341,903 4,946,094,992 23,789,930,180 102,7 2010 1,401,251,647 4,764,363,661 24,608,799,717 94,7 2009 1,389,134,600 4,721,380,099 23,812,635,284 104,9 2008 1,488,177,478 4,868,400,324 25,711,762,198 110,7	FYE 6/30	Retail Trade	Total	Retail Trade	Total
2013 1,409,255,431 5,227,868,451 23,873,876,703 106,3 2012 1,430,446,622 5,324,304,225 23,914,774,137 104,3 2011 1,457,341,903 4,946,094,992 23,789,930,180 102,3 2010 1,401,251,647 4,764,363,661 24,608,799,717 94,3 2009 1,389,134,600 4,721,380,099 23,812,635,284 104,3 2008 1,488,177,478 4,868,400,324 25,711,762,198 110,3	2015	\$1,666,269,610	\$5,848,494,815	\$27,481,308,742	\$119,726,977,705
2012 1,430,446,622 5,324,304,225 23,914,774,137 104,2 2011 1,457,341,903 4,946,094,992 23,789,930,180 102,7 2010 1,401,251,647 4,764,363,661 24,608,799,717 94,7 2009 1,389,134,600 4,721,380,099 23,812,635,284 104,9 2008 1,488,177,478 4,868,400,324 25,711,762,198 110,7	2014	1,434,463,630	5,123,830,072	24,395,913,091	107,584,699,939
2011 1,457,341,903 4,946,094,992 23,789,930,180 102,7 2010 1,401,251,647 4,764,363,661 24,608,799,717 94,7 2009 1,389,134,600 4,721,380,099 23,812,635,284 104,9 2008 1,488,177,478 4,868,400,324 25,711,762,198 110,7	2013	1,409,255,431	5,227,868,451	23,873,876,703	106,300,014,072
2010 1,401,251,647 4,764,363,661 24,608,799,717 94,7 2009 1,389,134,600 4,721,380,099 23,812,635,284 104,4 2008 1,488,177,478 4,868,400,324 25,711,762,198 110,7	2012	1,430,446,622	5,324,304,225	23,914,774,137	104,221,140,366
2009 1,389,134,600 4,721,380,099 23,812,635,284 104,9 2008 1,488,177,478 4,868,400,324 25,711,762,198 110,7	2011	1,457,341,903	4,946,094,992	23,789,930,180	102,715,750,442
2008 1,488,177,478 4,868,400,324 25,711,762,198 110,7	2010	1,401,251,647	4,764,363,661	24,608,799,717	94,722,576,402
	2009	1,389,134,600	4,721,380,099	23,812,635,284	104,562,006,074
2007 1 360 206 750 1 555 017 131 26 012 230 572 103	2008	1,488,177,478	4,868,400,324	25,711,762,198	110,710,199,751
2007 1,303,200,733 4,333,017,434 20,012,233,372 103,	2007	1,369,206,759	4,555,017,434	26,012,239,572	103,740,330,414
2006 1,234,826,401 4,132,688,238 24,014,746,059 94,	2006	1,234,826,401	4,132,688,238	24,014,746,059	94,347,408,225

Source: New Mexico Taxation & Revenue Department

Employment

Historically, the unemployment rates for the Las Cruces MSA and the State of New Mexico have remained comparable to national levels. The following table provides a ten-year history of labor force and unemployment rates for the Las Cruces MSA, the State of New Mexico, and the United States.

Year ⁽¹⁾	Las Cr	uces MSA	State of N	New Mexico	United States
	Labor Force	% Unemployed	Labor Force	% Unemployed	% Unemployed
2016 ⁽²⁾	93,314	7.50%	928,917	7.10%	4.90%
2015	93,179	7.40%	919,889	6.60%	5.30%
2014	92,462	6.50%	918,206	6.50%	6.20%
2013	92,219	6.90%	922,960	6.90%	7.40%
2012	92,928	7.20%	928,050	7.10%	8.10%
2011	92,159	6.50%	929,862	7.60%	8.90%
2010	95,094	7.80%	936,088	8.10%	9.60%
2009	89,933	6.50%	940,352	7.50%	9.30%
2008	87,781	4.20%	944,548	4.50%	5.80%
2007	86,964	4.50%	934,027	3.80%	4.60%
2006	86,225	4.80%	928,094	4.20%	4.60%

⁽¹⁾ Numbers are annual averages.

Source: U.S. Bureau of Labor Statistics, September 2016.

⁽²⁾ Data for the month of July 2016. Numbers are Preliminary.

Covered Wage and Salary Employment by NAICS Code Classification

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

Las Cruces MSA					
	2012	2013	2014	2015	2016 ⁽¹⁾
Grand Total	69,246	70,377	70,732	70,746	70,455
Total Private	51,208	52,390	52,866	53,050	52,273
Accommodation and Food Services	6,269	6,731	6,772	6,903	7,150
Administrative and Waste Services	3,057	3,184	3,439	3,022	2,776
Agriculture, Forestry, Fishing & Hunting	3,385	3,310	3,518	3,382	2,530
Arts, Entertainment, and Recreation	1,049	1,008	886	921	901
Construction	3,405	3,486	3,449	3,517	3,554
Educational Services	507	525	547	564	564
Finance and Insurance	1,655	1,735	1,764	1,774	1,772
Health Care and Social Assistance	12,198	12,244	12,686	13,350	13,738
Information	894	905	888	840	658
Management of Companies and Enterprises	51	35	39	41	44
Manufacturing	2,864	2,706	2,488	2,266	2,303
Mining	24	20	16	17	28
Other Services, Ex. Public Admin	1,313	1,292	1,317	1,202	1,216
Professional and Technical Services	3,434	3,958	3,741	3,822	3,735
Real Estate and Rental and Leasing	683	703	762	789	776
Retail Trade	7,466	7,582	7,657	7,579	7,351
Transportation and Warehousing	1,490	1,353	1,326	1,424	1,493
Utilities	394	398	400	420	425
Wholesale Trade	1,072	1,217	1,170	1,220	1,259
Total Government	18,037	17,987	17,866	17,695	18,182

⁽¹⁾ Data as of First Quarter of 2016

Note: Figures shown here are annual averages of quarterly data.

Source: New Mexico Department of Workforce Solutions, Quarterly Census of Employment and Wages program.

Major Employers

The following table shows major employers in Las Cruces MSA.

Major Employers in Las Cruces MSA		
1,000+ Employees	500 - 999 Employees	
City of Las Cruces	Coordinated Care Corp.	
Gadsden School District	Doña Ana Community College	
Las Cruces School District	Doña Ana County	
Memorial Medical Center	Mountain View Regional Medical Center	
Wal-Mart	Newtec LLC	
New Mexico State University	Trax International	
White Sands Missle Range	Peak Hospital of Santa Teresa	
	Physical Science Laboratory	
	Sunland Park Racetrack & Casino	

Source: Mesilla Valley Economic Development Authority, 2016

APPENDIX B

JUNE 30, 2015 AUDITED FINANCIAL STATEMENTS



LAS CRUCES PUBLIC SCHOOL **DISTRICT NO. 2**

FINANCIAL STATEMENTS

JUNE 30, 2015



Certified Public Accountants | Business Consultants

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STATE OF NEW MEXICO LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2 OFFICIAL ROSTER JUNE 30, 2015

Name	Decel (Florida	Title
Sra. Maria Flores	Board of Education	President
Chuck Davis		Vice President
Barbara Hall		Secretary
Ed Frank		Member
Maury Castro		Member
	School Officials	
Stan Rounds	<u>School officials</u>	Superintendent
Tim Hand		Chief of Staff
Terry Dean		Assistant Superintendent of Finance
Crystal Valdez		Controller



REPORT OF INDEPENDENT AUDITORS

State of New Mexico
Las Cruces Public School District No. 2
To the Board of Education
and
Mr. Timothy Keller,
New Mexico State Auditor

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the aggregate 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 Las Cruces Public School District No. 2, New Mexico (the "District") as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the District's non major governmental, fiduciary funds, and the budgetary comparisons for the major capital project funds and debt service fund, and all nonmajor funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2015 as listed in the table of contents.

Management's Responsibility for the Financial Statements

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



State of New Mexico
Las Cruces Public School District No. 2
To the Board of Education
and
Mr. Timothy Keller
New Mexico State Auditor

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 aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the Las Cruces Public School District No. 2, New Mexico as of June 30, 2015, and the respective changes in financial position and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the each nonmajor governmental fund and fiduciary fund of the Las Cruces Public School District No. 2, New Mexico as of June 30, 2015, and the respective changes in financial position and the respective budgetary comparisons for the major capital project funds, debt service fund and all nonmajor funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

As discussed in Note 1 to the financial statements, during the year ended June 30, 2015 the District adopted new accounting guidance, GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages viii through xiv, the District's proportionate share of the net pension liability and the schedule of the District's contributions on pages 143 through 144 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the Las Cruces Public School District No. 2, New Mexico's financial statements, the combining and individual fund financial statements and the budgetary comparisons.

State of New Mexico
Las Cruces Public School District No. 2
To the Board of Education
and
Mr. Timothy Keller
New Mexico State Auditor

The Schedule of Expenditures of Federal Awards as required by Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and the Schedule of Changes in Fiduciary Assets and Liabilities-Agency Funds, Schedule of Collateral Pledged by Depository for Public Funds, Schedule of Cash and Temporary Investments, Cash Reconciliation Schedule and the supplementary schedules related to Appendix A required by the New Mexico State Audit Rule are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and the Schedule of Changes in Fiduciary Assets and Liabilities-Agency Funds, Schedule of Collateral Pledged by Depository for Public Funds, Schedule of Cash and Temporary Investments, Cash Reconciliation Schedule and supplementary schedules related to Appedix A 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 the Schedule of Changes in Fiduciary Assets and Liabilities-Agency Funds, Schedule of Collateral Pledged by Depository for Public Funds, Schedule of Cash and Temporary Investments, Cash Reconciliation Schedule and the supplementary schedules related to Appendix A are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The other information, Schedule of Vendor Information per 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 it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2015 on our consideration of the Las Cruces Public School District No. 2, New Mexico'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 Las Cruces Public School District No. 2, New Mexico's internal control over financial reporting and compliance.

Albuquerque, New Mexico November 16, 2015

Mess adams LLP



Introduction

The discussion and analysis of Las Cruces Public School District's financial performance provides an overall review of the School District's financial activities for the fiscal year ended June 30, 2015. The intent of this discussion and analysis is to look at the School District's financial performance as a whole; readers should also review the basic financial statements and notes to enhance their understanding of the School District's financial performance. Fiscal year 2015 was the first year that state and local governments reported their share of pension liabilities with the implementation of GASB 68. The primary objective is to improve accounting and financial reporting by state and local governments for pensions. Due to this change in presentation, comparability from fiscal year to 2014 to 2015 is less meaningful.

Financial Highlights

Key financial highlights for fiscal year 2015 are as follows:

- ❖ The net position of the governmental funds decreased for the fiscal year ended June 30, 2015, by \$281.86 million or 97.81%. A fluctuation in the course of doing business over the year is normal and is not attributable to any one specific event. The reason for the significant drop in net position is due to the implementation of GASB 68 which requires governmental entities to report their net portion of pension liabilities on our financial statements, where historically this was not the case. The total decrease in net position since 2010 is \$190.47 million. Prior to the change in reporting requirements this would have resulted in an increase in net position from 2011 to 2015 of \$73.82 million.
 - ❖ Total liabilities of governmental fund activities increased by \$277.16 million or 279.58% from the previous fiscal year. The net increase was primarily due to the disclosure of the net pension liability of the Educational Retirement Board pension.
 - The district had \$235.88 million in expenses related to governmental activities; \$39.03 million of these expenses were offset by program specific charges for services and sales, grants, and contributions. General revenues primarily (state equalization guarantee, property taxes, and grants and entitlements) of \$207.48 million were adequate to provide for these programs.

Using the Basic Financial Statements

This annual report consists of a series of financial statements and notes to these statements. These statements are organized so the reader can understand Las Cruces Public School District as a financial whole, or as an entire operating entity.

The statement of net position and statement of activities provide information about the activities of the whole School District, presenting both an aggregate view of the School District's finances and a longer-term view of those finances. Fund financial statements provide the next level of detail. For governmental funds, these statements tell how services were financed in the short-term as well as what remains for future spending. The fund financial statements also look at the School District's most significant funds with all other non-major funds presented in total in a single column. For Las Cruces Public School District, the General Fund is the most significant fund.



Reporting the School District as a Whole

Statement of Net Position and Statements of Activities

While this report contains the large number of funds used by the School District to provide programs and activities, the view of the School District as a whole looks at all financial transactions and asks the question, "How did we do financially during fiscal year 2015?" The statement of net position and the statement of activities answer this question. These statements include all assets and liabilities using the accrual basis of accounting similar to the accounting system used by most private sector companies. This basis of accounting takes into account all of the current year's revenues and expenses regardless of when cash was received or paid.

These two statements report the School District's net position and changes in those assets. This change in net position is important because it identifies whether the financial position of the School District has improved or diminished for the School District as a whole. The cause of this change may be the result of many factors, some financial, some not. Non-financial factors include the School District's property tax base, facility conditions, required educational programs, and other factors.

In the statement of net position and the statement of activities, the School District is divided into two distinct kinds of activities:

Governmental Activities - Most of the School District's programs and services are reported here including instruction, support services, operation and maintenance of plant, pupil transportation, and extracurricular activities.

Component Units – This column reports the activity and balances of one charter school that were authorized by the district's Board of Education.

Reporting the School District's Most Significant Funds

Fund Financial Statements

Fund financial reports provide detailed information about the School District's major funds. The School District uses many funds to account for a multitude of financial transactions. However, these fund financial statements focus on the School District's most significant funds.

Governmental Funds

Most of the School District's activities are reported in governmental funds, which focus on how monies flow into and out of those funds and the balances left at fiscal year-end for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School District's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance educational programs. The relationship, or differences, between governmental activities reported in the statement of net position and the statement of activities and the governmental funds is reconciled in the financial statements.



Governmental Activities

The statement of activities reflects the cost of program services and the charges for services and sales, grants, and contributions offsetting those services. The Statement of Activities (shown as Exhibit A-2), for government activities, indicates the total cost of services and the net cost of services. It identifies the cost of these services supported by revenues from state entitlements.

The dependence upon revenues from the State of New Mexico for governmental activities is obvious. Eighty-eight (87.96%) percent of the Instructional activities are supported through general revenues.

The School District's Funds

The School District's governmental funds are accounted for using the modified accrual basis of accounting. Total governmental funds had revenues and other financing sources of \$272.33 million and expenditures and other financing uses of \$276.85 million. The net change in fund balance for the year was a decrease of \$4.53 million. This decrease was due primarily to the net activity within the expenditures for instruction.

General Fund Budgeting Highlights

The School District's budget is prepared according to New Mexico law and Public Education Department Regulations and is based on accounting for certain transactions on a basis of cash receipts, disbursements, and encumbrances. The most significant budgeted fund is the General Fund.

During the course of the 2015 fiscal year, the School District amended its General Fund budget as necessary. The School District utilizes a site-based budgeting technique. The budgeting systems are designed to tightly control site/department budgets, and to provide flexibility for site/departmental management.

For the General Fund, final budgeted revenues and other financing sources are equal to budget expenditures of \$187.21 million. Expenditures and other financing uses were budgeted at \$187.21 million while actual expenditures were \$183.82 million. The difference between budget and actual expenditures was primarily due to budgetary savings in salaries and benefits and utility costs. However, budget savings were experienced throughout the budget.

Actual revenues for the general fund were \$179.65 million and revenues from state sources constitute 98.67% of the total. Expenditures exceeded revenue by \$4.08 Million.

Significant Variations Between Original and Final Budgets

General Fund										
	Original	Final	Change	% Change						
Revenue	\$ 178,855,751	\$ 178,929,981	\$ 74,230	.04%						
Expenditures	188,066,529	187,210,905	(855,624)	(.45%)						



The variations between the original and final budgets were not significant during fiscal year 2015. Budgeted revenue increased \$74,230 or .04% from the original to final budget. The expenditure budget decreased \$855,624 or .45%. The District is required by state law to have a balanced budget.

Significant Changes in Fund Balance

The most significant change in fund balance occurred as previously mentioned with regard to GASB 68.

The general fund balance decreased by \$4.08 million as a result of decline in cash balance.

The bond building fund reflects a decrease in fund balance of \$2.11 million. This decrease is predominantly attributable to expense related to fund major construction projects such as Las Cruces High, some of this decrease was offset by Public School Facility Authority reimbursements. There is a net decrease in the combined fund balance of all capital outlay funds of \$1.90 million.

No other funds experienced significant changes in fund balance.

Capital Assets and Debt Administration

Capital Assets

During the 2015 fiscal year, the District had a net change of \$8.11 million. The total additions consisted primarily of the continued construction of Las Cruces High School and a building lease purchase of the J. Paul Taylor facility. The District disposed of \$2.57 million in equipment and furniture due to obsolescence and damage. At the end of fiscal 2015, the District had \$487.89 million invested in capitalized assets with associated accumulated depreciation of \$143.80 million (see note #6).

Debt

At June 30, 2015, the District had outstanding bonds payable of \$106.42 million and capital lease obligation of \$36.71 million for total indebtedness of \$143.1 million.

The District is bonded to 73.5% of the legal limit of \$182 million. In February 2015, the voters approved the issuance of \$65 million in bonds. The bonds are to be sold in three blocks over a four-year period. See table for issuance schedule.

Date of Sale	Amount Sold or to be sold
December 2015	\$15 million
December 2015	\$15 million
December 2016	\$20 million
December 2017	\$15 million



Factors Impacting Future Periods

Las Cruces Public Schools are scheduled to have a bond sale in the January, 2016.

Las Cruces High School renovation is estimated to cost approximately \$85,000,000 (including the Pubic School Facilities Authority contribution) requiring a significant use of capital monies in order to complete this project over the next three years.

Las Cruces Public Schools is not aware of any additional facts, decisions, or conditions that are expected to have a significant effect on the financial position or results of operations during the 2015-2016 fiscal year.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, investors, and creditors with a general overview of the School District's finances and to reflect the School District's accountability for the monies it receives. To learn more about the District's strategic plan, goals and program results, please visit our web site at www.lcps.k12.nm.us. Questions about this report or additional financial information needs should be directed to:

Stan Rounds
Superintendent
Las Cruces Public Schools
505 South Main, Suite 249
Las Cruces, NM 88001
srounds@lcps.k12.nm.us
(575) 527-5807

Crystal Valdez Controller Las Cruces Public Schools 505 South Main, Suite 249 Las Cruces, NM 88001 cvaldez@lcps.k12.nm.us (575) 527-5839 Terry Dean, CPA Chief Financial Officer Las Cruces Public Schools 505 South Main, Suite 249 Las Cruces, NM 88001 tdean@lcps.k12.nm.us (575) 527-5830

STATE OF NEW MEXICO LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2 STATEMENT OF NET POSITION JUNE 30, 2015

	Governmental Activities			mponent Unit
ASSETS				
Current assets				
Cash	\$	49,723,725	\$	432,108
Investments		14,399,794		-
Receivables		9,839,188		47,790
Inventory		660,042		_
Total current assets		74,622,749		479,898
Noncurrent assets Capital assets Construction in progress Land Land Improvements		20,541,159 6,799,006 26,274,104		- - -
Building and Building Improvements		436,118,800		-
Equipment and vehicles		25,495,797		70,738
Less: accumulated depreciation		(143,803,653)		(61,062)
Total noncurrent assets		371,425,213		9,676
Total assets		446,047,962		489,574
DEFERRED OUTFLOW OF RESOURCES				
Deferred outflow of resources related to pensions		20,051,653		152,264

STATE OF NEW MEXICO LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2 STATEMENT OF NET POSITION JUNE 30, 2015

	Governmental Activities	Component Unit
LIABILITIES AND NET POSITION		
Accounts payable	\$ 1,366,570	\$ 23,359
Due to government	269	-
Accrued liabilities	12,675,608	3,747
Accrued compensated absences	870,512	-
Unearned ad valorem tax revenue	1,782,851	-
Unearned grant revenue from local sources	154,460	69,809
Accrued interest	1,562,680	-
Current portion of capital lease obligation	1,448,591	-
Current portion of long-term debt	10,475,000	
Total current liabilities	30,336,541	96,915
Noncurrent liabilities Bond underwriter premiums	1,945,414 338,533 267,644,295 35,261,716 95,945,000 401,134,958 431,471,499	2,319,941 - - 2,319,941 2,416,856
Deferred inflow of resources related to premiums	28,317,091	361,931
Net investment in		
capital assets	243,294,906	9,676
Restricted for:	, ,	,
Debt service	14,663,673	-
Capital projects	10,542,184	-
Other	13,540,987	46,586
Unrestricted	(275,730,725)	(2,193,211)
Total net position	\$ 6,311,025	\$ (2,136,949)

Part							Program Rev	Net			
Instruction	, 0		Expenses	Charges for Grants and Grants and				Grants and	Revenues and Changes in	•	
Support Services: Students 23,374,047 1,796,060 2,229,821		ď	126 021 701	ď	21 600	ď	20,000,660			¢ (115,000,424)	
Students	nisti uction	Ф	130,021,791	Ф	31,000	Ф	20,009,009		-	\$ (113,900,434)	
Instruction	Support Services:										
Ceneral Administration	Students		, ,		1,796,060		2,229,821		-		
School Administration 13,405,937 440,355 62,945 (7,542,992) (75,42,992) Other 440,355 64,349,243 64,349,24	Instruction		8,493,092		-		-		-	(8,493,092)	
Other 440,355 - - (440,355) - - (440,355) - - (4349,243) - - (4349,243) - - (4349,243) - - (22,197,421) - - (22,197,421) - - - (22,197,421) - - - - - 229,198 - - - 298,198 - - - 298,198 - - - - 298,198 - - - - - 298,198 -	General Administration		2,844,968		-		37,920		-	(2,807,048)	
Central Services	School Administration		13,405,937		-		5,862,945		-	(7,542,992)	
Operation & Maintenance of Plant 22,197,421	Other		440,355		-		-		-	(440,355)	
Student Transportation	Central Services		4,349,243		-		-		-	(4,349,243)	
Food Services Operations	Operation & Maintenance of Plant		22,197,421		-		-		-	(22,197,421)	
Community Services Operations 45,816 - - (45,816 (10,434,083) (3,544,272) (10,434,083) (3,544,272) (10,434,083) (3,544,272) (10,434,083) (3,544,272) (473,659) (7,473,659) (10,434,083) (3,544,272) (10,434,083) (3,544,272) (10,434,083) (3,544,272) (10,434,083) (1,473,659) (1,47	Student Transportation		6,528,723		-		5,638,851		-	(889,872)	
Interest/amortization on long-term debt Unallocated depreciation	Food Services Operations		11,587,141		2,021,972		9,863,367		-	298,198	
Unallocated depreciation			45,816		-		-		-	(45,816)	
Facilities, Materials, Supplies & 0ther Services 30,014,421 1,969,210 (28,045,211) Total governmental activities \$252,886,803 \$3,849,720 \$43,642,573 \$(8,464,873) (213,859,383) Component Unit \$2,319,461 \$ \$181,375 \$166,379 \$(1,971,707) Component Unit \$2,319,461 \$ \$1,971,707 \$(1,971,707) Component Unit \$2,319,461 \$(1,971,707) Component Unit \$2,91,461 \$(1,971,707) Component Unit \$2,91,475 \$(1,971,707) Component Unit \$2,91,475 \$(1,971,707) Component Unit \$2,91,475 \$(1,971,707) Component Unit \$2,91,475 \$(1,971,707) Component Unit \$2,91,47	Interest/amortization on long-term debt		(6,889,811)		-		-		(10,434,083)	(3,544,272)	
& Other Services 30,014,421 - - 1,969,210 (28,045,211) - - - - 1,969,210 (28,045,211) - - - - - 1,969,217 (28,045,211) - </td <td></td> <td></td> <td>473,659</td> <td></td> <td>-</td> <td></td> <td>-</td> <td></td> <td>-</td> <td>(473,659)</td> <td></td>			473,659		-		-		-	(473,659)	
Component Unit \$ 2,319,461 \$ - \$ 181,375 \$ 166,379 \$ (1,971,707)			30,014,421		-		-		1,969,210	(28,045,211)	
General Revenues: Property Taxes Levied for general purposes 1,188,724 - Levied for debt services 13,921,732 - Levied for capital projects 15,179,284 - State Equalization Guarantee Revenue 177,186,544 1,858,068 State Appropriations - - - -	Total governmental activities	\$	252,886,803	\$	3,849,720	\$	43,642,573	\$	(8,464,873)	(213,859,383)	
Property Taxes	Component Unit	\$	2,319,461	\$	-	\$	181,375	\$	166,379		\$ (1,971,707)
Miscellaneous Transfers 59,693 14,243 Transfers - - Total general revenues Change in net position 207,571,146 1,872,311 Change in net position - beginning As previously reported 288,174,755 524,166 GASB 68 implementation (275,575,493) (2,561,719) Net position, beginning as restated 12,599,262 (2,037,553)						Prop Le Le Stat Stat Unre	perty Taxes evied for general evied for debt so evied for capital e Equalization (e Appropriation estricted invest	l purpose ervices projects Guarante is ment ear	e Revenue	13,921,732 15,179,284 177,186,544 - 71,094	- - - 1,858,068 - -
Change in net position (6,288,237) (99,396) Net position - beginning 288,174,755 524,166 As previously reported 288,174,755 524,166 GASB 68 implementation (275,575,493) (2,561,719) Net position, beginning as restated 12,599,262 (2,037,553)						Miso	cellaneous	1 assets			
Net position - beginning 288,174,755 524,166 As previously reported 288,174,755 524,166 GASB 68 implementation (275,575,493) (2,561,719) Net position, beginning as restated 12,599,262 (2,037,553)							Total general r	evenues		207,571,146	1,872,311
As previously reported 288,174,755 524,166 GASB 68 implementation (275,575,493) (2,561,719) Net position, beginning as restated 12,599,262 (2,037,553)							Change in ne	t positio	n	(6,288,237)	(99,396)
						As p	reviously repo	rted		, ,	,
									estated		
						Net	position - endir	ng -		\$ 6,311,025	\$ (2,136,949)

	General 11000	Pupil Transportation 13000	Instructional Materials 14000	Title I IASA 24101	В	Bond uilding 31100	Imp	Capital provements HB-33	Debt Service 41000	Other Governmental Funds	G	Total Primary overnment
ASSETS												
Current Assets												
Cash and cash equivalents	\$ 7,578,352	\$ -	\$ 1,367,141	\$ 382,898	\$ 1	12,162,221	\$	9,420,546	\$ 137,428	\$ 18,675,139	\$	49,723,725
Investments	-	-	-	-		-		-	14,375,441	24,353		14,399,794
Accounts receivable									, ,	,		, ,
Taxes	95,017	-	-	-		-		694,738	1,095,218	477,853		2,362,826
Due from other governments	-	-	-	3,161,176		-		-	-	4,311,682		7,472,858
Interfund receivables	7,472,858	-	-	· -		-		-	-	-		7,472,858
Other	2,781	-	-	-		-		-	-	723		3,504
Inventory	306,024	-	-	-		-		-	-	354,018		660,042
•												
Total assets	\$ 15,455,032	\$ -	\$ 1,367,141	\$ 3,544,074	\$ 1	12,162,221	\$	10,115,284	\$ 15,608,087	\$ 23,843,768	\$	82,095,607
LIABILITIES AND FUND BALANCES Current Liabilities:												
Accounts payable	\$ 17,241	\$ -	\$ -	\$ 22,622	\$	481,419	\$	245,360	\$ -	\$ 599,928	\$	1,366,570
Due to government	224	-	-	-		-		-	-	45		269
Accrued expenses	11,064,782	-	-	360,276		-		-	-	1,250,550		12,675,608
Interfund payables	-	-	-	3,161,176		-		-	-	4,311,682		7,472,858
Unspent ad valorem tax revenue	71,004	-	-	-		- 522,0		522,010	829,558	360,279		1,782,851
Unspent grant revenue						-		-		154,460		154,460
Total liabilities	11,153,251			3,544,074		481,419		767,370	829,558	6,676,944		23,452,616
Fund balances Fund Balance:												
Nonspendable	306,024	-	-	-		-		-	-	354,018		660,042
Restricted for instructional materials	-	-	1,367,141	-		-		-	-	-		1,367,141
Restricted for debt service	-	-	-	-		-		-	14,778,529	-		14,778,529
Restricted by grantor	-	-	-	-		-		-	-	13,186,969		13,186,969
Restricted for capital projects		-	-	-	1	11,680,802		9,347,914	-	3,625,837		24,654,553
Unassigned	3,995,757					-		-				3,995,757
Total fund balances	4,301,781		1,367,141		1	11,680,802		9,347,914	14,778,529	17,166,824		58,642,991
Total liabilities and fund balances	\$ 15,455,032	\$ -	\$ 1,367,141	\$ 3,544,074	\$ 1	12,162,221	\$	10,115,284	\$ 15,608,087	\$ 23,843,768	\$	82,095,607

STATE OF NEW MEXICO LAS CRUCES PUBLIC SCHOOLS GOVERNMENTAL FUND RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION FOR THE YEAR ENDED JUNE 30, 2015

Exhibit B-1 (Page 2 of 2)

	G	overnmental Funds
Amounts reported for governmental activities in the statement of net position are different because:		
Fund balances - total governmental funds	\$	58,642,991
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		371,425,213
Deferred outflow of resources related to pensions		20,051,653
Deferred inflow of resources related to pensions		(28,317,091)
Original bond issue discounts and premiums are not financial resources and, therefore, are not reported in the funds		
Bond issuance premiums net of accumulated amortization		(1,945,414)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.		
Accrued interest		(1,562,680)
Accrued compensated absences		(1,209,045)
Capital lease obligation		(36,710,307)
General obligation bonds		(106,420,000)
Pension liability		(267,644,295)
Net Position - total Governmental Activities	\$	6,311,025

	General 11000	Pupil Transportation 13000	Instructional Materials 14000	Title I IASA 24101	Bond Building 31100	Capital Improvements HB-33 31600	Debt Service 41000	Other Governmental Funds	Total Primary Government
Revenues:									
Property taxes	\$ 1,188,724	\$ -	\$ -	\$ -	\$ -	\$ 9,011,542	\$ 13,921,732	\$ 6,167,742	\$ 30,289,740
State grants	177,261,937	5,638,851	1,707,433	-	-	-	-	3,111,041	187,719,262
Federal grants	-	-	-	7,716,152	-	-	-	23,263,774	30,979,926
Charges for services	51,490	-	-	-	-	-	-	3,818,387	3,869,877
Miscellaneous	1,118,647	-	1,998	-	-	-	-	3,018,010	4,138,655
Interest	23,983		898		15,401	8,290	6,958	15,564	71,094
Total revenues	179,644,781	5,638,851	1,710,329	7,716,152	15,401	9,019,832	13,928,690	39,394,518	257,068,554
Expenditures: Current:									
Instruction	117,744,259	_	710,938	5,983,340	_	_	_	11,345,161	135,783,698
Support Services	11/// 11/20/		7 10,700	0,700,010				11,010,101	100,700,000
Students	16,709,494	_	_	510,393	_	_	-	6,151,669	23,371,556
Instruction	6,801,914	_	_	829,163	_	_	_	876,575	8,507,652
General Administration	1,840,180	_	_	174,324	_	90,586	139,881	597,411	2,842,382
School Administration	13,060,716	_	_	131,944	_	70,300	137,001	210,230	13,402,890
Central Services	4,226,211	_	_	64,160	_	_	_	50,290	4,340,661
		-	-	16,268	-	-	-	75,014	
Operation & Maintenance of Plant	22,096,744	- F (20.0F1	-	10,200	-	-	-		22,188,026
Student Transportation	540,177	5,638,851	-	-	-	-	-	349,695	6,528,723
Other Support Services	440,355	-	-	-	-	-	-	14 5 (0 200	440,355
Food Services Operations	119,559	-	-	-	-	-	-	11,569,208	11,688,767
Community Service	38,733	-	-	6,560	-	-	-	523	45,816
Capital Outlay	-	-	-	-	17,129,846	8,074,993	-	8,773,502	33,978,341
Debt service									
Principal	-	-	-	-	-	-	10,275,000	-	10,275,000
Interest	-	-	-	-	-	-	3,454,199	-	3,454,199
Bond Issuance costs				_	· ·		6,876	-	6,876
Total expenditures	183,618,342	5,638,851	710,938	7,716,152	17,129,846	8,165,579	13,875,956	39,999,278	276,854,942
Excess (deficiency) of revenues									
over (under) expenditures	(3,973,561)		999,391	-	(17,114,445)	854,253	52,734	(604,760)	(19,786,388)
Other financing sources (uses):									
Bond issuance premiums	-	-	-	-	-	-	259,736	-	259,736
Proceeds from bond issues	-	-	-	-	15,000,000	-	_	-	15,000,000
Operating transfers in	-	-	-	-	-	-	_	107,575	107,575
Operating transfers out	(107,551)	-	-	_	_	_	_	(24)	(107,575)
Total other financing sources (uses)	(107,551)			-	15,000,000	-	259,736	107,551	15,259,736
									, ,
Net changes in fund balances	(4,081,112)		999,391		(2,114,445)	854,253	312,470	(497,209)	(4,526,652)
Fund balances - beginning of year	8,382,893		367,750		13,795,247	8,493,661	14,466,059	17,664,033	63,169,643
Fund balances - end of year	\$ 4,301,781	\$ -	\$ 1,367,141	\$ -	\$ 11,680,802	\$ 9,347,914	\$ 14,778,529	\$ 17,166,824	\$ 58,642,991

STATE OF NEW MEXICO LAS CRUCES PUBLIC SCHOOLS DISTRICT NO. 2 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2015

Exhibit B-2 (Page 2 of 2)

\$ (6,288,237)

Amounts reported for governmental activities in the statement of activities are different because:	Go	overnmental Funds
Net change in fund balances - total governmental funds	\$	(4,526,652)
Current year employer pension contributions deferred		18,673,497
Pension expense		(19,007,737)
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which capital outlays exceed depreciation for the period.		
Depreciation expense Capital outlays Loss on disposal of capital assets Adjustment/Transfer		(14,653,740) 17,348,022 (35,925) (45,341)
The issuance of long-term debt (e.g., bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. In addition, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. Also, governmental funds report issuance of capital lease obligations as other financing sources while it is not accounted for in the Statement of Activities:		
Amortization of original issue premium Bond underwriter premiums Increase in accrued interest payable Increase in accrued compensated absences Bond proceeds Principal payments on bonds Capital lease payments	_	365,934 (563,819) 34,952 30,813 (25,130,000) 20,225,000 996,759

Change in Net Position - total Governmental Activities

STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2

Exhibit C-1

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -

GENERAL FUND (11000)

	Budgeted	Amounts		
	Original Budget	Final Budget	Actual	Variance
Revenues:				
Property taxes	\$ 1,164,793	\$ 1,164,793	\$ 1,195,913	\$ 31,120
State grants	177,075,958	177,150,188	177,258,517	108,329
Federal grants	-	-	3,420	3,420
Charges for services	25,000	25,000	51,490	26,490
Miscellaneous	550,000	550,000	1,118,647	568,647
Interest	40,000	40,000	23,983	(16,017)
Total revenues	178,855,751	178,929,981	179,651,970	721,989
Expenditures:				
Current:				
Instruction	117,385,089	118,461,695	117,745,607	716,088
Support Services				
Students	16,716,610	16,705,610	16,715,084	(9,474)
Instruction	7,329,714	7,129,714	6,798,727	330,987
General Administration	2,152,382	2,152,382	1,835,538	316,844
School Administration	13,304,703	13,274,703	13,061,438	213,265
Central Services	5,354,889	5,055,889	4,231,656	824,233
Operation & Maintenance of Plant	23,316,122	22,685,498	22,293,080	392,418
Student Transportation	975,399	525,399	540,432	(15,033)
Other Support Services	930,778	930,778	440,355	490,423
Food Services Operations	341,492	250,026	119,559	130,467
Community Services	59,351	39,211	38,733	478
Capital outlay	200,000	-	-	-
Debt service				-
Principal	-	-	-	-
Interest				
Total expenditures	188,066,529	187,210,905	183,820,209	3,390,696
Excess (deficiency) of revenues				
over (under) expenditures	(9,210,778)	(8,280,924)	(4,168,239)	(2,668,707)
Other financing sources (uses):				
Designated cash	9,210,778	8,280,924	-	(8,280,924)
Operating transfers	-	-	(107,551)	(107,551)
Proceeds from bond issues	-			
Total other financing sources (uses)	9,210,778	8,280,924	(107,551)	(8,388,475)
Net changes in fund balances	<u>-</u>		(4,275,790)	(4,275,790)
Cash or fund balances - beginning of year			8,129,732	8,129,732
Cash or fund balances - end of year	\$ -	\$ -	\$ 3,853,942	\$ 3,853,942
Reconciliation to GAAP Basis:				
Adjustments to revenues			\$ (7,189)	
Adjustments to expenditures			201,867	
Excess (deficiency) of revenues and other sources (u	ses)			
over expenditures (GAAP Basis)	•		\$ (4,081,112)	

STATE OF NEW MEXICO Exhibit C-2

LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -

PUPIL TRANSPORTATION SPECIAL REVENUE FUND (13000)

	Budgeted	Amounts				
	Original Budget	Final Budget	Actual	Variance		
Revenues:						
Property taxes	\$ -	\$ -	\$ -	\$ -		
State grants	5,040,441	5,638,851	5,638,851	-		
Federal grants	-	-	-	-		
Miscellaneous	-	-	-	-		
Interest	-	- - -	- - -			
Total revenues	5,040,441	5,638,851	5,638,851			
Expenditures:						
Current:						
Instruction	-	-	-	-		
Support Services						
Students	-	-	-	-		
Instruction	-	-	-	-		
General Administration	-	-	-	-		
School Administration	-	-	-	-		
Central Services	-	-	-	-		
Operation & Maintenance of Plant	-	-	-	-		
Student Transportation	5,040,441	5,638,851	5,638,851	-		
Other Support Services	-	-	-	-		
Food Services Operations	-	-	-	-		
Community Services	-	-	-	-		
Capital outlay Debt service	-	-	-	-		
Principal						
Interest	-	-	-	-		
Total expenditures	5,040,441	5,638,851	5,638,851			
Excess (deficiency) of revenues	3,040,441	3,030,031	3,030,031			
over (under) expenditures						
over (under) expenditures						
Other financing sources (uses):						
Designated cash	-	-	-	-		
Operating transfers	-	-	-	-		
Proceeds from bond issues						
Total other financing sources (uses)	-	-		-		
Net changes in fund balances						
Cash or fund balances - beginning of year	_	_	_	_		
oush or juna balances beginning of year						
Cash or fund balances - end of year	\$ -	\$ -	\$ -	\$ -		
Reconciliation to GAAP Basis:						
Adjustments to revenues			\$ -			
Adjustments to expenditures			Ψ -			
Excess (deficiency) of revenues and other sources (uses)					
over expenditures (GAAP Basis)	2000)		\$ -			
1						

STATE OF NEW MEXICO Exhibit C-3

LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -BUDGET AND ACTUAL -

INSTRUCTIONAL MATERIALS SPECIAL REVENUE FUND (14000)

	Budgeted Amounts							
	Origina	al Budget	Fir	al Budget	Actual		V	ariance
Revenues:								
Property taxes	\$	-	\$	-	\$	-	\$	-
State grants	1	,223,387		1,707,433		1,707,433		-
Federal grants		-		-		-		-
Miscellaneous		-		-		1,998		1,998
Interest						898		898
Total revenues	1	,223,387		1,707,433		1,710,329		2,896
Expenditures:								
Current:								
Instruction	1	,589,621		2,075,183		710,938	1	,364,245
Support Services								
Students		-		-		-		-
Instruction		-		-		-		-
General Administration		-		-		-		-
School Administration		-		-		-		-
Central Services		-		-		-		-
Operation & Maintenance of Plant		-		-		-		-
Student Transportation		-		-		-		-
Other Support Services		-		-		-		-
Food Services Operations		-		-		-		-
Community Services		-		-		-		-
Capital outlay		-		-		-		-
Debt service								
Principal Interest		-		-		-		-
Total expenditures	1	589,621		2,075,183		710,938		,364,245
Excess (deficiency) of revenues		,309,021		2,073,103		710,930		1,304,243
over (under) expenditures		(366,234)		(367,750)		999,391	(1	,361,349)
over (under) expenditures		300,231)		(307,730)		777,371		1,301,317)
Other financing sources (uses):								
Designated cash		366,234		367,750		-		(367,750)
Operating transfers		-		-		-		-
Proceeds from bond issues								
Total other financing sources (uses)		366,234		367,750		-	-	(367,750)
Net changes in fund balances						999,391		999,391
Cash or fund balances - beginning of year		_		_		367,750		367,750
cash or juna salances segiming of year						007,700		567,750
Cash or fund balances - end of year	\$		\$	-	\$ 2	1,367,141	\$ 1	,367,141
Reconciliation to GAAP Basis: Adjustments to revenues					\$			
Adjustments to revenues Adjustments to expenditures					φ	-		
Excess (deficiency) of revenues and other sources (iises)							
over expenditures (GAAP Basis)	usesj				\$	999,391		
· · · · · · · · · · · · · · · · · · ·						,		

STATE OF NEW MEXICO
LAS CRUCES PUBLIC SCHOOL DISTRICT NO. 2

Exhibit C-4

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -

TITLE I IASA SPECIAL REVENUE FUND (24101)

	Budgeted Amounts								
	Original Budget		Final Budget		Actual		Variance		
Revenues:									
Property taxes	\$	-	\$	-	\$	-	\$	-	
State grants		7.560.000		- 0.554.217	7.5	-		(007.47()	
Federal grants Miscellaneous	7,560,980		8,554,317		7,566,841		(987,476)		
Interest		-		-		-		-	
Total revenues		7,560,980		8,554,317		7,566,841		(987,476)	
Total revenues		7,300,900		0,334,317	7,3	00,041		(907,470)	
Expenditures:									
Current: Instruction		E E / 1 2 / E		6 404 012	F 0	02 240		421 472	
		5,541,245		6,404,812	5,9	83,340		421,472	
Support Services Students		738,584		740,584	-	10,393		230,191	
Instruction		856,101		886,101		29,162		56,939	
General Administration		170,715		193,142		74,324		18,818	
School Administration		129,765		177,473		31,944		45,529	
Central Services		95,128		106,763		64,160		42,603	
Operation & Maintenance of Plant		29,442		29,442		16,268		13,174	
Student Transportation		29,442		27,442 -		10,200		13,1/4	
Other Support Services		_		_		_		_	
Food Services Operations		_		_		_		_	
Community Services		_		16,000		6,560		9,440	
Capital outlay		_		-		-		-	
Debt service									
Principal		_		_		_		_	
Interest		_		_		_		_	
Total expenditures		7,560,980		8,554,317	7.7	16,151		838,166	
Excess (deficiency) of revenues		,,000,500	-	0,00 1,01.		10,101		000,100	
over (under) expenditures		_		_	(1	49,310)		149,310	
				-		,			
Other financing sources (uses):									
Designated cash		-		-		-		-	
Operating transfers		-		-		-		-	
Proceeds from bond issues		-		-		-			
Total other financing sources (uses)		-		-		-		-	
Net changes in fund balances					(1	49,310)		149,310	
Cash or fund balances - beginning of year (deficit), as restated		_		_	(3.0	11,866)		3,011,866	
us restuteu					(3,0	11,000)		3,011,000	
Cash or fund balances - end of year	\$	-	\$	-	\$ (3,1	61,176)		3,161,176	
Reconciliation to GAAP Basis:									
Adjustments to revenues					\$ 1	49,310			
Adjustments to revenues Adjustments to expenditures					Ψ 1	-			
Excess (deficiency) of revenues and other sources (uses)								
over expenditures (GAAP Basis)	asesj				\$	_			

		Agency Funds	
ASSETS			
Current Assets			
Cash	\$	954,765	
Total Assets	\$	954,765	
		_	
LIABILITIES			
Current Liabilities			
Deposits held in trust for others	\$	954,765	
Total Liabilities	\$	954,765	

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Las Cruces Public School District No. 2 (the District) Board was created under the provision of Chapter 22 Article 5, Paragraph 4, New Mexico Statutes 1978 to provide public education for the children within the District. The School Board is authorized to establish policies and regulations for its own government consistent with the laws of the state of New Mexico and the regulations of the State Board of Education and the Legislative Finance Committee. The School Board is comprised of five members who are elected for terms of four years.

The School Board operates thirty-nine schools within the District with a total enrollment of approximately 24,000 pupils. In conjunction with the regular educational programs, some of these schools offer special education. In addition, the School Board provides transportation and school food services for the students.

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

The GASB issued GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 (GASB No. 68), which is effective for financial statements for periods beginning after June 15, 2014. GASB No. 68 replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of GASB No. 68. It establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, GASB No. 68 identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions also are addressed. The impact of this statement to the District is the requirement of net pension liability associated with the defined benefit pension to be reflected in its Statements of Net Position.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity

GASB Statement No. 61 and amendment of GASB Statement No. 14, established criteria for determining the government reporting entity and component unit that should be included within the reporting entity. Under provisions of this Statement, the District is considered a *primary government*, since it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 61, fiscally independent means that the District may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges, and issue bonded debt. Based upon the application of these criteria, the following is a brief review of the potential component unit addressed in defining the government's reporting entity:

Las Montañas (Charter School) is a component unit of the District, as defined by GASB Statement No. 61 and/or GASB Statement No. 39, and have a separate governing board and are fiscally dependent on the District. The Charter School do not issue separate financial statements. Charter school operate under the Senate Bill 192, Chapter 281, Laws of 1999, and is responsible for maintaining separate accounting records, and are discretely presented component unit of the school districts they operate within. See Note 16 for detailed information on Charter School assets and liabilities.

In the prior year there was La Academia Delores Huerta (Charter School) was reported as a component unit in addition to Las Montañas. In FY 15, La Academia Delores Huerta became chartered with the state and is now a State Chartered Charter School and a component unit of PED.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of financial position and the statement of activities and changes in net position) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

GASB No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, and GASB No. 65, Items Previously Reported as Assets and Liabilities, amend GASB No. 34, Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments, to incorporate deferred outflows of resources and deferred inflows of resources in the financial reporting model.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide and Fund Financial Statements (Continued)

Deferred outflows of resources – a consumption of net position by the government that is applicable to a future reporting period. It has a positive effect on net position, similar to assets.

Deferred inflows of resources – an acquisition of net position by the government that is applicable to a future reporting period. It has a negative effect on net position, similar to liabilities.

Net position – the residual of the net effects of assets, deferred outflows of resources, liabilities, and deferred inflows of resources.

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

Separate fund financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as is the fiduciary fund financial statement. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are billed. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Ad valorem taxes (property taxes), and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues in the current fiscal period. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met. All other revenue items are considered to be measurable and available only when cash is received by the District.

The agency funds are custodial in nature (assets equal liabilities) and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the District holds for others in an agency capacity.

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

The *General Fund* is the primary operating fund of the District, and accounts for all financial resources, except those required to be accounted for in other funds.

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The *Debt Service Fund* accounts for the services of long-term debt not being financed by proprietary or nonexpendable trust funds.

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

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

The *Pupil Transportation Special Revenue Fund* is used to account for the State Equalization received from the State Department of Education which is used to pay for the costs associated with transporting school age children.

The *Instructional Materials Special Revenue Fund* is used to account for the monies received from the State Department of Education for the purposes of purchasing instructional materials (books, manuals, periodicals, etc.) used in the education of students.

The *Title I IASA Special Revenue Fund* is used to account for the monies received from the State Department of Education and expended in the Title I program, which provides supplemental educational opportunities for academically disadvantaged children in the area of reading.

The *Bond Building Capital Projects Fund* is used to account for bond proceeds and any income earned thereon. The proceeds are restricted for the purpose of making additions to and furnishing of school buildings, or purchasing or improving school grounds or any combination thereof, as approved by the voters of the District.

The *Debt Service Fund* is used to account for the accumulation of resources for the payment of Long-Debt principal and interest.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Additionally, the District reports the following agency fund:

The *Fiduciary Fund* account for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, or student organizations.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Program revenues included in the Statement of Activities derive directly from the program itself or from parties outside the District's taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the District's general revenues.

Program revenues are categorized as (a) charges for services, which include revenues collected for cafeteria fees and lost books, etc., (b) program-specific operating grants, which includes revenues received from state and federal sources such as Title I, IDEA-B, Charter Schools, and other State and Federal funding to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions, which include revenues from state sources such as bond building, SB-9 and special capital outlay funding to be used for capital projects. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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

The District reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. The District does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified by function and is included in the direct expense of each function, except for that portion of depreciation that is identified as unallocated on the Statement of Activities. Interest on long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position or Fund balance

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

State statutes authorize the District to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool.

Investments for the District are reported at fair value. The State Treasurer's Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Receivables and Payables: Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

The District receives monthly income from a tax levy in Dona Ana County. The funds are collected by the County Treasurer and are remitted to the School District the following month. Under the modified accrual method of accounting, the amount remitted by the Dona Ana County Treasurer in July and August 2015 is considered "measurable and available" and, accordingly, is recorded as revenue during the year ended June 30, 2015.

Certain Special Revenue funds are administered on a reimbursement method of funding; other funds are operated on a cash advance method of funding. The funds incurred the cost and submitted the necessary request for reimbursement or advance, respectively.

Instructional Materials: The New Mexico State Department of Education receives federal material leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position or Fund Balance (Continued)

each allocation, seventy percent is restricted to the requisition of material listed in the State Board of Education 'State Adopted Instructional Material' list, while thirty percent of each allocation is available for purchases directly from vendors, for which the school district receives cash draw-downs, or transfer to the seventy percent account for requisition of material from the adopted list.

Inventory: Inventory is valued at lower of cost (first-in, first-out) or market. Inventory in the General Fund consists of expendable supplies held for consumption. Inventory in the Special Revenue Funds consists of U.S.D.A. commodities and other purchased food and non-food supplies. The cost of purchased food is recorded as an expenditure at the time individual inventory items are consumed. The U.S.D.A. commodities are recorded at year-end by audit adjusting entries. Commodities consumed during the year are reported as revenues and expenditures; unused commodities are reported as inventories and unearned revenue. Non-commodity inventories are equally offset by a fund balance reserve, which indicates that they do not constitute "available spendable resources" even though they are a component of net current assets. No unearned revenue was recorded for unused commodity inventory as of June 30, 2015.

Capital Assets: Capital assets, which include construction in progress, land and land improvements, building and building improvements, equipment, and vehicles are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000, per section 12-6-10 NMSA 1978, and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are to be included as part of the governmental capital assets reported in the government wide statements. However, infrastructure assets have not been included in the June 30, 2015 financial statements of Las Cruces Public School District No. 2, since the District did not own any infrastructure assets as of June 30, 2015. Information technology equipment, including software, is being capitalized and included in furniture and equipment as the District did not maintain internally developed software. The District expensed the cost of library books when purchased. Donated capital assets are recorded at

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position or Fund Balance (Continued)

estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction during the year ended June 30, 2015.

Capital expenditures made on the District's building construction projects by the NM Public School Facilities Authority have been recorded as a revenue and expenditure in the fund financial statements, and have been included as capital assets in the District's government-wide financial statements.

Capital assets of the primary government is depreciated using the straight line method over the following estimated useful lives:

Land Improvements	20 years
Buildings/Building Improvements	20-50 years
Equipment and Vehicles	4-20 years

Unearned Revenues: The District recognizes grant revenue at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended in the Special Revenue Funds are shown as unearned revenues. Amounts receivable from the property taxes levied for the current year that are not considered to be "available" under the current financial resources measurement focus are reported as unearned revenues in the governmental fund financial statements.

Compensated Absences: Twelve month employees are entitled to accumulate annual leave up to 15 days per year, depending on length of service, and the employee's hire date. Upon termination, employees are paid for their accrued annual leave, up to a maximum of 30 days.

Qualified employees are entitled to accumulate sick leave. Employees employed for 182 but not more than 219 days accrue 1 day per month not to exceed 10 days per year. Employees employed for 220 days accrue 1 day per month not to exceed 11 days per year.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position or Fund Balance (Continued)

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources are reported as an expenditure and a fund liability of the governmental fund that will pay it. In prior years, substantially all of the related expenditures have been liquidated by the general fund. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the government-wide statement of net position.

Long-term Obligations: In the government-wide fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts, are unearned and amortized over the life of the bonds using the effective interest method.

For fund financial reporting, bond premiums and discounts, as well as issuance costs, are recognized in the period the bonds are issued. Bond proceeds are reported as another financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. During the year, \$3,454,199 was recorded as interest on long term debt.

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

Capital Leases: Leases that substantially transfer all of the risks and benefits of ownership are accounted for as capital leases. Capital leases are included in the capital assets, and where appropriate, are amortized over the shorter of their economic useful lives or lease terms. The related capital lease obligations are included in the long-term liabilities in the government-wide financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position or Fund Balance (Continued)

Net Position or Fund Balance: In the government-wide financial statements, fund equity is classified as net position and is displayed in three components:

Net investment in capital assets: Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position: Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. Descriptions for the related restrictions for net position are restricted for "debt service or capital projects."

Unrestricted Net Position: All other net position that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The Government-wide Statement of Net Position reports \$38,746,844 of restricted net position of which \$10,542,184 is restricted by enabling legislation.

The District reports fund balance based on generally accepted accounting principles using the following classifications:

- Nonspendable portion of net resources that cannot be spent because of their form or because they must remain intact
- Restricted amounts constrained by external parties, constitutional provision, or enabling legislation
- · Committed amounts constrained by a government using its highest level of decision-making authority. The Board of Education is the highest level of decision making authority. There are no committed funds in the current year.
- Assigned amounts a government intends to use for a particular purpose. There are no assigned funds in the current year.
- *Unassigned* amounts that are not constrained at all will be reported in the general fund.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities and Net Position or Fund Balance (Continued)

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

All other interfund transactions, except quasi-external transactions and reimbursements are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates affecting the District's financial statements include management's estimate of the useful lives of capital assets.

E. Revenues

State Equalization Guarantee: School districts in the State of New Mexico receive a 'state equalization guarantee distribution' which is defined as "that amount of money distributed to each school district to insure that the school district's operating revenue, including its local and federal revenues as defined (in Chapter 22, Section 825, NMSA 1978) is at least equal to the school district's program cost.

A school district's program costs are determined through the use of various formulas using 'program units' which take into consideration 1) early childhood education; 2) basic education; 3) special education; 4) bilingual-multicultural education; 5) size, etc. Payment is made from the public school fund under the authority of the Director of Public School Finance. The District received \$177,093,041 in state equalization guarantee distributions during the year ended June 30, 2015.

Tax Revenues: The District receives mill levy and ad-valorem tax revenues primarily for debt service and capital outlay purposes. Tax revenues are recognized when they are in the hands of the collecting agency. The District

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Revenues (Continued)

records only the portion of the taxes considered to be 'measurable' and 'available'. The District recognized \$30,289,740 in tax revenues during the year ended June 30, 2015. Descriptions of the individual debt service and capital outlay funds contained in these financial statements include information regarding the authority for the collection and use of these taxes.

Property taxes attach an enforceable lien on property as of January $1^{\rm st}$. Tax notices are sent to property owners by November $1^{\rm st}$ of each year to be paid in whole or in two installments by November $10^{\rm th}$ and April $10^{\rm th}$ of each year. Dona Ana County collects County, City and School taxes and distributes them to each fund once per month except in June when the taxes are distributed twice to close out the fiscal year.

Transportation Distribution: School districts in the State of New Mexico receive student transportation distributions. The transportations distribution is allocated to each school district in accordance with formulas developed by the State Transportation Director and the Director of Public School Finance. The funds shall be used only for the purpose of making payments to each school district for the to-and-from school transportation costs of students in grades K through twelve attending public school within the school district. The District received \$5,638,851 in transportation distributions during the year ended June 30, 2015.

Instructional Materials: The New Mexico Public Education Department (PED) receives federal mineral leasing funds from which it makes annual allocations to the various school districts for the purchase of educational materials. Of each allocation, seventy percent is restricted to the requisition of materials listed in the State Board of Education "State Adopted Instructional Material" list, while thirty percent of each allocation is available for purchases directly from vendors. Allocations received from the State for the year ended June 30, 2015 totaled \$1,707,433.

Public School Capital Outlay: Under the provisions of Chapter 22, Article 24, a public school capital outlay fund was created. The money in the fund may be used only for capital expenditures deemed by the public school capital outlay council (Council) necessary for an adequate educational program, and the capital outlay expenditures are limited to the purchase, or construction of temporary or permanent classrooms.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Revenues (Continued)

The Council approves the District's application for grant assistance from the fund when the Council determines that:

- 1. A critical need exists requiring action;
- 2. The residents of the school districts have provided all available resources to the district to meet its capital outlay requirements;
- 3. The school district has used its resources in a prudent manner;
- 4. The school district is in a county or counties which have participated in the reappraisal program and the reappraised values are on the tax rolls, or will be used for the tax year 1979 as certified by the property tax division; and
- 5. The school district has provided insurance for buildings of the school district in accordance with the provisions of Section 13-5-3 NMSA 1978.

During the year ended June 30, 2015, the District not received any funding in special capital outlay funds.

SB-9 State Match: The Director distributes to any school district that has imposed a tax under the Public School Capital Outlay Improvements Act (22-25-1 to 22-25-10 NMSA 1978) an amount from the public school capital improvements fund that is equal to the amount by which the revenue estimated to be received from the imposed tax as specified in Subsection B of section 22-25-3 NMSA 1978, assuming a one hundred percent collection rate, is less than an amount calculated by multiplying the product obtained by the rate imposed in the district under the Public School Capital Improvements Act. The distribution is made by December 1st, of each year that the tax is imposed in accordance with Section 22-25-3 NMSA 1978. Provided, however, in the event that sufficient funds are not available in the public school capital improvement funds to make the state distribution provided for in this section, the dollar per program unit figure is reduced as necessary.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Revenues (Continued)

The District did not receive any funding in state SB-9 matching during the year end June 30, 2015.

Federal Grants: The District receives revenues from various Federal departments (both direct and indirect), which are legally restricted to expenditures for specific purposes. These programs are reported as Special Revenue Funds. Each program operated under its own budget, which has been approved by the Federal Department or the flow through agency (usually the New Mexico Department of Public Education). The various budgets are approved by the Local School Board and the New Mexico Public Education Department.

The District also receives reimbursement under the National School Lunch and Breakfast Programs for its food services operations, and the distributions of commodities through the New Mexico Human Services Department.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

Budgets for the General, Special Revenue, Capital Projects, and Debt Service Funds are prepared by management and are approved by the local Board of Education and the School Budget and Planning Unit of the Public Education Department. Auxiliary student activity accounts are not budgeted.

These budgets are prepared on the cash basis, excluding encumbrances, and secure appropriation of funds for only one year and reconciled to the modified accrual GAAP financial statements. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year.

Actual expenditures may not exceed the budget on a line item basis, i.e., each budgeted expenditure must be within budgeted amounts. Budgets may be amended in two ways. If a budget transfer is necessary within a major category called a 'series,' this may be accomplished with only local Board of Education approval. If a transfer between 'series' or a budget increase is required, approval must also be obtained from Public School Finance Division.

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

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

A. Budgetary Information (continued)

The School District follows these procedures in establishing the budgetary data reflected in the financial statements:

- 1. In April or May, the local school board submits to the School Budget Planning Unit (SBPU) of the New Mexico Public Education Department a proposed operating budget for the ensuing fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. All budgets submitted to the State of New Mexico Public Education Department (PED) by the District shall contain headings and details as described by law and have been approved by the Public Education Department.
- 2. In May or June of each year, the proposed "operating" budget will be reviewed and approved by the SBPU and certified and approved by the local school board at a public hearing of which notice has been published by the local school board which fixes the estimated budget for the school district for the ensuing fiscal year.
- 3. The school board meeting, while not intended for the general public, is open for the general public unless a closed meeting has been called.
- 4. The "operating" budget will be used by the District until they have been notified that the budget has been approved by the SBPU and the local school board. The budget shall be integrated formally into the accounting system. Encumbrances shall be used as an element of control and shall be integrated into the budget system. The District shall make corrections, revisions and amendments to the estimated budgets fixed by the local school board to recognize actual cash balances and carryover funds, if any. These adjustments shall be reviewed and approved by the SBPU.
- 5. The superintendent is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the school board and the State of New Mexico Public Education Department.
- 6. Budget change requests are processed in accordance with Supplement 1 (Budget Preparation and Maintenance) of the Manual of Procedures Public School Accounting and Budgeting. Such changes are initiated by the school district and approved by the SBPU.

NOTE 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

A. Budgetary Information (continued)

- 7. Legal budget control for expenditures is by function.
- 8. Appropriations lapse at fiscal year end. Funds unused during the fiscal year may be carried over into the next fiscal year by budgeting those in the subsequent fiscal year's budget. The budget of Las Cruces Public Schools has been amended during the current fiscal year in accordance with these procedures. The budget schedules included in the accompanying financial statements reflect the approved budget and amendments thereto.
- 9. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Funds.
- 10. Budgets for the General, Special Revenue, Capital Projects, and Debt Service Funds are adopted on a basis not consistent with generally accepted accounting principles (GAAP). Encumbrances are treated the same way for GAAP purposes and for budget purposes.

The Board of Education may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance. New Mexico state law prohibits a Governmental Agency from exceeding an individual line item.

The accompanying Statements of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual present comparisons of the legally adopted budget with actual data on a budgetary basis.

NOTE 3. CASH AND TEMPORARY INVESTMENTS

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

NOTE 3. CASH AND TEMPORARY INVESTMENTS (CONTINUED)

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

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

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

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

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$100,000 in aggregate and separate from the \$100,000 coverage for public unit demand deposits at the same institution. This coverage has increased to \$250,000 for time and savings deposits as well as demand deposits until December 31, 2015. Additionally, all deposits in non-interest bearing transaction accounts (such as non-interest bearing checking accounts) at participating institutions are fully guaranteed, regardless of dollar amount.

Deposits

NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the Schools for a least one half of the amount on deposit with the institution. The schedule listed below will meet the State of New Mexico, Office of the State Auditor's requirements in reporting the insured portion of the deposits.

NOTE 3. CASH AND TEMPORARY INVESTMENTS (CONTINUED)

Deposits (continued)

Deposits (continued)			c:	tinona Danla Da		nd Donosit	
	ъ	1 CA :			emand Deposit		
	<u> </u>	nk of America	_01	Las Cruces		US Bank	
Total amount of donosita	\$	2 200	\$	25 504 047	\$	1 262 240	
Total amount of deposits	Ф	2,298	Ф	35,594,947	Э	1,263,249	
FDIC Coverage	φ.	(2,298)	ф.	(250,000)	φ.	(250,000)	
Total uninsured public funds	\$	-	\$	35,344,947	\$	1,013,249	
Pledged collateral held by							
pledging bank's trust							
department or agent but							
not in District's name	\$		ф		¢		
		<u>-</u>	<u>\$</u> \$	35.344.947	<u>\$</u> \$	1.013.249	
Uninsured and uncollateralized	\$		<u> </u>	35,344,947	<u>\$</u>	1,013,249	
Collateral requirement (50%							
of uninsured public funds)	\$	_	\$	17,672,474	\$	506,625	
Pledged security	Ψ	_	Ψ	(27,684,619)	Ψ	(3,000,000)	
Total under (over) collateralized	\$		<u>ф</u>	(10,012,145)	\$	(2,493,375)	
Total under (over) conateranzed	Φ		<u>\$</u>	(10,012,143)	<u>.p</u>	(4,493,373)	
	Tim	e & Savings	V	Vells Fargo	F	irst American	
	Tim	e & Savings US Bank	V	Vells Fargo Bank	F	irst American Bank	
	Tim	_	V	0	F		
Total amounts of deposits	Tim	US Bank	\$	0	F — \$		
Total amounts of deposits FDIC Coverage		1,209,637		Bank		Bank 509,645	
FDIC Coverage		1,209,637 (250,000)		Bank 15,088,887 (250,000)		Bank 509,645 (250,000)	
-	\$	1,209,637	\$	Bank 15,088,887	\$	Bank 509,645	
FDIC Coverage Total uninsured public funds	\$	1,209,637 (250,000)	\$	Bank 15,088,887 (250,000)	\$	Bank 509,645 (250,000)	
FDIC Coverage Total uninsured public funds Pledged collateral held by	\$	1,209,637 (250,000)	\$	Bank 15,088,887 (250,000)	\$	Bank 509,645 (250,000)	
FDIC Coverage Total uninsured public funds Pledged collateral held by pledging bank's trust	\$	1,209,637 (250,000)	\$	Bank 15,088,887 (250,000)	\$	Bank 509,645 (250,000)	
FDIC Coverage Total uninsured public funds Pledged collateral held by pledging bank's trust department or agent but	\$ <u>\$</u>	1,209,637 (250,000)	\$	Bank 15,088,887 (250,000)	\$ \$	Bank 509,645 (250,000)	
FDIC Coverage Total uninsured public funds Pledged collateral held by pledging bank's trust department or agent but not in agency's name	\$	US Bank 1,209,637 (250,000) 959,637	\$ \$	Bank 15,088,887 (250,000) 14,838,887	\$	Bank 509,645 (250,000) 259,645	
FDIC Coverage Total uninsured public funds Pledged collateral held by pledging bank's trust department or agent but	\$ <u>\$</u>	1,209,637 (250,000)	\$	Bank 15,088,887 (250,000)	\$ \$	Bank 509,645 (250,000)	
FDIC Coverage Total uninsured public funds Pledged collateral held by pledging bank's trust department or agent but not in agency's name Uninsured and uncollateralized	\$ <u>\$</u>	US Bank 1,209,637 (250,000) 959,637	\$ \$	Bank 15,088,887 (250,000) 14,838,887	\$ \$	Bank 509,645 (250,000) 259,645	
FDIC Coverage Total uninsured public funds Pledged collateral held by pledging bank's trust department or agent but not in agency's name	\$ <u>\$</u>	US Bank 1,209,637 (250,000) 959,637	\$ \$	Bank 15,088,887 (250,000) 14,838,887	\$ \$	Bank 509,645 (250,000) 259,645	
FDIC Coverage Total uninsured public funds Pledged collateral held by pledging bank's trust department or agent but not in agency's name Uninsured and uncollateralized Collateral requirement (50%	\$ \$ \$ \$	1,209,637 (250,000) 959,637	\$ \$ \$	Bank 15,088,887 (250,000) 14,838,887 - 14,838,887	\$ \$ \$	Bank 509,645 (250,000) 259,645 - 259,645	
FDIC Coverage Total uninsured public funds Pledged collateral held by pledging bank's trust department or agent but not in agency's name Uninsured and uncollateralized Collateral requirement (50% of uninsured public funds)	\$ \$ \$ \$	US Bank 1,209,637 (250,000) 959,637 - 959,637 479,819	\$ \$ \$	Bank 15,088,887 (250,000) 14,838,887	\$ \$ \$	Bank 509,645 (250,000) 259,645 - 259,645 129,823	

NOTE 3. CASH AND TEMPORARY INVESTMENTS (CONTINUED)

Deposits - (Continued)

		Total
Total amounts of deposits FDIC Coverage	\$	53,668,663 (1,252,298)
Total uninsured public funds	<u>\$</u>	52,416,365
Pledged collateral held by pledging bank's trust department or agent but	ф	
not in agency's name	<u>\$</u>	<u>-</u>
Uninsured and uncollateralized Collateral requirement (50%	\$	<u>52,416,365</u>
of uninsured public funds)	\$	26,208,183
Pledged security		(49,797,074)
Total under (over) collateralized	\$	(23,588,891)

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 government does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2015, the District was not exposed to custodial credit risk.

Investments

As of June 30, 2015, the District had the following investments and maturities:

		Investment Maturities
Investment Type	<u>Fair Value</u>	Less than 1 Year
State Investment Pool – 4101 LGIP Fund	\$14,399,794	\$14,399,794

State Pool – 4101 LGIP investments are 100% invested in U.S. Treasury Obligations.

Interest Rate Risk – Investments. The District does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates. The District's investments were rated AAA by Moody's Investors Services and S&P and have a weighted average days to maturity (WAM) of 27.5 days.

NOTE 3. CASH AND TEMPORARY INVESTMENTS (CONTINUED)

Investments - (Continued)

Concentration Credit Risk – Investments. For an investment, concentration credit risk is when any one issuer is 5% or more of the investment portfolio of the District. The investments in the State Pool-4101 LGIP Fund represent 100% of the investment portfolio. Since the District only purchases investments with the highest credit rating, the additional concentration is not viewed to be an additional risk by the District. The District's policy related to concentration risk is to comply with the state statute as put forth in the Public Money Act (Section 6-10-1 to 6-10- 63, NMSA 1978).

The State Treasurer Local Government Investment Pool is not SEC Registered. Section 6-10-10 I, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment funds in the securities that are issued by the United States government or by its departments or agencies and are either backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The pool does not have unit shares; at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in the amounts of the fund were invested. Any realized gain or loss on the portfolio is distributed through the investment yield on distribution dates. The carrying amount of the portfolio approximates the fair value of all investments at June 30, 2015. The State of New Mexico is regulatory oversight entity and participation in the pool is voluntary.

Reconciliation of Cash and Temporary Investments

Governmental Funds – Balance Sheet	
Cash per Exhibit A-1	\$ 49,723,726
Investments per Exhibit A-1	14,399,794
Statement of Fiduciary Assets –	
cash per Exhibit D-1	954,765
-	65,078,285
Plus outstanding checks and other	
reconciling items	<u>3,051,500</u>
	68,129,785
Less State Investment Pool	(14,399,794)
Less petty cash	(85)
Less cash with fiscal agent	(61,243)
Bank balance of deposits	<u>\$ 53,668,663</u>

NOTE 4. RECEIVABLES

		Titl	e I		Debt			G	Other overnmental	
	 General	IAS	SA	_	Service	-	HB 33		Funds	 Total
Property taxes Intergovernmental	\$ 95,017	\$	-	\$	1,095,218	\$	694,738	\$	477,853	\$ 2,362,826
grants	-	3,16	1,176		-		-		4,311,682	7,472,858
Other	 2,781		-		_		-		723	3,504
Total	\$ 97,798	\$ 3,16	1,176	\$	1,095,218	\$	694,738	\$	4,771,782	\$ 9,839,188

The above receivables are deemed 100% collectible. In accordance with GASB 43, property tax receivables are presented gross of unearned revenues on the governmental fund financial statements. Unspent revenue related to property taxes totaled \$1,782,851. Other receivables in the amount of \$3,504 are made up of interest income.

NOTE 5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

"Interfund balances" have primarily been recorded when funds overdraw their share of pooled cash when the District is waiting for grant reimbursements. Interfund balances as of June 30, 2015 consist of the following:

Governmental Activities:	Interfund <u>Receivables</u>	Interfund <u>Payables</u>
Major Funds:		
General Fund	\$ 7,472,858	\$ -
Title I IASA Fund	-	3,161,176
Non Major Funds:		
Special Revenue Funds		4,311,682
Total Governmental Activities	<u>\$ 7,472,858</u>	<u>\$7,472,858</u>

NOTE 5. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

Operating transfers have primarily been recorded when expenditures were not moved from one fund to another and reimbursement was received for those expenditures. Transfers as of June 30, 2015 consist of the following:

	<u>Transfer In</u>	<u>Transfer Out</u>		
Governmental Activities Major Funds: General Fund 11000	\$ -	\$ 107,551		
Transfers Out - NM PED Department: Governmental Activities:				
Nonmajor Funds: Special Revenue Funds	<u> 107,575</u>	24		
Total Governmental Activities	<u>\$ 107,575</u>	<u>\$ 107,575</u>		

NOTE 6. CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2015, including those changes pursuant to the implementation of GASB Statement No. 34, follows. Land is not subject to depreciation.

	Balance June 30, 2014	4 Additions	Deletions	Adjustment/ Transfers	Balance <u>June 30, 2015</u>
Capital assets not being depreciated:	•				
Construction in progress			\$ -	\$ (4,752,264)	
Land	6,162,184	<u>637,301</u>	-	(479)	<u>6,799,006</u>
Total capital assets not being depreciated:	15,774,073	16,318,835		(4,752,743)	27,340,165
Capital assets used in governmental activities:					
Land improvements	24,805,863	-	(9,102)	1,477,343	26,274,104
Buildings and building					
improvements	427,472,390	5,500,000	(83,628)	3,230,038	436,118,800
Equipment & vehicles	<u>27,038,909</u>	<u>1,029,188</u>	(2,572,300)		<u>25,495,797</u>
Total capital assets, being					
depreciated:	479,317,162	6,529,188	(2,665,030)	4,707,381	487,888,701
Less Accumulated Depreciation	of				
Land and land improvements	7,515,040	1,248,264	(9,102)	-	8,754,202
Buildings and building					
improvements	102,770,300	12,078,604	(82,384)	-	114,766,520
Equipment & vehicles	21,493,679	1,326,872	(2,537,620)	_	20,282,931
Total accumulated depreciation	131,779,019	<u>14,653,740</u>	(2,629,106)		<u>143,803,653</u>
Governmental activities					
capital assets, net:	<u>\$363,312,216</u>	<u>\$ 8,194,283</u>	\$ (35,924)	<u>\$ (45,362)</u>	<u>\$371,425,213</u>

NOTE 6. CAPITAL ASSETS (CONTINUED)

Depreciation expense for the year ended June 30, 2015 was charged to governmental activities as follows:

Instruction	\$	75,589
Support Services – Students		2,491
Support Services – Instruction		10,431
Support Services – General Administration		2,586
Support Services – School Administration		3,047
Central Services		8,582
Operations & Maintenance of Plant		9,395
Food Services		103,810
Capital Outlay	13	3,964,150
Unallocated		473,659
	<u>\$1</u> 4	4,653,740

NOTE 7. LONG TERM DEBT

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

	Balance <u>June 30, 2014</u>	Ac	lditions	_	Deletions	Balance June 30, 2015	Due Within One Year
Bonds Payable	\$ 101,515,000	\$	25,130,000	\$	(20,225,000)	\$ 106,420,000	\$ 10,475,000
Capital Lease	32,207,066		5,500,000		(996,759)	36,710,307	1,448,591
Compensated Absence	es <u>1,239,858</u>		939,318		(970,131)	1,209,045	870,512
Total	\$ 134,961,924	\$	21,439,318	\$	(12,241,890)	\$ 144,339,352	\$ 12,794,103

The District's general obligation bonds were issued for the purposes of creating, remodeling, making additions to and furnishing school buildings, and purchasing and improving school grounds and are payable solely from general property taxes that are levied against all taxable property in the District. The bonds are payable out of the Debt Service Fund (Fund 41000). Interest payments are due semi-annually on August 1 and February 1. Interest rates on the bonds range from 2% to 5.25%. Principal payments in varying amounts are due annually on August 1 through 2030.

NOTE 7. LONG TERM DEBT (CONTINUED)

The annual requirements to amortize the General Obligation Bonds and Bond Anticipation Notes as of June 30, 2015, including interest payments are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt <u>Service</u>
2016	\$ 10,475,000	\$ 3,576,676	\$ 14,051,676
2017	7,820,000	3,297,050	11,117,050
2018	7,730,000	3,091,925	10,821,925
2019	7,400,000	2,881,000	10,281,000
2020	7,220,000	2,657,425	9,877,425
2021-2025	32,325,000	9,554,164	41,879,164
2026-2030	31,250,000	2,967,875	34,217,875
2031-2035	2,200,000	33,000	2,233,000
Totals	<u>\$106,420,000</u>	<u>\$ 28,059,115</u>	<u>\$134,479,115</u>

In prior years, the general fund was typically used to liquidate long-term liabilities other than debt.

Capital Lease – The District entered into a capital lease for the Early College High School (ECHS) I, Early College High School II and Court Youth Center (CYC), LLC to acquire facilities for a charter school on August 1, 2010, April 1, 2013 and August 20, 2014 respectively. The total of the transaction (principal) is \$18,000,000 for ECHS I, \$15,500,000 for ECHS II and \$5,500,000 for CYC. Amortization of the leased buildings included \$1,927,083 in the current year and is included with depreciation expense. The remaining balance on ECHS I, ECHS II and CYC will be paid with equal semi-annual payments of \$730,676, \$567,827 and \$205,748 beginning on August 1, 2012, May 1, 2015 and March 1, 2016, respectively. The District has a bargain purchase option to purchase all three buildings for \$1.00 at the end of the lease. The total remaining capital lease obligation is \$36,710,307 of which \$1,448,591 is considered current. The following represents future minimum lease payments as of June 30, 2015:

NOTE 7. LONG TERM DEBT (CONTINUED)

<u>Principal</u>	<u> </u>	Total
↑ 4.40 = 00	h 4 4 5 5 0 4 6	.
\$ 1,448,590	\$ 1,455,916	\$ 2,904,506
1,609,226	1,399,278	3,008,504
1,675,063	1,333,441	3,008,504
1,743,651	1,264,853	3,008,504
1,815,107	1,193,396	3,008,503
10,256,637	4,785,880	15,042,517
12,550,276	2,492,241	15,042,517
<u>5,611,757</u>	<u>377,613</u>	5,989,370
\$ 36,710,307	<u>\$ 14,302,618</u>	<u>\$ 51,012,925</u>
	1,675,063 1,743,651 1,815,107 10,256,637 12,550,276 5,611,757	\$ 1,448,590 \$ 1,455,916 1,609,226 1,399,278 1,675,063 1,333,441 1,743,651 1,264,853 1,815,107 1,193,396 10,256,637 4,785,880 12,550,276 2,492,241 5,611,757 377,613

<u>Compensated Absences</u> – Administrative employees of the District are able to accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2015, compensated absences decreased \$30,813 over the prior year accrual.

<u>Operating Leases</u> – The District leases office equipment and storage units under short-term cancelable operating leases. Rental cost for the year ended June 30, 2015 was \$3,047,222.

NOTE 8. RISK MANAGEMENT

The District is a member of the New Mexico Public Schools Insurance Authority (NMPSIA). The Authority was created to provide comprehensive core insurance programs by expanding the pool of subscribers to maximize cost containment opportunities for required insurance coverage. The District pays an annual premium to the NMPSIA based on claim experience and the status of the pool. The Risk Management Program includes Workers Compensation, General and Automobile Liability, Automobile Physical Damage, and Property and Crime coverage. Also included under the risk management program are Boiler, Machinery and Student Accident Insurance.

NOTE 8. RISK MANAGEMENT (CONTINUED)

The NMPSIA provides coverage for up to a maximum of \$500,000,000 for each property damage claim with a \$750 deductible to each building. General liability coverage is afforded to all employees, volunteers and school board members and the limit is subject to the NMSA Tort Claims Act on a per occurrence basis. The automobile and property liability limit is subject to the provisions of the Tort Claims Act. The crime limit is \$250,000 per occurrence for Faithful Performance. A limit of \$250,000 applies to Depositor's Forgery, Credit Card Forgery and Money Orders. A limit of \$100,000 applies to Money and Security, which includes a \$750 deductible.

In case the NMPSIA's assets are not sufficient to meet its liability claims, the agreement provides that subscribers, including the District, cannot be assessed additional premiums to cover the shortfall. As of June 30, 2015, there have been no claims that have exceeded insurance coverage.

NOTE 9. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Generally accepted accounting principles require disclosures as part of the Combined Statements of certain information concerning individual funds including:

A. Deficit fund balance of individual funds. The following funds reported a deficit fund balance at June 30, 2015:

Major Funds:

None

Nonmajor Funds:

None

B. Excess of expenditures over appropriations. The following funds exceeded approved budgetary authority for the year ended June 30, 2015:

Major Funds:

None

Nonmajor Funds:

Fund 27166- Kindergarten Three Plus

\$5.818

NOTE 10. PENSION PLAN - EDUCATIONAL RETIREMENT BOARD

Plan description. ERB was created by the state's Educational Retirement Act, Section 22-11-1 through 22-11-52, NMSA 1978, as amended, to administer the New Mexico Educational Employees' Retirement Plan (Plan). The Plan is a cost-sharing, multiple employer plan established to provide retirement and disability benefits for certified teachers and other employees of the state's public schools, institutions of higher learning, and agencies providing educational programs. The Plan is a pension trust fund of the State of New Mexico. The New Mexico legislature has the authority to set or amend contribution rates.

ERB issues a publicly available financial report and a comprehensive annual financial report that can be obtained at www.nmerb.org.

Benefits provided. A member's retirement benefit is determined by a formula which includes three component parts: the member's final average salary (FAS), the number of years of service credit, and a 0.0235 multiplier. The FAS is the average of the member's salaries for the last five years of service or any other consecutive five-year period, whichever is greater. A brief summary of Plan coverage provisions follows:

For members employed before July 1, 2010, a member is eligible to retire when one of the following events occurs: the member's age and earned service credit add up to the sum or 75 or more; the member is at least sixty-five years of age and has five or more years of earned service credit; or the member has service credit totaling 25 years or more.

Chapter 288, Laws of 2009 changed the eligibility requirements for new members first employed on or after July 1, 2010. The eligibility for a member who either becomes a new member on or after July 1, 2010, or at any time prior to that date refunded all member contributions and then became, or becomes, reemployed after that date is as follows: the member's age and earned service credit add up to the sum of 80 or more; the member is at least sixty-seven years of age and has five or more years of earned service credit; or the member has service credit totaling 30 years or more.

The benefit is paid as a monthly life annuity with a guarantee that, if the payments made do not exceed the member's accumulated contributions plus accumulated interest, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary. There are three benefit options available: single life annuity; single life annuity monthly benefit reduced to provide for a 100% survivor's benefit; or single life annuity monthly benefit is reduced to provide for a 50% survivor's benefit.

NOTE 10. PENSION PLAN - EDUCATIONAL RETIREMENT BOARD (CONTINUED)

Retired members and surviving beneficiaries receiving benefits receive an automatic cost of living adjustment (COLA) to their benefit each July 1, beginning in the year the member attains or would have attained age 65 or on July 1 of the year following the member's retirement date, whichever is later. Prior to June 30, 2013 the COLA adjustment was equal to one-half the change in the Consumer Price Index (CPI), except that the COLA shall not exceed 4% nor be less than 2%, unless the change in CPI is less than 2%, in which case, the COLA would equal the change in the CPI, but never less than zero. As of July 1, 2013, for current and future retirees the COLA was immediately reduced until the plan is 100% funded. The COLA reduction was based on the median retirement benefit of all retirees excluding disability retirements. Retirees with benefits at or below the median and with 25 or more years of service credit will have a 10% COLA reduction; their average COLA will be 1.8%. All other retirees will have a 20% COLA reduction; their average COLA will be 1.6%. Once the funding is greater than 90%, the COLA reductions will decrease. The retirees with benefits at or below the median and with 25 or more years of service credit will have a 5% COLA reduction; their average COLA will be 1.9%. All other retirees will have a 10% COLA reduction; their average will be 1.8%. Members on disability retirement are entitled to a COLA commencing on July 1 of the third full year following disability retirement. A member on regular retirement who can prove retirement because of a disability may qualify for a COLA beginning July 1 in the third full year of retirement.

A member is eligible for a disability benefit provided (a) he or she has credit for at least 10 years of service, and (b) the disability is approved by ERB. The monthly benefit is equal to 2% of FAS times years of service, but not less than the smaller of (a) one-third of FAS or (b) 2% of FAS times year of service projected to age 60. The disability benefit commences immediately upon the member's retirement. Disability benefits are payable as a monthly life annuity, with a guarantee that, if the payments made do not exceed the member's accumulated contributions, determined as of the date of retirement, the balance will be paid in a lump sum to the member's surviving beneficiary. If the disabled member survives to age 60, the regular optional forms of payment are then applied. A member with five or more years of earned service credit on deferred status may retire on disability retirement when eligible under the Rule of 75 or when the member attains age 65.

Contributions. The contribution requirements of defined benefit plan members and the District are established in state statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. For the fiscal year ended June 30, 2014 employers contributed 13.15% of employees' gross annual salary to the Plan. Employees earning \$20,000 or less contributed 7.90% and employees earning more than \$20,000 contributed 10.10% of their gross annual

NOTE 10. PENSION PLAN - EDUCATIONAL RETIREMENT BOARD (CONTINUED)

salary. For fiscal year ended June 30, 2015 employers contributed 13.90%, and employees earning \$20,000 or less continued to contribute 7.90% and employees earning more than \$20,000 contributed an increased amount of 10.70% of their gross annual salary. Contributions to the pension plan from the District were \$18,673,497 for the year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The total ERB pension liability, net pension liability, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2013. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2014. At June 30, 2015, the district reported a liability of \$267,644,295 for its proportionate share of the net pension liability. The District's proportion of the net pension liability is based on the employer contributing entity's percentage of total employer contributions for the fiscal year ended June 30, 2014. The contribution amounts were defined by Section 22-11-21, NMSA 1978. At June 30, 2014, the District's proportion was 4.69081% percent, which was an increase of 0.02958% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$19,007,737. As of June 30, 2015, the District reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

of es
9
-
22
-
-
91

NOTE 10. PENSION PLAN - EDUCATIONAL RETIREMENT BOARD (CONTINUED)

\$18,673,497 reported as deferred outflows of resources related to pensions resulting from the District contributions subsequent to the measurement date June 30, 2014 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30: 2016	\$6,988,367
2017	6,988,367
2018	6,879,667
2019	6,082,529
Thereafter	
Total	\$26,938,930

Actuarial assumptions. As described above, the total ERB pension liability and net pension liability are based on an actuarial valuation performed as of June 30, 2013. The total ERB pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2014. Specifically, the liabilities measured as of June 30, 2014 incorporate the following assumptions:

NOTE 10. PENSION PLAN - EDUCATIONAL RETIREMENT BOARD (CONTINUED)

- 1. All members with an annual salary of more than \$20,000 will contribute 10.10% during the fiscal year ending June 30, 2014 and 10.7% thereafter.
- 2. Members hired after June 30, 2013 will have an actuarially reduced retirement benefit if they retire before age 55 and their COLA will be deferred until age 67.
- 3. COLAs for most retirees are reduced until ERB attains a 100% funded status.
- 4. These assumptions were adopted by ERB on April 26, 2013 in conjunction with the six-year experience study period ending June 30, 2012.

For the purposes of projecting future benefits, it is assumed that the full COLA is paid in all future years. The actuarial methods and assumptions used to determine contribution rates included in the measurement are as follows:

Actuarial Cost Method Entry Age Normal

Amortization Method Level Percentage of Payroll

Amortized - closed 30 years from June 30, 2012 to Remaining Period

June 30, 2042

Asset Valuation Method 5 year smoothed market for funding valuation (fair value

for financial valuation)

Inflation 3.00%

Salary Increases Composition: 3% inflation, plus 1.25% productivity

increase rate, plus step rate promotional increases for

members with less than 10 years of service

Rate of Investment

Return

7.75%

Retirement Age Experience based table of age and service rates

Mortality 90% of RP-2000 Combined Mortality Table with White

Collar Adjustment projected to 2014 using Scale AA (one

year setback for females)

NOTE 10. PENSION PLAN - EDUCATIONAL RETIREMENT BOARD (CONTINUED)

The long-term expected rate of return on pension plan investments is determined annually using a building-block approach that includes the following: 1) rate of return projections are the sum of current yield plus projected changes in price (valuation, defaults, etc.), 2) application of key economic projections (inflation, real growth, dividends, etc.), and 3) structural themes (supply and demand imbalances, capital flows, etc.). These items are developed for each major asset class. Best estimates of geometric real rates of return for each major asset class included in the Plan's target asset allocation for 2014 and 2013 for 30- year return assumptions are summarized in the following table:

Asset Class	2014 Long-Term Expected Real Rate of Return	2013 Long-Term Expected Real Rate of Return
Cash	1.50%	0.75%
Treasuries	2.00%	1.00%
IG Corp Credit	3.50%	3.00%
MBS	2.25%	2.50%
Core Bonds	2.53%	2.04%
TIPS	2.50%	1.50%
High Yield Bonds	4.50%	5.00%
Bank Loans	5.00%	5.00%
Global Bonds (Unhedged)	1.25%	0.75%
Global Bonds (Hedged)	1.38%	0.93%
EMD External	5.00%	4.00%
EMD Local Currency	5.75%	5.00%
Large Cap Equities	6.25%	6.75%
Small/Mid Cap	6.25%	7.00%
International Equities (Unhedged)	7.25%	7.75%
International Equities (Hedged)	7.50%	8.00%
Emerging International Equities	9.50%	9.75%
Private Equity	8.75%	9.00%
Private Debt	8.00%	8.50%
Private Real Assets	7.75%	8.00%
Real Estate	6.25%	6.00%
Commodities	5.00%	5.00%
Hedge Funds Low Vol	5.50%	4.75%
Hedge Funds Mod Vol	5.50%	6.50%

NOTE 10. PENSION PLAN - EDUCATIONAL RETIREMENT BOARD (CONTINUED)

Discount rate: A single discount rate of 7.75% was used to measure the total ERB pension liability as of June 30, 2014 and June 30, 2013. This single discount rate was based on the expected rate of return on pension plan investments of 7.75%. Based on the stated assumptions and the projection of cash flows, the Plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current pension plan members. Therefore, the long term expected rate of return on Plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The projection of cash flows used to determine this single discount rate assumed that Plan contributions will be made at the current statutory levels. Additionally, contributions received through the Alternative Retirement Plan (ARP), ERB's defined contribution plan, are included in the projection of cash flows. ARP contributions are assumed to remain at a level percentage of ERB payroll, where the percentage of payroll is based on the most recent five year contribution history.

Sensitivity of the District's proportionate share of the net pension liability to changes in the discount rate. The following table shows the sensitivity of the net pension liability to changes in the discount rate as of the fiscal year 2014. In particular, the table presents the District's net pension liability under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
The District's proportionate share of the net pension liability	\$364,161,093	\$267,644,295	\$187,026,862

Pension plan fiduciary net position. Detailed information about the ERB's fiduciary net position is available in the separately issued audited financial statements as of and for June 30, 2014 and 2013 which are publicly available at www.nmerb.org.

NOTE 11. POST – EMPLOYMENT BENEFIT – STATE RETIREE HEALTH CARE PLAN

Plan Description. Las Cruces Public School District No. 2 contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

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

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

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

NOTE 11. POST – EMPLOYMENT BENEFIT – STATE RETIREE HEALTH CARE PLAN (CONTINUED)

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

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

The Las Cruces Public School District No. 2 contributions to the RHCA for the years ended June 30, 2015, 2014 and 2013 were \$2,690,534, \$2,585,713 and \$2,526,450, respectively, which equal the required contributions for each year.

NOTE 12. CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be allowed by the grantor cannot be determined at this time, although the District expects such amount, if any, to be immaterial.

The District is involved in various claims and lawsuits arising in the normal course of business. Although the outcome of these lawsuits in not presently determinable, it is the opinion of the District's legal counsel that the resolution of these matters will not have a material adverse effect on the financial condition of the District.

NOTE 13. COMMITMENTS

The District has committed to pay several construction contractors for construction of District Facilities as of June 30, 2015. The commitments, in some instances, are projected for which costs will be shared with the New Mexico Public School Facilities Authority.

NOTE 14. JOINT POWERS AGREEMENTS (JPA) AND MEMORANDUMS OF UNDERSTANDING (MOU)

JPA-School Resource Officer Program

Participants Las Cruces Public Schools No. 2

City of Las Cruces

Responsible Party Las Cruces Public Schools No. 2 and City of Las Cruces

Description To provide a safe learning environment and improve

relationships between law enforcement officers and

today's youth

Term of Agreement August 1, 2014 to June 30, 2015

Amount of Project \$445,000

District Contributes Reimbursement of 50% of School Resource Officer costs,

not to exceed \$445,000

Audit responsibility Las Cruces Public School District No. 2

NOTE 14. JOINT POWERS AGREEMENTS (JPA) AND MEMORANDUMS OF UNDERSTANDING (MOU) (CONTINUED)

JPA-School Resource Officer Program

Participants Las Cruces Public Schools No. 2

Town of Mesilla

Responsible Party Las Cruces Public Schools No. 2 and Town of Mesilla

Description To encourage educational programs and activities that

will increase student's knowledge of and respect for the

law and the function of law enforcement

Term of Agreement August 12, 2014 to June 30, 2015

Amount of Project \$51,843

District Contributes Reimbursement of actual expenditures of School

Resource Officer costs, not to exceed \$51,843

Audit responsibility Las Cruces Public School District No. 2

NOTE 15. PRIOR PERIOD ADJUSTMENT TO NET POSITION

The District's net position as of July 1, 2014 was decreased by \$275,575,493 reflecting the cumulative retrospective effect of the adoption of GASB Statement No. 68 and was recorded as a prior period adjustment. The component unit's net position as of July 1, 2014 was decreased by \$2,561,719 reflecting the cumulative retrospective effect of the adoption of GASB Statement No. 68 and was recorded as a prior period adjustment.

NOTE 16. SUBSEQUENT EVENTS

There were no subsequent events for the year ended June 30, 2015.

NOTE 17. COMPONENT UNIT

The following is dependent charter school formed under NMSA 22-8A and as such is presented here as discrete component unit of Las Cruces Public School District No. 2:

Las Montañas Charter School

NOTE 17. COMPONENT UNIT (CONTINUED)

The charter school is presented as component unit since their operating budgets and charters are annually presented and approved by the District's board. The New Mexico State Auditor has determined that charter schools are major component units of their respective Districts. Refer to previous footnotes for significant policies of the charter schools, as they are subject to the same State and Federal regulations and follow the same policies as the District. The following are summarized details of the charter school balances and transactions as of June 30, 2015 and for the year then ended:

A. Cash and Temporary Investments

Deposits:

NM State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the Schools for a least one half of the amount on deposit with the institution. The schedule listed below will meet the State of New Mexico, Office of the State Auditor's requirements in reporting the insured portion of the deposits.

		Las
	N	<u> Iontañas</u>
Total amount of deposits	\$	568,910
FDIC Coverage		(250,000)
Total uninsured public funds	\$	318,910
Collateral requirement	\$	159,455
Pledged Securities		514,434
(Over)/Under collateralized	\$	(354,979)

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 government does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2015, Charter School's bank balance was not exposed to custodial credit risk because it was fully insured by the FDIC.

NOTE 17. COMPONENT UNIT (CONTINUED)

B. Accounts Receivable

As of June 30, 2015, accounts receivable consists of the following:

	Las	
	M	ontañas
Intergovernmental – grants	\$	
Due from Activity funds		47,791
Totals	\$	47,791

C. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2015, including those changes pursuant to the implementation of GASB Statement No. 34, follows.

	Balance			Balance
	June 30, 2014	Additions	Deletions	June 30, 2015
Furniture, fixtures & equipment	\$ 42,988	\$ -	\$ -	\$ 42,988
Vehicles	27,750	-	-	27,750
Less: Accumulated depreciation	(56,235)	(4,827)		(61,062)
Capital assets, net	\$ 14,503	\$ (4,827)	\$ -	\$ 9,676

Depreciation expense for the year ended June 30, 2015 was charged to governmental activities as follows:

Instruction	\$ 2,603
Student transportation	 2,224
	\$ 4,827

D. Commitments and Liabilities

The school leases a building and copier under short-term cancelable operating leases. Rental expense for the year ended June 30, 2015 was \$373,180. The building lease continues through June 30, 2018 and the copier lease terminates on June 30, 2017. The five year payout of operating leases is as follows: 2016: \$373,180; 2017: \$373,180 and 2017: \$359,627.

NOTE 17. COMPONENT UNIT (CONTINUED)

E. Educational Retirement Act (ERA), and Retiree Health Care (RHC) Contributions

Employer ERA contributions for the years ended June 30, 2015, 2014 and 2013 totaled \$151,717 \$147,372, and \$129,295, respectively. Employee portions totaled \$115,572, \$112,038 and \$109,819, respectively. During fiscal years 2015, 2014, and 2013, RHC remitted by the school was \$22,074, \$23,201 and \$22,192 in employer contributions and \$11,077, \$11,601 and \$12,373, respectively, in employee contributions.

F. Pension Plan - Educational Retirement Board

Contributions to the pension plan from the Charter were \$152,264 for the year ended June 30, 2015. At June 30, 2015, the Charter reported a liability of \$2,319,941 for its proportionate share of the net pension liability. At June 30, 2014, the Charter's proportion was .04066% percent, which was unchanged from its proportion measured as of June 30, 2013, due to the insignificance of the difference.

For the year ended June 30, 2015, the Charter recognized pension expense of \$120,153. As of June 30, 2015, the Charter reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	I	Deferred		Deferred
	Outflows of		Inflows of	
	R	esources	I	Resources
Differences between expected and actual				
experience	\$	-	\$	34,558
Changes of assumptions		-		-
Net difference between projected and actual				
earnings on pension plan investments		-		210,887
Changes in proportion and differences				,
between the Charter contributions and				
proportionate share of contributions		_		116,486
The Charter's contributions subsequent to the				110,100
measurement date		152,264		_
		<u> </u>		
Total	\$	152,264	\$	361,931

NOTE 17. COMPONENT UNIT (CONTINUED)

F. Pension Plan - Educational Retirement Board (continued)

\$152,264 reported as deferred outflows of resources related to pensions resulting from the Charter contributions subsequent to the measurement date June 30, 2014 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

\$ 105,170
105,170
98,876
52,724
-
\$ 361,940
\$

Sensitivity of the Charter's proportionate share of the net pension liability to changes in the discount rate. The following table shows the sensitivity of the net pension liability to changes in the discount rate as of the fiscal year 2014. In particular, the table presents the Charter's net pension liability under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
The Charter's proportionate share of the net pension liability	\$3,156,550	\$2,319,941	\$1,621,100

NOTE 17. COMPONENT UNIT (CONTINUED)

G. Other Required Individual Fund Disclosures

Generally accepted accounting principles require disclosures as part of the Combined Statements of certain information concerning individual funds, including:

- A. Excess of expenditures over appropriations.
- B. Receivables and payables from interfund transactions as of June 30, 2015, with funds which interfund transactions.
- C. Deficit fund balance of individual funds.
- A. No funds had excess of expenditures over appropriations.
- B. Receivables and payables from inter fund transactions as of June 30, 2015 are listed below. Funds which inter fund transactions were affected or created due to cash overdrafts are represented.

	Due to		Due from	
	<u>Othe</u>	<u>r Funds</u>	<u>Oth</u>	<u>er Funds</u>
General	\$	-	\$	52,748
Title I		25,687		-
IDEA B		<u> 27,061</u>		<u>-</u>
Total Due to / from other funds	<u>\$!</u>	52,748	\$	52,748

C. The following funds had a deficit fund balance at June 30, 2015.

Title I	(\$3,064)
IDEA B	(\$1,893)

NOTE 18. SUBSEQUENT PRONOUNCEMENT

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

BOOK-ENTRY-ONLY SYSTEM

The Book-Entry-Only System

Initially, DTC will be the securities depository for the Bonds. The Paying Agent/Registrar will register all Bonds in the name of Cede & Co. (DTC's partnership nominee) and provide DTC with one Bond for each maturity.

DTC provided the following information. Neither the Financial Advisor nor the District can vouch for its accuracy or completeness. For further information, please contact DTC or view its website at www.dtc.org.

DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New Mexico and New York Uniform Commercial Codes, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC was created to hold securities of its participants (the "DTC Participants") and to facilitate the clearance and settlement of securities transactions among DTC Participants in such securities through electronic book-entry changes in accounts of the DTC Participants, thereby eliminating the need for physical movement of security certificates. DTC Participants include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations, some of whom (and/or their representatives) own DTC. Access to the DTC system is also available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC Participant, either directly or indirectly (the "Indirect Participants").

Purchases of the Bonds under the book-entry system may be made only through brokers and dealers who are, or act through, DTC Participants. Each DTC Participant will receive a credit balance in the records of DTC in the amount of such DTC Participant's ownership interest in the Bonds. The ownership interest of each actual purchaser of a Bond (the "Beneficial Owner") will be recorded through the records of the DTC Participant or the Indirect Participant. Beneficial Owners are to receive a written confirmation of their purchase providing certain details of the Bonds acquired. Transfers of ownership interests in the Bonds will be accomplished only by book entries made by DTC and, in turn, by DTC Participants or Indirect Participants who act on behalf of the Beneficial Owners. Beneficial Owners of the Bonds will not receive nor have the right to receive physical delivery of the Bonds, and will not be or be considered to be registered owners under the Bond Resolution except as specifically provided in the Bond Resolution in the event the book-entry system is discontinued.

SO LONG AS CEDE & CO., AS NOMINEE OF DTC, IS THE REGISTERED OWNER OF THE BONDS, REFERENCES IN THIS OFFICIAL STATEMENT TO THE REGISTERED OWNERS OF THE BONDS WILL MEAN CEDE & CO. AND WILL NOT MEAN THE BENEFICIAL OWNERS.

The District and the Registrar may treat DTC (or its nominee) as the sole and exclusive owner of the Bonds registered in its name for the purpose of payment of the principal of or interest or premium, if any, on the Bonds, selecting Bonds and portions thereof to be redeemed, giving any notice permitted or required to be given to registered owners under the Bond Resolution, register the transfer of Bonds, obtaining any consent or other action to be taken by registered owners and for all other purposes whatsoever, and will not be affected by any notice to the contrary. The District and the Registrar will not have any responsibility or obligation to any DTC Participant, any person claiming a beneficial ownership interest in the Bonds under or through DTC or any DTC Participant, Indirect Participant or other person not shown on the records of the Registrar as being a registered owner with respect to: the accuracy of any records maintained by DTC, any DTC Participant or Indirect Participant regarding ownership interests in the Bonds; the payment by DTC, any DTC Participant or Indirect Participant or any amount in respect of the principal of or interest or premium, if any, on the Bonds; the delivery to any DTC Participant, Indirect Participant or any Beneficial Owner of any notice that is permitted or required to be given to registered owners under the Bond Resolution; or any consent given or other action taken by DTC as a registered owner.

Neither DTC nor its nominee, Cede & Co., provides consents with respect to any security. Under its usual procedures, DTC mails an omnibus proxy to the issuer of the securities for which it is acting as securities depository as soon as possible after the establishment of a "record date" by the issuer for purposes of soliciting consents from the holders of such securities. The omnibus proxy assigns Cede & Co.'s voting rights to those DTC Participants having such securities credited to their accounts on such record date.

Principal of and interest on the Bonds will be paid to DTC or its nominee, Cede & Co., as registered owner of the Bonds. Disbursement of such payments to the DTC Participants is the responsibility of DTC and disbursement of such payments to the Beneficial Owners of the Bonds is the responsibility of the DTC Participants or the Indirect Participants. Upon receipt of any such payments, DTC's current practice is to immediately credit the accounts of the DTC Participants in accordance with their respective holdings shown on the records of DTC. Payments by DTC Participants and Indirect Participants to Beneficial Owners of the Bonds will be governed by standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such DTC Participant or Indirect Participant and not of DTC, the Registrar or the District, subject to any statutory and regulatory requirements then in effect.

As long as the DTC book-entry system is used for the Bonds, the Registrar will give any notice required to be given to registered owners of Bonds only to DTC or its nominee. Any failure of DTC to advise any DTC Participant, of any DTC Participant to notify any Indirect Participant, or of any DTC Participant or Indirect Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity of any action premised on such notice. Conveyance of notices and other communications by DTC to DTC Participants, by DTC Participants to Indirect Participants and by DTC Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory and regulatory requirements as may be in effect from

time to time. Beneficial Owners may desire to make arrangements with a DTC Participant or Indirect Participant so that all communications to DTC that affect such Beneficial Owners will be forwarded in writing by such DTC Participant or Indirect Participant.

NEITHER THE DISTRICT NOR THE REGISTRAR WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DTC PARTICIPANTS, OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES, WITH RESPECT TO THE PAYMENTS TO OR THE PROVIDING OF NOTICE FOR THE DTC PARTICIPANTS, THE INDIRECT PARTICIPANTS OR THE BENEFICIAL OWNERS OF THE BONDS.

For every transfer and exchange of a beneficial ownership interest in the Bonds, a Beneficial Owner may be charged a sum sufficient to cover any tax, fee or other governmental charge that may be imposed in relation thereto.

DTC may determine to discontinue providing its service with respect to the Bonds at any time by giving reasonable notice to the District or the Registrar at any time. In addition, if the District determines that (i) DTC is unable to discharge its responsibilities with respect to the Bonds or (ii) continuation of the system of book-entry only transfers through DTC is not in the best interests of the Beneficial Owners of the Bonds or of the District, the District may thereupon terminate the services of DTC with respect to the Bonds. If for any such reason the system of book-entry transfers through DTC is discontinued, the District may within 90 days thereafter appoint a substitute securities depository that, in its opinion, is willing and able to undertake the functions of DTC upon reasonable and customary terms. If a successor is not approved, Bond certificates will be delivered as described in the Bond Resolution in fully registered form in denominations of \$5,000 or any integral multiple thereof in the names of the Beneficial Owners, Indirect Participants or DTC Participants.

In the event the book-entry system is discontinued, the persons to whom Bond certificates are registered will be treated as registered owners for all purposes of the Bond Resolution, including the giving to the District or the Registrar of any notice, consent, request or demand pursuant to the Bond Resolution for any purpose whatsoever. In such event, the Bonds will be transferred to such registered owners, interest on the Bonds will be payable by check of the Paying Agent, as paying agent, mailed to such registered owners, and the principal and redemption price of all Bonds will be payable at the principal corporate trust office of the Paying Agent.

The foregoing material concerning DTC and DTC's book-entry system is based on information furnished by DTC. No representation is made by the District or the Underwriter as to the accuracy or completeness of such information.

Limited Book-Entry Responsibilities

While a book-entry-only system is used for the Bonds, the Paying Agent/Registrar will send redemption and other notices only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any Beneficial Owner, of any notice and its content or effect will not affect the validity of sufficiency of the proceedings relating to the Bond redemption or any other action based on the notice.

The District and the Financial Advisor have no responsibility or liability for any aspects of the records relating to or payments made on account of beneficial ownership, or for maintaining, supervising or reviewing any records relating to beneficial ownership of interests in the Bonds.

The District and the Financial Advisor cannot and do not give any assurances that DTC will distribute payments to DTC Participants or that DTC Participants or others will distribute payments with respect to the Bonds received by DTC or its nominees as the holder or any redemption notices or other notices to the beneficial holders, or that they will do so on a timely basis, or that DTC will serve and act in the manner described in this Official Statement.

FORMS OF CO-BOND COUNSEL OPINIONS



JOHN F. MCCARTHY, JR.
M. KAREN KILGORE
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PATRICIA SALAZAR IVES
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> OF COUNSEL: JOHN F. KENNEDY

REPLY TO SANTA FE OFFICE

October 19, 2016

An opinion in substantially the following form will be delivered by Cuddy & McCarthy, LLP, Bond Counsel, upon delivery of the Bonds, assuming no material changes in facts or law.

\$18,055,000 Las Cruces School District No. 2 GENERAL OBLIGATION SCHOOL BONDS SERIES 2016C

We have acted as Bond Counsel in connection with the issuance by the Las Cruces School District No. 2, County of Doña Ana, State of New Mexico ("Issuer"), of its General Obligation School Bonds, Series 2016C ("Bonds") in the aggregate principal amount of \$18,055,000. In addition to examining those portions of the Constitution and laws of the State of New Mexico considered by us to be relevant to this opinion, we have reviewed certified copies of the proceedings of the Issuer and documents authorizing the release of the Bonds, including the form of Bond approved by the Issuer. We have acted as Bond Counsel for the Issuer for the sole purpose of rendering an opinion with respect to the validity of the Bonds under the Constitution and laws of the State of New Mexico, as to which an opinion is rendered herein, and for no other reason or purpose.

We have not been engaged nor have we undertaken to review the accuracy, completeness, or sufficiency of any offering material relating to the Bonds, and we express no opinion relating thereto. We have not been requested to investigate or verify, nor have we independently investigated or verified any records, data, or other material relating to the financial condition or capabilities of the Issuer, and we have not assumed and do not assume any responsibility with respect thereto.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that under existing law:



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- 1. The Bonds have been authorized, issued, and delivered in accordance with the Constitution and laws of the State of New Mexico, and constitute valid and legally binding general obligations of the Issuer.
- 2. All taxable property within the territory of the Issuer is subject to ad valorem taxation without limitation as to rate or amount to pay the Bonds. The Issuer is required by law to include in its annual tax levy the principal and interest coming due on the Bonds, to the extent the necessary funds are not provided from other sources.
- 3. The interest on the Bonds is excluded from net income for New Mexico State income tax purposes.
- 4. We express no opinion as to any federal tax consequences resulting from the ownership, carrying, or disposition of the Bonds, and in particular, no opinion is expressed as to the excludability of interest on the Bonds from the gross income of the holders, for federal tax purposes.

Except as stated above, we express no opinion as to any other federal, state, or local tax consequences of acquiring, carrying, owning, or disposing of the Bonds. Further, we express no opinion as to the federal, state, or local tax consequences arising from the enactment of any pending or future legislation.

We note that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium, and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable, and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result.

Very truly yours,

LAW OFFICES

MCCALL, PARKHURST & HORTON L.L.P.

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> [An opinion in substantially the following form will be delivered by McCall, Parkhurst & Horton L.L.P., Co-Bond Counsel, upon the delivery of the Bonds, assuming no material changes in facts or law.]

\$18,055,000 LAS CRUCES SCHOOL DISTRICT NO. 2 GENERAL OBLIGATION SCHOOL BONDS **SERIES 2016C**

We have acted as Co-Bond Counsel in connection with the issuance by the Las Cruces School District No. 2 (the "Issuer"), of its General Obligation School Bonds, Series 2016C in the aggregate principal amount of \$18,055,000 (the "Bonds"). We have examined those portions of the Constitution and laws of the State of New Mexico considered by us relevant to this opinion, certified copies of the proceedings of the Issuer and other documents authorizing and relating to the issuance of the Bonds, including the form of the Bonds approved by the Issuer. We have acted as Co-Bond Counsel for the Issuer for the sole purpose of rendering an opinion with respect to the validity of the Bonds under the Constitution and laws of the State of New Mexico and with respect to the application to the Bonds of those provisions of the Internal Revenue Code of 1986, as amended (the "Code"), as to which an opinion is rendered herein and for no other reason or purpose.

We have not been engaged nor have we undertaken to review the accuracy, completeness or sufficiency of the Official Statement provided to us or other offering material relating to the Bonds (except to the extent, if any, stated in the Official Statement) and we express no opinion relating thereto (excepting only the matters set forth as our opinion in the Official Statement), nor have we been requested to investigate or verify, nor have we independently investigated or verified any records, data or other material relating to the financial condition or capabilities of the Issuer and have not assumed any responsibility with respect thereto.

As to questions of fact material to our opinion, we have relied upon the certified proceedings and other certifications of public officials furnished us without undertaking to verify the same by independent investigation.

Based upon the foregoing, we are of the opinion that, under existing law:

The Bonds have been authorized, issued and delivered in accordance with the Constitution and laws of the State of New Mexico and constitute valid and legally binding general obligations of the Issuer.

- 2. All taxable property within the territory of the Issuer is subject to ad valorem taxation without limitation as to rate or amount to pay the Bonds. The Issuer is required by law to include in its annual tax levy the principal and interest coming due on the Bonds to the extent the necessary funds are not provided from other sources.
- 3. Except as discussed below, the interest on the Bonds is excludable from the gross income of the owners for federal income tax purposes under the statutes, regulations, published rulings and court decisions existing on the date of this opinion. We further are of the opinion that the Bonds are not "specified private activity bonds" and that accordingly, interest on the Bonds will not be included as an individual or corporate alternative minimum tax preference item under Section 57(a)(5) of the Code. In expressing the aforementioned opinions, we have relied on, and assume compliance by the Issuer with, certain representations and covenants regarding the use and investment of the proceeds of the Bonds. We call your attention to the fact that failure by the Issuer to comply with such representations and covenants may cause the interest on the Bonds to become includable in gross income retroactively to the date of issuance of the Bonds.

Except as stated above, we express no opinion as to any other federal, state or local tax consequences of acquiring, carrying, owning or disposing of the Bonds. In particular, but not by way of limitation, we express no opinion with respect to the federal, state or local tax consequences arising from the enactment of any pending or future legislation.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Moreover, our opinions are not a guarantee of result and are not binding on the Internal Revenue Service (the "Service"); rather, such opinions represent our legal judgment based upon our review of existing law and in reliance upon the representations and covenants referenced above that we deem relevant to such opinions. The Service has an ongoing audit program to determine compliance with rules that relate to whether interest on state or local obligations is includable in gross income for federal income tax purposes. No assurance can be given whether or not the Service will commence an audit of the Bonds. If an audit is commenced, in accordance with its current published procedures the Service is likely to treat the Issuer as the taxpayer. We observe that the Issuer has covenanted not to take any action, or omit to take any action within its control, that if taken or omitted, respectively, may result in the treatment of interest on the Bonds as includable in gross income for federal income tax purposes.

We call your attention to the fact that the interest on tax-exempt obligations, such as the Bonds, is included in a corporation's alternative minimum taxable income for purposes of determining the alternative minimum tax imposed on corporations by section 55 of the Code.

4. The interest on the Bonds is excluded from net income for New Mexico state income tax purposes.

It is to be understood that the rights of the holders of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted to the extent constitutionally applicable and that their enforcement may also be subject to the exercise of judicial discretion in appropriate cases.

The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of a result.

Respectfully,